

Armenia's President deludes his countrymen

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Speaking at a session of Armenia's Parliament, Armenian President Levon Ter-Petrossian announced that "in 1994 the growth of wages surpassed the growth of consumer prices." He said that in 1994, average monthly wages of state sector workers reached 4,000 drams, which in October 1994 was approximately \$10.40. By promulgating these data, President Ter-Petrossian wanted to convince his own nation and the world that tendencies for improvement of the population's life have been observed in Armenia.

Only a criterion such as the "minimum biological market basket," and the state's establishment of a minimum wage sufficient for its purchase, can be seen as an objective indica-

tor of the standard of living of the country's population. The method of estimating the population's standard of living by calculating the cost of a "minimum biological market basket" is based on a calculation of the cost of 17 basic types of products (normative monthly consumption) and minimum transportation costs, as shown in **Table 1**. This is to be distinguished from the minimum consumer market basket, which also takes into account a person's monthly expenditures on clothing, basic services, and other necessities.

Besides the aforementioned list of products and transport services, the table includes the average exchange rate of the dollar (in drams) for the month, and the extent to which the cost of the "minimum biological market basket" is defrayed by the state-established minimum wage each month.

The table includes the data for four months of 1994: January, as the starting (base) month of the year, and the last three months of the year, since the data for precisely these three months were cited in President Ter-Petrossian's speech. Moreover, it was in December 1994, on the recommendation of the international financial organizations, that bread prices were raised in Armenia, which could not fail to affect the standard of living of the country's people in December as well as partially in November (the factor of the expectation of inflation came into play).

It is clear that the so-called minimum wage in Armenia

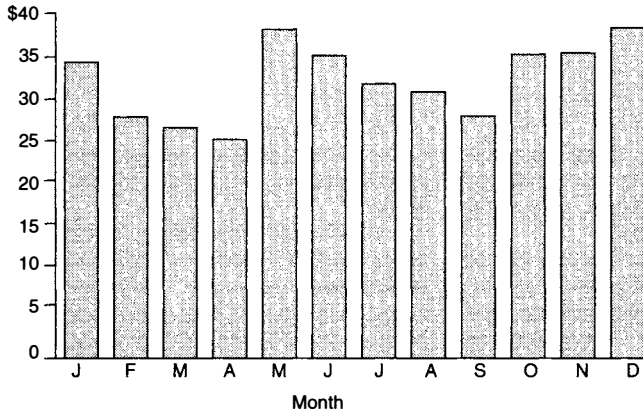
TABLE 1
Cost of Armenia's 'minimum biological market basket'
(in drams, 1994)

Product	Jan.		Oct.		Nov.		Dec.	
	Unit price	Price of norm	Unit price	Price of norm	Unit price	Price of norm	Unit price	Price of norm
Bread	1.5	15	6	60	6	60	66	660
Macaroni	26	13	130	65	160	80	200	100
Sugar	75	150	250	500	270	540		
Meat	250	1,250	700	3,500	700	3,500	700	3,500
Fish	30	60	300	600	300	600	200	400
Milk	20	220	200	1,100			150	1,650
Cottage cheese	54	27	720	350	760	380		440
Sour cream	60	30	500	250	550	275	540	270
Cheese	350	350	800	800	900	900	1,000	1,000
Eggs	360	240		580	990	660	1,800	1,200
Potatoes	20	280	80	720	100	900	100	900
Vegetables	10	220	200	2,200	250	2,750	100	1,100
		Jan.		Oct.		Nov.		Dec.
Dollar exchange rate (drams)		106		406		450		426
Minimum wage (drams)		110		230		230		375
Percent defrayment of "minimum biological market basket" by minimum wage		3.15%		1.61%		1.44%		2.3%

FIGURE 1

Cost of 'minimum biological market basket' in Armenia

(U.S. \$)



is purely symbolic, and its level is in no way economically grounded. The minimum wage did not change significantly in the course of the whole year (the lowest level, \$0.418, was reached in May, and the maximum, in January, was \$1.037). As **Figure 1** shows, even in April, the month most favorable for the population, when the cost of the "minimum basket" was \$24.95, the cost of the "basket" was simply beyond comparison with the minimum wage, which was too low to be drawn on the same graph. Yet, the very purpose of a minimum wage is to satisfy the minimum, if even just biological requirements for a person.

The cost of the "basket," however, fluctuated substantially, from \$24.95 in April to \$38.19 in December. An even sharper rise in the cost of the "basket" was registered in September-December—exactly the period President Ter-Petrossian considers the most successful. In these three months alone, the cost of the "basket" rose by \$10.49, while the minimum wage increased only by \$0.43. Thus it becomes apparent, that the relative stability registered from July to September (basically connected with seasonally low prices for fruits and vegetables) was replaced at the end of the year by a sharp increase of the cost of the "market basket."

President Ter-Petrossian in his speech announced that the rise in the price of bread had not worsened the already catastrophic situation of the people; but the figures prove the reverse. Considering that in October the average wage in the state sector of the economy was \$10.90 (according to data of the statistical directorate of Armenia), and that after the increase in bread prices, the cost of the "basket" increased by \$2.79 (or 25.59% of the average wage), it is simply meaningless to talk about a stable standard of living.

Figure 2 shows that the minimum wage's defrayment of the cost of a "minimum basket" in this country is simply a fiction. The "basket's" cost was defrayed to the greatest extent at the beginning of the year (only 3.15%), and in the

FIGURE 2

Percent of 'minimum biological market basket' defrayed by wages

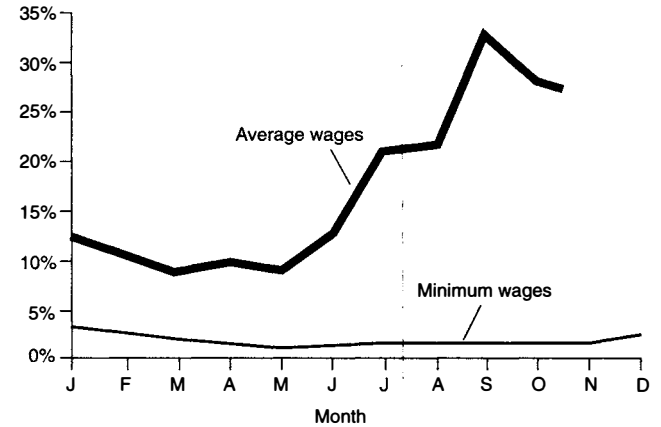
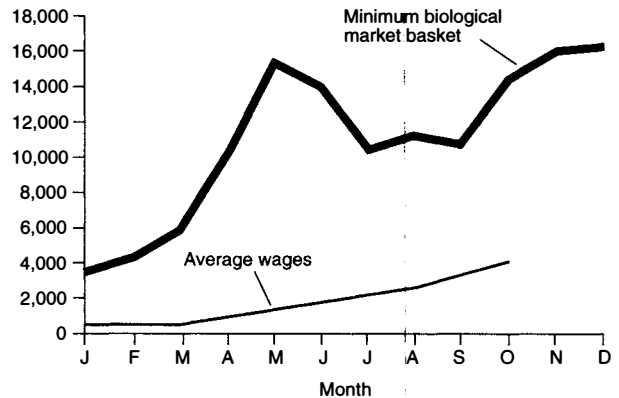


FIGURE 3

Average wages fall short of paying for 'minimum biological market basket'

(drams)



course of the year this indicator vacillated between 1 and 2%. Commentary is simply superfluous. The graph also shows the defrayment of the "minimum basket" by the average wage for each month of the year.

The highest indicator, recorded in September, was 32.29%. Thus 67.71% of the minimum biological requirements either were not satisfied, or the sources for their defrayment were not recorded and are unclear. Of course, if compared with the first half-year, "successes" are apparent. But even 32.29% of the defrayment of minimum requirements, against the backdrop of the half-year of existence, cannot be the basis for reports of victory, especially since in the months that followed, even this 32.29% was not maintained.

Despite the fact that the average wage in the state sector increased (**Figure 3**), nonetheless it always was catastrophically compared to what is required for satisfying minimum consumption requirements. In the first months of 1995, the cost of this minimum rose once again.