




**Vahe
BULANIKYAN**

PhD in Economics

In 1994 he graduated from ASUE. In 1994-1997 he studied at the graduate school of ASUE, specializing in "Economic Theory". From 1998 to the present day he is engaged in scientific and pedagogical activities at the Chair of Theory of Economics, first as an assistant, then as an assistant professor. Since 2018 he has been a Senior Researcher, at ASUE "Amberd" Research Center. He is an author of about 60 scientific works.

 <https://orcid.org/0000-0002-0609-2837>

INFLATION AND POVERTY: TRENDS IN THE DEVELOPMENT OF THE WORLD ECONOMY

DOI: 10.52174/2579-2989_2022.6-94

Keywords: *inflation, decline in living, crises, social and political stability*

Today we constantly hear that inflation is the highest in the last 40 years. The question of how to better control inflation is back on the agenda of economic policy. It should be borne in mind that, although in developed countries inflation has reached unprecedented levels in recent decades, even a 10% price increase does not threaten developed countries with a serious decline in living standards, while in developing countries, especially in the poorest countries in Africa, a change in inflation can lead to hunger. Summarizing the article, we can say that inflation has indeed reached very high values today, especially when compared with the trends of recent decades, when the average level of price growth was very low. If we use a comparable calculation method, then in the United States and in a number of other developed countries, inflation is today the highest in 75 years. Such a trend can affect the consumer market and economic dynamics, becoming the cause of the crisis. It is unlikely that the current case will be an exception.

Today we constantly hear that inflation has reached its highest rate in the last 40 years and so on. The economic crisis and the crisis of the consumer sector are connected with it. The question of how to better control inflation is back on the agenda of the economic policy. Opinions about how best to deal with it were divided. According to the dominant views, it is necessary to tighten the monetary policy and raising interest rates and reducing liquidity injections is considered justified, even if such

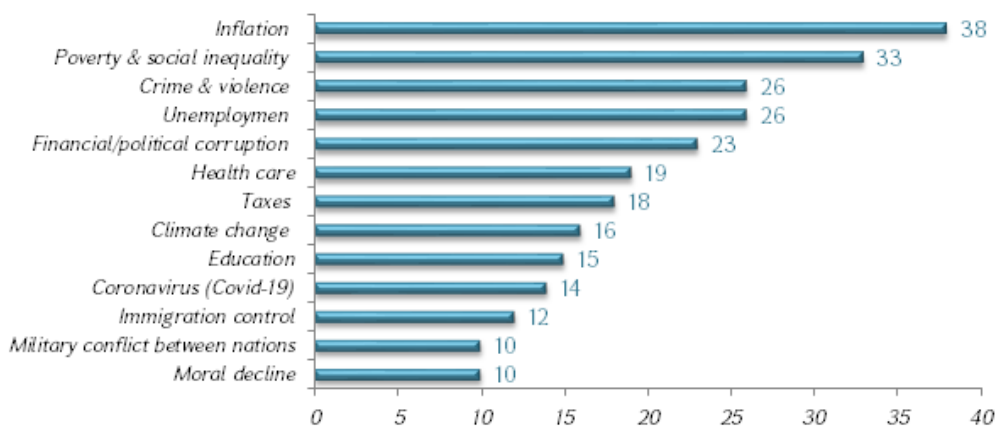


DIAGRAM 1

Which three of the following topics do you find the most worrying in your country? (% mentioned in July 2022 (global country average))¹

measures undermine the fragile recovery of the economy that has already begun in many countries. Other experts believe that the current inflation is temporary, it is explained by temporary failures on the side of market supply, as well as shifts in the labor market, and therefore it will soon correct itself.

In rich countries, the authorities still rely mainly on macroeconomic instruments to fight inflation. But there are prices whose growth is different from the growth of others. We are talking about food inflation. This phenomenon not only affects people's lives in the most obvious way, especially in developing countries, but it is explained by more complex reasons, and an effective fight against it requires a completely different set of measures. Unfortunately, governments do not discuss them sufficiently.

Such a disregard causes a deep concern. At the end of 2021, the food price index published by the Food and Agriculture Organization of the United Nations (FAO) was at the highest level for a decade, approaching the record value that was reached in June 2011. Then many warned about the world food crisis. However, last year the price rise was even more sudden. In the period from

2015 to 2020, the prices of food products were relatively low and stable, but in 2021 they increased sharply - on average by 28%².

To a large extent, this surge is motivated by the rise in the price of cereals. Corn and wheat prices rose by 44% and 31%, respectively. However, the prices of other food products also jumped sharply. During the year, the prices of vegetable oil reached a record value, sugar rose by 38%³, and the increase in the prices of meat and dairy products, although it was less significant, turned out to be double-digit.

According to the IPSOS poll conducted in 27 large and/or developed countries, inflation is perceived as problem number one today. 38% of respondents named it among the main problems (20% in January 2022, and only 9% in March 2021). Taking into account that most of the problems in perception remained stable, it is worth looking at what has lost importance: coronavirus and unemployment: Instead, the problem of poverty and social inequality has grown somewhat: 29% in late 2020/early 2021, 31% in spring 2022 and 33% in July 2022⁴.

The results of the survey conducted in 27 large or developed countries of the world are presented in Diagram 1.

¹ Chart by author, source: https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf

² <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

³ <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

⁴ WHAT WORRIES THE WORLD? https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf

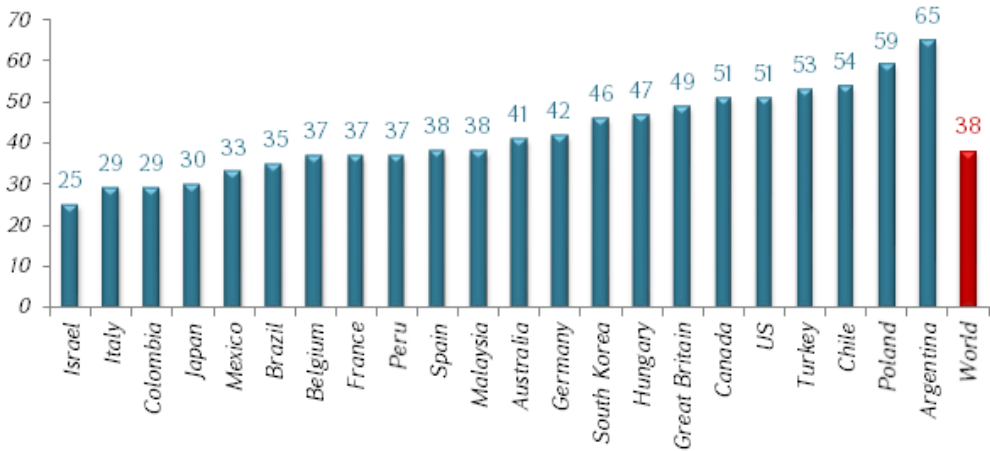


DIAGRAM 2

Comparative list of countries by the degree of importance of inflation (%) mentioned in July 2022⁵

This full ranking of the 18 issues in our survey gives an overview of what people in 27 countries worry about today. Inflation remains the number one concern globally for the fourth month in a row.

Concerns about poverty and social inequality are up two points to 33% and remain in the second place. There have been slight declines in concerns about crime and violence, unemployment and financial/political corruption, but all three stay in the top five.

Argentina ranks the first among all the countries, Poland ranks the second, then Chile, Turkey, Canada, the United States where inflation is named as one of the main problems by more than 50% of the population. In July 2022, consumer confidence also continued to deteriorate, and consumer expectations generally declined. The jobs index remains generally stable, but the expectations of citizens and the investment index have noticeably sagged recently. All this is due to inflation, as well as a number of other trends. Inflation has now been the top concern in our “What Worries the World” survey for the last four months. July’s figure is one point higher than last month and the level of worry about inflation has now risen for the 12th consecutive month.

There are now six countries where more than one in two people think inflation is one of the biggest issues affecting their markets. It is the number one concern in Argentina, Australia, Belgium, Canada, France, Germany, Great Britain, Poland, South Korea, the US, and Turkey.

The biggest monthly increases are in South Korea (+12) and Spain (+11). All Latin American countries have seen a rise this month: Argentina (+3), Chile (+6), Peru (+3), Brazil (+4), Mexico (+3), and Colombia (+1). Meanwhile, the Netherlands has seen worry fall by 11 points in July (Diagram 2).

It should be borne in mind that, although in developed countries inflation has reached unprecedented levels in recent decades, even a 10% price increase does not threaten developed countries with a serious decline in living standards, while in developing countries, especially in the poorest countries in Africa, a change in inflation can lead to hunger. Therefore, most likely, there is a sharper perception of it.

Worry about poverty & social inequality has risen slightly in July (+2) and remains second out of 18 concerns globally. One in three across 27 countries surveyed have it as a top concern affecting their country.

This month Brazil has the highest level

⁵ Chart by author, source: https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf

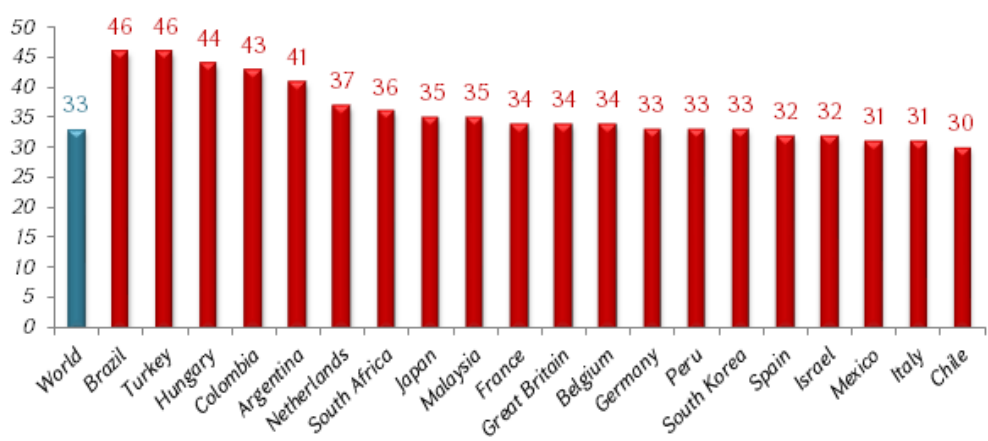


DIAGRAM 3

Comparative list of countries by the degree of importance of poverty & social inequality (%) mentioned in July 2022⁶

of worry with 46% (+4), with Turkey now the second after seeing the biggest monthly increase in July (+7). Hungary has fallen from top spot as a result. Colombia and Argentina have also seen noteworthy increases this month (+5 and +4 respectively) and round out the top five.

Other countries with increases in worry include Israel (+6) and France (+5). The largest declines in concern are in Germany and Canada (both -5). Brazil, Japan, and the Netherlands are the countries where poverty is the top concern (Diagram 3).

Now let's look at practical trends in inflation. Where does inflation show up? In fact, this happens in many areas, but the most noticeable inflation is observed in the food, energy and real estate markets. All these areas are very closely connected with crisis phenomena, and before crises, inflation occurs in these sectors. These areas are highly volatile and also too important for social and political stability. In times of crisis, this stability can no longer be ensured; imbalances grow, demand and supply diverge, and so on. Here is how these prices change exactly - the relief of the chart is quite comparable to 2008.

If you look at international food prices, then as usual, the FAO (Food and Agriculture

Organization of the United Nations) index will help us in this. We can consider both nominal and real index. The real index is calculated with an inflation adjustment. But it is necessary to take into account that food prices themselves affect inflation. Thus, food prices show the relative high cost of food, compared to all other prices. Let's look at the graph in a big perspective.

The latest data is available for June 2022. Compare it to previous years. In June 2022, food prices increased by 65.3% compared to June 2020.

As we see, in 2016-20 prices were stable, but in 2021-22 they went up sharply. From here it is already clear that the general interest in this problem is a little late - increased inflation - not something we are facing right now. However, they started talking a lot about prices in the background of the Ukrainian crisis. Therefore, the first question that interests us in this context - is inflation really connected with sanctions? The FAO food price index jumped sharply in March to 13.2%, and before that, although it grew, it was very slow. In the end, the correction started. So without this factor, most likely, food prices would be 10% lower today. Wheat prices jumped 41.7% after the beginning of the Russian intervention in Ukraine to 12.09

⁶ Chart by the author, source: https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf

TABLE 1

Index of food prices in June 2016-2022⁷

	<i>Real prices</i>	<i>Rated prices</i>
June 2016	99.8	93.8
June 2017	100.7	98.0
June 2018	95.2	97.0
June 2019	96.0	95.4
June 2020	94.3	93.3
June 2021	124.6	125.3
June 2022	150.9	154.2

dollars/bushel, but then corrected to 9.38\$, which is also about 10% higher than the trend of the last 3 years. As for the price of oil, after the correction in June-July, it looks like the corresponding trend. The same applies to most other commodity markets.

One of the main reasons for the correction in the markets is that the Fed almost abandoned the issue and began to raise the discount rate. The dollar began to rise in price and, as a result, all goods denominated in dollars became cheaper. Wheat and a number of food groups associated with it are rather an exception, but even there this correction is taking place. The second reason for the correction is that in reality the conflict on the territory of Ukraine did not lead to serious consequences for the global economy and logistics, except for short-term fluctuations.

Among other things, if in the volume of production of goods, in commodity markets, the influence of the United States has been declining in recent years, then in the financial sector it remains unshakable. The crisis continues to be exported to other countries if it occurs in the US. The same applies to inflation, which in one way or another has a financial nature. If you look at the US, over the past 12 months, the overall price index has risen by 9.1%, including food - 10.4%, energy - 41.6%, and prices for everything else (so-called core inflation) - rose by 5.9%⁸. This, by the way, should be somewhat reassuring about the prospects for inflation, but it can also be understood in another way:

those sectors of production and services that are not related to food and energy, in which prices have risen by a smaller amount, become more unprofitable and in the future they themselves will begin to actively raise prices.

Recently, there has been controversy as to what the inflation of the dollar really is. Disputes about the real size of inflation exist all over the world, consumers tend to rate it higher than statistical services. But in the US there are certain calculations on this subject. When calculating inflation, technological progress is taken into account. That is, if a new smartphone model comes out a year later, which is technically more advanced, but costs are the same, then this will be taken into account by the service as deflation. The same applies to all other improvements (albeit slower ones). And this in itself is debatable: on the one hand, indeed, you can buy a better product for the same price; on the other hand, if everyone spends this amount, and old products have simply already fallen out of the market, then it is difficult to talk about lowering prices; rather, we are talking about raising living standards in certain aspects. The emergence of new sectors of the consumer economy, on the one hand, raises the standard of living, on the other hand, with a slight increase in real incomes, it puts pressure on all other sectors, so that it turns out that in all existing areas, spending remains stable or even falls rather than grows.

Another methodological problem is the

⁷ Source: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

⁸ Source: <https://www.bls.gov/cpi/>

constantly changing “weights” of goods and services in inflation, in particular, inflation is calculated differently every year. The distribution changes depending on the volume of consumption in the current year, but since the average consumption differs from the median, the final inflation will overstate the share of luxury goods and relatively more expensive services, which tend to grow more slowly. Therefore, the inflation of the poor may differ from the inflation of the rich, and the average inflation will differ from the median, and thus the consumer price index will be systematically underestimated.

Summarizing we can say that inflation has indeed reached very high values today, especially when compared with the trends

of recent decades, when the average level of price growth was very low. If we use a comparable calculation method, then in the United States and in a number of other developed countries, inflation is today the highest in 75 years. This will affect the consumer market and economic dynamics, most often it becomes a harbinger of a crisis. It is unlikely that the current case will be an exception.

Let us now consider the social consequences of inflation. In particular for poorer populations, the price of food may matter much more, while for richer populations, durable goods. For example, let's make a comparison of price increases for social groups in terms of consumer spending.

REFERENCES

1. <https://www.fao.org/worldfoodsituation/food-pricesindex/en/>
2. <https://www.fao.org/worldfoodsituation/food-pricesindex/en/>
3. WHAT WORRIES THE WORLD? https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf
4. https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf
5. https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf
6. Chart by the author, source: https://www.ipsos.com/sites/default/files/ct/news/documents/2022-07/Global%20Report%20-%20What%20Worries%20the%20World%20July%202022_0.pdf
7. <https://www.fao.org/worldfoodsituation/food-pricesindex/en/>
8. <https://www.bls.gov/cpi/>

Վահե ԲՈՒԼԱՆԻԿՅԱՆ

«Ամբերդ» հեղափոխական կենտրոնի ավագ հեղափոխող, ՀՊՏՀ տնտեսագիտության թեկնածու, դոցենտ

ՀԱՅԱՍՏԱՆԻ ԵՎ ԱՇԽԱՐՀ

ԳՆԱՃՐ ԵՎ ԱՂՔԱՏՈՒԹՅՈՒՆԸ. ՀԱՄԱՇԽԱՐՀԱՅԻՆ ՏՆՏԵՍՈՒԹՅԱՆ ԶԱՐԳԱՑՄԱՆ ՄԻՏՈՒՄՆԵՐԸ

Այսօր անընդհատ լսում ենք, որ գնաճն ամենաբարձրն է վերջին 40 տարվա ընթացքում: Հարցը, թե ինչպես լավագույնս վերահսկել գնաճը, կրկին տնտեսական քաղաքականության օրակարգում է: Այնուամենայնիվ, պետք է նկատի ունենալ, որ չնայած վերջին տասնամյակների ընթացքում զարգացած երկրներում գնաճը հասել է աննախադեպ մակարդակի, սակայն նույնիսկ 10 տոկոս գների աճը չի սպառնում զարգացած երկրներին կենսամակարդակի լուրջ անկմամբ, մինչդեռ զարգացող երկրներում, հատկապես՝ Աֆրիկայի ամենաաղքատ երկրներում գնաճի փոփոխությունը կարող է հանգեցնել սովի: Ամփոփելով հոդվածը՝ կարելի է ասել, որ գնաճն իսկապես այսօր հասել է շատ բարձր մակարդակների, հատկապես՝ համեմատելով վերջին տասնամյակների միտումների հետ, երբ գների աճի միջին մակարդակը շատ ցածր էր: Եթե

կիրառենք հաշվարկի համադրելի մեթոդ, ապա ԱՄՆ-ում և մի շարք այլ զարգացած երկրներում գնաճն այժմ ամենաբարձրն է վերջին 75 տարվա ընթացքում: Այսպիսի միտումը կարող է անդրադառնա սպառողական շուկայի և տնտեսական դինամիկայի վրա՝ դառնալով ճգնաժամի պատճառ: Դժվար թե ներկա դեպքը բացառություն լինի:

Հիմնաբառեր. *գնաճ, կենսամակարդակի անկում, ճգնաժամեր, սոցիալական և քաղաքական կայունություն*

Vare БУЛАНИКЯН

Старший исследователь исследовательского центра «Амберд», АГЭУ, кандидат экономических наук, доцент

АРМЕНИЯ И МИР

ИНФЛЯЦИЯ И БЕДНОСТЬ. ТЕНДЕНЦИИ РАЗВИТИЯ МИРОВОЙ ЭКОНОМИКИ

Сегодня мы постоянно слышим, что инфляция самая высокая за последние 40 лет. Вопрос о том, как лучше контролировать инфляцию, снова встал на повестку дня экономической политики. При этом следует иметь в виду, что, хотя в развитых странах инфляция достигла в последние десятилетия беспрецедентных уровней, даже 10-процентный рост цен не грозит развитым странам серьезным снижением уровня жизни, в то время как в развивающихся странах, особенно в беднейших странах в Африке изменение инфляции может привести к голоду. Подводя итоги статьи, можно сказать, что инфляция действительно сегодня достигла очень высоких значений, особенно если сравнивать с тенденциями последних десятилетий, когда средний уровень роста цен был очень низким. Если использовать сопоставимый метод расчета, то в США и в ряде других развитых стран инфляция сегодня самая высокая за 75 лет. Такая тенденция может повлиять на потребительский рынок и экономическую динамику, став причиной кризиса. Настоящий случай вряд ли станет исключением.

Ключевые слова: *инфляция, снижение уровня жизни, кризисы, социальная и политическая стабильность*