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## **Clothed in rags by hyperinflation: the case of Zimbabwe**

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Title : **Clothed in rags by hyperinflation: the case of Zimbabwe**

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## **Abstract**

After employing a number of qualitative methodologies in investigating and analyzing the devastating hardships and sufferings inflicted on ordinary Zimbabweans by the hyperinflationary environment bedeviling the country, the study found some interesting things. Some of the hardships and sufferings currently common and being experienced by most Zimbabweans on daily basis include non affordability of essential products and services, non availability of local currency in banks, not allowed to withdraw enough cash from banks, endurance of long and winding bank queues, the inability to make any projected financial planning, inability to make credit purchases and stressful life. The research also found that most people ended up engaging themselves in barter trading, dollarization, buying and selling, foreign currency dealing and money 'burning' as strategies to survive in this hyperinflationary environment. Lastly, increased criminal activities, erosion of generally held good morals as well as disappearance of good business ethics have been found to be some of the consequences of hyperinflation on the human behaviour of most Zimbabweans.

## *Then* (1980 [independent from Britain])

*Annual inflation* was 11.8%, while *month-on-month* rate was -0.50%; the highest *Zimbabwean dollar denomination* was Z\$20; the mostly widely used currency (in more than 95% of all transactions) was the Zimbabwean dollar; the *official exchange rate* was US\$1: Z\$0.6540; the *parallel (black) market exchange rate* was US\$1:Z\$0.6475; *GDP growth rate* was 10.7%; *GDP per capita* was US\$ 755; *unemployment rate* was less than 30%; *life expectancy* was 60 years; and the country was the *bread basket of Africa*.

## *Now* (2009 January [under the colonial power of hyperinflation])

*Annual inflation* is 1108 844.1; while *month-on-month* underestimated 'official' rate is above 231 million percent and the independent analysts' rate is estimated to be 6.5 quidecillion novemdecillion percent (that is 65 followed by 107 zeros) (as of 30 January 2009); the highest *Zimbabwean dollar denomination* is Z\$100<sup>1</sup> trillion; the *mostly widely used currencies* are US dollar, South African rand, UK pound, Euro and Botswana Pula (99.99%); the *official exchange rate* is US\$1: Z\$4 million (as of 30 January 2009); while the *parallel (black) market exchange rate* is US\$1:Z\$200 trillion (as of 30 January 2009) and RTGS's exchange rate is at least US\$1: Z\$ 100 quadrillion (100 and 15 zeros) (as of 30 January 2009); *GDP growth rate* is -6.1%; *GDP per capita* is US\$402; *unemployment rate* is 94%; *life expectancy* is 36 years; and the country is the *bread beggar of Africa*.

### 1.0 Introduction

Although for a number of years after independence in 1980 the country's economic health status was generally considered as sound for a developing state, over the recent years, the country's economic performance has been the laughing symbol for many countries. The fact that Zimbabwe is currently under severe and chaotic hyperinflation is common knowledge both to the country's citizens and the world over. The latest inflation rate released by the country's Central Statistical Office (CSO) is that of July 2008 in which the country's month-on-month rate was estimated at 231.2 million percent, though independent analysts, for instance, Hanke put this inflation rate at 6.5 quidecillion novemdecillion percent (that is 65 followed by 107 zeros) (as of 21 January 2009)<sup>2</sup>. In comparison with other countries, currently, the second highest inflation is that of a country called Burma, whose inflation rate is around 39 percent.

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<sup>1</sup> This really means 1 000, 000,000,000,000,000,000, 000. Yes, that is 1 Octillion (i.e., 1 and 27 zeros), taking into account the 13 zeros Zimbabwe's central bank has lopped off since August 2006 (3 zeros were chopped off on August 1<sup>st</sup> 2006 and further 10 zeros were chopped off on August 1<sup>st</sup> 2008) as a means of trying to make the country's currency somewhat more manageable.

<sup>2</sup> [http://www.thezimbabwean.co.uk/index.php?option=com\\_content&task=view&id=17903&Itemid=104](http://www.thezimbabwean.co.uk/index.php?option=com_content&task=view&id=17903&Itemid=104).

Overall, Zimbabwe today shows many of the scars and characteristics of a post-conflict state: world's highest inflation; massive population displacement, with around three million in South Africa and Mozambique; depleted infrastructure; the breakdown of basic services; social trauma; a lack of justice; highest foreign currency shortages and highest foreign currency black market rates; serious shortages of clinical medicine; education, infrastructure buildings, roads and health systems in shamble; dictatorial government and a shattered economy. It is the country that has the lowest life expectancy in Africa and instances of political torture<sup>3</sup>. Another renowned Zimbabwean businessman and banker have correctly described Zimbabwe as a "dead man walking"<sup>4</sup>.

## 1.1 Zimbabwe's inflationary trend

The country has been ravaged by hyperinflation<sup>5</sup> for a considerable period to such an extent that even the use of the local currency, the Zimbabwean dollar (Z\$) estimated to have lost more than 99.99 percent of its value within a space of less than two years (2007 to 2008). On the local scene, the Zimbabwean dollar has been playing second fiddle to other currencies such as the US dollar (US\$), the South African rand (ZAR), the euro, the British pound and the Botswana pula, to mention just a few credible currencies widely used in almost all transactions. These currencies have been widely used especially since beginning 2008 across the board with even rural people selling their beasts (e.g., cows, goats etc) in US\$ and South African rand. Currently, things such as rental accommodation, paying of lobora (*roora*), and buying of almost all items is denominated in the above currencies, especially US dollar and the South African rand.

Whilst the use of other foreign currencies as legal tender has been mostly unofficial since the country entered the hyperinflationary trend, the formalization of the use of these currencies was finally done in September 2008. In a humble move and in the spirit of submitting to the reality that the local currency, the Zimbabwean dollar, has become useless, the Reserve Bank of Zimbabwe (RBZ) formally introduced a partial dollarization system on September 10, 2008 through the so-called Foreign Exchange Licenced Warehouses and Shops (FOLIWARS). Ever since, many companies, including government departments (for instance, the registrar's office of passports, the Zimbabwe Water Authority – ZINWA) and private companies (for example, Econet Wireless and a multitude of schools) have applied for and were granted permission to charge their services in US dollars.

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<sup>3</sup> The Independent Newspaper (3 August 2008). Zimbabwe needs help in post-Mugabe era, available at: [www.theindependent.co.zw](http://www.theindependent.co.zw).

<sup>4</sup> The Zimbabwe Independent Newspaper (18 December 2008). Another Year of Marked Economic Decline, available at: <http://www.thezimbabweindependent.com/business/21725-2008-another-year-of-marked-economic-decline.html>.

<sup>5</sup> Hyperinflation is defined by Cagan "... as beginning in the month the rise in price exceeds 50 percent..." Cagan P, "The Monetary Dynamics of Hyperinflation" in Friedman M (ed) *Studies in the Quantity Theory of Money*: University of Chicago Press, 1956.

Zimbabwe's hyperinflation trend continues to be chaotic and galloping at an unprecedented speed. A snapshot at 2008's trends indicates that the country's month-on-month inflation shows that the official under-estimated inflation recorded rate entered 2008 with a January figure of 100 580.2 %, reaching above 1 694 000% by end of May. The inflation rate was around 9 million percent by June 20 and closed June at a rate of 10.5 million percent. The all time high and latest official month-on-month inflation published was that of July when the rate reached 231.1 million percent. Many analysts however consider these official figures as very conservative and purposefully understated by the Zimbabwean authorities, with Steve Hanke (as quoted in the Zimbabwean Newspaper<sup>6</sup>) of the Cato Institute putting Zimbabwe's inflation rate at 6.5 quindecillion novemdecillion percent as of 22 January 2009.

Even though these official figures are grossly understated, ever since the published rate of July 2008, the government has instructed the Central Statistical Office (CSO) not to publicize the inflation figures regularly. Under normal circumstance, the CSO used to announce the month-on-month inflation rate of each previous month by the 10<sup>th</sup> (or 11<sup>th</sup>) of the immediate following month. Thus, although the CSO continues to calculate these inflation rates as before, it however cannot announce them as it used to do. Anecdotal information from CSO personnel even claims that the office in which these figures are finally computed has become a no-go-area for any staff member except the particular office bearer.

Whilst the Zimbabwean government, through the RBZ, has introduced some fun 'policies' to deal with the situation, the problem have been that these 'policies' have been devised in a 'straight-jacket' and myopic manner, addressing the symptoms and purposefully leaving and unwilling to deal with the real underlying causes of runaway inflation. Two of such 'policies' are the "chopping of zeros' policy and the 'money printing and oozing policy". For instance, under the "chopping of zeros" 'policy', the RBZ has twice been wielding its machetes to chop off the zeros from the local currency to make it easier for both computers to cope with numbers and the majority to be able to read and transact. On 1<sup>st</sup> of August 2006, three zeros were chopped off and again on 1<sup>st</sup> August 2008, a whopping 10 zeros were chopped off. In total, 13 zeros have been chopped off and removed from the Zimbabwean dollar in a space of two years. On the "money printing and oozing" 'policy', a total of 27 new Zimbabwean dollar denominations have been printed and introduced in the economy in 2008 ALONE!!!<sup>7</sup> and three new denominations in January 2009. All these attempts and efforts, as expected from simple understanding of basic economic principles, have amount only to trash. The main reason being that both attempts were not backed by real supply side fundamentals such as production, among other factors.

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<sup>6</sup> The Zimbabwe Independent Newspaper (22 January 2009). Inflation at 6.5 quindecillion novemdecillion percent, available at:  
[http://www.thezimbabwean.co.uk/index.php?option=com\\_content&task=view&id=17903&Itemid=104](http://www.thezimbabwean.co.uk/index.php?option=com_content&task=view&id=17903&Itemid=104)

<sup>7</sup> Ibid

Although a number of factors have been at play in triggering, exacerbating and sustaining the hyperinflation environment currently bedeviling the country, consensus exist among analysts that money printing has been one of the major cause. Makochekanwa (2007)<sup>8</sup> enumerates a number of factors which have directly and indirectly resulted in RBZ's printing subsidiary; Fidelity Printers, to run the money printing machine 24 hours a day. The underlying reasons for this continuous money printing was (and continues to be) to finance government expenditures in a number of activities in which the government entered into, mostly for the benefit of the few politicians, rather than the majority. Also Hanke (2008) alluded to the fact that the government's policies were a major factor which forced the RBZ to engage in money printing. Hanke (2008)<sup>9</sup> considers Zimbabwe's hyperinflation as a direct responsibility of the RBZ, where "The government spends, and the RBZ finances the spending by printing money". According to the same author, the speed at which RBZ was effectively and efficiently printing money, especially for the period covering January 2005 to May 2007 exceeded the rate at which Germany's central bank printed money for the period covering January 1921 to May 1923 during its hyperinflation.

For Zimbabwe, unless there is a divine intervention in the near future, or some radical turnaround seriously constituted inflation fighting measures (including possibilities of properly tailor-made dollarization or currency board or free banking, with any of the chosen backed by policies addressing supply-side fundamentals such as increased production as well as serious political will) are introduced as a matter of urgency, it seems that this inflationary trend will continue for some time. This doom outlook is underpinned by a combination of the RBZ's reluctance to serious fight inflation and its (RBZ) vow to continue printing money "till kingdom come" as clearly, unequivocally and publicly announced by the current RBZ governor in the following quotation:

*"I am not afraid to print money and I will continue doing so..."<sup>10</sup>*

Although high inflation is known to affect diverse groups of citizens, the poor Zimbabweans have been the most affected group of people. The flowing extract summarizes the current inflationary environment and the awaked horror that have been inflicted upon the ordinary and majority of Zimbabwean in their day to day survival by the country's man-made hyperinflation.

*"Moyo, 28, goes into a shop in downtown Harare and heads for a shelf where, a day ago, she saw a feeding bottle she wanted to buy for her three-month-old son. She picks it up and goes to the till, convinced she can afford this luxury for her*

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<sup>8</sup> Hanke Steve (2008). Zimbabwe: From hyperinflation to Growth. Cato Institute (Centre for Global Liberty and Prosperity Development Policy Analysis). Available at: [www.cato.org](http://www.cato.org)

<sup>9</sup> The Zimbabwean newspaper (1<sup>st</sup> October 2008). Available at: [http://www.thezimbabwean.co.uk/index.php?option=com\\_content&view=article&id=15526:im-ready-to-quit-gono&catid=31:top%20zimbabwe%20stories&Itemid=66](http://www.thezimbabwean.co.uk/index.php?option=com_content&view=article&id=15526:im-ready-to-quit-gono&catid=31:top%20zimbabwe%20stories&Itemid=66)

<sup>10</sup> The Zimbabwean newspaper (1<sup>st</sup> October 2008). Available at: [http://www.thezimbabwean.co.uk/index.php?option=com\\_content&view=article&id=15526:im-ready-to-quit-gono&catid=31:top%20zimbabwe%20stories&Itemid=66](http://www.thezimbabwean.co.uk/index.php?option=com_content&view=article&id=15526:im-ready-to-quit-gono&catid=31:top%20zimbabwe%20stories&Itemid=66)

*child, but the cashier nonchalantly tells her the price has more than doubled, and the new price is more than the cash she has on her.*

*Moyo, a cleaner and one of the few people with a job in a country with unemployment rate of more than 80 percent, storms out and joins a long queue at a nearby bank to see if she can withdraw more money. After three hours, having withdrawn the maximum daily limit of Z\$50,000 (US\$2.50) and added it to the Z\$100,000 (US\$5) given to her by her husband, a driver for a commercial bank, she returns to the shop. She again picks up the feeding bottle, but is then told by the cashier that in her absence the price has gone up and she is now Z\$30,000 (US\$1.50) short. "This price madness is frustrating, and it makes you hopeless because it seems it will never come to an end. I just don't understand why and how prices keep on increasing at such a rate," Moyo told IRIN. "I have given up and will have to use a cup instead of the bottle that is ideal for my son."*

*Navigating the official annual inflation rate of 231 million percent is as perplexing to the customers as it is to the vendors. "We spend more time changing price tags than serving customers. The branch manager visits the shop floor at least two times a day with a new list of prices for the commodities that are still in stock," the cashier at the shop, who declined to be identified, told IRIN. "In fact, these days he spends more time in meetings with other managers than supervising us, and I suspect that it is at these meetings that changes to the prices are made." As inflation spirals, business has rapidly tapered off. Most customers walk into the shop, examine the price tags, shake their heads and walk out. There are three prices for one item. A three-tier pricing system is used: some commodities are sold for foreign currency, others — mostly small and perishable goods — are sold for local currency, and another set of prices - marked up by more than a 1,000 percent - are for those paying by credit card"<sup>11</sup>.*

## **2 Objectives**

Given the above brief background on Zimbabwe's chaotic hyperinflation, the study's main objectives are as follows:

- i. Provide a detailed analysis of the hardships and sufferings inflicted on ordinary Zimbabweans by hyperinflation;
- ii. Investigate the survival strategies which have been implemented by the majority Zimbabweans to mitigate the deadly curses of hyperinflation upon their lives; and
- iii. Present some negative consequences of hyperinflation on (Zimbabwean's) human behaviour

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<sup>11</sup> The Zimbabwean newspaper (22 October 2008). A day in the life of hyperinflation. Available at: <http://www.thezimbabwean.co.uk>.



As alluded to in the introductory section, it is important to note that Zimbabweans, over the past years have been (and continue to) enduring a plethora of economic hardships and sufferings emanating from a number of factors ranging from political, government mismanagement of the economy to hyperinflation among other factors. This paper will endeavour to single out and present only hardships and sufferings caused by hyperinflation on majority Zimbabweans (99.99% of around 13 million people) and present survival strategies which have been employed by the majority to circumvent hyperinflation inflicted hardships and sufferings. The analysis in this paper covers the period up to 30 January 2009 (and it does not analyze the impacts of the country's 2009 budget which was presented on 30 January 2009).

### **3 Methodology**

Given the peculiarity of the objectives and subject matter under study, and also the need to get the factual information from the most affected poor Zimbabweans, the research did not employ any econometric gymnastic or any other fancy complicated analytical methodology, but rather made use of the following four-pillar pragmatic approach.

#### ***3.1 Focus groups and general discussions***

Both focus groups and general discussions were done. These discussions were done to a cross-section of different age groups, educational level, gender and income level. The main aim of these discussions were to freely deliberate on all the issues surrounding hyperinflation in the country and get diverse problems that the discussants have come across in their endeavour to survive as well as the various strategies that they have employed to keep their heads above the inflationary mud waters. Also these discussions implored the consequences of hyperinflation on both Zimbabweans' general human behaviour, both in private life and in business transactions.

#### ***3.2 Observation***

Though observation as an information gathering technique is widely used in research mostly done in natural sciences, this study employed this technique for the purpose of achieving its stated objectives. Whilst the author agrees that not many things cannot be gained through this technique, it is however important to note that, just by observing how people move on with their day to day activities in a stressful hyperinflationary Zimbabwean environment, one can easily deduce that people have been made slaves by the high inflation.

### **3.3** *Media reports and articles (newspapers, radio and television channels)*

The study also tracked newspaper articles and reports on all the issues surrounding inflation in Zimbabwe. The media reports and articles included, but not limited to both printed and online newspapers (the Zimbabwean Herald, the Zimbabwean Independent, the Zimbabwean Financial Gazette, the Zimbabwean newspaper, South Africa Sunday Times, and South African Independent online), TV channels (BBC, South African etv, SABC, Zimbabwe TV, CNN) and radio channels (South African Talk 702, Voice of America, Studio 7 and Zimbabwe radio stations). These reports were tracked for the period covering January 2007 to January 2009.

### **3.4** *Questionnaire survey*

Questionnaires were administered to a total of 100 people in total, consisting of a cross-section of different age groups, educational level, gender and income level. The questionnaires consisted of both closed questions and open-ended questions. The main idea of including both types of questions was to have the advantages of both focused interview and that of having the interviewees responding according to what they have been really going through in their day to day living due to high inflation. The response rate in the questionnaires was generally good since 79 out of the 100 questionnaires were successfully completed and are the ones analyzed in this study.

## **4 Discussion of Results**

This section provides an analysis of the results obtained from the four methodologies presented above. The results are divided into three components. Firstly, the paper will discuss the sufferings and hardships inflicted on ordinary Zimbabweans by hyperinflation. Secondly, the survival strategies that have been implemented by citizens to deal with and circumvent the hardships detailed above will be presented. Lastly, the research will also brief the consequences of hyperinflation on Zimbabweans' human behaviour.

### **4.1 Hyperinflation inflicted hardships and sufferings**

#### **4.1.1** *Non affordability of essential products and services*

As a result of hyperinflation, the majority of Zimbabweans cannot afford most essential products (such as cooking oil, maize-meal, and milk) and services (such as school fees, hospital and medical treatment) in cases where these items are available. Because of the exorbitant prices charged by local sellers, recently the state-controlled Herald newspaper (dated 30 December 2008) advised majority of Zimbabweans to form groups and send members to neighbouring South Africa to buy basic commodities. This move was intended to counter exorbitant pricing by the local retailers. By buying directly from

South Africa, people were going to save given that products were cheaper in the latter country<sup>12</sup>.

As one newspaper put it, “In August, the central bank slashed ten zeros from the local currency but a newspaper that cost ten Zimbabwe dollars in the new denominations in August cost 700 000 Zimbabwe dollars this week (of November 27, 2008)<sup>13</sup>.”

The following cartoon portrays the extent to which the prices have become unbearable for the majority Zimbabwean citizens.

**Figure 1: Unbearable Zimbabwean prices**



Source: <http://www.zimdaily.com> (29 July 2008)

#### 4.1.2 Non availability of local currency in banks

Shortages of the local currency, the Zimbabwean dollar in local banks have become a norm of life in the country. People started sleeping in bank queues as far back as August 2003, and the situation has become severe as years have been moving. Recent events shows that even those who are suppose to protect this government-made dysfunctional inflationary system (for instance, soldiers) have been hard-hit by the same system. As a result of shortage of local currency in banks, in early December 2008, Zimbabwe National Army (ZNA) soldiers got angry after they failed to withdraw their salaries from

<sup>12</sup> The South African Independent online newspaper. (31 December 2008). Poor Zimbabweans told to buy basics in South Africa. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>.

<sup>13</sup> <sup>13</sup> The South African Independent online newspaper. (27 November 2008). Demand more money, Zimbabweans told. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>

banks due to cash shortages and ran bisect in a number of cities including Harare and Masvingo. As reported in one newspaper, the soldiers

*“went on the rampage at the beginning of December, looting shops in the city centre and beating up suspected foreign currency dealers whom they accused of obtaining wads of bank notes from corrupt and influential government officials against cash withdrawal limits pegged by the central bank”<sup>14</sup>.*

#### **4.1.3 Not allowed to access enough cash from the bank**

As if the hardship of not being able to access your hard-earned useless Zimbabwean dollar in any local bank due to cash shortages is not enough, the RBZ recently introduced a system of producing a current pay slip as the ‘passport’ of being allowed to enter into the bank to withdraw money. Over and above that, one is not allowed to withdraw his or her money from the bank as he or she wishes, but only a maximum of Z\$10 billion per week as of 22 December 2008. On this same day, this Z\$10 billion was worth only US\$10. The slogan then becomes, ‘no pay slip, no bank withdrawal’. As pointed by another source,

*“...the latest round of cash withdrawal limits is exclusive to Zimbabwean workers on production of their December pay slips. Ordinary Zimbabweans, who now eke out a living through informal self help projects, are only allowed to withdraw Z\$ 500 000”<sup>15</sup>.*

Given the prevailing price (on the same day) of Z\$1.2 billion for a loaf of bread and Z\$500 000 for a one way trip on a commuter omnibus into the city centre, \$10 billion will not be enough to sustain a normal life for even the poorest Zimbabwean for a day.

#### **4.1.4 Long and winding bank queues**

In the recent months, productivity for the less than 20 percent formally employed in the country has further gone down as most workers has been spending a number of days on bank queues to access their allowable weekly maximum withdrawals. As alluded to before, most people sleep outside banks in the queues hoping to get a chance of withdrawing some cash the following morning, since the current situation is that, even if there is some cash in the bank, that cash will not last for more than two hours forcing the bank to dismiss people on the queue for that day. One newspaper reports the extent to which the long and winding bank queues have become a commonplace in Zimbabwe:

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<sup>14</sup> The Zimbabwean newspaper. (22 December 2008). Zimbabwe dollar takes a huge plunge. Available at: [http://www.thezimbabwean.co.uk/index.php?option=com\\_content&task=view&id=1754\]0&Itemid=104](http://www.thezimbabwean.co.uk/index.php?option=com_content&task=view&id=1754]0&Itemid=104)

<sup>15</sup> Ibid

*Winding queues in banks are commonplace in Zimbabwe as people take hours to withdraw money which is still not enough to see them through the day, while others sleep outside banks to get money the next day<sup>16</sup>.*

#### **4.1.5 Difficult to make any future planning**

Future financial planning has become a fruitless exercise in Zimbabwe as any projected budgets are always off trajectory and useless when the time to implement those budgets arrives. Even the majority of companies have become victims of this hardship, with some canceling some of their budgeted future projects as the funds provided for those projects become even less than one percent of the current actual costs for such projects. At individual level, one cannot even plan and budget for daily simple transactions such as bus fair given that in some cases these fares increase more than three times within a day.

#### **4.1.6 No credit purchase**

Credit purchase is normally used for asset acquisition in most ideal societies and countries. This emanates from the fact that most average income earners' salaries may not be able to afford them cash purchase, especially for valuable assets and items such as cars, houses and even household furniture and appliances. In Zimbabwe, due to escalating prices for these items, credit purchase has become history and stories that people just read or see advertised in foreign magazines, and foreign TV channels.

#### **4.1.7 Stressed life**

Just by discussing with the majority citizens and through observation, one can see how stress has become a part and parcel characteristic of Zimbabweans. Although there are a number of factors contributing to this stress, economic hardships, among other caused by hyperinflation featured as the most causer and sustainer of stressful life in Zimbabwe.

### **4.2 Strategies to mitigate hyperinflation sufferings**

#### **4.2.1 Barter trading**

Economic principles teach that one of the features of hyperinflation is its ability to efficiently and effectively bring back barter trade in the hyperinflationary society. Zimbabwe has not been an exception to this canon. Rather than transacting some of the exchanges using the Zimbabwean dollar, most Zimbabweans have opted for barter trade as much as they can. An example of a transaction in which barter trade has proliferated is in accommodation rentals. Given the non affordability of essential products by most

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<sup>16</sup> The South African Independent online newspaper. (12 December 2008). New money for Zimbabweans. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>.

people, roughly above 99 percent of house (flat) owners and landlords are currently charging food items for their rented houses. The following newspaper extract confirms this survival strategy:

*Residents of a suburb in Harare told the newspaper that they were now forced to supply two litres of cooking oil, 20 kilograms of maize meal and two kilograms of sugar as part of their monthly rentals*<sup>17</sup>.

Referring to some commuter bus operators who were charging their services in foreign currency and in kind, the acting minister of transport said "...some long distance bus operators demanded chickens and goats from rural passengers"<sup>18</sup>.

#### 4.2.2 Dollarization

One of the widely practiced survival strategies is dollarization<sup>19</sup>. This system started some four or so years ago, although it was initially done for purchases of properties, especially houses. However, with the increased hyperinflationary trends, nowadays, almost everything is sold in foreign currencies such as US dollar, South African rand, UK pound, euro and Botswana pula.

*Rentals in high-density suburbs in Zimbabwe are soaring and landlords are demanding payment in foreign currency and food, the state-controlled Herald reported on Thursday. According to the Herald, a bedsitter, one bedroom and two bedroomed flats are now pegged at \$100, \$150 and \$250, or the Zim dollar equivalent, respectively*<sup>20</sup>.

One newspaper reports that:

*Since almost all goods and services can now be paid for in hard currency, demand for Zimbabwe dollars ... has fallen drastically...A survey by The Herald this week (of 1<sup>st</sup> of January 2009) revealed a significant drop in demand for the local unit as very few shops and traders were still selling products in Zimdollars. This has seen the appetite for the Zimdollar going down as people use their free*

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<sup>17</sup> The South African Independent online newspaper. (4 June 2008). Zim rentals soar – report. Available at: [http://www.iol.co.za/index.php?set\\_id=1&click\\_id=68&art\\_id=nw20080703104422527C776694](http://www.iol.co.za/index.php?set_id=1&click_id=68&art_id=nw20080703104422527C776694)

<sup>18</sup> Zimbabwe's Herald newspaper (23 January 2009). Govt warns transport operators. Available at: <http://www.herald.co.zw/inside.aspx?sectid=1227&cat=1>

<sup>19</sup> *Official or full dollarization* occurs when a country make a foreign currency (currencies) full legal tender and reducing its own currency, if any, to a subsidiary role and being issued only in coins having small value. *Unofficial dollarization* occurs when residents of a given country hold a large proportion of their financial wealth in foreign currency dominated assets even though foreign currency is not a legal tender according to that country's financial or monetary laws

<sup>20</sup> Ibid

*funds to pay for goods and services. "Although there have been police raids here and there, it is a fact fewer and fewer people want to change their forex into Zimbabwe dollars.*

*"The problem is that there are limited places where you can use local currency. It is possible for one to go for a month without coming across a situation requiring the use of local currency, especially in the case of motorists," said Mr Mapu. Basic commodities like bread, cooking oil, sugar and maize-meal are mostly available in foreign currency. Even commuter omnibus operators now accept foreign currency, leaving those with free funds with no choice but to hold on to their hard currency. Mr Lawrence observed there was no longer any pressing need for people to change their greenbacks, rands, pula or pounds into local currency since the economy was now virtually dollarised<sup>21</sup>.*

*Most retail shops were selling goods in foreign currency and refused to accept the Zimbabwe dollar, the Herald reported."Although the government issued licences to selected shops to sell in foreign currency, the rest are doing it without the licences."Small traders, including vegetable vendors, have also joined the bandwagon, making life difficult for the ordinary person who does not have access to foreign currency"<sup>22</sup>.*

Recently, another paper reports:

*"A room in the high-density areas is being charged at US\$30 while urban transport operators are charging R5 for a single trip into town...*

*A 20kg bag of mealie meal is being sold at US\$15, beef US\$5 per kg, a bar of soap US\$1,50, a loaf of bread US\$1 and a 2kg packet of rice US\$3"<sup>23</sup>.*

On the 5<sup>th</sup> of January 2009, I got the following email from a friend right in the capital city Harare:

*"Was at mbare (the largest and busiest vegetable market in Harare) this morning to buy tomatoes, and was charged US\$8 for a small box, US\$1 for 12 onions and US\$1 for a bundle of vegetables"*

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<sup>21</sup> Zimbabwe's Herald newspaper. (1<sup>st</sup> January 2009). Forex dealers hit hard times. Available at: <http://www.herald.co.zw/inside.aspx?sectid=2040&cat=1>

<sup>22</sup> The South African Independent online newspaper. (31 December 2008). Poor Zimbabweans told to buy basics in South Africa. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>.

<sup>23</sup> The Zimbabwean newspaper (22 January 2009). Pay us in Hard Currency or we Strike, Workers Warn, Available at: <http://www.thezimbabweindependent.com/local/21868-pay-us-in-hard-currency-or-we-strike-workers-warn.html>

Not only is dollarization the means of transacting for private individuals, but as said earlier, even government departments and parastatals as well as private companies have followed the bandwagon, demanding payments for their services (products) in US dollars.

*Zimbabwe's telecommunications operators have been given regulatory approval to charge for all their products and services in foreign currency, the state-controlled Herald newspaper reported on Wednesday (31 December 2008). The newspaper cited industry players as saying that companies in the telecommunications sector had sought the approval in order to stay afloat - as service providers had to run operations funded almost entirely in foreign currency while still earning local currency. Econet Wireless, the country's largest mobile service provider, would immediately start charging for all services and products, including airtime and SIM cards, in foreign currency. According to Econet, 95 percent of the cost of bringing service to its customers was in foreign currency<sup>24</sup>.*

By 12 January 2009, I received the following email from a friend in Zimbabwe:

*"With the changes in phone charges now in dollars even cell phones,...i cant call though i really wanted to".*

A government parastatal, *"Zimbabwe Water Authority (Zinwa) has been granted a licence and will begin charging the exporting corporate sector and NGOs in foreign currency, but not the domestic water categories,"* said the Minister of Water Resources and Infrastructural Development<sup>25</sup>.

Beginning January 2009, most boarding schools, government ministries and the government itself were also joining the bandwagon of charging their fees in US dollars. The state-controlled newspaper, Sunday mail reports that:

*"The progressive dollarization of the hyperinflation-ridden Zimbabwean has extended to school tuitions with private institutions setting fees in U.S. dollars... Chisipite Secondary School in Harare, the capital, has set its fee for one term at US\$1,200, and was asking pupils to bring fuel coupons worth US\$300 with them on their first day of the term as a deposit. The Roxer Academy primary school in Harare has set its fees at US\$800 dollars a term, while in Bulawayo the Masiyephambili Primary School is requiring a fee of US\$650"<sup>26</sup>.*

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<sup>24</sup> The South African Independent online newspaper. (31 December 2008). Harare telecoms operators to charge in forex. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>.

<sup>25</sup> The Sunday Mail newspaper (Zimbabwe). (14 December 2008). Zinwa to bill in foreign currency. Available at: <http://www1.sundaymail.co.zw/inside.aspx?sectid=1039&cat=12>

<sup>26</sup> The Zimbabwean newspaper (6 January 2009). Dollarization puts school fees out of reach of many Zimbabwean families. Available at: [http://www.thezimbabwean.co.uk/index.php?option=com\\_content&task=view&id=17618&Itemid=104](http://www.thezimbabwean.co.uk/index.php?option=com_content&task=view&id=17618&Itemid=104).



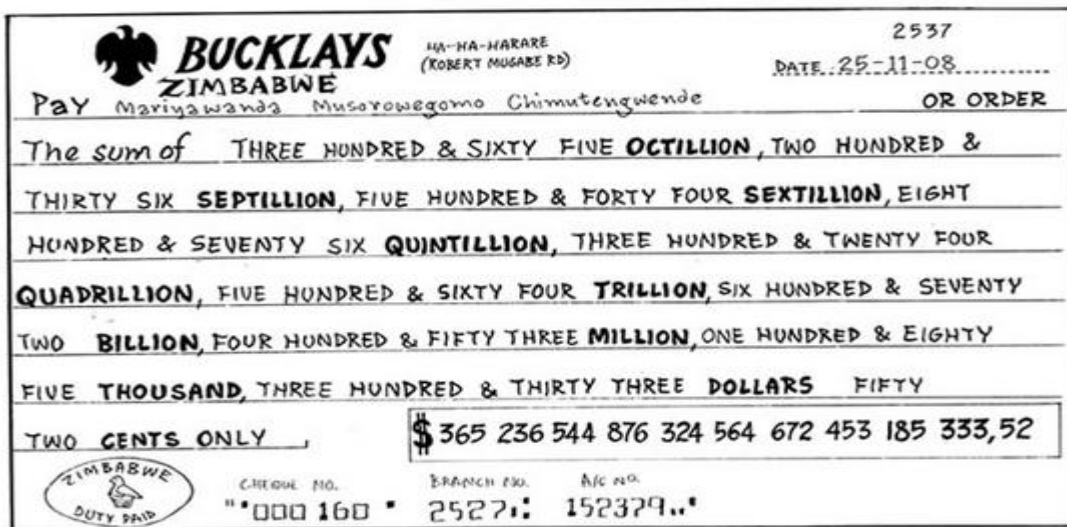
*"Having been given permission to charge in hard currency from January 1, the council has set the consultation fee for adults at US\$5 a visit, and US\$3 for children. Expecting mothers are required to pay US\$50 for an antenatal care booking while those seeking family planning methods pay an average of US\$2 for each service."<sup>27</sup>*

As reported in one newspaper, even

*"The state Herald newspaper acknowledged the zeros were back by publishing a guide to large electronic and written transactions involving quadrillions of Zimbabwe dollars showing 15 zeros, quintillions with 18 zeros and even decillions with 33 zeros used in massive deals on the Harare stock market"<sup>28</sup>*.

The following cartoon shows the extent to which working with the Zimbabwean dollar becomes confusing even to the senior and experienced bank teller and currency experts.

**Figure 2: Zimbabwe's confusing and unreadable prices**



Source: <http://www.zimdaily.com> (28 October 2008)

### 4.2.3 Buying and selling

The continuous erosion of the local currency on daily bases implies that all salaries paid in the Zimbabwean dollar become useless by the end of every month when employees are paid. Also given that more than 80 percent of the country's labour force is unemployed,

<sup>27</sup> Zimbabwe's herald Newspaper (23 January 2009). Council clinics get nod to charge in forex. Available at: <http://www.herald.co.zw/inside.aspx?sectid=1225&cat=>

<sup>28</sup> The South African Independent online newspaper. (27 November 2008). Demand more money, Zimbabweans told. Available at: <http://www.iol.co.za/html/news/zimbabwe/index.php>.

most people have opted for self-employment in the form of buying and selling. To avoid earning their returns in the local currency, most Zimbabwean have engaged themselves in cross-boarder activities, where they import a varieties of products including basic commodities like maize-meal, cooking oil, soap, etc and sell them in Zimbabwe in either rand or US dollar. Whilst the majority import from South Africa, some import from other neighbouring countries like Mozambique, Zambia and Botswana, with others going as far as China and Dubai.

#### **4.2.4 Foreign currency dealing**

One of the most current paying employment opportunities in Zimbabwe is foreign currency dealing. Most people have even left formal employment to venture into buying and selling of foreign currencies. The author even has a personal friend, a graduate from University of Zimbabwe with an honours degree, who left a formal employment with a company where he was given both a company car and a house to enter into foreign currency dealing. Because of the quick profits from this business, he was able to make a cash purchase of a car worth US dollar 7 000 within three months of entering into this business<sup>29</sup>. In rural areas, most youths have even since left working in fields during planting seasons and opted to stay on the shopping area and doing the foreign currency buying and selling business.

The most traded currencies, as reported by Makochekanwa (2007) include the US dollar, South African rand, euro, Botswana pula and the British pound. Not only have this activity increased in terms of number of participants over the past year, but the trade 'market' place have also increased at an exponential rate. Currently, one can buy or sale the above currencies at any place in Zimbabwe, from major cities to the remotest rural part of the country.

#### **4.2.5 Money 'burning' (kubhena mari) and RTGS**

A common terminology which has surfaced in Zimbabwean lexicon is "kubhena mari" (money burning). This strategy is a lucrative version of black market foreign currency dealing and has been used by many people in combination with real time gross processing system (RTGS). RTGS is a method of transferring money from one bank account into another in the shortest time possible in a banking system. With this system in Zimbabwe, it currently takes two minutes to make the transfer from the account of the US dollar buyer into the account of the US dollar seller. Because of the current severe and acute shortages of cash due to hyperinflation in the country, the RTGS exchange rate is currently hundred fold or higher than when one exchanges the same US dollars for cash at the black market rate. For instance, using the rate prevailing on 5 January 2009, the black market cash exchange rate for the US dollar was around US\$1 to Z\$7 billion, but the RTGS rate was US\$1 to Z\$ 2 quadrillion (that is, 2 followed by 15 zeros). Thus,

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<sup>29</sup> If he had remained in his job and the current hyperinflation situation continues for a long period, he was probably going to save and be able to afford this same car after 15 years.

if you use the RTGS you are likely to buy more things than the one who converts his US dollars into cash provided the things you want to buy can also be obtainable through using RTGS as a form of payment. Currently use of this RTGS has recently been restricted to business transactions only, though some politically connected people still use it for money ‘burning’. Nevertheless, a counter approach of burning money which people have started using is through bank cheques.

#### **4.2.6 Remittances from relatives in the diaspora**

There is also a sizeable number of Zimbabwean who has close relatives in the diaspora who send them remittances after now and then. Because of the current economic meltdown, most Zimbabweans have ran away from the country (as brain drain, economic refugees etc) to other countries, including South Africa, United Kingdom, Botswana, Australia, and New Zealand, to mention just a few populous countries. Most of these people, once employed wherever they will be, normally send money back to Zimbabwe regularly to their close relatives.

### **4.3 Consequences of hyperinflation on human behaviour**

Any society and country is generally known by a number of widely held human behaviour characteristics such as culture, norms and beliefs. Zimbabwe used to be one such country which used to rank high in terms of good hospitality and generally good morals with low prevalence of criminal activities in both business and non-business transactions. Nevertheless, because of the hyperinflationary inflicted sufferings and hardships, most of these previously help good behaviour among most Zimbabwean citizens has been eroded as people strive to survive. Whilst every society has some proportion of its citizens who mis-behave, for Zimbabwe, hyperinflation has increased and intensified these human mis- behaviour to extremely higher levels.

#### **4.3.1 Increased criminal activities and birth of a crook culture**

In an attempt to survive in the current Zimbabwean environment, some people have ended up engaging themselves in criminal activities of different magnitudes. This ranges from house-breaking, armed robbery to pick-pocketing.

The state-controlled newspaper, Herald recently reported that:

*“Police in Harare and Mashonaland East provinces yesterday launched an awareness campaign urging motorists and commuters seeking lifts to be wary of criminals targeting them countrywide. This comes after several people, especially commuters, have been robbed by criminals after being offered lifts while some motorists have lost their vehicles and valuables to robbers. A police*

*spokesperson, "We have been receiving reports that some commuters were being robbed before being stripped naked by criminals after offering them lifts, especially from Fourth Street bus terminus, to various places within and around the city"”<sup>30</sup> ..*

Over the past months, incidence of criminality and fraud has been on a rampant rise especially in the property (house) buying markets. A number of cases were reported where potential house owners were connived through flashed newspaper advertisements into paying house purchase deposits (in US\$, South African rand or UK pounds), and only to discover later that the house in question was neither on sale nor did the actual owner asked the ‘broker’ to advertise the house. Unfortunately, in 99 percent of the cases, potential buyers failed to locate the ‘broker’ and lost their hard-earned foreign currency paid as deposits.

#### **4.3.2 Erosion of generally held morals**

Zimbabweans used to have general good morals and excellent hospitality. Nevertheless, due to hardships, most people have developed arrogant and unwelcome behaviour. As pointed above, some have developed a tendency of criminality in all their transactions, with some women self-employing themselves in prostitution.

#### **4.3.3 Erosion of business ethics**

The success of any economy is underpinned by its business ethics, with generally perceived good ethics as one of the fundamentals of attracting and doing business with other potential business stakeholders. For Zimbabwe, due to hyperinflation, with businesses trying to get the best out of any business transactions, most companies’ business ethics have been compromised, to the extent that some firms, once paid, may not finish the job for which payment has been made, or may compromise on the quality of the product or service to be delivered in their attempt to minimize costs.

## **5 Conclusion**

The study employed pragmatic methodologies in investigating and analyzing the devastating hardships and sufferings inflicted on ordinary Zimbabweans by the hyperinflationary environment bedeviling the country. The research also detailed a number of survival strategies that the majority poor Zimbabweans have employed in an attempt to mitigate the inflation-inflicted hardships. Lastly, the paper enumerated some consequences of this hyperinflation on human behaviour.

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<sup>30</sup> Zimbabwe’s Herald newspaper. (1<sup>st</sup> January 2008). Commuters, motorists urged to be wary of criminals. Available at: <http://www.herald.co.zw/inside.aspx?sectid=2043&cat=1>

Some of the sufferings and hardships there are currently common and being experienced by most Zimbabweans on daily basis as a result of the hyperinflation include non affordability of essential products and services, non availability of local currency in banks, not allowed to withdraw enough cash from banks, endurance of long and winding bank queues, the inability to make any projected financial planning, inability to make credit purchases and stressful life. Among the strategies that most people have devised to stay afloat from the hyperinflation mud waters includes barter trading, dollarization, buying and selling, foreign currency dealing, money 'burning' and remittances send by relatives from the diaspora. Finally, increased criminal activities, erosion of general held good morals as well as disappearance of good business ethics have been found to be some of the consequences of hyperinflation on the human behaviour of most Zimbabweans.