

# THE ECONOMIC TIMES

## National well being: Here's how states fare on the misery index

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Never mind what surveys might say about Indians being among the happiest people on earth.

A country that's home to a third of the world's poor must, almost by definition, have quite a large number of people who are pretty miserable; at least in terms of economic well-being.

This is where the Misery Index, a measure devised by economist Arthur Okun as the sum of the rates of unemployment and inflation, might prove useful.

Admittedly a crude approximation of well-being, the index is based on the assumption that a high rate of unemployment and inflation are the most proximate causes of human unhappiness. Hence the term Misery Index.

The index, as constructed by Okun, serves as a reasonable approximation in the developed world. But extending it to developing countries like India is likely to miss other dimensions that have a major impact on well-being. So, based on the latest (68th) round of NSSO data, we constructed a Modified Misery Index (MMI) for the states, taking into account dimensions such as access to healthcare, percentage of the population below the poverty line and food inflation, rather than the overall inflation rate.

The results, while broadly on expected lines, test a few long-accepted beliefs. A ranking of states on the basis of the MMI shows Uttar Pradesh was on top in the misery index in 2004-05.

However, it was overtaken by Jharkhand in 2011-12, mainly on account of a moderation in food inflation. Tamil Nadu, the least "miserable" state in 2004-05, ceded place to Andhra Pradesh in 2011-12.

Which are the states that made the greatest strides in reducing misery? Surprise, surprise! Odisha heads the list, moving six places up in the league tables, followed by Punjab and Andhra Pradesh that moved up five places each. Odisha's dramatic improvement could be attributed to the fall in the unemployment rate from 7.3% in 2004-05 to 3% in 2011-12, even as the poverty ratio fell from 57.2% to 32.6%.

The worst-performing states over the same period are Madhya Pradesh, Chhattisgarh and Delhi. While Madhya Pradesh showed a sharp increase in the MMI, moving "up" from 17th position in 2004-05 to 10th position in 2011-12, Chhattisgarh and Delhi also fare poorly, with Chhattisgarh slipping five places and Delhi, four.

While the increase in Chhattisgarh's MMI can be attributed to its high poverty rate, rise in unemployment and high food inflation, despite the success of its much-touted PDS, high food inflation was responsible for the increase in Delhi's MMI.

A word on the methodology:

The four indicators of misery used in the Modified Misery Index (MMI) - unemployment rate, food inflation, poverty rate and lack of access to health services - were transformed into unit-free indices by normalising them using "distance from best and worst performers" method, as in the original HDI.