

# Tyler Morning Telegraph

## Iran's people hurt by hyperinflation

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Sometimes you don't need textbooks. Sometimes current events are enough. We're seeing broad economic principles being played out in Europe, where the wealthy are fleeing countries seeking to "soak the rich."

We're also seeing hyperinflation happen in real time in Iran, the result of bad foreign policy (resulting in economic sanctions) combined with bad monetary policy.

The results are frightening.

The Bloomberg news service reports, "The 40 percent drop by the rial against the dollar since late September is a symptom of larger woes: oil exports are at 1 million barrels a day, down from 2.2 million last year; quarterly oil revenue is down by about \$15 billion a quarter; inflation, officially at 25 percent, is probably closer to 70 percent; unemployment is probably three times higher than the official 12 percent; and the country has been hemorrhaging foreign-currency reserves, which were estimated at about \$110 billion at the end of 2011."

Does this mean the sanctions are working? Probably not. As the Associated Press reports, Iran's leaders are shielded from the worst of the economic pain.

"The top end of Iran's economy remains fully in the hands of the Revolutionary Guard and its networks, which span from oil to aerospace," AP says. "And the lifeblood for the ruling clerics and the Guard still comes from Iran's oil exports that — on paper at least — bring in tens of millions of dollars a day to buffer against the blows hitting the rest of the country: a tanking currency, skyrocketing prices for imported goods and double-digit inflation."

Steve Hanke at the Cato Institute puts Iran's monthly inflation rate at 69.6 percent.

"The rial's death spiral is wiping out the currency's purchasing power," he says. "In consequence, Iran is now experiencing a devastating increase in prices — hyperinflation."

That makes for nervous rulers. And that's what the secondary goal of the sanctions was all along, to cause the people of Iran to rise up against the regime.

"(Iran's leaders) must now explain to a reeling public how they intend to stabilize

an economy slammed by Western sanctions that have cut into oil exports and a deflated currency that lost nearly 40 percent of its value in a weeklong plummet — and why taking to the streets in protests is not the answer,” the AP says. “Iran’s leaders are desperate to quell any sense of uncertainty and panic — which largely drove the downward pressures on the currency. Even small flare-ups could start to erode their claims that sanctions and economic isolation cannot unravel the country.”

But so far, there have only been small-scale demonstrations, quickly put down.

The textbooks show how hyperinflation leads people to seek stability, any kind of stability. The Weimar Republic gave way to Adolph Hitler’s National Socialism. Zimbabwe’s hyperinflation began in 2003 led to 80 percent unemployment and widespread misery, but the thuggish Robert Mugabe held onto power.

Iran’s nuclear program, the reason for the sanctions that have helped cause hyperinflation, remains popular among the people. That can’t be our definition of “working.”