Question: What is the Big Mac Index? Answer: The Big Mac Index is a price index published by The Economist since 1986 as an informal way of measuring the purchasing power parity (PPP) between two currencies and providing a test of the extent to which market exchange rates result in goods costing the same in different countries.

Question: Who introduced the Big Mac Index and when? Answer: The Big Mac Index was introduced in The Economist in September 1986 by Pam Woodall.

Question: What is the purpose of the Big Mac Index? Answer: The purpose of the Big Mac Index is to calculate an implied exchange rate between two currencies. It does this by dividing the price of a Big Mac in a foreign country (in the foreign country’s currency) by the price of a Big Mac in a base country (in the base country’s currency).

Question: What is the theory behind the Big Mac Index? Answer: The theory behind the Big Mac Index stems from the concept of PPP, which states that the exchange rate between two currencies should equalize the prices charged for an identical basket of goods. However, in reality, sourcing an identical basket of goods in every country provides a complex challenge.

Question: How is the price of a Big Mac derived? Answer: The price of a Big Mac is derived from the culmination of many local economic factors, such as the price of the ingredients, local wages, or how much it costs to put up billboards and buy TV ads.

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