



get the best big mac value menu

big mac index, a measure of exchange rates

Global Economics in a tasty bun. There it was in all its glory, a stark new building disfiguring the slightly outworn Soviet-Asian architecture in Azerbaijan's capital Baku. A queuing row of people under the golden arched M of the MacDonald's restaurants seemed surreal for a country with almost no middle class, a crippling conflict and a refugee issue the size of a Caucasian mountain range. Still, there they were, waiting for their bite that needs no teeth.

But it's this availability to purchase ones own Big Mac in any of the 25 000 restaurants spread out over 120 countries around the globe that inspired Pam Woodall of the weekly *The Economist* in 1986 to devise her Big Mac Index as one more instrument in the quest to understand global exchange rates and real currency values.

As any financial pages addict will be able to tell you, the "law of one price" is the driving idea behind the economical principle of Purchasing Power Parity (PPP). Basically the idea is this: one product - let's say a cookie - should in theory have the same price in any country after accounting for the exchange rate in US\$. If this isn't the case, any witty tradesman could buy cookies in lower priced country to sell them in the higher priced place, with profit. Eventually this would lead to the rise of the price in the first country - due to the higher demand - as well as the drop of the value of cookie in the expensive country, thus creating equilibrium in the long run. Two-All-Beef-Patties-Special-Saus-Lettuce-Cheese-Pickles-and-Onion-on-a-Sesame-Seed-Bun as said in the seventies commercial, is the basic components of a Big Mac. Based on the same ingredients all over the world, simply comparing the price in different countries and subsequently converting this back to the US dollar, should give a pretty good insight on the real currency value of any particular country. Projecting this

Big Mac Index onto all goods and services can be an omen for the size of your bill of that great holiday to come. So, before closing your online booking for that unique low-fare ticket to Reykjavik, it should be wise to consider that you'll have to exhale the geysery equivalent of US\$5.51 for your sweet-meater as opposed to US\$1.18 for the same all-beef double-decker in sunny Buenos Aires!

The overzealous Swiss bank UBS has twisted the concept around as to deduct the average work time needed for any particular local to earn his Big Mac. Nine minutes is the time a consumer will have to sit in his office chair for his Texan Big Macs while his colleague in Kenya will have to sweat off his pants for over three hours to earn the same venerated stomach filler. Vegetarian economist's reluctance to glance at this indicator has recently been overcome by the Tall Latte index. The new brother of the Big Mac Index bases his indications on the creamy price of Starbucks big coffee & milk.

But it is clear that in despite of the popularity of these indicators it is merely an oversimplification of what seems to be like very complex dynamics, which nobody truly masters. Forsaking geo-social and cultural factors with their influence on the production cost is one of these dehumanising aspects. Even the creator, Ms Woodall was quick to state that however self-fulfilling the prophecies of her barometers are, it remains "just for fun".

Back in Baku, they are dressed in their Sunday best. All set to pay the price of several home-cooked meals in order to impress their potential girl friends, feast a birthday away and get their small but juicy share of the west. In the works, the Starbucks index. Michel Vaerewijck

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