MEASURING NATIONAL ECONOMIC WELL-BEING: REEVALUATING THE "MISERY INDEX"

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ABSTRACT

The degree of national economic well-being with the associated macroeconomic outcomes is of considerable concern to policymakers. Hanke's Annual Misery Index (HMI) which is the sum of inflation rates, interest rate, GDP growth rate, and unemployment was explained and analyzed to provide a single statistic to measure the level of national economic well-being. In this paper, I offer a comprehensive approach to investigate the order of importance of macroeconomic performances for national economic well-being by analyzing HMI. This paper provides a framework for understanding the Misery Index around the world as the relative representation of national welfare.

Keywords: *Misery Index, national economic wellbeing, macroeconomic variables, economic policy.*

1. INTRODUCTION

What makes people happy or miserable is still a question of intensive research in happiness economic literature. However, numerous studies have shown that money is clearly a factor, at least to a narrow extent. There is a strong correlation between macroeconomic outcomes and national well-being. Gardner and Oswald (2001) show that when 9000 people were surveyed and received fortunes by receiving an inheritance or winning lottery jackpot, they showed greater mental well-being in the following year.

Similarly, Headey, Muffels and Wooden (2004) find that movement in the households' finances had substantial effects on the level of life satisfaction in all countries by investigating the household economic panel data of five countries. Kahneman, Killingsworth and Mellers (2023) observed that there is a linear relation between income and happiness.

Lovell and Tien (2000) suggest the level of economic discomfort is negatively related to consumer sentiment. Nunley, Stern, Seals and Zietz (2016) find a positive statistical link between inflation and property crime rates. Similarly, Yang and Lester (1995) suggest that the level of economic misery is even associated with the suicide rate. The degree of national well-being is of considerable interest to policymakers as the level of economic discomfort misery was measured and employed by politicians and policymakers to gauge public opinion of current economic well-being.

A favorable or undesirable state of national well-being is typically considered to have a significant impact on the likelihood of electoral success. Many papers addressed the association between macroeconomic outcomes and the approval rate of U.S. presidents or vote they obtain. Mueller (1973), Kenski (1980), Fair (1988), and Rogoff and Sibert (1988), among others, are noteworthy.

The impact of macroeconomic policies on poverty measurement and alleviation has also been a topic of growing interest to policy makers in many developing countries. Some authors have insisted on the use of poverty as the measurement of the level of people's economic and social misery. However, Sen (1976) conceptualized the poverty measurement problem as involving two steps: (1) the identification of the poor, and (2) collection of the characteristics of the poor into an overall indicator. Kanbur (1987) insisted that a concept of poverty itself is a multidimensional issue and many papers either addressed the poverty