


Sujet traité : L'indice Big Mac: où acheter un hamburger moins cher? / The Big Mac Index : where to buy a cheap hamburger

Source : Economist Date : 7 août 2024

The Big Mac index: where to buy a cheap hamburger

 [economist.com/finance-and-economics/2024/08/07/the-big-mac-index-where-to-buy-a-cheap-hamburger](https://www.economist.com/finance-and-economics/2024/08/07/the-big-mac-index-where-to-buy-a-cheap-hamburger)

The Economist



Photograph: Getty Images

McDonald's owed its early success to zealous pickiness. Other restaurant chains in the 1960s had similar rules for food preparation and cleanliness. But none enforced them as rigorously, according to "McDonald's: Behind the Arches", a history of the company by John Love.

Stores would test the fat content of beef with acid. Field agents would use hydrometers to check potatoes were not too watery. At a supplier's plant in India, your correspondent once met a lab-coated technician all the way from Colombia whose job was to check the colour, smell, taste and "mouthfeel" of the French fries.

The result of this passion is uniformity: the Big Mac is much the same everywhere. But its price, interestingly, is not. A Big Mac in America costs \$5.69. In the euro area, it costs the equivalent of \$6.09. And in Taiwan, it costs only \$2.28, less than half as much. This newspaper has been comparing the price of Big Macs since 1986. The aim is not (just) to find the best deal. It is also to test an important economic principle, known as purchasing-power parity.



Chart: The Economist

According to this principle, the value of a currency should reflect its buying power: its command over goods and services, including burgers. If something costs SKr50 in Sweden and the same thing costs \$5 in America, then SKr10 should be worth \$1. If they are worth less than that, the krona is “undervalued” against the dollar, according to our benchmark. A difficulty in testing this principle is finding exactly the same thing in both countries. But in the case of the Big Mac, that particular problem has been solved by the tasters and testers in the McDonald’s supply chain.

What does our latest comparison of burger prices show? A few currencies, including the British pound, Swedish krona and Canadian dollar, trade on currency markets for roughly what you would expect on the basis of their patty-purchasing power. Other currencies defy the basic principle. A minority are “overvalued”: they are worth more than is justified by their ability to buy a burger. If you convert a burger’s worth of dollars into Switzerland’s currency, you get only five Swiss francs. That’s enough to buy about 70% of a burger; what you might call a Mid Mac.

Rich countries are often expensive. A few highly productive, highly paid industries bid up wages throughout the job market. That lifts costs and prices in less productive sectors shielded from foreign competition. For this reason, our Big Mac index also comes in an “adjusted” version, which shows whether a currency is more out of whack than you would

expect, given the country's GDP per person. Even by this measure, Switzerland is expensive. And there is another anomaly: Argentina. Its peso is overvalued despite the fact that the country is not rich. You can buy over 5,300 pesos for \$5.69 at the official exchange rate. That sounds like a lot until you realise that a Big Mac costs 6,100 pesos, up from 3,150 pesos just seven months earlier.

These anomalies might simply reflect flaws in our index. Perhaps the price of a Big Mac is not representative of prices elsewhere in the economy. There is, after all, more to life than burgers. The World Bank leads a far bigger, more sophisticated effort to compare the prices of hundreds of similar products around the world. Do its results overturn ours?

Not really. The two sets of data have a correlation coefficient of almost 0.7, where 1 indicates perfect correlation. A handful of countries, including Uruguay, Norway and indeed Argentina, look expensive judging by burger prices, but undervalued on broader measures. Even in Argentina, though, the discrepancy is narrowing. After devaluing the peso by 50% in December, Javier Milei, Argentina's outspoken president, has permitted it to fall by only 2% a month. That is not enough to offset the rise in consumer prices, which climbed by 4.6% in June. Hence anyone arriving in Argentina with dollars in their pocket and a rumbling in their stomach would probably seek to sell their greenbacks in the informal currency market, where \$5.69 fetches roughly 7,600 pesos, enough to buy a burger with change to spare.

In any measure of a currency's purchasing power, statisticians face a trade-off between breadth, consistency and timeliness. The World Bank's calculations are far broader than ours. Yet they require vast statistical manpower and emerge only once every three years at best. The Big Mac index is the work of a handful of people and appears every six months. Our index, in short, purchases a lot of explanatory power for little cost. Despite all the attention it attracts, the Big Mac index is probably still undervalued. ■