

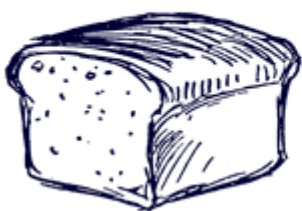
7 Hyperinflation Essentials

How likely is hyperinflation in NZ? Is there the need for contingency planning? New Zealand is fortunate in that it is the only country in the world where a gold-pegged alternative currency is being developed that could provide stable money if hyperinflation of the NZD occurs.

Here are 7 hyperinflation essentials to consider when evaluating the commercial risk.

1. **What is hyperinflation?** Hyperinflation is the rapid loss of a currency's value. In extreme cases prices can double every 15 hours.¹

Changes to the cost of a loaf of bread in Germany due to hyperinflation



Nov 1921: 1 mark
Nov 1922 163 marks
Sep 1923: 1,500,000 marks
Nov 1923: 200,000,000,000 marks

2. **Cause.** A currency loses its value when people no longer have confidence in it. This is usually the result of government over-issue.
3. **What kind of money hyperinflates?** Only fiat money, that is money issued by government that is not linked to the stable value of gold can hyperinflate. When a currency is pegged to the value of gold this discipline prevents hyperinflation.
4. **Current Situation.** Today we have an unprecedented expansion of fiat money. On 9th April 2020 legendary hedge fund investor Paul Tudor Jones said: *We are witnessing the Great Monetary Inflation (GMI)—an unprecedented expansion of every form of money unlike anything the developed world has ever seen.*² In New Zealand the Reserve Bank has embarked upon its own monetary expansion that will increase government debt from 19% of GDP in 2019 to 53% in 2024.³
5. **Likely Result.** In every historical period on every continent over-expansion of money supply has led to hyperinflation. In the words of currency historian Nathan Lewis: *Those who claim “this time is different” simply have no idea how much it is the same.*⁴
6. **Speed.** Once started hyperinflation happens very fast, often in a matter of months.⁵ This speed makes Alasdair Macleod's forecast of the USD hyperinflating by the end of the year more plausible.⁶
7. **Mitigation.** The single most important factor in managing a hyperinflationary environment is **finding a stable means of exchange**. Otherwise customers cannot buy and suppliers and staff cannot be paid. All other considerations are secondary to this overriding need.

¹ <https://www.cato.org/sites/cato.org/files/pubs/pdf/hanke-krus-hyperinflation-table-may-2013.pdf>

² <https://www.zerohedge.com/markets/great-monetary-inflation-ptj-explains-why-bitcoin-will-dominate-gold-stocks-public-trust>

³ <https://resources.redpillmoney.nz/blog/the-enslavement-of-nz>

⁴ Nathan Lewis Gold the Final Standard p37. <https://newworldeconomics.com/gold-the-final-standard/>

⁵ <https://seekingalpha.com/article/4249657-hyperinflation-seldom-occurs-can-rapid-speed>

⁶ <https://resources.redpillmoney.nz/blog/alsadair-macleod-usd-on-its-way-to-zero-by-the-end-of-the-year>