



On Hyperinflation Hype

Steve H. Hanke

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The Great Recession of 2008-09 brought with it quantitative easing. This, in turn, spawned a cottage industry of books, articles and blog posts about hyperinflation. The burgeoning literature contains a great deal of hype, which validates the 95% Rule: 95% of what is written about economics and finance is either wrong or irrelevant.

Several years ago, upon the invitation of the editors of the Routledge Handbook of Major Events in Economic History, I wrote the Handbook's chapter on hyperinflation. That invitation was forthcoming, in part, because of my accurate estimates of the hyperinflation in Yugoslavia (1994) and in Zimbabwe(2008).

The assignment turned out to be much more daunting than I had anticipated. Fortunately, my load was made lighter, because I was assisted by Nicholas Krus.

Our first step was to define hyperinflation. Ever since 1956, when Prof. Phillip Cagan wrote his classic article on hyperinflation, the threshold for hyperinflation in the professional literature has been defined as 50% per month. That was the easy part. Armed with that threshold, we produced The Hanke-Krus Hyperinflation Table. That required a great deal of heavy lifting. We had to locate, document, and verify each hyperinflation episode. All 56 episodes that have ever occurred are represented in the table. While there are many interesting conclusions that can be made by a study of the table, it is worth noting that Germany's well-known hyperinflation (1923) ranks as only the fifth most virulent. It doesn't even come close to the world's top four hyperinflations.

Today there is much musing about Venezuela's alleged hyperinflation. Even though Venezuela's annual inflation is the highest in the world (442%), Venezuela is not close to the hyperinflation threshold. Its monthly inflation rate is "only" 21%.

It's time to halt the hype. Instead, check The Hanke-Krus Hyperinflation Table.

Steve H. Hanke is a professor of applied economics and co-director of the Institute for Applied Economics, Global Health, and the Study of Business Enterprise at The Johns Hopkins

University in Baltimore. He is a senior fellow and director of the Troubled Currencies Project at the Cato Institute, a senior adviser at the Renmin University of China's International Monetary Research Institute in Beijing, a special counselor to the Center for Financial Stability in New York, and a contributing editor at Globe Asia Magazine.