

Economics 153

Monetary Economics

Homework 2

Fall 2006

1. Find information about the current hyperinflation in Zimbabwe. Try to find time series for: (a) the price level (or inflation), (b) the money supply, (c) the fiscal deficit, and (d) output growth. Good places to start your search are the websites of the International Monetary Fund, www.imf.org, the World Bank, www.worldbank.org, the Reserve Bank of Zimbabwe, <http://www.rbz.co.zw>, and Zimbabwe Situation, www.zimbabwesituation.com. Also try to find information about ‘Operation Sunrise’ announced on July 31, 2006, which introduces a new currency. One unit of the new currency is worth 1000 units of the old currency. What effect do you predict will operation sunrise have on inflation.
2. Identify any similarities between the current situation in Zimbabwe and that of hyperinflationary Germany in 1921-23.
3. What policy changes would be required for inflation stabilization in Zimbabwe.