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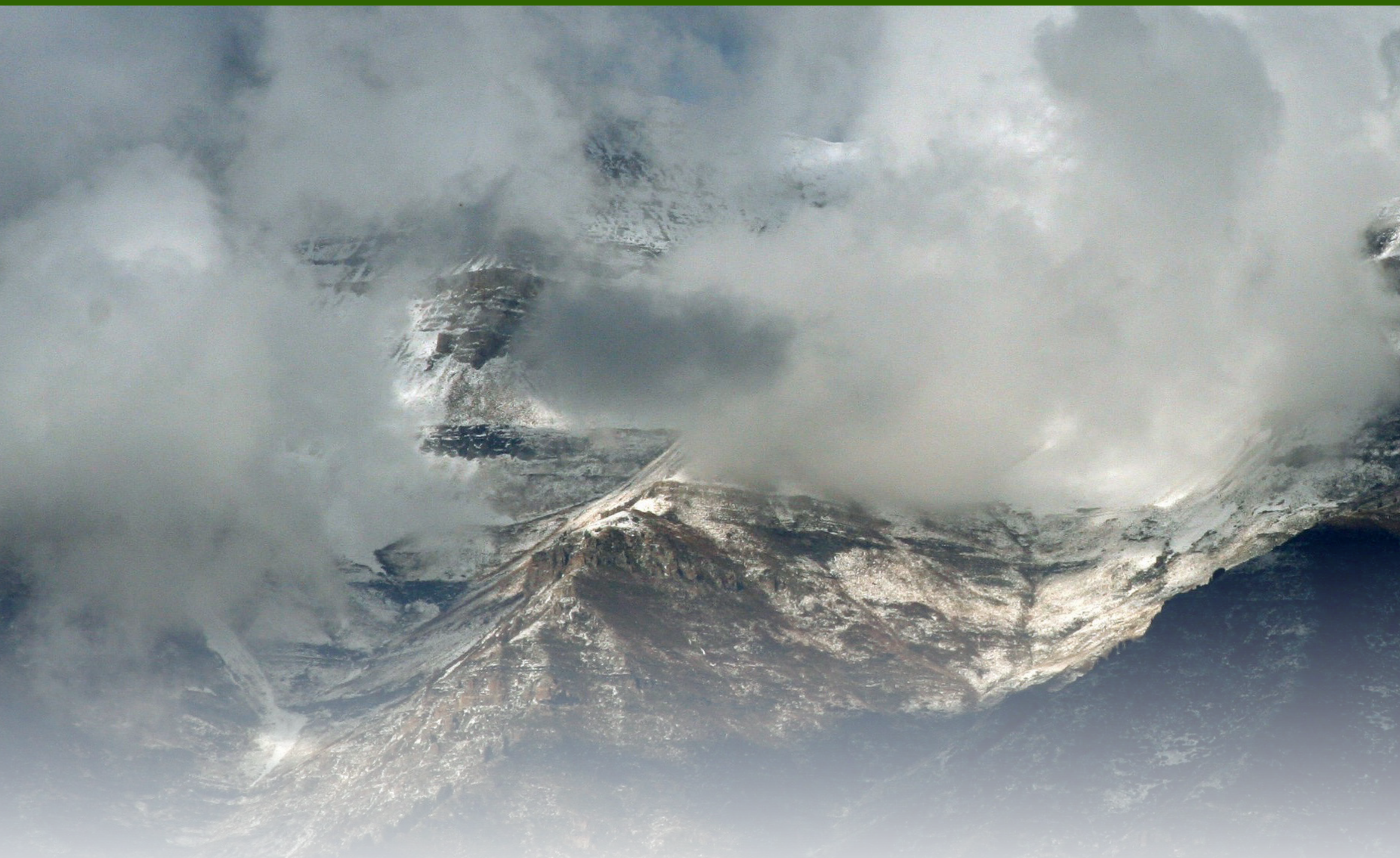

The 2022 Utah Misery Index

A Glimpse into the Fiscal Measures of Happiness

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WellQuest Living

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Research Report 808

About the Utah Foundation
The Utah Foundation's mission is to produce objective, thorough and well-reasoned research and analysis that promotes the effective use of public resources, a thriving economy, a well-prepared workforce and a high quality of life for Utahns. The Utah Foundation seeks to help decision-makers and citizens understand and address complex issues. The Utah Foundation also offers constructive guidance to improve governmental policies, programs and structures.

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INTRODUCTION

The Utah Foundation has written about happiness. In fact, the Utah Foundation's Personal Quality of Life survey includes a question asking respondents if they "are happy." While many Utahns report that they are content, the 2022 Quality of Life project shows that financial concerns are drawing down Utahns' quality of life – from their perceptions of their communities to their own personal well-being.

That takes us to misery. Since the 1970s, an index of financial "misery" has given Americans a way to compare themselves to nations around the world.[1] In this report, the Utah Foundation uses an updated measure of the misery index to compare Utah to neighboring states, the U.S. and the world. In addition, this report explores the misery index's financial metrics to provide readers with a deeper understanding of the financial concerns that affect our quality of life.

This is the third major report in the Utah Foundation's 2022 Quality of Life project.

BACKGROUND

The Utah Foundation's 2022 Community Quality of Life Index stands at 64 out of a possible 100 points, making this year the clear low mark since the beginning of the survey series in 2011. Housing affordability and other costs of living accounted for nearly two-thirds of the overall decrease in community quality of life from 2018 to 2022.

Furthermore, the Utah Foundation's 2022 Personal Quality of Life Index is down to 76 from 82 in 2018. Being "secure financially" is far and away the poorest performing measure among the personal quality of life questions. These findings suggested the need for a deeper look at the financial factors affecting Utahns.

KEY FINDINGS OF THIS REPORT

- The U.S. misery index spiked during the first pandemic year and again in 2022, but those are nowhere near previous peaks. (Page 3.)
- When comparing levels of misery as determined by Hanke's Misery Index, Utah has consistently done better than the U.S. average. (Page 4.)
- Utah fell near the U.S. average in 2022. Nonetheless, Utah seems positioned to remain a strong economic beacon in the nation and continue with a relatively low misery index. (Page 4.)
- Utah consistently fares better on the misery index than its neighboring states. (Page 4.)
- In 2021, Utah was second only to Wyoming in the Mountain States due to that state's rebounding growth. Idaho and Montana were very close behind. (Page 4.)
- Utah was one of nine states with better than zero index scores in 2021. This was due in large part to a spike in the Beehive State's gross domestic product growth. (Page 5.)
- The preliminary 2022 calculations look very different from 2021, with a jump in misery for all states. While the unemployment rate is low, the other misery index factors are concerning: inflation is high, the bank-lending rate has increased, and gross domestic product growth has slowed. (Page 6.)

The misery index focuses on economic data that are regularly updated. It is a good counterpoint to the Utah Foundation's quality-of-life surveys, which are based on subjective views. Again, this report considers only the economic dimensions of misery, not the much broader facets of happiness that may be impacted by household and greater economic forces.

METHODOLOGY

Economist Arthur Okun developed the original misery index during the 1970s – a time of high inflation and unemployment around the world. Okun's index combined these two metrics as a way of determining just how "miserable" people were. During 2022, inflation has increased to historically high rates, but unemployment remains historically low, particularly in Utah.

Steve Hanke, a professor of applied economics and founder and co-director of the Institute for Applied Economics, Global Health, and the Study of Business Enterprise at Johns Hopkins University, expanded upon Okun's misery index. Hanke adds the bank-lending rate to Okun's calculation, then subtracts gross domestic product (GDP)

OTHER FINANCIAL METRICS

In addition to the Hanke Misery Index metrics, a host of other economic indicators could be included when measuring current and projected misery. These include trade growth (such as exports and imports), bond rates (such as the government bond yield spread between the 10-year and the 2-year bonds), and debt as a share of GDP. at a personal level, other factors could include wage growth, median income, personal savings, home ownership and consumer confidence.

The Utah Foundation considered including these and other factors, including those measuring inequality – such as the Gini coefficient. The latter could be useful in that the higher the inequality, the less GDP growth would benefit a large proportion of the community. However, the range of inequality among U.S. states is relatively small when compared to inequality internationally.

Finally, please note that not all of the misery index financial factors are created equal. For instance, studies from 2001 and 2014 suggest that unemployment rates have a greater downward effect on happiness than do inflation rates. A paper published in 2001 studied surveys of 300,000 Americans and Europeans, showing that a one-percentage-point increase in unemployment had an equivalent impact on happiness as a nearly two-percentage-point increase in inflation. A study from 2014 estimated an even greater ratio.

Nonetheless, the Utah Foundation opted to focus on a standard measure – the Hanke Misery Index; while any number of indices could be developed, the Utah Foundation is sticking with one that is well known and regarded.

Sources:

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growth. This provides a fuller picture of the health of an economy. GDP provides a higher-level view of the economy than perhaps inflation and unemployment, while bank lending rates (which is the same for all states) provide an understanding of the debt costs for households and businesses. The Utah Foundation uses Hanke's Misery Index as its preferred measure of financial strife.

Current bank-lending rates are above the 21st century average, though they remain at or below any point from the early 1970s through 2000.[2] GDP growth had been on an unprecedented run since the Great Recession, but quarterly growth slowed in 2022 partially in response to efforts to lower inflation; it has been slightly negative or positive, depending upon the quarterly period.

The data sources used in this report are detailed in Appendix B. Preliminary 2022 data use October year-over-year inflation and unemployment data, average 2022 bank-lending rate, and second quarter GDP growth. This report focuses on data beginning in 2013, which is the first year for the Hanke Misery Index and is also the starting point for regional inflation data.

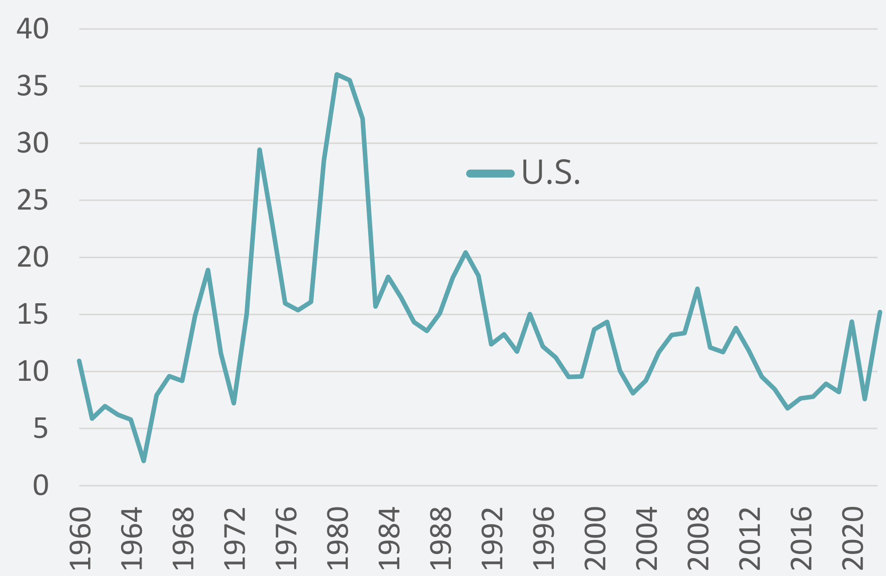
MISERY INDEX

The U.S. Over Time

To provide perspective for state-level data, the Utah Foundation calculated the misery index for the U.S. going back to 1960. The index spiked in 1970, 1974 and 1980, remaining very high through 1982. There have been other spikes, including during the first pandemic year and again in 2022, but those are nowhere near previous peaks.

The U.S. misery index has been erratic over the decades, but even the pandemic didn't come close to the 1970s and 1980s.

Figure 1: Misery Index, U.S., 1960-2022



Note: 2022 are preliminary estimates.

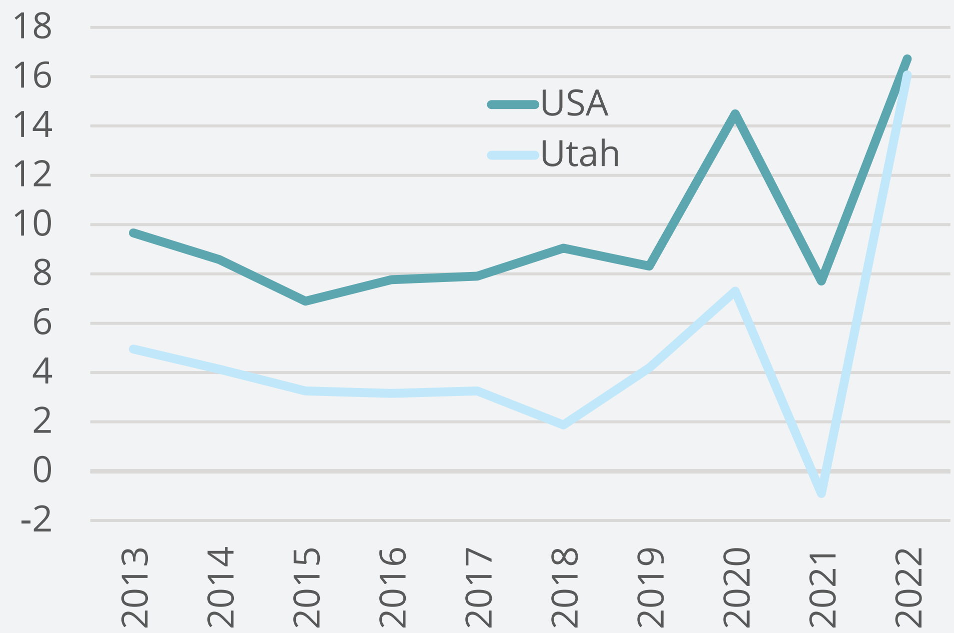
Utah and the U.S.

Americans enjoy a consistently better misery index score than the median country internationally. (See Appendix A.) But what about the differences within the U.S.?

Utah performs well compared to the U.S. overall on Hanke's Misery Index. Over the past eight years, Utah has consistently outperformed the nation. Misery in both the Utah and the U.S. indices spiked in 2020 with an increase in unemployment and a decrease in gross domestic product. Each measure more than recovered during 2021, but Utah nearly falls to the U.S. level for the preliminary 2022 calculation. The 2022 spike is due to an increase in inflation and lending rates and a decrease in GDP growth.

Utah consistently has a lower misery index than the United States.

Figure 2: Misery Index, Utah and U.S., 2013-2022



Note: 2022 are preliminary estimates.

Utah and the Mountain States

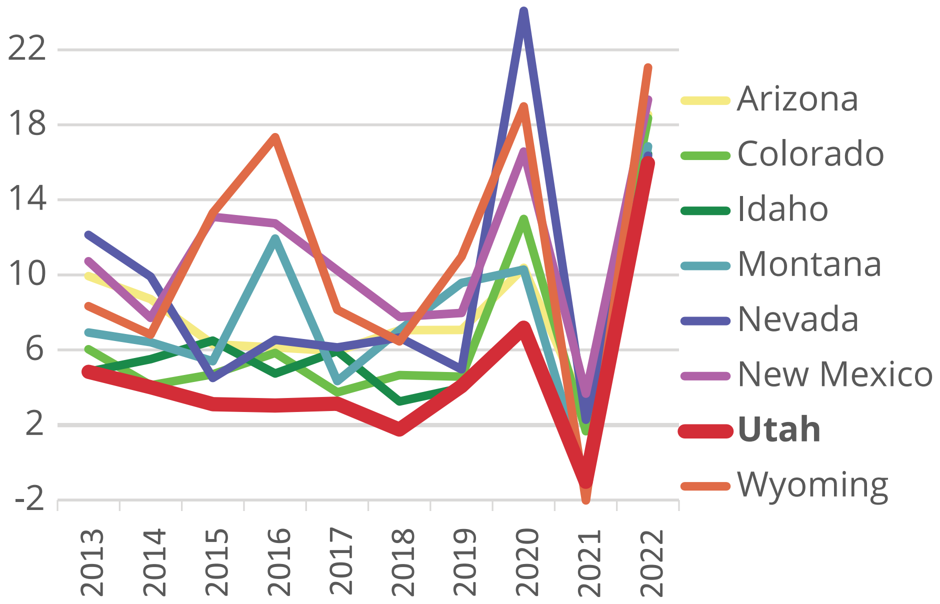
Utah compares well to its neighbors. The Beehive State has seen the lowest misery index of Mountain States nearly every year since 2013. Idaho edged out Utah in 2019 and Wyoming overtook Utah for the lowest position in 2021.

Over the period, Wyoming has been the most variable of all the Mountain States. It had the highest misery index score in both 2016 and 2022. Nevada surpassed Wyoming in 2020 with the highest misery of the Mountain States. This was due to a skyrocketing unemployment rate and shrinking economy. (See Figure 3 on the following page.)

By 2022, Utah jumped back to first place in the Mountain States. All the states suffered from high inflation – accounting for about half of the misery index – but Utah saw the lowest score due to its stellar unemployment rate. (See Figure 4 on the following page.)

Utahs' misery index is among the lowest of the Mountain States.

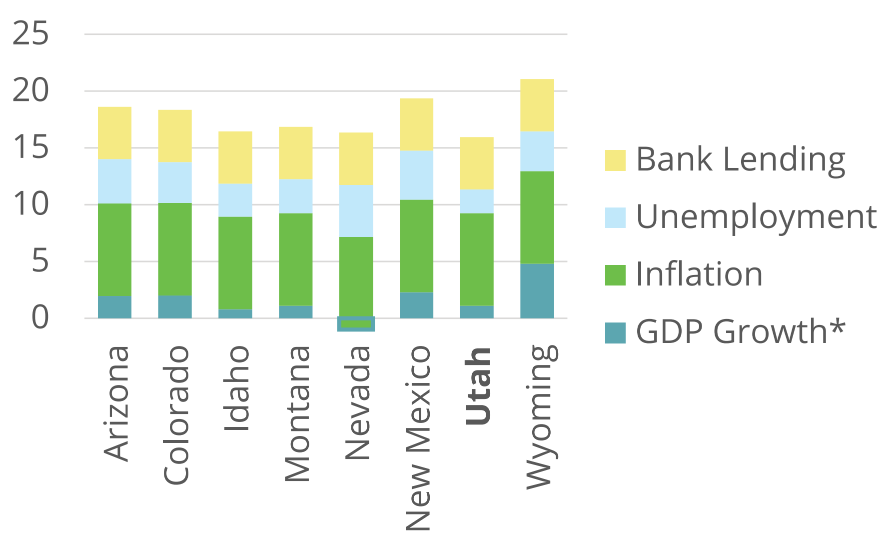
Figure 3: Misery Index, Mountain States, 2013-2022



Note: 2022 are preliminary estimates.

Mountain State misery index levels vary in 2022

Figure 4: Misery Index Components, Mountain States, 2022



* Positive GDP change is shown below 0 (reducing "misery") while negative is above.

Note: 2022 are preliminary estimates.

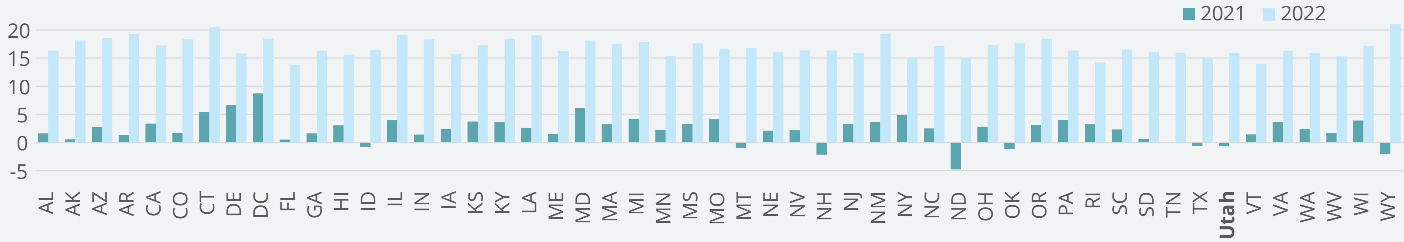
Utah and all U.S. States

The Northeast topped the misery index in 2021. Delaware, Maryland, Connecticut and New York were clear outliers with the highest misery index ratings. North Dakota, New Hampshire – also a Northeast state – and Wyoming were at the other end of the spectrum with the lowest misery index ratings. Utah was one of only nine states with negative ratings (a good thing) on the misery index. This is largely due to a sudden increase in the state's gross domestic product growth.

All states will see a sharp misery increase in 2022. Wyoming jumped to the worst in the nation. New Mexico is not far behind. Mountain States tended to be worse than the nation, due in large part to higher inflation in the region.

The misery index varies widely among states – with Utah one of nine states with a negative (good) rating in 2021 – though all states see a sharp increase in 2022.

Figure 5: Misery Index, All States, 2021 and 2022



Note: 2022 are preliminary estimates.

That said, there might be room for optimism in the United States and particularly in Utah. As of the release of this report, the U.S. is not in a recession. While many recession indicators are not good, some are, particularly labor data.[3] Americans are experiencing low unemployment rates even while labor force participation is creeping up. The dollar is strong, and consumer spending continues to be good. Saving rates are stable, and housing prices are becoming more so. Personal income is okay.

Many experts expect a recession in 2023. However, Utah economists expect that even if a national recession occurs, it is doubtful that the recession would also occur in Utah. Instead, they suggest that Utah's growth would simply slow.

CONCLUSION

This objective financial data align with Utah Foundations subjective data on community and personal quality of life. Financial concerns have largely driven the decrease in both of the Utah Foundation's quality-of-life indices.

While unemployment is very low in 2022, that is not enough to counter the low performance of other factors. Inflation is high, the bank-lending rate has increased, and gross domestic product growth has slowed.

However, Utah does look better than the rest of the nation on the misery index. Further, the Beehive State is consistently better on the misery index than its neighboring Mountain States, bested only by Wyoming in 2021. The sudden increase in inflation to record levels in 2022 will result in a rapid rise in the misery index across the board. While unemployment is very low in 2022, it cannot counteract the large increase in inflation rates

Utah falls near the U.S. in 2022. Nonetheless, Utah seems positioned to remain a strong economic beacon in the nation and continue with a relatively low misery index.

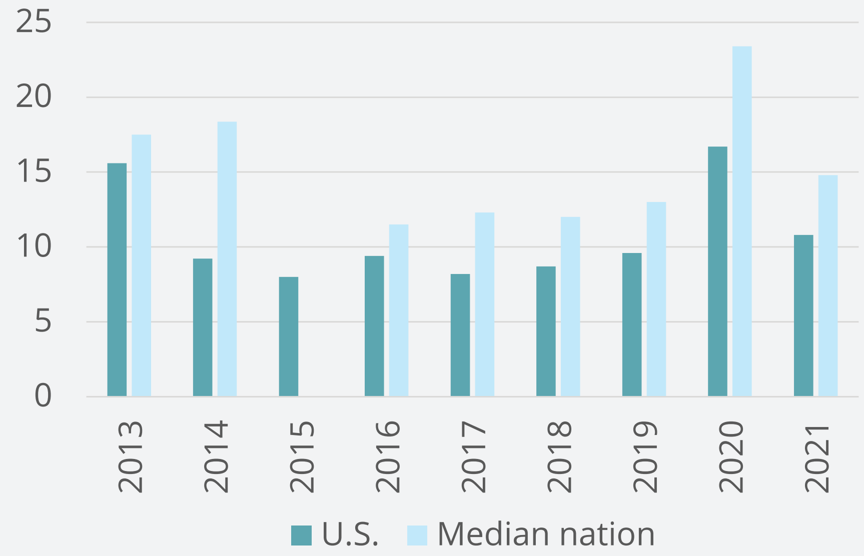
This suggests that if we feel a bit miserable – at least financially – the answer might not be to look at relocating for work nationally or even internationally. Utah seems about as consistently good as it gets.

APPENDIX A: THE U.S. AND INTERNATIONAL HANKE MISERY INDEX

Hanke's Misery Index seeks to use consistent data among countries. Accordingly, those data in Figure A do not align with the U.S. data in Figure 1. That said, including the international data help provide additional perspective. The U.S. has always been below the median of countries internationally.[4] Similarly, Utah has been below the U.S. Therefore, Utahns have a lower misery index rating that most countries.

Americans have better-than-average "misery."

Figure A: Misery Index, the U.S and International Median, 2013-2021



Note: Median not available for 2015

Sources: See endnote 4.

Hanke uses four main sources:

- Economist Intelligence Unit
- IMF World Economic Outlook
- World Bank
- International Labor Organization

The index uses some central bank statistics, as necessary. Inflation rate is from end-of-period consumer prices. Calculations by Professor Steve H. Hanke of Johns Hopkins University.

APPENDIX B: MISERY INDEX DATA SOURCES

This report uses four main sources:

- U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics
- U.S. Bureau of Labor Statistics, Consumer Price Index, All Urban Consumers
- Federal Reserve Economic Data, Bank Prime Loan Rate
- U.S. Bureau of Economic Analysis, Regional Data, GDP and Personal Income

Unemployment

Utah's unemployment rate was at 2.0% from May through August. It rose to 2.1% for September and October; about 35,000 Utahns were unemployed. At the same time, the national rate has hovered around 3.7%.[5]

In the U.S. and for this report, unemployment is a measure of from the Bureau of Labor Statistics. The Department of Workforce Services looks more carefully at county data. Unemployment is lower in all of Utah's counties has held steady in recent months, though is somewhat higher in the southeast part of the state than it is in other areas.[6]

Utah's job growth remains high, adding over 40,000 jobs between October 2021 and 2022. Job growth continues nationally as well, though has slowed somewhat.[7] Most of those jobs came in four sectors: trade/transportation/utilities, construction, education/health services, and leisure hospitality services. Financial activities and professional/business services sectors lost jobs – the former due primarily to the slowing of the housing market.[8]

Inflation

In the U.S., inflation is a measure of the change in the Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers. This is calculated at the regional level; Utah is grouped with Western states. These data show that costs have increased dramatically. High inflation is hitting countries around the world. The U.S. is faring better than the European Union and Great Britain, but worse than others, such as Canada.[9]

The Pew Research Center surveyed over 5,000 Americans in during late April and early May of 2022. Respondents were far more likely to say that inflation was "a very big problem" than any other issue (70% compared to the second issue – the affordability of health care – at 55%).[10] Another 23% of Americans said that inflation was "a moderately big problem." In a Pew survey administered in June and July, Americans put food and gas at the top of their cost concerns.[11]

This inflation has "caused financial hardship" for a majority of Americans according to Gallup (56% said this in September 2022 – up from 49% in January).[12] In response, they say that they are buying, traveling and driving less, and purchasing cheaper alternatives. That said, data from the U.S. Bureau of Economic Analysis suggest that, while inflation-adjusted spending on food and beverages has declined slightly in the first and second quarters, services spending increased in the second quarter – driven by food services and accommodation.[13]

Bank Lending Rate

The Federal Reserve increased interest rates (the Federal Funds Rate) five times in seven months (March, May, June, July and September) in part to slow inflation. The interest rate paid on reserve balances is now 3.08%, up from 0.08% in early March.[14]

This increase in turn affects mortgage interest lending. Rates more than doubled from November 2021 to October 2022.[15] Due in part to these changes, home prices – a key driver of inflation – have begun to stabilize.[16]

For this report, the Utah Foundation uses the annual Bank Prime Loan Rate, from the Federal Reserve as presented by the St. Louis Federal Reserve.

GDP Growth

In this report, the Utah Foundation calculates growth at the state level, using gross domestic project's percent change from the preceding period from the U.S. Bureau of Economic Analysis. Much of GDP is based on inflation-adjusted retail sales. GDP actually declined in the first and second quarters of 2022 (by 1.6% and 0.6%, respectively).[17] It shifted back into positive territory for the third quarter of 2022.

On Hanke's Misery Index, GDP growth is subtracted from the other metrics because it can indicate an improvement in people's lives. However, GDP growth my not benefit everyone – just as unemployment mainly affects a small minority of people. In 1972, Bhutan's King Wangchuck coined the term "gross national happiness," saying that it was more important that gross domestic product alone.[18] Forty years later, the U.N. General Assembly urged member nations to follow Bhutan's model with a focus on happiness as a "fundamental human goal."[19]

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