perplexity

Zimbabwe’s 1 Trillion Dollar Note: Hyperinflation and Collapse

The 1 Trillion Dollar Note

- Zimbabwe’s 1 trillion dollar note was issued during one of the worst episodes of hyperinflation in history.
- By late 2008, Zimbabwe’s inflation rate reached an estimated 79.6 billion percent per month. Prices were doubling every day[1] [2].
- At the peak, the 100 trillion dollar note (the largest ever printed) could barely buy a loaf of bread or a bottle of water. The currency had become effectively worthless in daily life[3] [1].
- Residents often needed wheelbarrows of cash for basic goods. A small pack of coffee beans could cost nearly a billion Zimbabwean dollars, and a simple restaurant bill ran into billions[4].

Why Did This Happen?

- The Zimbabwean government printed money to cover deficits, without real economic backing. This led to a vicious cycle where more money printing caused even higher prices[3] [1].
- Political mismanagement, land reform policies, and a collapse in agricultural exports contributed to the economic meltdown[3].
- Eventually, Zimbabwe abandoned its currency and switched to using foreign currencies like the US dollar in 2009[1].

Water and Basic Needs

- During hyperinflation, even basic needs like water became unaffordable for many. Water shortages meant residents had to buy water from neighbors with wells, often using foreign currency or bartering, as Zimbabwean dollars were useless[5].
- The collapse of public services, including water supply, was a direct result of the economic crisis[2].

Venezuela: Hyperinflation and Economic Crisis

- Venezuela experienced a similar hyperinflation crisis starting in 2016, with inflation rates reaching over 1,000,000% by 2018 and even higher in subsequent years[6] [7].
- The government financed spending by printing more local currency, causing prices to spiral out of control. By late 2017, prices were rising over 50% per month, marking the start of hyperinflation[7].
- As a result:

- The value of the currency collapsed.
- Millions of Venezuelans fled the country due to shortages of food, medicine, and basic goods.
- The economy contracted by more than 60% in per capita terms between 2013 and 2023, one of the largest collapses outside of war or state failure[7] [6].

Comparison Table: Zimbabwe and Venezuela Hyperinflation

Aspect	Zimbabwe (2008)	Venezuela (2016–2023)
Peak Inflation Rate	79.6 billion% per month[1] [2]	Over 1,000,000% per year[6] [7]
Largest Note Issued	100 trillion Zimbabwe dollars[8] [1]	100,000 bolívares (pre-redenomination) [6]
Currency Use	Abandoned for US dollar (2009)[1]	Partial dollarization, bolívar still used[6]
Impact on Daily Life	Cash could buy almost nothing; barter common	Severe shortages, mass emigration
Water/Food Access	Water unaffordable, shortages common[5] [2]	Food, medicine, and utilities scarce[7] [6]

Key Takeaway

Both Zimbabwe and Venezuela serve as stark warnings of the dangers of hyperinflation: when governments print money without economic backing, the result is a collapse in currency value, making even basic necessities like water unaffordable for ordinary people.

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1. https://en.wikipedia.org/wiki/Hyperinflation_in_Zimbabwe
2. https://en.wikipedia.org/wiki/Hyperinflation
3. https://www.youtube.com/watch?v=yDSZIb8S_bE
4. https://gdsnet.org/ZimbabweHyperInflationDallasFed.pdf
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8. https://edition.cnn.com/2016/05/06/africa/zimbabwe-trillion-dollar-note