

## **INTRODUCTION:**

Following the return of President Jean Bertrand Aristide to Haiti in 1994, the focus of many persons who had been involved in opposing the military dictatorship turned to the issues of reconstruction, economics and development. The poverty of the Haitian people has been displayed in the media for the world to see. The need for economic development as a means of alleviating this poverty is obvious. What is not obvious is the way in which this economic development should be done.

Although the terminology being used in discussions regarding development, investment and economic planning seems to be identical, at least five underlying perspectives are discernible, all under the umbrella of economics and development. These include:

### **A) The industrialization of Haiti**

The establishment of an expanded industrial sector in Haiti.  
Discussion and planning examines whether this industrial sector:

- 1) will be for assembly and export and/or whether it
- 2) will include the ability to supply Haiti with the light and heavy industry needed to meet the needs of the country itself as well as produce articles for export and therefore income for the country.

### **B) Development for Haiti**

The establishment of social and physical infrastructure throughout the country of Haiti as well as the construction of an economic base to serve the needs of the Haitian people.

### **C) Industrialization rather than development**

The establishment and expansion of industry, most probably assembly industry, rather than the establishment of the physical and social infrastructure as well as a comprehensive and varied economic base for the country.

### **D) Planning and industrialization/development from the perspective of outside investors**

The marketing of Haiti by both the U.S. Department of Commerce and the Haitian government as a place where money can be made by investors. The question remains whether the jobs created will enable workers to meet their needs and regain control over their own lives and that of their community.

**E) Planning and industrialization/development from the perspective of the poor**

- 1) The establishment of a commercial sector which will allow for the creation of sufficient jobs paying sustainable community level wages.
- 2) The establishment of a commercial section which allows both the decision-making and the profits to accrue to the Haitian people, their communities and their country.
- 3) The creation of jobs which reflect the resources of the Haitian people, their culture and creativity.
- 4) The expansion of micro-enterprise which will allow the movement of those who are dependent on the informal to the formal employment sector.

Each approach listed above reflects some aspect of what is occurring in Haiti at the present time. Each reveals a vision for Haiti, of Haiti and for/of the Haitian people. Ideally, each should be analyzed in terms of who will benefit and who will be harmed. The issue of long-term development has to be addressed. In addition, there should be serious discussion, by all affected parties, of the following questions:

- (1) What type of development and/or industrialization is desired by the people of Haiti?
- (2) Who is determining what development and/or industrialization should take place?
- (3) What is the source of the right or authority to make those decisions?

For clarification of the terms used in this paper, the following explanations of "industrialization", and "development" represent the understanding of the author.

### **INDUSTRIALIZATION:**

Industrialization is the setting up of any industries that will do the following:

- a) allow for the creation of goods which are then marketed,
- b) provide centers for creating these goods,
- c) hire workers.

This industrialization has the following consequences:

- 1) workers congregate in the area of the industrial center,
- 2) requiring the development of systems of physical infrastructure such as housing, sanitation, roads, electricity, etc.,
- 3) and the development of systems of social infrastructure such as schools, medical facilities, religious facilities, etc.

The problem is that what is required is not necessarily provided or, if provided, is not necessarily adequate.

Because the marketing of the products of industrialization usually does not occur at the center of production, decisions have to be made regarding the distribution of the benefits, profits, and costs of the industrialization:

- (a) Where are the profits to be made?
- (b) Where will the benefits of the profits accrue?
- (c) How will the distribution of the benefits of the industrialization affect the lives of the workers and their communities, especially if wages do not allow adequate purchasing power?

### **DEVELOPMENT:**

Development is the establishment of a commercial base, including industry but not solely dependent upon it, where the purposeful design of the interrelationship between labor, management, resources, energy, products, marketing, land use, costs, profits, physical infrastructure, social infrastructure, etc. is for the benefit of the people, the communities, and the country.

The purpose of development is the empowerment of the people, communities and country over their own future not the creating of a self-perpetuating system of dependency on outside funding which must eventually, and at great price, be paid back with interest.

## **MEASURING THE EFFECTS OF INDUSTRIALIZATION AND/OR DEVELOPMENT**

The Purchasing Power Index developed by the author and used in this study provides a method of measuring the effects of industrialization and/or development on the lives of the working people of Haiti. By applying the Purchasing Power Index to each part of any industrialization and/or development program, practice and policy, a comparable measure of can be determined. The data presented in this paper present formulations of the PPI for the past. Application of the PPI to planning and enactment of programs in the future will provide a means of measurement for analysis of the planned and actual effects when programs are in place.

Using the comparative data that the Purchasing Power Index can provide, the design and construction of any socio-economic model for Haiti will lead to specific programs, policies and practices. It is our hope that these will have as their coordinated aim the possibility for the people and communities of Haiti to meet their own needs in the future.

### **THE PURPOSE OF THE STUDY**

The purpose of this study is to create a standard through which the effects of development and/or industrialization of any type might be evaluated in terms of the ability of persons and communities to sustain themselves at the present time and in the future. Such a standard provides a basis for comparison a) over time and b) from place to place. The standard created is the Purchasing Power Index. (PPI)

In extending the application of the Purchasing Power Index to Haiti, it is our hope that the conversation about economic development will include planning for wages which will provide workers with the means of supporting themselves, their families and their communities.

### **THE PURCHASING POWER INDEX**

The creation of the new Purchasing Power Index starts with a standard market basket survey similar to the standard tool that is used in the formulation of the Consumer Price Index (CPI) each month, quarter and year for the United States by the U.S. Department of Labor. The CPI is calculated after the prices for a given set of items (the "market basket") are researched through the United States on a regular basis. The increase/decrease in the cumulative price of the items in the market basket survey is what determines the Consumer Price Index increase/decrease.

Taking the market basket survey an important further step, the Purchasing Power Index calculates the intersection of wages and the prices documented in the market basket survey. Based on wages paid, calculations are performed to determine the number of work minutes required in order to purchase any given item. Since each week contains a limited number of minutes, the calculations reveal how many items the worker can possibly purchase. The purchasing power of the wages is made evident, and the effect of the wage scale upon the life of the worker and the community is clarified in an objective way.

## **ADVANTAGES OF THE PURCHASING POWER INDEX (PPI)**

- 1) The PPI establishes a basis of comparison over time. For example, how many minutes of work are necessary to purchase a pound of rice in January, 1994 as compared with the purchase price in January, 1995?
- 2) It establishes a basis of comparison between one location and another. These different locations can be as varied as comparisons between inner-city and suburban locations within a state, between different cities in a country, or between different countries, such as on different sides of a border.
- 3) It allows for assessment of wage levels without needing to price every item a person might need to purchase. By knowing the purchasing power, in minutes, necessary to provide even basic commodities, the possibility of meeting basic needs through the working of normal work weeks (40-50 hours/week) can be assessed.
- 4) It removes the whole question of judgment of values normally involved in decisions as to how one spends one's money. The PPI states what is possible in terms of the purchasing power accruing as the result of a normal workweek. For example, since there are 60 minutes in a hour and between 40 and 50 hours in a normal work week, a person would have between 2400 and 3000 minutes of purchasing power to "spend" per work week. Questions as to whether or not a person is spending money in a manner which another person might consider "frivolous" is no longer part of the discussion. The emphasis is on what is affordable, not what is chosen for purchase.
- 5) It creates a means of comparing the purchasing power earned by workers/employees as compared to those in management.
- 6) It changes the context of the expression "minimum wage". There are questions that need to be asked:
  - Minimum in terms of what guidelines?
  - Is minimum wage the minimum that a person needs to survive?
  - Is it the minimum established by the local governing power as the least amount that the employer is obliged to pay the worker?

## **WAGES, PRICES AND LOCATIONS**

Analysis of wages is an essential element in any plan for economic development. However, discussion of wages, whether they increase or decrease, is misleading if wages are not seen within the context of prices at any particular time and in any particular place. For example, if wages are increased at the same time prices increase, then the effect of wage increases is often non-existent.

In a similar fashion, when a person travels to another region or country, the experience of items purchased as being "cheaper" for the traveler happens only because the traveler's wages are earned in another location or country. For persons living in any particular place, things are cheaper only if wages remain the same and prices go down, or if wages increase and prices remain the same.

Similarly, if an exchange rate changes, persons using the currency that has increased in value will experience the items being purchased in another country as being "cheaper". The person earning the lesser-valued currency experiences the same items as more expensive. What will be seen as beneficial to one stakeholder within any community can often be harmful, or at least not beneficial, to another stakeholder at the same time.

Corporations use a tool similar to the Consumer Price Index when they are preparing to transfer a corporate executive from country to country or from one region within a country to another region. Because the cost of living is different in different regions, research firms are engaged which use the same tool as the market basket survey. However, they do not usually use such a comparison tool when plants are opened or closed in different regions of the United States. Nor do they use this tool as a means of determining an adequate salary for assembly line workers in another country.

## **DEFINITIONS OF SALARY LEVELS**

In the author's Market Basket Survey: A Comparison of the Buying Power of Maquiladora Workers in Mexico and UAW Assembly Workers in GM Plants In the U.S. (Rosenbaum, 1994), five salary/wage levels were defined as a means of clarifying discussions regarding wages and development:

### **Level 1: Marginal Survival**

Salary does not provide for adequate nutritional needs.  
Starvation is prevented. Malnutrition results.

### **Level 2: Basic Survival**

Salary allows for meeting immediate survival needs including basic food, used clothing, minimal shelter, fuel for cooking.

### **Level 3: Short Range Planning Salary**

Salary meets basic survival needs.  
Possibility of small amount of discretionary income allows for minimal planning beyond living from paycheck to paycheck.  
Allows for occasional purchase of needed item(s) as small amounts can be set aside from meeting basic survival needs.

### **Level 4: Long Range Planning Salary**

Salary meets basic survival needs.

Also allows for the setting aside of small amounts of money (savings) to allow for planning for the future purchase of items and meeting of needs.

### **Level 5: Sustainable Community Salary**

In addition to meeting basic needs and allowing worker to set aside money for future purchases, allows for the availability of enough discretionary income to allow worker to support the development of small businesses in a local community, including the support of cultural and civic needs of the community.

Salary allows for long range planning and participation.

(Note: These levels are not meant to be definitive as to possible salary levels. There are salary levels attainable far above and beyond the financial levels discussed in this section. However, for the purposes of this discussion of the Purchasing Power Index, those other salary possibilities are not relevant.)

## **FIRST USE OF THE PPI METHODOLOGY AND QUESTIONS RAISED**

The basic methodology used in this study was first created for the Market Basket Survey done in 1994 for the maquiladora industrial region in Mexico (Rosenbaum, 1994). The maquiladoras are over 2,000 in-bond assembly plants in which materials from the United States are assembled into completed products for export back to the United States. U.S. companies continue to be attracted to the maquiladora industrial system by the cheap wages and lax enforcement of environment and labor laws in Mexico.

Prices of consumable commodities, collected within the same time frame across the United States and on both sides of the U.S.- Mexican border, were converted to minutes of work required for purchasing basic items. The data demonstrated the difference in purchasing power of GM workers paid under the maquiladora wage scale and GM workers paid under the United Auto Workers unionized wage scale. Two major concerns became evident as a result of the maquiladora study:

- (1) Maquiladora workers worked a 40-50 hour work week and were still not able to meet their own basic needs and the needs of their families.
- (2) How can such a wage scale be deemed appropriate?  
How can adequate purchasing power be ensured when economic development occurs?
- (3) The inability of workers to earn adequate purchasing power because of low wages and unaffordable prices raises serious questions regarding their ability to develop and participate in a sustainable community.

What are the effects of the purchasing power loss in terms of the "ripple effect" which purchasing power has on the ability of a community to develop and support small businesses?

## **DECISIONS MADE IN THE PROCESS OF SETTING UP THE HAITI MARKET BASKET SURVEY**

### **DECISION 1: Data Sources**

The decision to conduct a market basket survey and develop a purchasing power index for Haiti required the gathering of pricing data from as many areas as possible within the country. Because many regions lack easy access to telephone communications, it soon became evident that the usual means of setting up a network of pricing throughout a region or country would not be possible.

After careful consideration, the decision was made to utilize the monthly pricing which has been done since 1992 by USAID. The decision was made based on the following factors:

1. Historical monthly pricing done in a consistent manner was available.
2. The data would be generally acceptable, i.e., to those in the areas of micro-enterprise development, the greater NGO community, and members of the investment community.
3. In addition to the USAID data, systematic pricing was done for Port-au-Prince in August 1995. Plans for the future include systematic pricing in specified areas throughout the country.

### **DECISION 2: Sites for Data Collection**

The original study design named cities in each of the departments in Haiti as sites for data collection. In addition, Port-au-Prince, as the city with the largest population, was divided into zones in which we hoped to be able to collect pricing data.

The cities where USAID had done data collection are:

Cap Haitien	L'Estere
Crois de Bouquet	Ouanaminthe
Fond des Negres	Port de Paix
Jacmel	Port-au-Prince
Jeremie	Thomasique
Les Cayes	

In August, 1995, an extensive set of pricing data was collected for the zones of Port-au-Prince. This was the first time that non-USAID data was independently collected for this study. Efforts are presently underway to establish a network of "pricers" for continued study of the effects of development and/or industrialization.

This report will contain the results of analysis of the USAID data as well as the independent data collected for Port-au-Prince in August 1995. It will be interesting to see what, if any, differences are to be found in the different data sources.

### **DECISION 3: What to Price**

The USAID data contained a specific list of consumable commodities for which prices were consistently collected. For reasons of expediency, this commodity list was continued in the pricing done for Port-au-Prince, August 1995. However, it was decided to add pricing for certain specific articles that are consistent parts of life in Haiti. These articles are as follows:

Hoe	Shovel	Hammer	Plow
Gasoline	Land rent	Education fees	Pencil
Notebook			

Future studies will give assessment of earned purchasing power and its ability to meet actual daily needs. These additional areas will include transportation costs, clothing, energy, etc.

### **DECISION 4: "Salary/Wage" levels**

Because of the high rate of unemployment and underemployment in Haiti, the obvious starting place for wage analysis is the minimum wage. Analysis of the pricing data was calculated on four minimum wage levels:

- a) The higher of the two minimum wage levels as proposed by President Aristide (75 gourdes per day).
- b) The lower minimum wage as proposed by President Aristide (50 gourdes per day).
- c) The minimum wage as proposed by the Tri-Partite Commission (29 gourdes per day).
- d) The actual new minimum wage as agreed upon in November, 1995. (36 gourdes per day).

What really needs to be determined is what level of a minimum wage will enable a person to achieve a sustainable community wage as previously defined. This will be discussed further in the analysis of the data.

## ANALYSIS OF THE DATA

### Part 1: The Data by Date

The first set of spreadsheets was created by date for each of the cities for which pricing data was available. The earliest data available to us is from November 1992. The list of commodities for which prices were collected is included in the results on pages 15-17.

All commodity prices are given in Haitian gourdes. No conversion comparing the value of the gourde with the U.S. dollar is given. Because all pricing was done in Haiti and the "wage" levels being used are also in gourdes, no conversion is necessary.

To compare the prices of commodities in gourdes in Haiti with their equivalents in US dollars would raise the issue of whether a person working in the US will find these commodities expensive or inexpensive. In fact, such conversions are a distraction from *the issue of Haitians being able to meet their own needs as a result of their own labor in Haiti.*

For each month, three additional spreadsheets were created in which all the commodity prices were converted to costs in terms of minutes of work necessary for purchase. For each commodity, the prices in terms of Purchasing Power (in Minutes of Work Necessary) are based on four wage levels:

36 gourdes/day	Actual Minimum Wage
29 gourdes/day	Tri-Partite Commission Recommended Minimum Wage
50 gourdes/day	Lower of Two Minimum Wage Levels as suggested by President Aristide
75 gourdes/day	Higher of Two Minimum Wage Levels as suggested by President Aristide

Using the prices as collected across the country, the purchasing power prices of each these wage levels was calculated based on the minimum price, the maximum price and the average price across the country.

Therefore, for each month, the following data is presented:

- Page 1 Prices in gourdes in all cities where pricing occurred.
- Page 2 Prices in minutes (Purchasing Power required) for the lowest (minimum) price found across the country according to each of the minimum wage levels proposed.
- Page 3 Prices in minutes (Purchasing Power required) for the highest (maximum) price found across the country according to each of the minimum wage levels proposed.
- Page 4 Prices in minutes (Purchasing Power required) for the average price calculated from all the pricing done that month across Haiti according to each of the minimum wage levels proposed.

The second set of spreadsheets analyzes the data according to location over time. Therefore for each city, four sets of numbers have been created:

- Page 1 Prices in gourdes for each commodity between 11/92 and 4/95.
- Page 2 Prices in minutes (Purchasing Power required) for the lowest (minimum) price between 11/92 and 4/95 according to each of the minimum wage levels proposed.
- Page 3 Prices in minutes (Purchasing Power required) for the highest (maximum) price between 11/92 and 4/95 according to each of the minimum wage levels proposed.
- Page 4 Prices in minutes (Purchasing Power required) for the average price between 11/92 and 4/95 according to each of the minimum wage levels proposed.

The Haitian Labor Code defines the workday and week as 8 hours per day not to exceed 48 hours per week. Within the industrial sector, 9-hour days are permissible still not to exceed the 48-hour weekly limit. Because the minimum wage is determined in gourdes/day rather than as an hourly wage as in other countries, the workweek was prorated in order to determine the prices in minutes.

The following table is presented as an illustration. The complete data is available in the full report.

PRODUCT (prices are for 1 lb. unless otherwise noted)	Average Price in Haitian Gourdes	Minutes of Work Necessary at actual minimum wage (36 gourdes/day)	Minutes of Work Necessary at Tri-Partite Commission's recommended wage (29 gourdes/day)	Minutes of Work Necessary at Lower Minimum Wage recommended by Aristide (50 gourdes/day)	Minutes of Work Necessary at Higher Minimum Wage recommended by Aristide (75 gourdes/day)
Milled Rice	3.60	48.00	59.59	34.56	23.04
Parboiled Rice	4.13	55.07	68.36	39.65	26.43
Imported Rice	5.00	66.67	82.76	48.00	32.00
Gougousse Rice	8.00	106.67	132.41	76.80	51.20
Beans-Red	8.00	106.67	132.41	76.80	51.20
Beans-Black	8.33	111.07	137.88	79.97	53.31
Beans-Butter	8.13	108.40	134.57	78.05	52.03
Beans-Pinto		0.00	0.00	0.00	0.00
Corn (ground)	3.27	43.60	54.12	31.39	20.93
Millet	3.47	46.27	57.43	33.31	22.21
Plantain-Green (muske)	0.44	5.87	7.28	4.22	2.82
Plantain-Green Banana(figue)	3.67	48.93	60.74	35.23	23.49
Plantain-Other (proban)	1.00	13.33	16.55	9.60	6.40
Sweet Potato (yam)	30.30	404.00	501.52	290.88	193.92
Sugar (refined)	6.00	80.00	99.31	57.60	38.40
Sugar (unrefined)	6.53	87.07	108.08	62.69	41.79
Sugar (sugar cane)	1.47	19.60	24.33	14.11	9.41
Milk (powdered)	42.13	561.73	697.32	404.45	269.63
Milk (evaporated)	1.07	14.27	17.71	10.27	6.85
Flour (wheat)	3.27	43.60	54.12	31.39	20.93

Herring (Smoked)	1.60	21.33	26.48	15.36	10.24
Herring (Salted)	1.73	23.07	28.63	16.61	11.07
Vegetable Oil	14.93	199.07	247.12	143.33	95.55
Charcoal	25.33	337.73	419.26	243.17	162.11
PRODUCT (prices are for 1 lb. unless otherwise noted)	Average Price in Haitian Gourdes	Minutes of Work Necessary at actual minimum wage (36 gourdes/day)	Minutes of Work Necessary at Tri-Partite Commission's recommended wage (29 gourdes/day)	Minutes of Work Necessary at Lower Minimum Wage recommended by Aristide (50 gourdes/day)	Minutes of Work Necessary at Higher Minimum Wage recommended by Aristide (75 gourdes/day)
Oil	11.47	152.93	189.85	110.11	73.41
Matches	1.06	14.13	17.54	10.18	6.78
Salt	1.20	16.00	19.86	11.52	7.68
Eggs	3.80	50.67	62.90	36.48	24.32
Soap (washing)	2.00	26.67	33.10	19.20	12.80
Soap (laundry)	0.43	5.73	7.12	4.13	2.75
Coffee	5.27	70.27	87.23	50.59	33.73
Tea		0.00	0.00	0.00	0.00
Coca-Cola	0.69	9.20	11.42	6.62	4.42
Water (drinking)	4.00	53.33	66.21	38.40	25.60
Water (other)	0.27	3.60	4.47	2.59	1.73
Hoe	35.18	469.07	582.29	337.73	225.15
Shovel	31.70	422.67	524.69	304.32	202.88
Hammer	38.02	506.93	629.30	364.99	243.33
Plow	245.00	3266.67	4055.17	2352.00	1568.00
Gasoline	5.80	77.33	96.00	55.68	37.12
Land rent	416.67	5555.60	6896.61	4000.03	2666.69
Education Fees	35.00	466.67	579.31	336.00	224.00
Pencil	1.70	22.67	28.14	16.32	10.88
Notebook	9.83	131.07	162.70	94.37	62.91

## THE RESULTS

### Results by Area:

Each month, the results indicate some variation across the country as to prices. No specific area is indicated as the most expensive since prices vary by region for the various commodities. For instance, the most expensive site for red beans is the least expensive for oil. Therefore the decision to average the prices across the pricing sites at any time for any commodity is considered appropriate.

### Results over Time:

For each city where pricing occurred, the data demonstrates the following:

1) For most products and in most areas, the prices of commodities have risen gradually over time.

Example: Price of a Pound of Parboiled Rice in Jacmel over time:

Date	1-93	2-93	3-93	4-93	5-93	6-93	7-93	8-93	9-93	10-93	11-93	12-93
Price (in Haitian Gourdes)	2.40	2.88	2.70	2.96	3.08	3.33	3.33	3.03	2.67	2.67	3.24	2.89
Price (in minutes)*	32	38	36	39	41	44	44	40	36	35.6	43.2	38.5

Date	1-94	2-94	3-94	4-94	5-94	6-94	7-94	8-94	9-94	11-94	12-94	1-95	2-95
Price (in Haitian Gourdes)	3.3	3.1	3.6	3.6	3.6	3.6	3.6	3.6	4.4	3.11	3.11	3.22	3.56
Price (in minutes)*	44	41	47	47	47	47	47	47	59	41.5	41.5	42.9	47.5

\* Price in minutes calculated based on a 36 gourdes/day minimum wage.

Example: Price of A Pound of Black Beans in Les Cayes over time:

Date	11-92	12-92	1-93	2-93	3-93	4-93	5-93	6-93	7-93	8-93	9-93	10-93	11-93	12-93	1-94	2-94
Price ( in Haitian Gourdes)	2.45	2.55	3.00	3.75	3.90	4.00	4.00	4.25	4.50	5.00	5.33	5.19	5.25	5.33	5.78	6.22
Price (in minutes)*	32.7	34	40	50	52	53	53	57	60	67	71	69.2	70	71.1	77	83

Date	3-94	4-94	5-94	6-94	7-94	8-94	9-94	10-94	11-94	12-94	1-95	2-95	3-95	4-95
Price ( in Haitian Gourdes )	6.22	5.78	5.33	4.44	5.11	5.78	6.22	4.00	4.89	5.33	6.00	6.00	6.22	5.11
Price (in minutes)*	83	77	71	59	68	77	83	53.3	65.2	71.1	80	80	83	68

Example: Price of a Pound of Vegetable Oil in L'Estere over time:

Date	11-92	12-92	1-93	2-93	3-93	4-93	5-93	6-93	7-93	8-93	9-93	10-93	11-93	12-93
Price (in Haitian Gourdes)	0.90	0.85	0.95	1.13	1.00	1.00	1.00	1.10	1.20	1.20	1.00	1.00	1.18	1.2
Price (in minutes)*	12	11.3	13	15	13	13	13	15	16	16	13	13.3	15.7	16

Date	1-94	2-94	3-94	4-94	5-94	6-94	7-94	8-94	9-94	10-94	12-94	2-95	4-95
Price (in Haitian Gourdes)	1.2	1.6	1.5	1.5	1.5	1.8	1.5	2	2.5	2	2	1.88	1.75
Price (in minutes)*	16	22	20	20	20	23	20	27	33	26.7	26.7	25.1	23.3

- 2) There have been several peaks in prices. These peaks coincide most clearly with the embargo as well as the time immediately prior

to the removal of the military dictatorship and the return of President Aristide in November 1994.

]

Example: Price of a Pound of Parboiled Rice in Port de Paix over time:

Date	11-92	12-92	1-93	2-93	3-93	4-93	5-93	6-93	7-93	8-93	9-93	10-93	11-93	12-93	1-94	2-94
Price (in Haitian Gourdes)	2.40	2.55	2.60	2.98	2.70	2.70	3.08	3.25	2.65	3.28	3.20	3.13	3.54	3.33	3.73	3.56
Price (in minutes) *	32	34	35	40	36	36	41	43	35	44	43	41.7	47.2	44.4	50	47

Date	3-94	4-94	5-94	6-94	7-94	8-94	9-94	10-94	11-94	12-94	1-95	2-95	3-95	4-95
Price (in Haitian Gourdes)	3.91	4.53	4.80	4.53	4.44	4.53	4.67	4.27	4.27	3.73	3.42	3.11	2.89	3.11
Price (in minutes) *	52	60	64	60	59	60	62	56.9	56.9	49.7	46	41	39	41

Example: Price of a Pound of Red Beans in Thomasique over time:

Date	11-92	12-92	1-93	2-93	3-93	4-93	5-93	6-93	7-93	8-93	9-93	10-93	11-93	12-93	1-94	2-94
Price (in Haitian Gourdes)	3.00	3.10	3.10	3.88	3.90	4.23	6.40	4.55	4.20	4.00	7.00	7.28	4.19	4.00	6.22	6.22
Price (in minutes) *	40	41.3	41	52	52	56	85	61	56	53	93	97.1	55.9	53.3	83	83

Date	3-94	4-94	5-94	6-94	7-94	8-94	9-94	10-94	11-94	12-94	1-95	2-95	3-95	4-95
Price (in Haitian Gourdes)	6.84	6.84	7.47	7.47	6.22	7.16	7.88	6.53	4.67	6.22	5.33	4.44	3.85	4.44
Price (in minutes) *	91	91	100	100	83	95	105	87.1	62.3	82.9	71	59	51	59

### Results by Food Type:

Example: Prices of carbohydrate foods (such as rice) vs. protein foods (such as beans, herring, and milk) in Croix de Bouquet:

Date		12-92	3-93	6-93	9-93	12-93	3-94	6-94	9-94	12-94	3-95
Milled Rice	Price in Haitian Gourdes	3.00	3.00	3.75	2.94	4	4.44	4.44	5.63	4.44	4.44
	<b>Price in Minutes</b>	<b>40.0</b>	<b>40.0</b>	<b>50.0</b>	<b>39.2</b>	<b>53.3</b>	<b>59.2</b>	<b>59.2</b>	<b>75.1</b>	<b>59.2</b>	<b>59.2</b>
Black Beans	Price in Haitian Gourdes	3.00	4.00	4.50	6.42	5.33	7.11	7.33	7.11	5.33	6.07
	<b>Price in Minutes</b>	<b>40.0</b>	<b>53.3</b>	<b>60.0</b>	<b>85.6</b>	<b>71.1</b>	<b>94.8</b>	<b>97.7</b>	<b>94.8</b>	<b>71.1</b>	<b>80.9</b>
Plantain	Price in Haitian Gourdes	2.00	2.00	2.00	1.19	1.13	1.6	1.74	2.04	1.73	2.43
	<b>Price in Minutes</b>	<b>26.7</b>	<b>26.7</b>	<b>26.7</b>	<b>15.9</b>	<b>15.1</b>	<b>21.3</b>	<b>23.2</b>	<b>27.2</b>	<b>23.1</b>	<b>32.4</b>
Herring - Salted	Price in Haitian Gourdes	4.50	7.50	7.50	14.67	10.53	18.29	39.18	22.6	14.55	15.59
	<b>Price in Minutes</b>	<b>60.0</b>	<b>100.0</b>	<b>100.0</b>	<b>195.6</b>	<b>140.4</b>	<b>243.9</b>	<b>522.4</b>	<b>301.3</b>	<b>194.0</b>	<b>207.9</b>
Milk	Price in Haitian Gourdes	5.00	10.00	8.00	7.00	9.48	11.85	9.48	11.06	11.85	11.46
	<b>Price in Minutes</b>	<b>66.7</b>	<b>133.3</b>	<b>106.7</b>	<b>93.3</b>	<b>126.4</b>	<b>158.0</b>	<b>126.4</b>	<b>147.5</b>	<b>158.0</b>	<b>152.8</b>

Example: Prices of carbohydrate foods (such as rice) vs. protein foods (such as beans, herring, and milk) in Jacmel:

<b>Date</b>		<b>12-92</b>	<b>3-93</b>	<b>6-93</b>	<b>9-93</b>	<b>12-93</b>	<b>3-94</b>	<b>6-94</b>	<b>9-94</b>	<b>12-94</b>	<b>3-95</b>
Parboiled Rice (milled)	Price in Haitian Gourdes	2.40	2.70	3.33	2.67	2.89	3.56	3.56	4.44	3.11	
	<b>Price in Minutes</b>	<b>32.0</b>	<b>36.0</b>	<b>44.4</b>	<b>35.6</b>	<b>38.5</b>	<b>47.5</b>	<b>47.5</b>	<b>59.2</b>	<b>41.5</b>	
Red Beans	Price in Haitian Gourdes	3.75	4.80	5.70	5.42	5.33	6.67	3.56	5.33	5.33	6.44
	<b>Price in Minutes</b>	<b>50.0</b>	<b>64.0</b>	<b>76.0</b>	<b>72.3</b>	<b>71.1</b>	<b>88.9</b>	<b>47.5</b>	<b>71.1</b>	<b>71.1</b>	<b>85.9</b>
Plantain	Price in Haitian Gourdes	2.00	2.00	2.00	0.85	1.17	1.16	1.29	1.15	1.25	1.74
	<b>Price in Minutes</b>	<b>26.7</b>	<b>26.7</b>	<b>26.7</b>	<b>11.3</b>	<b>15.6</b>	<b>15.5</b>	<b>17.2</b>	<b>15.3</b>	<b>16.7</b>	<b>23.2</b>
Herring - Salted	Price in Haitian Gourdes	3.50	3.00	4.50	9.14	11.6	8.73	17.5	20.8	16	11.2
	<b>Price in Minutes</b>	<b>46.7</b>	<b>40.0</b>	<b>60.0</b>	<b>121.9</b>	<b>154.8</b>	<b>116.4</b>	<b>232.7</b>	<b>277.3</b>	<b>213.3</b>	<b>149.3</b>
Milk	Price in Haitian Gourdes	3.98	5.50	6.00	5.17	6.52	5.93	7.11	8.3		7.11
	<b>Price in Minutes</b>	<b>53.1</b>	<b>73.3</b>	<b>80.0</b>	<b>68.9</b>	<b>86.9</b>	<b>79.1</b>	<b>94.8</b>	<b>110.7</b>		<b>94.8</b>

### **DISCUSSION 1: MINIMUM WAGE AND THE BASIC SURVIVAL LEVEL WAGE**

The data, whether calculated over time or by place, demonstrate the inadequacy to meet the Basic Survival Level (Level 2 earlier described ) of any of the minimum wage levels proposed, or the 36 gourdes/day minimum wage established in November, 1994. Most notable is the contrast between the purchasing power required for the food commodities which stave off hunger such as carbohydrates, and the much higher purchasing power required to prevent malnutrition and its associated diseases through access to protein, fruits, vegetables, etc.

When the argument is presented that wages are already livable because people are alive, the factual response must include reference to infant mortality, incidences of illness made more numerous because of malnutrition, as well as the shortened life span which results from continued malnutrition as well as lack of adequate access to potable water. The cost to any community and society which does not provide or is not able to provide adequate nutrition to its infants and children should also be included in the calculations. Lack of health, inappropriate mental development because of protein deprivation during development, etc. place dual burdens on communities: the burden of caring for those not able to care for themselves and the loss of the creative and physical energies which these persons would have provided.

For a minimum wage to achieve a basic survival level, it would have to provide the purchasing power to achieve the following:

1. Allow for the purchase of food commodities to achieve a sufficient caloric intake. In addition to necessary calories, food commodities need to contain the nutritional necessities contained in a diet with adequate protein, simple and complex carbohydrates, fruits and vegetables, etc. It is not enough for someone to not be hungry. What is required is that each person have the ability for access, through purchasing power, to the type of nutrition needed for health.

2. Allow for the purchase of sufficient potable water. The price of potable water, as well as its availability, places serious burdens on the earned purchasing power of any worker.

3. Provide for access to fuel sources for cooking.

While not included in the pricing conducted for this report, it should be obvious that the following are also requirements of a minimum wage which would be capable of achieving the purchasing power adequate to achieve a basic survival wage level as previously defined:

- a) transportation costs
- b) clothing costs
- c) health care costs including those related to preventative care such as soap, water for dishes, bathing and laundry, toothpaste, etc.
- d) lighting costs whether for electricity, candles, oil lanterns, etc.
- e) costs associated with education: school fees, books, notebooks, uniforms, etc.

## **DISCUSSION 2**

### **THE EFFECTS OF A MINIMUM WAGE-BASED ECONOMY**

It is also appropriate to raise the issue of the underlying realities of either industrialization or development based on a minimum wage structure.

The inadequacy of the minimum wage from the point of view of the workers and their families is connected to the effect that a minimum wage based economy has on the ability of a community to survive, develop and move towards a sustainable existence.

#### **EFFECTS ON WORKERS**

Minimum wage based workers remain dependent on a hand-to-mouth existence where the illness of the worker/provider can mean calamity, hunger, and homelessness for a family. Minimum wage based workers remain dependent on the immediate need for a job, thereby placing themselves in the position of being unable to bargain for or have access to time to look for a work situation, a job, which would provide greater income.

#### **EFFECTS ON COMMUNITIES**

Communities based on minimum wage salaries have an inadequate tax base for the development of physical and social infrastructure. Work situations are usually determined by outside investors or owners. Therefore the community remains dependent on the decision of the investor to remain, a decision often based on the level of profit for the investor/owner. This dependency on the decisions of outside investors/owners again results in short term survival rather than long term planning and sustainability.

#### **EFFECTS ON ECONOMIES**

Economies based on minimum wages risk viewing workers as expendable resources which can be replaced by other workers at the will of the employer. This is a denial of the unique humanity of each worker resulting in the neglect of the creative energies and ideas of any workers, perhaps the most valuable resource any industry can have.

#### **EFFECTS ON SOCIETIES**

Societies based on minimum wages for some workers, some communities and some economic sectors are in violation of the economic, social, health and human rights of those workers, those communities and those economic sectors as these rights are outlined in the United Nations Universal Declaration of Human Rights.

### **QUESTIONS REGARDING A MINIMUM WAGE BASED ECONOMY**

What are the purposes of establishing any wage level as the minimum wage? Is the purpose to establish a wage below which basic needs for survival cannot be met, in other words, a wage level safety net? Or is the purpose to establish lower and lower costs to a business, whether transnational or local, so that profits can increase?

One is compelled to raise a question both deeper and more fearsome even to name publicly: Might the hidden purpose of minimum wages be the perpetuation of a segment of society which consists of persons who, because they are in a constant state of struggling for mere survival, can be counted on to remain in a state of dependency on a company or companies for meeting their financial needs and therefore remain compliant and docile out of fear of losing their jobs?

### **DISCUSSION 3 BEYOND MINIMUMS TOWARDS A SUSTAINABLE COMMUNITY WAGE**

The conversation and planning around a minimum wage based economic structure for Haiti needs to be modified to plan and work for the creation of an economy which moves towards wage levels established at the sustainable community wage level (as previously described on page 12.) For this to occur, there are numerous questions which need to be answered:

#### **OVERALL DESIGN**

1. What is the overall design for the future of Haiti?
2. Is development the aim or industrialization in the form of contract suppliers who will use the cheap labor force of the desperate Haitian people to reap deep profits which accrue to them rather than being spread out to the Haitian population?

Prime examples of negative effects of this type of industrialization are the maquiladora industrial regions in northern Mexico where industrialization has not provided for the planning and development of adequate physical and social infrastructure, or sufficient wages to provide discretionary income that supports small businesses in a community.

Negative effects are also experienced where the industrialization has been of the type called contract supplier development. With industrialization based on the contract supplier model, assembly of clothing, electronics and other consumer durables again provides only jobs, with profits accruing to

- a) the companies which market the assembled products as well as
- b) those who operate the assembly plants.

Because the profits from sales do not occur within the community where assembly occurs, the benefits from these profits rarely return to the community for use in the creation and maintenance of physical and social infrastructure.

Examples of contract supplier model maquiladoras can be found in El Salvador, Guatemala, Honduras and other Central American countries.

### **TAX BASE FOR COMMUNITY DEVELOPMENT**

3. How will the development and industrialization provide a tax base strong enough for the country of Haiti to begin the structural development of roads, potable water, schools, electricity, sanitation and communications to move the country into the 21st century?

4. Who will be paying taxes to provide the tax base required? Obviously, it will not be workers who are paid at the minimum wage.

The question of taxes is a crucial one if economic stabilization is going to occur. The provision of a sufficient tax base is the measure of the ability of any society to provide for the common good. In the United States, the current "conversations" centering on the diminution of the requirement to pay taxes and the lowering of taxation levels, mask the essential question of how a society is able to provide for the needs of its citizens, that is, ALL of its citizens.

Criticism of the way taxation revenues are spent often masks the need to provide for the ability to meet the social and physical infrastructure needs of any country or community. An example or illustration might be as follows: If an adolescent does not have good eating habits, the answer is not to remove all food from the adolescent. The appropriate answer is to teach the adolescent to eat in a nutritionally sustaining manner. The parallel in terms of taxes is as follows: the appropriate response to the unfortunate reality that tax monies are not always spent wisely or appropriately would be to develop a monitoring system to enable the spending of taxation monies to be done to minimize waste and maximize benefit to all. The answer is not to abandon the requirement that we function as a community to meet the needs of all members of our society. Nor is the answer to expect each member of any society to be able to meet his/her own needs in isolation.

The definitive nature of a community or a society is that the needs of each of its members are met through the common resources of all of its members. Investment, industrialization and/or development must participate in providing a tax base for Haiti which will allow Haitians as a nation and as local communities to provide for themselves.

5. Will industry that moves into Haiti provide a tax base that will lead to stabilization? Will the tax abatements being offered by the Haitian government as a means to entice foreign

investment in Haiti deprive the country of the tax base that could lead to economic stabilization, appropriate development and the control of Haiti by Haitians?

### **FINANCING OF INDUSTRIALIZATION AND/OR DEVELOPMENT**

6. How, and by whom, will the financing of any development be paid for?
7. Will some of the profits return to Haiti for future development?
8. Will the financing of any development through loans from outside the country demand the continuous flow of capital, in the form of products, services, cheap labor and/or resources from Haiti to outside investors?

Unless some way is found of returning the resources of Haiti to the country of Haiti and the Haitian people, industrialization will really be perpetuating the present cycle of poverty.

### **DISTRIBUTION OF BENEFITS**

9. Who will benefit from any investment?
10. Can loan money be provided at interest rates low enough, along with the expertise to develop and market products, to allow for the development of industry within Haiti that will create a cycle of sustainability and sufficient discretionary income, thereby providing the means for supporting the start-up and continuous support of other small businesses?

*[The use of the word "interest" to describe the extra money which is the price a borrower must pay to have access to funding is a curious one. The question must be asked: In whose "interest" is each aspect of the funding for any industrialization and/or development?]*

### **JOBS AND SALARIES**

11. Will the jobs which are provided allow people to meet their needs and those of their families or will the industrialization taking place lead to a state of perpetual impoverishment because of low wages?
12. What is the purpose of establishing the low wage scale at such a point where it is impossible for workers, after working a full work week, to meet their needs and those of their families?

### **ENVIRONMENTAL CONCERNS**

13. How will the environmental effects of industrialization and/or development be addressed? How will energy be provided? What type of energy? ...at what cost? Will the need for energy for industrialization take precedence over the need for energy for development?

## **AGRICULTURAL CONCERNS**

14. How will the role of the agricultural sector in the development of Haiti be sustained?

15. Will agricultural products native to Haiti, such as rice and coffee, be forced to compete against the cheaper imports from the US and other countries?

16. How will the wages of the agricultural sector be supported to provide a sustainable community wage for the farmers?

17. Will Haitian agricultural products be forced into the export market at an artificially low cost in order to provide capital for the re-payment of external loan monies?

*These questions, and probably many more to come, remain to be answered. They are not rhetorical questions but rather questions which reflect the impact of decisions made by one groups of people in planning rooms in one place on the everyday lives of persons, their families, communities and societies somewhere else.*

## **CONCLUSIONS: WHERE DO WE GO FROM HERE? RE-ENVISIONING THE STAKEHOLDER MODEL**

The question remains: How will corporations which move into Haiti see themselves as part of the communities in which they operate? Traditionally, emphasis has been on a stakeholder model in which various community groups are defined in terms of their importance to the corporations. In this traditional model, shareholders, employees, consumers, community groups are seen as stakeholders in the corporation - thereby making the corporation the center of the model and the center of concern. This has been true as corporations have developed from local and national businesses through international, multi-national and transnational forms. The changing names reflect the importance which corporations have come to hold in the lives of communities around the world.

In a re-envisioned stakeholder model (Rosenbaum, 1995), a re-definition of the corporation has been presented in which each and any corporation is asked to recognize itself and be willing to be recognized by others as one among other various stakeholders in a community. All segments of the community are equal stakeholders in the community, along with the corporations.

In addition, this re-defined stakeholder model places the sustained community as the prime goal of the interactions, interrelationship and operations of each community segment. (First Principles for Analyzing Corporate Business Responsibility by Faith communities, draft)

Through the building of relationships among the various stakeholders within communities, as well as the building of constructive relationships between communities, steps towards sustainable development can be undertaken as part of a long-term approach which has as part of its vision the sustaining of resources for future generations. This redefined stakeholder model is therefore seen as integral to the possibility of sustainable economic development, "the process of building equitable, productive and participatory structures to increase the economic empowerment of communities and their surrounding regions". (Principles of Global Corporate Accountability, 1995) The benefits to the corporation will include a stable work force, a stable community in which to operate...and a community which can aspire to own the products which are produced within the community.

The Purchasing Power Index, by providing a means of comparing the combined effects of wages and prices across time and from place to place, is offered as a practical tool to move conversations towards programs, policies and practices that provide a more just economic system for Haiti and for other countries and areas within countries which are in the process of development.