

CURRENCY MANAGEMENT

In Turbulent Times

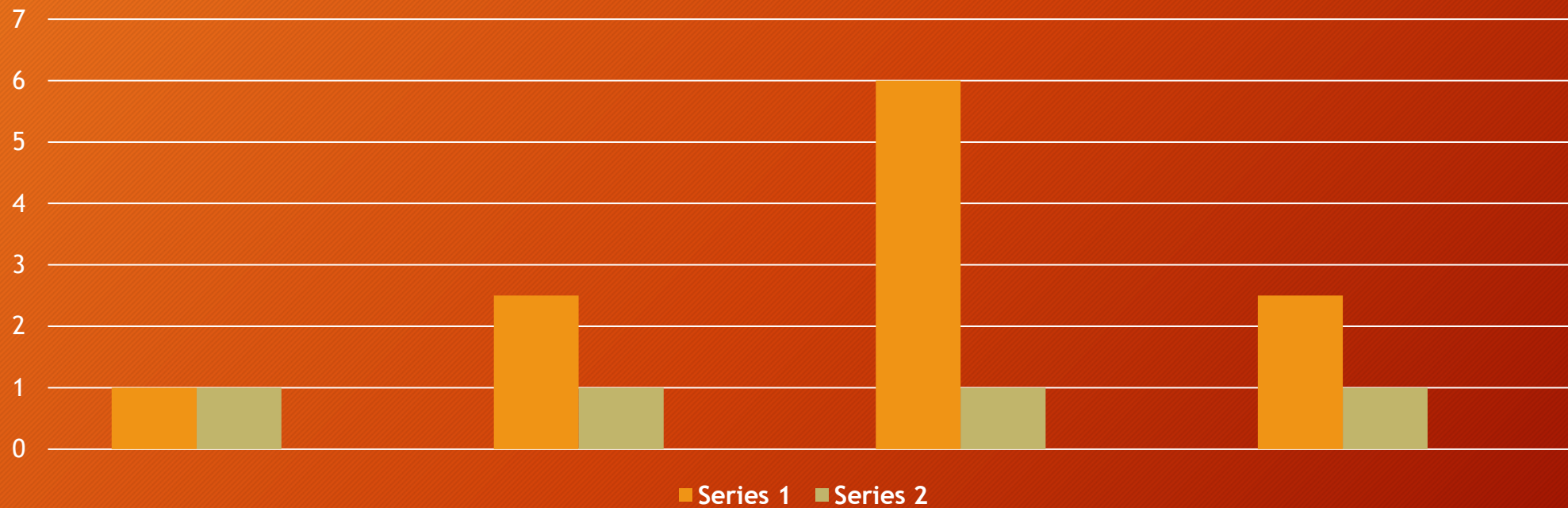
Currency

Zimbabwe is again going through turbulent times:

1. The exchange rate
2. Scarcities
3. The informal sector
4. Distortions

The Exchange Rate

RTGS/US Dollar Exchange Rate



What Is a Currency?

1. Means of Exchange
2. Store of Value
3. Pricing of goods and service

Currency

- What Gives a Currency Value
- What form does it take
- Currency in a Subsistence Economy
- Currency in the Modern Economy
- Global Market Exchange Mechanisms

Currency

- The Gold Standard
- Bretton Woods Institutions
- The Chicago Consensus
- Rule Book Basics (Italy)
- Money Management
- Confidence and Acceptance

Currency

- The United States Dollar is King
- Global index of value
- 2007/8 Crisis - quantitative Easing
- Low inflation
- No depreciation in unit value
- Easy borrowing

Currency and Growth

Far East Growth Model

- Weak domestic currencies
- Easy Credit at low interest rates
- Sound Macro-economic Management
- Adopt and improve technologies
- Infrastructure ahead of Development
- Educate, Educate Educate
- Reward Enterprise

Regional Issues

The use of the Rand as a base currency:

1. Not acceptable to the Rand Monetary Area
2. Already an Official Currency - but not the peoples choice
3. No different to the USD (Same Problems)

Issues Facing Zimbabwe

- Learn from the GNU
- The Fiscal Deficit 2013 to 2018
- The accumulation of RTGS/TB and OD Money in the system (\$22 billion)
- Reaction to the delinking
- Market distortions

Exchange Control

- Accepted as a Norm?
- Transfer of wealth from the productive sector to the Consumptive sector
- Rent Seeking and Corruption
- Distorting Values and Demand
- Criminalising Normal Market Activity
- No formal basis for value

A Program of Action

Recognise we cannot go on like this

- Form the MPC and rebuild confidence
- Scrap Exchange Control and Float the Currencies in Circulation
- Reintroduce a new domestic Currency and demonetise the Bond notes

Long Term Issues

1. Maintain Fiscal Discipline
2. Disciplined and Independent Professional Management of the MPC
3. Maintain the float but keep the domestic Currency at a level to stimulate the productive sector (Exports).

The National Perspective

**Economic Freedom is as important as
Political Freedoms**

Currency Reform affects Everyone

**Currency Reform is in many ways the key
to stability, growth and long term
prosperity**