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# **National Economic Collapse and Revival, *The Case of Zimbabwe***

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<p>Abstract:</p> <p>From 2004-2009 Zimbabwe suffered one of the most serious hyperinflations in world history, which eventually forced the country to abandon its currency, the Zimbabwean dollar, and adopt the US dollar and the South African rand as official currencies.</p> <p>There were a number of reasons that led to the collapse of the Zimbabwe economy as the country experienced a dramatic rise in hyperinflation through the years. The reasons, which ruined one of Africa's most prosperous economies, were, among other things, fiscal indiscipline, civil unrest and an unstable political environment. This led to millions of Zimbabweans leaving the country to find greener pastures somewhere across the globe, leaving the country without enough educated, qualified personnel to run public and private sectors of the economy.</p> <p>In this thesis we examine why the Zimbabwean economy collapsed, and the little that has been done to revive it and also comparing it to theory. The methodology used in this research project will be qualitative, and will rely on academic internet sources, textbooks, newspapers, informal discussions, questionnaires and knowledge from previous experiences. The conclusion is that the Zimbabwean economy is gradually improving beside the long suffering of its people .There is the possibility for a bright future, if resources are managed more efficiently, but this will take time.</p>	
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AD ó Aggregate Demand

AS ó Aggregate Supply

CPI ó Consumer Price Index

DRC ó Democratic Republic of Congo

EU ó European Union

GDP ó Gross Domestic Product

GMB ó Grain Marketing Board

GPA ó Global Political Agreement

IMF ó International Monetary Fund

PDL ó Poverty Datum Line

PM ó Prime Minister

MOU ó Memorandum of Understanding

MDC ó Movement of Democratic Change

UN ó United Nations

USD ó United States Dollar

UK ó United Kingdom

RBZ ó Reserve Bank of Zimbabwe

ZIDERA - Zimbabwe Democracy and Economic Recovery Act

ZANU PF ó Zimbabwe National African Union Patriotic Front

ZIDERA - Zimbabwe Democracy and Economic Recovery Act

Zimbabwe is a country geographically located in the southern part of Africa, it is also a landlocked country. Zimbabwe has a population of approximately 12, 5 million. The main languages include Chewa, Chi-barwe, English, Kalanga, Koisan, Nambya, Ndau, Ndebele, Shangani, Shona, sign language, Sotho, Tonga, Tswana, Venda and Xhosa. (Sikuka, 2013) The official language is English. Back in the day Zimbabwe was called Rhodesia when it was a British colony, the name Zimbabwe was later driven from the name of the ruined city, Great Zimbabwe which in Shona language is *dzimba dze-mabwe*, meaning large houses built with stone. (Government, 2013)

Zimbabwe gained its independence on the 18th of April 1980 and Robert Mugabe has been president since then. Zimbabwe is a democratic country, which means elections are held every five years in order to select a new president. The currency is the Zimbabwe dollar which is currently not in use due to hyperinflation that will be discussed more in the paper, now the United States dollar is the official currency together with other currencies like the rand from South Africa and pula from Botswana.

Years back the Zimbabwe economy relied heavily on agriculture, agriculture is said to have been the backbone of the Zimbabwe economy as it provided income for the country and jobs for many citizens. Zimbabwe used to have a very strong agricultural system before the land redistribution was put into action, to give locals farm ownership. The land redistribution led a total negative turnover for the Zimbabwe economy, and the start of the rapid economic decline. (Government, 2013)

## 1.1 Research aims

The aim of this research is to give a clear and in-depth understanding of the Zimbabwe economy revolution from the late 1990s till now. The research will briefly look at how the Zimbabwean citizens have suffered during the time and pick of the crisis and how a lot of things have changed over the years like for example standards of living due to low salaries, shortage of basic commodities and migration of professionals.

The research seeks to examine the causes of the collapse of the Zimbabwe economy and the measures which are being or have been taken to revive it. The paper will shortly describe the historical structure of the Zimbabwe economy and how it benefited and contributed to the Zimbabwe economy and its citizens . The research will also be compared and supported by theory and an example of a similar case .

This paper describes and explains what has happened to the economy of Zimbabwe since it gained its independence till now. It highlights the important occurrences or negative impacts that have each lead to the collapse of the economy and the abandoning of the Zimbabwe currency. And also its hyperinflation as a key factor that has now become the second world's worst hyperinflation cases.

This study is a guiding example very relevant for future references, and for people to learn and understand the major causes and problems of inflation and hyperinflations so that other countries do not go through the mistakes that Zimbabwe has made in the past and that they would understand the roots of these problems and or crisis's. It furthermore provides an insight and understanding of how different parts of the economy are linked and how each is importantly dependent on another in ensuring a good economic structure.

### **1.3 Demarcation**

This research paper will not include in-depth study or discussion about the future of the Zimbabwe economy because of the great damage that has been done to the economy it is hard to predict the future, until the time comes then we know better. This paper will not go deep into the Zimbabwe politics even though the economic collapse was circled around political actions, there will be a brief and short discussion concerning the political aspect of the country.

The methodology used in this research project is qualitative. Qualitative research is an umbrella term which includes a wide range of methods, such as interviews, case studies, ethno-graphic research and discourse analysis, to name just a few. (DTDigital, 2012) Qualitative approaches are flexible, meaning they explore attitudes, behaviour and experience through such methods as interviews and focus groups. They attempt to get an in-depth opinion from participants, and one advantage is that contact between participants lasts longer and fewer people are involved. (Adrin, 2009 pages 20-28) Qualitative research seeks to find out the reason of something, not the implementation and it does not just rely on statistics or numbers, unlike quantitative researcher.

The major concerns in this research is the quality of data obtained and that is why it is very important to choose respondents carefully. A lot of secondary data was used in this research because there has been a lot of discussions about Zimbabwe, for example, on the internet, in books, newspapers, informal discussions and recorded radio shows. Secondary data best suits this research because this is something that happened in the past, unlike a research to predict the future which requires primary data in order to draw conclusions. (Adrin, 2009 pages 20-28).

In contrast to primary data gathered , secondary data is information collected from readily- available data sources. It can also be defined as data gathered by someone other than the user for other purposes. It can be of good use for certain types of research, but not really effective nor efficient for others. Secondary data falls into two categories: quantitative and qualitative data. (Geoffrey Lancaster, p 80)

In this research reliability and validity of data is the aspect of the thesis that shows direct correlation and link between the data gathered and the results of the questionnaire. In general, there has been good reliability in the sense that the answers drawn from the questionnaires have confirmed the thesis about the collapse and revival of the Zimbabwe economy. The validity of the data used in this study is verified by up to date data, recent events, and statistics from the Zimbabwean economy.



## 2.1 Inflation

Inflation is the process where by a currency loses its value due to many factors that include for example; a increase in demand for products and extreme printing of money by central banks. (Andrew B. Abel, Inflation, 2008) It can also be described as a sustained increase in the general price levels in an economy over a given period of time.

According to (Andrew B. Abel, 2008); Inflation is the rate at which the general level of prices for goods and services is rising, and, afterwards, purchasing power is declining or, the on-going fall in the overall purchasing power of the monetary unit. Inflation rates vary from year to year and, from currency to currency. Inflation can also be defined as an increase in money supply and increase in credits. Inflation can be complex but can also be controlled if governments are strict on themselves by carefully following the monetary and fiscal policy laws. (Gillespie, 2007) Inflation can be measured in different ways, commonly by the gross domestic product deflator or the consumer price index indicator which measure the general changes in prices for a wide range goods.

## 2.2 Types of inflation

Inflation can be categorised into two main groups supply-side inflation and demand side inflation. Other types of inflation can fall under these two main groups described below;

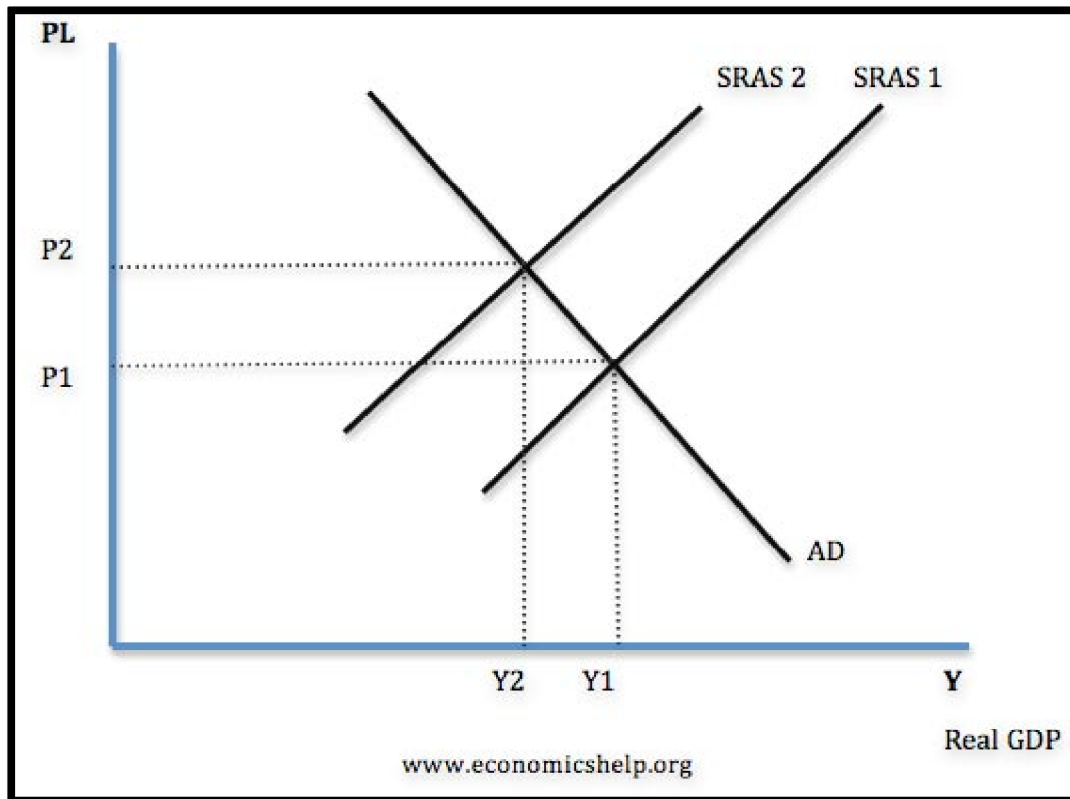
### 2.2.1 Supply-side inflation

In equilibrium all the goods produced are purchased, which means supply is equal to demand and these good referred to include all sorts of goods purchased by households, government and businesses. When the prices of any goods reduce then people purchase more and when the price of goods increases people tend to spend less and save more. These shifts in the demand can be explained in many ways and they occur in various ways like the real balance effect, the interest rate effect and the open economy effect which usually is the replacement of foreign goods (Anthony P. O'Brien, 2012)

the value of money one has, the interest rate effect can have effect on lending or borrowing like for example, when interest rates are low people borrow more and when they are high people borrow less and tend to spend less too because they just cannot afford to spend more. One good example of the open economy effect is when local goods are expensive and residents tend to buy more of foreign good and vice versa. A persistent reduction in an economy's wide production leads to inflation by the rise in the general prices for goods. (Anthony P. O'Brien, 2012)

In long run shifts in the aggregate supply curve can be caused by reductions in labour force contribution, higher marginal tax rates on wages and or the provision of government benefits that give household incentives not to supply labour services to firms. Aggregate supply is the supply of all products in an economy and the relationship between the price level and the level of aggregate output supplied. (Andrew B. Abel, Inflation, 2008)

Graph 1 Aggregate supply curve



ward shift of the short run aggregate supply curve. The vertical axis represents the price level and horizontal axis represents the GDP. The point at which the demand and supply curves meet is the point of equilibrium whereby supply is equal to demand.

Cost push inflation can occur due to many different factors which include import price changes, when a country's currency devaluates the importation of goods becomes expensive thereby increasing inflation, in the labour market if unions should campaign for their members to get salary increases and rise in price of raw material crucial to production can also lead to a significant rise in price for goods for example a rise in fuels price will have a great impact on agricultural production expenses for countries that heavily depend on farming because a lot of fuel is needed for the trucks and other farm equipments. The desire for firms to make higher profits can lead to a rise in prices for goods and a decrease in productivity leads to high cost which also forces firms to raise prices in order to cover costs.

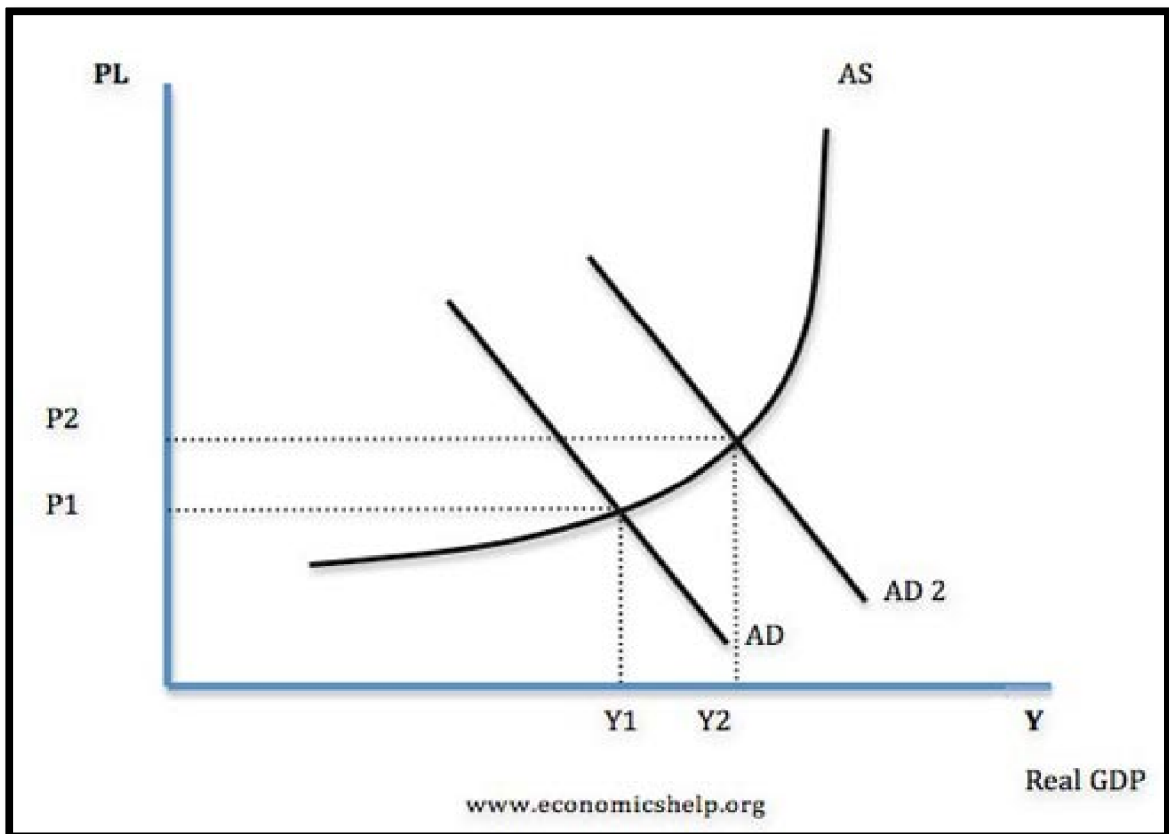
### 2.2.2 Demand-side inflation

A rise in aggregate demand leads to a general rise in the price level. Aggregate demand is the demand of all products in an economy and or the relationship between the Price Level and the level of aggregate output (the real GDP) demanded. (Andrew B. Abel, Inflation, 2008)

Demand-pull inflation is inflation caused by an increase in aggregate demand, if there is an increase in aggregate demand the price level rises, when demand is high it creates a shortage and allowing increase in prices. Inflation is the rate of increase in the price level of goods and this suggests that increase in demand causes inflation. A decrease in aggregate demand will cause the level of output to decline indicating higher unemployment because less labour is needed if output is low. (Anthony P. O'Brien, 2012)

An increase in demand causes inflation. When demand is high, it means the economy is growing and there is more pressure on firms to produce more in order to meet demand. Due to demand pressure firms will increase production and because of its rising production costs many firms tend to pass on their expenses on consumer by rising prices of goods.

Graph 2 Aggregate demand curve



An increase in money supply will cause the aggregate demand to shift rightwards at a faster pace than the annual rightward shifts in the long run aggregate supply curve thereby causing the price level to increase as shown in the graph above. There are many factors that cause the change in the aggregate demand curve and these include changes in investments spending, government purchases, net exports, savings, and taxes money supply. (Andrew B. Abel, Inflation, 2008)

The causes of inflation can be grouped in many different ways as well, this section will also give a better understanding and explanation of the different types of inflation described above;

### **2.3.1 Monetary factors**

This is when there is an excess supply of money in the economy and the greater the amount of money to spend the greater the demand for goods and services, and the greater the demand the higher the prices of goods. It is a form of demand pull inflation caused by growth of money supply. The growth of money supply is caused by example when a country's government cannot afford to pay its debts it easily helps itself by printing more banks notes to pay off those debts, which leads to too much money supply and also leading to a continuous increased need for cash which leads to inflation. (Gillespie, 2007)

### **2.3.2 Unemployment levels**

When there is a large proportion of unemployment it is a waste of resources, because people are not working which means they do not have income and no output which drains the government especially in developed countries that offer unemployment benefits. Unemployment can be measures in different ways depending on the state of the economy. It can also be classified into two main categories which are voluntary unemployment and involuntary unemployment; with voluntary unemployment usually people are willing to work but not at the given wage rate so they do not accept the job on the other hand involuntary unemployment people are willing and able to work at the given wage rates but there are no jobs or lack of demand for employees. (Gillespie, 2007)

any factors which include cyclical, structural, seasonal, and frictional unemployment. Cyclical unemployment occurs usually in

recession when there is low demand for goods and less labour is used thereby increasing unemployment. Structural unemployment is due to changes or restructuring for example when a company loses business due to international competition employees might lose their jobs and it might be difficult to get a job in another field due to lack of skills. Seasonal unemployment is seasonal as the name suggests, some jobs are available during certain seasons for example skiing or snow clearing, this kind of unemployment is not a major concern as employees usually get their jobs the next season.

Frictional unemployment is when one leaves a job in search for another, usually not a problem when another job is found, problem comes when one gets stuck. Lastly classical unemployment, this is when there are high wages and more people want to work than demanded because of high wages and firms start reducing workforce to cut down expenses. (Gillespie, 2007)

It is difficult or rather impossible maintain low inflation and low unemployment at the same. This is so because for example in times of high unemployment if employees should ask for salary raise the employer could just say there are many other people willing to work at even a lower salary than offered. On the other hand with low unemployment levels if employees should demand for higher salaries and they are granted, the firms costs rises and in order to make profit they spread the costs to the consumers by raising prices and thereby creating inflation.

### **2.3.3 Too much demand in the economy**

When there is too much demand in the economy it causes the aggregate demand curve to shift outwards which also means the demand is growing faster than supply and prices are rising which is known as demand pull inflation. People are willing to buy more than what is available and prices are difficult to control when there is shortage. Demand pull inflation is characterized by shortages and affects the prices more than the output. Demand pull inflation is explained more in the chapter above. (Gillespie, 2007)

This is the rise of costs that does not positively affect production. In this case the general costs are rising and the purchasing power is reducing. For example an increase in income not related to production or import prices. Firms are faced with higher costs and prices are raised so as to cover costs. This shifts the aggregate supply curve to the left causing cost push inflation. The inward shift of the aggregate supply curve leads to the fall in output and firm would start operating under capacity as illustrated *graph.1* . (Gillespie, 2007)

## 2.4 Controlling inflation

Inflation can be controlled in different ways depending on its impact. Different strategies are needed for different economies and the problem with inflation is that it cannot always be predicted. Firstly reducing the aggregate demand in an economy can help reduce inflation. This can be done by using deflationary fiscal or restrictive monetary policies which involves the controlling of money supply. (Gillespie, 2007) Secondly by reducing costs in general or maintaining standard prices, cost push inflation can be controlled by monitoring wages using income policies. Income policy might negatively affect employers because employees might end up leaving their jobs for better paying jobs usually abroad. Reducing costs can also positively influence the exchange rate by making the home currency stronger thereby making it cheaper to buy imported goods.

Lastly setting inflation targets helps in setting goals and planning in advance. This can be made more relevant by giving appropriate organisations authority to take actions. If the people are assured about inflation they will have confidence in the economy and will be encouraged to invest without fear, the more people invest into their own economy the easier it is for other outside investors to chip in and this helps the economy to grow faster and efficiently by circulating money, reducing unemployment through growing firms employing people, better standards of living because people are working and earning and better use of resources If people suspect that inflation would be higher they will demand higher wages. The motivation of higher wages , costs and inflation is called the wage-price spiral. (Gillespie, 2007)

If an economy ensures a stable economy then it is able to prevent inflation or predict inflation in the good time. In a stable economy there is a sort of balance in costs and revenues meaning that resources are well utilised.

### 2.5.1 Maintain economic growth

The economic growth measures the income growth in an economy, with more money people can afford a better life, good standards of living, better health care and also education. Standards of living are classified in different ways for some developed and developing countries. In developed countries a good standard of living could mean having a good balance between work and leisure and in developing countries being able to afford for all your needs qualifies for a good standard of living. A good economic growth can also be ensured by paying higher incomes to employees, creating jobs and promoting progress. Levels of income is an important influence on a country's standards of living. Efforts to shift the aggregate supply curve to the right so more is supplied at the same price will ensure that there are no shortages and these are called supply side policies which helps increase productivity, research and development and entrepreneurship. (Gillespie, 2007)

Economic growth can be measured by the increase in the real content or income of the economy overtime. Fast growth is usually achieved by economies industrializing quickly and starting from a relatively low foundation. For example India has achieved good growth in the past twenty years but with low incomes, mature economies would have higher incomes. The economic growth can be classified into two categories; actual growth and potential growth, actual growth is the annual increase in the national income which is boosted by for example aggregate demand and potential growth is how much the economy can grow with all resources utilized and fully employed which is influenced by increase in resources like population or increasing technology. The government can also promote growth by providing training session to improve employee skills, mobility and tax incentives to encourage people to work. (Gillespie, 2007)



In modern economies the general price level of goods increase by a small percentage every year. These small percentage increase have no effect and household can easily adjust and budget for these changes but when there is a rapid rise this might cause problems in the economy. When costs rise rapidly products become expensive and country's products are usually expensive to sell abroad thereby limiting sells and that is why governments must keep prices stable. Governments can maintain stable prices by setting standard prices for commodities sold and raw material used for production. The general rise in prices for goods and commodities is inflation, inflation must be kept low and predictable. (Gillespie, 2007)

### **2.5.3 Favourable balance of trade**

A good economy has a good balance of imports and exports. Imports are what is sold abroad and export is the bought from abroad. Import are a good source of foreign currency income to an economy whilst exports help to cover for the shortage of some particular goods or creation of variety. All countries trade depending on the price, quality and profit of the goods. Governments should encourage trade but also ensure a good balance at appropriate levels, if there is too much imports then it is money going out and this might mean governments react because money is going out. (Gillespie, 2007)

## **2.6 Hyperinflation**

Hyperinflation is extreme inflation. Hyperinflations are caused by extremely speedy growth in the supply of paper money. They occur when the monetary and fiscal authorities of a nation frequently issue large quantities of money to pay for a large amounts of government expenditures. It can also be defined as an inflation rate that exceeds 50 per cent per month. (Parkin, 2008) During hyperinflation as the price of goods rises the money is also losing its value.

ns according to (Gillespie, 2007) include the Zimbabwe year 2002 Argentina experienced high levels of inflation, prices rose by 10% monthly. Prices of all goods in general went up with about 100-200%.

In 2006 hyperinflation in Zimbabwe reached 1000% meaning that prices goods were eleven times greater than twelve months back from that time. In correspondence to this massive increase in prices the Zimbabwe government introduced a bearer cheque worth 50 000 Zimbabwean dollar which was fifty times the highest note available and could only buy a loaf of bread. The table below show how the price of bread went up between December 2004 and May 2006.

Table 1 The price of bread in Zimbabwe

THE PRICE OF BREAD IN ZIMBABWE	
	PRICE (Zimbabwe dollars)
December 2004	3500
August 2005	7500
December 2005	44000
March 2006	65000
May 2006	80000

### 2.6.1 Negative effects of hyperinflation

Cost-push inflation is when businesses respond to rising production costs, by raising prices in order to maintain their profit margin which makes it difficult for other households to keep up with their daily needs; it could also lead to companies firing employees in order to reduce costs there by increasing the unemployment rate. (Riley, 2012)

Decrease in the real value of money and other monetary items over time as the money losses it value. Also, uncertainty over future inflation may discourage investments and savings, because investors become insecure about their investments whether they would make a profit or not. High inflation may lead to shortages of goods if consumers begin stocking goods out of concern that prices will increase in the future. (Anthony P. O'Brien, 2012)

Inflation ensures that central banks adjust nominal interest rates; which are in favour of borrowers, if inflation rates are attached to the conditions of an agreement between a borrower and a lender then a rise in inflation will reduce the interest rate of paying back. The borrower will have to pay the same amount of money they borrowed or even lower. Inflation encourages investment in non-monetary capital projects which helps utilise resources. (Anthony P. O'Brien, 2012)

If inflation occurs at stable and considerable levels it could also positively affect the economy by allowing firms and businesses to also raise prices and increase wages and salaries for employees. This leads to productivity and attraction of new investments. Governments also gain through taxation because as every other thing goes up taxes will also increase and since taxes are government incomes, government income increases. Inflation also eliminates the dangers of deflation. (Riley, 2012)

## **2.7 Consequences of hyperinflation**

The consequences of hyperinflation could be similar to those of inflation and also the causes, but hyperinflation can cause a greater harm to the economy than inflation. The consequences of hyperinflation can be categorized like described below and at the same time some factors could fall into the same category.

### **2.7.1 Banks loss**

Lenders lose a lot of money during hyperinflation because when the money is paid back it is worth far less than what it was worth when the loan was granted. On the other hand the borrower benefits because the money is losing its value there he pays less. Hyperinflation destroys the banking system of the economy. (Andrew B. Abel, Inflation, 2008)

People tend to use the barter system more than buying with cash during inflation times like for example a farmer selling his goods with the intention of buying gas he would rather exchange his goods for the gas straight because in hyperinflation if he should sell for cash by the time he goes to buy the gas , the prices could have already increased and the money is worth less than its suppose to be.

### **2.7.3 Decrease in commercial activities**

Due to the barter trade system, it is difficult for firm or business to sell their goods because it is more likely that individuals have what other individuals need. And as the business slows down companies tend to reduce employees working hour, cut down employees and most cases they end up closing down thereby increasing unemployment numbers. Lack of jobs and means of survival usually leads to the migration of skilled citizens to greener pastures which is a waste of resource. (Gillespie, 2007)

### **2.7.4 Foreign investment**

Investors are not always willing to invest in an unstable economy for the fear of losing their money. When there are no investments then it is difficult for the economy to grow or mature because business need money to expand and upcoming firms need money for start-ups which results in more employment and a better economy.

### **2.7.5 Currency devaluation**

When the production in an economy reduces inflation also increases. And this leads to the rises in prices for goods since they are scarce as mentioned in chapter 2.2, rise in prices for goods also increases the inflation rates. Added to that when the economy is not producing enough then the country has to import goods which is expensive because they need foreign currency to import good which might further increase inflation, as the need for foreign currency might be fulfilled by printing bank notes. The vice versa also applies in the sense that if the economy is not able to produce enough it cannot export

## 2.8 Dollarization

Dollarization is the adoption of another country's stable currency due to loss of value of the country's currency. Dollarization helps to reduce inflation rates and also to stabilise an economy. It can be unofficial in the sense that citizens might prefer to use that currency for particular transaction and on the other hand official dollarization means the currency is used as the main currency. The stable currency can be used together with the devalued currency. Dollarization eliminates the risk of currency devaluation, and usually in developing countries there is always some form of unofficial dollarization whereby people have foreign currency accounts or hold on to some amounts of a cash in foreign currency. (Berg & Borensztein, 2000)

### 2.8.1 Advantages of dollarization

Dollarization eliminates the risk of future currency crisis's which in this respect makes it a stronger bargain than a currency board. The reduction of market determined interest rates spreads over the interest rates of the country whose currency is adopted.

Trustworthiness can be raised by political support of the country whose currency is adopted and an agreement on seigniorage sharing. By absolutely rejecting the possibility of inflationary finance, dollarization may also toughen fiscal policy institutions.

A fixed exchange rate sets a predictable price for foreign currency exchanges it provides the most stable atmosphere for international trade and investments and gives confidence to investors. Dollarization would also reduce costs of international transactions with the country whose currency is adopted. (Berg & Borensztein, 2000)

Dollarization can get rid of a country's money printing inflationary powers to finance fiscal deficits meaning loss of right to issue domestic currency. This is so because the government is using another country's currency.

Secondly government loses its ability to act as lender of last resort to its banks in crisis circumstances by creating money via central bank. Same like previous in dollarization the government is not able to print out another countries currency.

Dollarization also eliminates the transaction costs of exchanging one currency for another because the two countries which is the country that dollarized and the country with the currency that have been adopted are using the same currency so there will be no need for money exchange transactions and costs if any transactions have to be performed between these two countries. Like for example if one wants import or export goods or services. (Berg & Borensztein, 2000)

## 2.9 Germany hyperinflation

In 1882 Europe was divided into two camps; the Triple alliance which was Formed by Germany , Italy and Austria-Hungary and the Triple entente which had Britain, France and Russia. Germany and Austria combination was natural as they shared the same culture. Austria had political troubles with the south-east of Europe the Balkans so it was wise for them to join with Germany in case they needed help in case of trouble. Italy was forced to join because of fear as Germany was known to be a powerful country. The alliance agreement was to help each other in case of any attack.

The Triple entente was less structured compared to the Triple alliance as members did not have to promise to help each other. France had a huge army but poor navy and on the other hand Britain had a powerful navy and a small army. Britain and France were both suspicious of Germany and concerned by its building of a new strong navy. Russia was far so its inclusion in the agreement was odd only that the Russian and British royal families were related. Russia had a huge army and with Russia on the east and France

ed by two huge armies and therefore it was not a  
le in Europe.

In 1900 Britain owned a quarter of the world countries like for example New Zealand, India , Egypt and South Africa were British colonies and Britain earned a lot of money through its colonies. Britain had military all over the world which made it powerful and that is why till today it is called Great Britain. Germany also tried to get a colonial territory in Southern Africa but managed to get only Namibia which was considered a useless desert but its success in colonizing Namibia benefited it a little importance and opportunity to demonstrate power to the German people.

Germany decided to increase its navy which brought Britain to the conclusion that Germany was threatening the British naval. As Britain was an island it also thought that it needed a larger navy and refused any challenge by Germany. Both Germany and Britain spent a lot of money in building warships and even more when Britain launched its new battleship called the Dreadnought. Germany went on to build the same battleship imitating Britain and this increased tension between the two countries. Only one incident sparked the potential disaster in July 1918. (Rooney, 2008)

The two major factors that kept Germany's economy from functioning are; firstly its foundation was not good because the Weimar republic was disliked by majority and there were too many divisions. Citizens were not happy ,they felt betrayed and the communists felt that the government did not go far enough which raised political problems. Secondly the reparation payments that the Allies demanded of the Germans as part of the Versailles treaty demanded that Germany take full responsibility of the war and pay for the entire costs of the war. In 1921 the Allies set a sum to be paid, 31.4 billion united sated dollars which was far more than the country's GDP.

At some point Germany stopped paying the reparations and Belgium occupied Germany's Ruhr industrial region to take the resources they could take, but the workers strike against this action and refused to work for foreign occupiers which pushed to French to leave. This brought the German economy to a standstill, factories were shut down and government still had many responsibilities, like it was obliged to pay army pensions and unemployment insurances. The effect was of great surprise.

in the end of world war one and Germany was to  
w form of government called Weimar republic re-  
placed the German Empire. The Weimar republic struggled a lot during its time in  
power due to economic and political challenges. They had many years to pay back for  
the damages of the war to the victors, the so-called war-reparations. And at this point  
Germany needed money to cover those debts and so money printing started and the  
value of their currency the Mark began to diminish. As the money continued to lose its  
value which means they needed even more cash and they continued to print more and  
more. The excess money printing further dropped the currency value, and vice versa is  
true that money is worth when its scarce. (Rooney, 2008)

The situation worsened until the currency totally lost its value, and war debts still had to  
be paid. People moved around with huge amounts of money which did not buy much. In  
the end the money was every where and kids were even using it to play and people used  
it to start fire in their fire places that is how worthless it was. Many business struggled  
and had to close down, even shops refused to sell their goods for that worthless money.  
Farmers also refused to sell their produce to be paid in the worthless currency many  
companies laid-off their employees because they could not afford to pay them. Life sav-  
ings became worthless and loans were wiped out , people started depending more on  
barter trade. With all this added together the economy suffered.

Between January 1919-1922 the German mark fell from 8.9 to 191.8 per united states  
dollar and between January and November 1923 from 18,000 to 4.2 trillion per united  
states dollar. In 1923 hyperinflation hit Germany and it was so bad that the country  
abandoned the currency and printed a new currency the Renten mark which was named  
after the bank that printed the currency. (Wordpress, 2011)



### 3.1 Zimbabwe Economy

Zimbabwe had one of the strongest economies in African history in the past. Zimbabwe economy has been collapsed completely to the worst of all situations. The conflicts between the political parties in Zimbabwe is the main factor for this severe decline in the growth of Zimbabwe. In the 1980s Zimbabwe was a successful economy with an independent solicits, free press and protection for private institutions. And in that time Zimbabwe economy was doing well for its people. (Hanke S. H., 2008)

Zimbabwe's economic decline was brought by fiscal mismanagement, hyperinflation, collapsed markets, and a breakdown in law and order and also the chaotic land reform program coupled with recurring droughts, which resulted in high food insecurity. (Backle, 2001) The Zimbabwe currency used to be stronger than the unites states dollar back in the day, before the amicable hyperinflation hit the country. Zimbabwe's economic disaster was built on terrible economic policy and bad luck.

Neighbouring countries that used look up to Zimbabwe are now better off that what Zimbabwe is now. Citizen that can afford, travel to neighbouring countries like Botswana and South Africa to do shopping for basic commodities. The tourism sector has also suffered a lot, tourist visits dropped greatly and even facilities at the attraction were not appealing at all. (Hanke S. H., 2008)

Hyperinflation marked the total economic collapse of the Zimbabwe economy with the currency losing 99.9 percent of its value in a year. This pushed inhabitants to poverty and millions emigrating. The Reserve Bank of Zimbabwe was the source of this problem because it could not resist the governments needs for cash. The bank printed the money and government spends. Years back Zimbabwe was known of its strong banking sector and manufacturing industry which provided jobs for many citizens but today all that is gone.

Agriculture held a very significant position in the Zimbabwe economy . Agriculture created employment for many citizens in many regions and it was also a source of income when goods were exported. The economy could not keep with the needs and demands of its inhabitants due to lack of ,for example have credit facilities, technology and lack of infrastructure which led to a decline of the Agricultural sector.

In particular power cuts, lack of credit facilities, high fuel prices and shortages made agriculture production expensive and also delayed land preparations, shortages of foreign currency to purchase farmers required inputs, persistent droughts due to climate changes, and the deteriorating land quality through soil erosion, salivations, acidification and nutrient depletion. Tobacco and wheat production is now less than one sixth of what it was 6 years ago and Manufacturing dropped with more than 50 per cent, tobacco was one of the major export crops. The agriculture sector has suffered a lot of damage.

For over ten years Zimbabwe has had to import much of its food for citizens due starvation and since the land reform performed by Zanu PF and its supporters to remove the white farmers and replaced them with its party members the agriculture sector has not been any better. The new farmers lack sufficient skills to make good use of the farms and moreover when they removed the white farmer they destroyed a lot of their farming equipment to mock them. (America, 2012)

### **3.1.2 Healthcare and humanization**

In the year 1998 Zimbabwe was considered as having one of the finest health systems that the life expectancy changed from 54 to 63 which was basically same as any other country worldwide that had a good health system. Child immunization in Zimbabwe was very good. Between 1980 and 1988 mortality rate fell by more than 50% and high HIV prevalence. Even then malaria was well controlled by spraying insecticides.

at pastures greatly affected the health sector in the  
to basic health care equipment to do operations or  
even minor health care procedures. Shortages of for example anaesthetic, antibiotics,  
gloves, water, electricity made it totally impossible for the health sector to function, in  
fact there was no health care at the pick of the crises. (Vitaliy Kramarenko L. E., 2010)

The wide spread rate of poverty reduced HIV as people engaged in other activities in  
order to feed and also the majority of sexually active groups had migrated there by re-  
ducing the HIV rate. In the year 2000 an Act party was created the National Aids Coun-  
cil, year 2002 there was HIV emergency donation for treatment some were treated but it  
was still not enough for everyone.

The government could not afford treatment for the HIV infected patients so many  
stopped treatment because there was no medication. In 2002 the license to produce ge-  
neric Antiretroviral drugs was issued but it still did not work. Tuberculosis rates in-  
creased generally in Southern Africa but much faster in Zimbabwe, from 1990 to 2005  
rose by 60%. 511 per 100 000 people were infected. Tuberculosis further raised again in  
Zimbabwe to 148 %. 631 per 100 000 and at this point the health system had collapsed.  
People were dying every day. (Vitaliy Kramarenko L. E., 2010)

Among other diseases that people suffered was heart, cancer and diabetes. South Africa  
also provided insecticides as a concern for the great number of migrants that came to  
South Africa from Zimbabwe. Malnutrition also raised a great concern as kwashiorkor  
rate increased tremendously due to hunger. There was a complete lack of food in hospi-  
tals that patients who did not have relatives bringing food for them starved and some  
died. Many bodies in mortuaries remained unclaimed as some relatives could not afford  
to pay for graves, some bodies even decayed because of lack of electricity to refrigerate  
the bodies, unfortunately for the dead.

Zimbabwe is a democratic country which means elections are held every five years and the candidate with the majority votes wins. The current government which is the government that has been in power since independence has been strong-minded to hold on to power and therefore taking into action activities which have destroyed the country's economy and infrastructure. The Zimbabwe human and economic crisis have been rooted around political activities and interests. The corrupt political leaders of Zimbabwe brought about the issues of like for example land redistribution and debts problems, each lead to another till the economy was at its worst case. Taking for example the land redistribution, farms were redistributed to people who did not have sufficient knowledge about farming and many people lost their jobs , farming production fell greatly. The government was taking all these costly actions in order to win the majority vote and have full control over everything. (Platform, 2003)

The international community tried to forcefully remove president Robert Mugabe from power by imposing sanctions and blocking all means of support because of the bad international relations caused by the government in power. But Mugabe still did not step-down from power and the sanction had a great impact on the collapse of the economy the country was not able to get full assistance from the international community and even neighbouring countries did not help. (Platform, 2003)

### **3.2 Zimbabwe inflation**

From the early 2000s Zimbabwe inflation rates have been gradually going up but come year 2002, the whole situation took a total turn with inflation rates going up uncontrollably. The Zimbabwe hyperinflations are now one of the worst records in the world's history. The worst in the 21 century and second worst in worlds history after Hungary. (Hanke S. H., 2008)



(Eddie, 2011)

The figure above show one hundred billion dollar note which could only buy three eggs and this shows how bad the situation was. February 2007 Zimbabwe inflation rates took another turn thereby qualifying for hyperinflation and by end of 2008 the inflation rate was already in sextillions. The Zimbabwe dollar became useless to its own people and nobody wanted it, as it was worth almost nothing and many people tried to get as much foreign currency as they could. The stock exchange stopped functioning as there were no reliable figures to use. (Salemi, 2008)



(wikipedia, 2009)

The figure above shows the last printed banknotes in Zimbabwe with the biggest note being a one hundred billion dollar note and the smallest being a ten dollar note. And before this money was printed three zeros had been removed from the currency on three times at different times so the notes original value would be even greater.

The chart below shows how the inflation rates continued to soar between January 2007 and November 2008 over time until the rates could not be calculated again and there after the currency was abandoned as the situation worsened by day;

## Zimbabwe hyperinflation Index

Date	Index	Monthly Inflation Rate	Annual Inflation Rate
5-Jan-07	1.00	13.70%	
2-Feb-07	1.78	77.60%	
2-Mar-07	3.14	76.70%	
5-Apr-07	6.90	56.20%	
4-May-07	6.75	-2.15%	
1-Jun-07	20.70	207.00%	
6-Jul-07	53.00	60.40%	
3-Aug-07	49.10	-7.29%	
7-Sep-07	82.50	70.60%	
5-Oct-07	219.00	165.00%	
2-Nov-07	642.00	193.00%	
28-Dec-07	2,010.00	61.50%	215,000%
25-Jan-08	2,250.00	11.80%	
29-Feb-08	8,260.00	259.00%	
28-Mar-08	17,700.00	115.00%	

		222.00%	
30-May-08	442,000.00	498.00%	
26-Jun-08	23,600,000.00	5,250.00%	41,400,000%
4-Jul-08	49,200,000.00	3,740.00%	93,000,000%
11-Jul-08	81,800,000.00	2,080.00%	167,000,000%
18-Jul-08	122,000,000.00	1,030.00%	250,000,000%
25-Jul-08	157,000,000.00	566.00%	317,000,000%
29-Aug-08	6,330,000,000.00	3,190.00%	9,690,000,000%
26-Sep-08	794,000,000,000.00	12,400.00%	471,000,000,000%
3-Oct-08	3,570,000,000,000.00	15,400.00%	1,630,000,000,000%
10-Oct-08	32,300,000,000,000.00	45,900.00%	11,600,000,000,000%
17-Oct-08	1,070,000,000,000,000.00	493,000.00%	300,000,000,000,000%
24-Oct-08	124,000,000,000,000,000.00	15,600,000.00%	26,100,000,000,000,000%
31-Oct-08	24,600,000,000,000,000,000.00	690,000,000.00%	3,840,000,000,000,000,000%
7-Nov-08	4,890,000,000,000,000,000,000.00	15,200,000,000.00%	593,000,000,000,000,000,000%
14-Nov-08	853,000,000,000,000,000,000,000.00	79,600,000,000.00%	89,700,000,000,000,000,000,000%

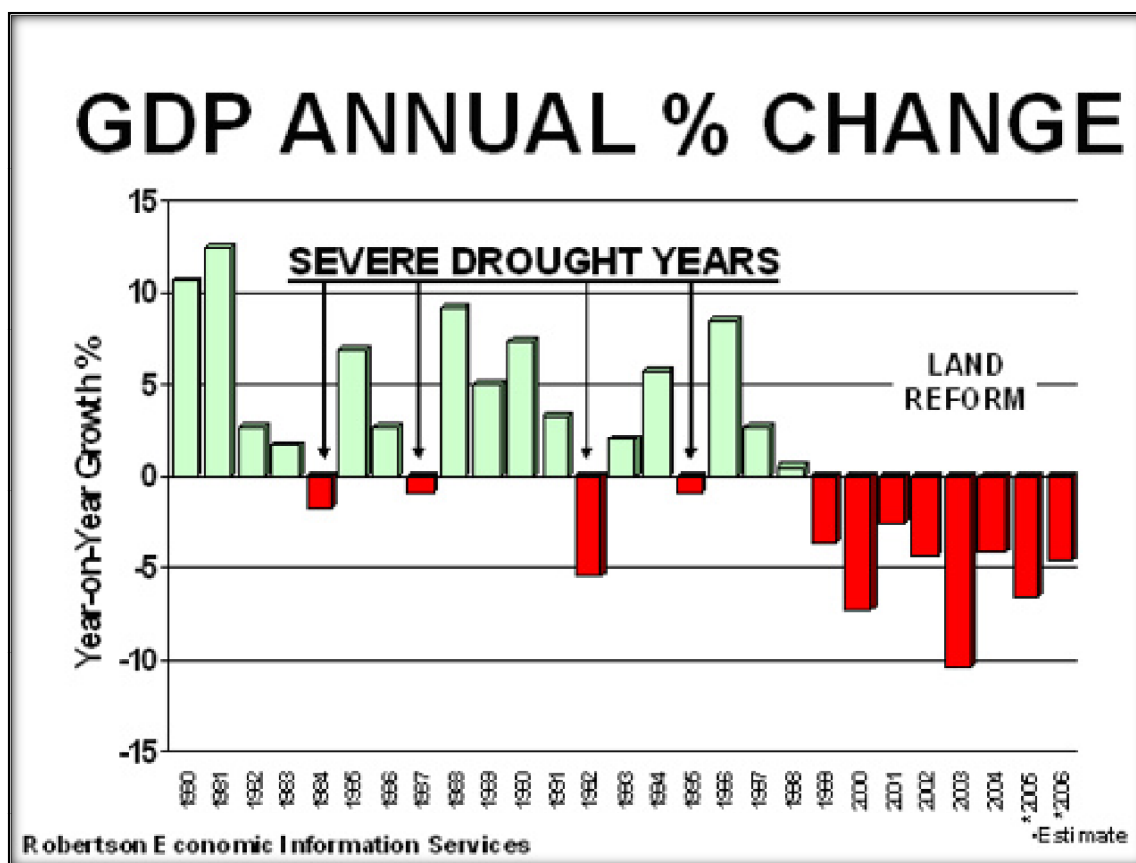
(Hanke S. H., 2008)



## Zimbabwe economy

From many years back standards of living for many Zimbabwean citizens have been declining but not in such a way that one could have predicted the dramatic fall of the whole economy. Agriculture is one major sector that the majority believed its downfall crippled the whole economy because it accounted for a larger stack of the Zimbabwe economy. The fall in tourist visits also meant less or no income from tourism and loss of jobs for those that worked in that sector. Since 60 per cent produce of agriculture was taken into manufacturing the drop in agricultural output affected manufacturing. This led to an increased unemployment rate and the situation also restricted money circulation. There was a waste of resources like human power and minerals. (Coltart, 2007)

Graph 3 Gross domestic product (GDP)



(Coltart, 2007)

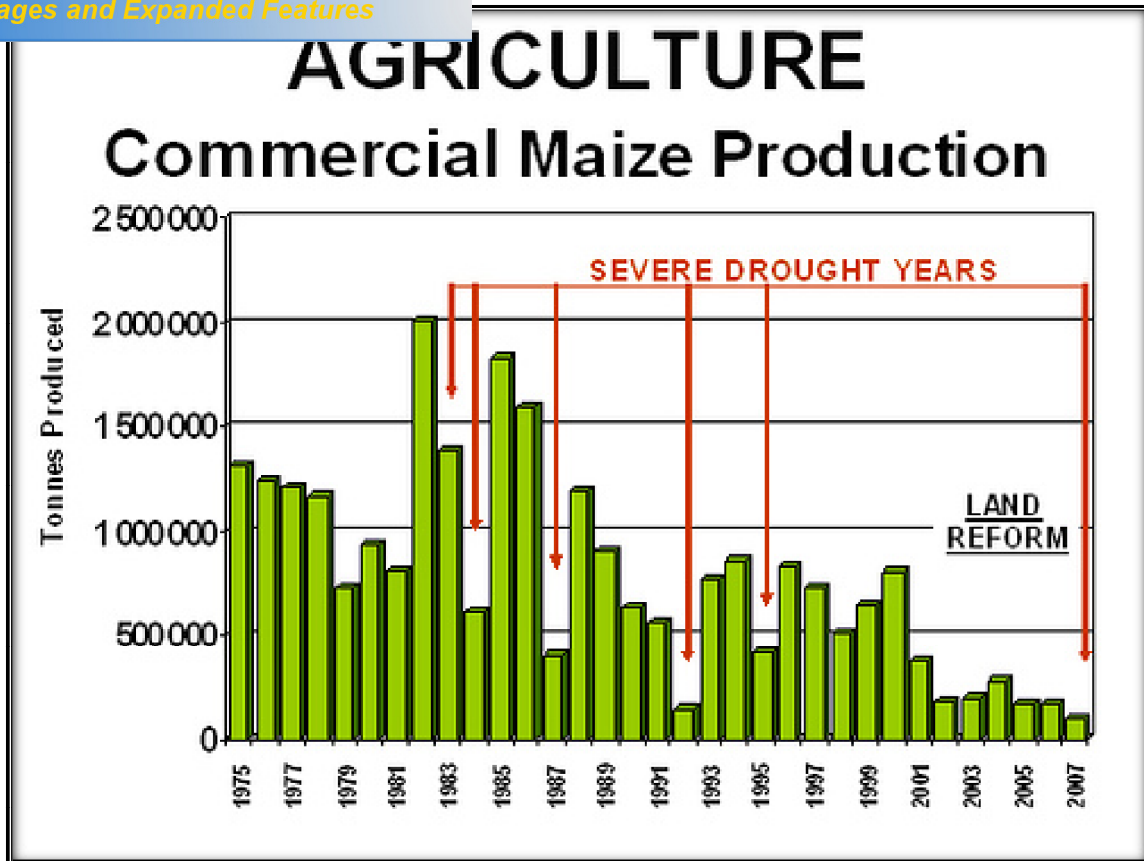
movements and from the 90's, the figures have not  
except during the years of drought which really af-  
fect drought, and after the land reform programme GDP has suffered well below aver-  
age indicated by the red bars in the graph.

### 3.3.1 Land redistribution programme

The land distribution programme was approved by the President himself Mr Robert Mugabe, the operation was meant to take farms from the white farm owner to the local residents and citizens of Zimbabwe. The act was done in a very violent and disorganised manner, the whole idea of this operation as many people believed was for President Robert Mugabe to win the vote of people and also to gain total control of the country and have a full accomplishment of independence.

The land distribution destroyed the agricultural part of the economy which was also partly affect by the five major droughts between 1999 and 2008, agriculture produce was very low that the was not enough to feed its citizens. This had a negative effect on the country's economic growth. This operation ignored property right and the government justified itself by saying it was redressing historical injustices and racial imbalances in the ownership of the land. Farm owners had the right to be fully compensated for their farms according to their agreements. (Cross, 2009)

In most cases the farmers were forcefully removed from their farms by young youths working for the ruling party Zanu PF, protection was not offered to the farmers even by the police. When the farm owners were removed the new owners moved in right away and took over everything on the farm including crops, livestock and other things. The graph below showing how the commercial maize production after the droughts and further more after the land reform.



(Cross, 2009)

### 3.3.2 War veteran payments

The war veteran leader ensured that war vets performed a campaign for Mugabe. Jabulani Sibanda the war vets leader ran campaigns in 10 provinces in favour of Mugabe, Mugabe was so desperate to stay into power so he ordered help from war vets to help him with his campaign which they delivered. After the job was done it was time for the war vets to get their compensation for the work done.

The Zimbabwe civil servants started what was called the 3<sup>rd</sup> Chimurenga, claiming pay-offs for having worked for the government for years. They demanded payments, many were given these pay offs but unfortunately some did not get, either way these pay offs cost the country a lot of unbudgeted money. These war vets also led the land redistribution war. (Mambo, 2013)

The Zimbabwe central bank always responded to governments request for money by printing more notes. The central bank also printed money to pay government debts which was wrong, this further increased the inflation rates as this money was not supporting the economy's system. The central bank played a big role in increasing inflation and the hyperinflation was killing the economy. Central banking is one major sector that could have caused instability. (Steve, 2008)

### **3.3.4 Congolese war intervention**

During DRC war of August 1998 the Zimbabwe government spent a lot of money on military support to this war in favour of Kabila. It is estimated that the Zimbabwe government spent USD200 million during its 2 year intervention in the DRC war but is believed that the figures were far higher than estimated. The Zimbabwe defence force sent five flights every week estimated 30-40 million for each flight added to that was the planes, gunships and other war equipment costs.

Zimbabwe shares no borders with Congo and was at no risk of any attack so its intervention into the war had no advantages and was unnecessary. The government spent more than the public figures suggest but they try to keep it secret and hide it from people because they were huge amounts and it would not please the citizens . The involvement into the Congolese war put the country into so much debt on top of other debts the country had and this strongly affected the economy's budget. (Makoni, 2000)

### **3.3.5 Economic sanctions**

The Zimbabwe politicians were narrow minded about how their actions would affect the citizens of Zimbabwe. And because they did not work by the rule sanctions were imposed on the country. This is one of the factors that lead to the final collapse of the Zimbabwe economy , the sanctions imposed on Zimbabwe by the United States , Australia and the E.U. due to its poor administration of human rights and also because of its failure to pay back loans on time. (Hondora, 2009)

ough what is called the Zimbabwe Democracy and The ZIDERA Act was an agreement formed the by

US together with other member countries to set solutions and boundaries which will be taken if there be need for an economic recovery. The US had or has more influence to those the lending agencies or organisations like Africa bank, World bank and the International monetary fund as it is the main donor and also has a voting right which it used to influence those organisations to vet all applications by Zimbabwe for any financial assistance. (ACT, 2001)

Zimbabwe was running out of foreign currency which made it difficult to do trade or even make investments due of lack of finances and with the sanctions put into place the situation was more difficult. The sanctions had a direct effect on the country as it tied all means of financial support, there was no means of financial support. The United States stated Zimbabwe human rights and absence of rule as the major reason why sanctions were imposed on Zimbabwe. (Hondora, 2009)

If Zimbabwe is to change for the better the sanctions will be removed and the country will gain back its right to apply for financial assistance and also be able to reschedule its loan payments to a suitable way or apply for a debt cancellation. The ZIDERA is believed by many to have been *masterstroke* meaning it helped solve the problem with diplomacy. On the other hand the sanctions had a very bad effect on the country, the country suffered and the sanctions ignored the well being of the country's innocent citizens. These sanctions were also to help to forcibly remove President Robert Mugabe from power. (Hondora, 2009)

Zimbabwe was black listed due to sanctions and so this is also due to the sanctions and added to that the country had already failed to pay its debts on time so everything together led to another. No credit facilities and the IMF, WB and ADB were the only last resort lender for Zimbabwe. When the International Monetary Fund, World Bank and Africa Development Bank stopped doing business in Zimbabwe all the funding and investments that came from them stopped. This blocked all of Zimbabwe international credit markets, which then led to a further devaluation of the country's currency there were no investments to help the economy grow generate income for the economy. (ACT, 2001)

## **4 RESEARCH RESULTS**

The research results are discussed in four different aspects firstly a basic comparison between the actual causes of hyperinflation in Zimbabwe to the theoretical research, an analysis of the common factors between hyperinflation in Zimbabwe and that of Germany, the changes that dollarization has brought to the Zimbabwe economy and lastly the results from the questionnaires.

### **4.1 Comparison to theory**

Many factors that lead to hyperinflation in Zimbabwe are actually supported by theory from textbooks and studies in economics and or macro economics. Most of the events that caused major destructions that lead to collapse have already been proven by theory. Some of these have been discussed in the literature review.

Looking at the Zimbabwe and the Germany cases described above excessive printing of bank notes lead to an extreme rise in inflation rates and the continuation of printing banknotes lead to even higher inflation rates leading to the abandoning of the currencies. And in both cases governments had a desperate need for cash to pay off huge government debts.

risks arise when there is a shortage for goods, black-market prices tend to rise and people start to speculate. During inflation when prices of goods rise it is difficult for businesses to continue business which in the end leads to many companies closing down and thereby creating a shortage of goods and reducing production. During a time like this people tend to stock goods and others buy in bulk in order to sell later at a higher price which is called black market people selling goods at uncontrolled prices.

Well as explained in chapter two the higher the inflation the more expensive it is to do money exchange with other stable currencies and this affects trade. Bad international relations have a great impact on a country that is especially in an economic crisis because the outer society is not able to help out if there are no mutual agreements with member countries.

The misuse of resource can also have negative impacts on an economy for example how the Zimbabwe government paid of war veterans which was a good thing but the economy could not just afford it and on top of that they went on to fund the Congolese war which further increased the government debts. Lack of investments to promote small business start ups, promoting small business start ups contributes positively to the economy by for example reducing unemployment rates and thereby improving standards of living.

## 4.2 Comparison to the case of Germany

During the Germany crisis the German government printed more bank notes to pay for government expenses and the same thing happened to Zimbabwe the Zimbabwe government also did the same thing, printing of more and more bank notes to cover government debts because they could not afford to pay those debts so the only solution was to print more bank notes. The uncontrolled printing of banks notes in both cases led to the rapid rise of inflation rates and this worsened by the day because as they printed the money lost its value and they needed even more money to cover the debts therefore they continued to print more banks notes which lead to the hyperinflation and abandoning of the local currencies.

increase, and many companies lay off employees in increasing the unemployment rate. At the pick of the crisis's a lot of companies or business close down because of unbearable economic crisis's thereby further increasing the unemployment rate because people lose their jobs. High inflation rates was the major common factor, if uncontrolled high inflation end in hyperinflation which leads to a total destruction of a country's economy and waste of resources. Hyperinflation can do great harm to a country like it did to Zimbabwe and Germany, long suffering of it citizens and loss of its own currency. It takes long for a country to revive from such distructions.

### 4.3 Results from the dollarization era

The introduction of dollarization into the Zimbabwe economic system raised the GDP and PDL. The multi- Currency system or regime was beneficial to the people in the business community, because they could start embarking on firm expansion processes, plan ahead and for farmers optimizing their business. (Chagonda, 2010)

During the dollarization era many obstacles which the nation once faced were restrained. Agricultural companies were able to scale up their internal ability and utilization levels in the areas of fertilizer and seeds. Dollarization also helped create a suitable environment for indigenous investors and various organizations started chipping in, in many activities and businesses supporting development and economic growth of the country. Dollarization sort of quickly stabilized the economy with improvements in employment rates, improved water supply, sanitation, health, education, prevention of the spread of HIV and many other things. (Hanke S. H., 2008)

In the dollarization era the Zimbabwe economy grew, many changes transpired almost in every sector resulting in a positive change. Dollarization ensured low inflation rate since the adoption of multi-currency regime and helped the country's domestic financial institutes to provide manageable efficient and quality services.



relationship with a currency whose reputation is al-  
lus lowering the level of domestic interest right. In

my opinion dollarization proved to solve the economic situation in Zimbabwe, it helped civil servants sustain life and be able to fend for their children with better salaries. Dollarization when well implemented it can contribute significantly to a country's economic growth like how it was in the Zimbabwean economy. The situation is changing gradually in many areas. (Vitaliy Kramarenko L. E., 2010)

#### 4.4 Summary of questionnaire results

This is mainly from the comparison among the four questionnaire responses gathered, and analysed below. The respondents were an ex bank worker, a migrant that left Zimbabwe during the crisis, a mine worker in Zimbabwe and also a worker at the GMB (Grain Marketing Board) company. They have experienced it all especially those that still reside in Zimbabwe. The questionnaires were sent by email. Unfortunately many did not respond as expected, in my opinion this is a result of people not willing to expose themselves in order to protect their opinion and identity for security reasons. Below is the questionnaires analysis;

##### **1. In your opinion what were the major causes of the collapse of the Zimbabwe economy during early 2000?**

Most of the respondents say poor governance and lack of expertise which included things like the quick land reform program of farms that were taken over by unskilled people, involvement in the Republic of Congo war which cost the country a lot of money they did not have, corruption, uncontrolled growing government spending which lead to huge foreign debts and mismanagement. I believe these were the main causes of the collapse of the Zimbabwe economy.

respondents include sanction imposed by the International Bank. In the long run the country was cut off from foreign funding which means they could not borrow money from outside making the situation even worse. The land distribution was accompanied by continuous drought seasons which also slowed down agricultural produce and increased food shortages.

## **2. What should be done to reverse this economic decline, and do you think that the methods being employed by the authorities are effective?**

All respondents had different views which all I believe if combined could be of great help to the Zimbabwe economy. Some important common factors among the responses was the concern to reduce corruption, reduce tension between political parties, reduce unnecessary government spending and also that the country's resources must be used to improve services in the economy and not for government luxuries.

Another important factor was concerning agriculture in Zimbabwe, the agriculture system in Zimbabwe needs to be improved and the farmers need to be educated in this field in order to produce at normal capacity. One also mentioned that Zimbabwe officials should revisit the Zambezi water project in order to provide enough irrigation for farming; this would help in years of drought so enough farming products are produced.

Throughout this project we have seen that agriculture held an important part of the economy and that its decline has significantly contributed to the collapse of the economy so for sure if something is done about this sector there will be improvements in the Zimbabwe economy. Reducing corruption and political conflicts will help create a better image for the country and thereby attracting investors, tourists and even some local residents might come back.

## **3. What measures should Zimbabwean authorities implement in order to create a sustainable economy capable of maintaining long-term economic growth and creating jobs for as many people as possible?**

Zimbabwe should create a free economy where investors without fear of losing their money as the country is not able by itself to fund project or industries. 51% indigenous share ownership should be removed as this is frightening investors. Resources should be channelled towards sustaining economic sectors like reviving the agriculture sector and mining. Repressive laws should be repealed and resources should be availed to start new industries. Lots of funding is what the country needs and they should make situation easy for investors to come by.

And also as one respondent mentioned; Zimbabwe should create a stable political and economic environment that is attractive to international investors ó sound economic policies, political stability and respect of law. Zimbabwe needs to channel resources towards capital projects that create jobs and contribute to the economy, the Zimbabwe budget is made up by about 70% salaries and other recurrent expenditures and what it means is that the country is leaving capital projects financing to private sector, which is expensive. Infrastructural projects need public funding or support in some way, the country also needs to be innovative in the financing for these projects, copy Malaysia on BOP (Build Operate and Transfer) but I guess all these hinges on the political and macro-economic environment. Resources need to be used in the right places, and unnecessary government spending must be reduced.

**4. Agriculture used to be the backbone of the Zimbabwean economy. Do you think agriculture still has an important role to play in the Zimbabwean economy? If so, what should be done to revive this sector?**

All correspondents for the fact that yes Agriculture still hold a big part of the Zimbabwe economy, and the government needs to invest and or find other sources of funding this sector in order that farmer get the knowledge they need to produce and also that there should be dependable means of irrigation like for example building dams.

ent that wrote; to revive the sector an independent flash out people with multiple farms, any farm not productive should be given to others who can utilize the land. Availability of loans from established banks to assist farmers is very critical and inputs should be distributed fairly as corruption has affected this important area.

A number of people who got those farms got them through connections and the truth is that there is no produce from those farms. They are just holding onto those farms for their own interests.

**5. Apart from agriculture, what other sectors of the Zimbabwean economy should be revived?**

The mining, manufacturing and tourism sector are needs to be revived for a better Zimbabwe. Mining and tourism will help the country to get some foreign currency which is very much needed to clear debts and to boost other sectors as well. In my opinion tourism will arise as soon as there is clean politics, no violation and a good image of the country

**6. Zimbabwe, like all developing countries, badly needs investment. What sectors of the Zimbabwean economy are investors currently interested in, and how can investors be encouraged to invest in other sectors as well?**

Majority say investors are mainly interested in the mining and tourism sectors. The government can encourage investors to invest in another sector by showing or presenting the incentives, i.e. if they are going to make money, have control on their investments and have a sustainable business which will develop and benefit the community and them. The main aim of investing is making profit so Zimbabwe needs to assure investors that the investments are profitable and at least give them partial control for assurance.

**7. The image of a country is very important for investors. Do you think that Zimbabwe has a good image abroad as a safe and reliable country to invest in?**

of the opinion that NO, Zimbabwe at the moment a lot has happened in the past couple of years like for example abuse of human rights, political violence and also the risk of investors losing their investments with no payback just like what happened with the farms as one respondent mentioned. Others were also of the opinion that yes Zimbabwe is attractive in other ways like in terms business prospects and profits.

In opinion, if one has adequate resources and capital to do the right business it would be greatly beneficial to the investor and the society as a whole. Taking for example the Chinese they have dominated a couple of businesses in Zimbabwe, which means that Zimbabwe has somehow attracted the Chinese for Business. There have been many debates whether China is the right country to do business with, others say no, others say yes and others believe it is good only for now and not in the future. My opinion is its good for now and not for the future but we will not go into detail about this.

**8. Zimbabwe has lost many highly-educated and skilled people to South Africa, the UK and other industrialised countries. How should these people be attracted back to Zimbabwe and help to revive the economy?**

Well many believe there is no guarantee of getting back these skilled workers especially those that have lived abroad for a long time and have settled with their families and more over they cannot afford to pay them better than they are getting. However it would be easier to attract back those that migrated to nearby countries like South Africa, Namibia and Botswana by of course creating job opportunities with better salaries.

Another important factor mentioned was that the government need to train the young generation, boost up the education, encourage entrepreneurship and exclude youths from political violation. And also put more effort to educate the people that are there in the country already.

**9. Education plays a very important part in economic development, and Zimbabwe used to have a highly-developed education system, which has, unfortunately, declined quite sharply. What should be done to revive this sector?**

ward is to offer teachers better salaries to encourage government should see to the needs of the schools

like for example providing text books, and creating a better learning environment. There should be creation of employment so that the youth and the younger one know and see the use of going to school; government can also provide free training for school leavers to improve skills.

The country also needs to attract private investors in the education sector especially for higher education, as one respondent mentioned there are quite a number of private schools doing very well in Zimbabwe but they are mainly for primary and secondary school, so it would be nice if it could get to the tertiary level.

**10. Like education, a healthy population is also crucial for reviving the economy. The Zimbabwe health sector has also, unfortunately, been badly affected by economic decline. How is this sector being rehabilitated, and what are the challenges and problems being faced?**

*One respondent answered; Healthy is currently being funded by World Health organization which is helping in providing salaries to healthy workers, provision of medicines and training healthy workers. Renovations of hospitals are being done and new clinics are being opened in rural areas. Challenges being faced: Lack of funding, shortage of trained personnel and lack of adequate equipment, obsolete equipment that are too old and constantly breaking down that need replacement*

I also believe most of the challenges and problems are due to lack of money like for example lack of drugs and doctor. It all comes back to one as mentioned before doctors fled for greener pastures and now the health sector suffers due to lack of doctors and nurses.

**11. A strong infrastructure is crucial for economic growth, but the Zimbabwean roads, railways and electricity supply system have deteriorated quite badly. What is being done to rehabilitate the infrastructure, and do you think the measures are adequate?**

oad and even the railway; in fact the rail does not  
ve been introduced in order to fund for maintaining  
and constructing new road but it is only the future that will tell how successful this will  
be, but many believe it is a noble idea.

*Its inadequate to maintain the roads and improve them hence the BOP structure would  
work for me e.g., invite bids for companies to build a railway line connecting Harare  
&Chitungwiza which has been on the accords for a long time, allow the company to  
take a portion of proceeds for the next 50 years then transfers back to government, or  
dualism Harare-Bulawayo and maintain and collect tolls for the next 30 years.* Said one  
respondent, and I agree with his opinion. People are willing to investment in something  
that know will payback.

**12. Banks and other financial institutions play a key role in economic development.  
Are Zimbabwean financial institutions capable of fulfilling this role? If not, what  
needs to be done?**

Again due to lack of money the banks are not capable of financing projects. The bank-  
ing sector is also struggling and more over no one is willing to take the risk of lending  
huge amounts of money. For now the country might have to rely on donors and maybe  
international banks like the World Bank.

**13. Zimbabwe used to have a vibrant tourism industry, which, like all other eco-  
nomic sectors, has suffered tremendously? What measures are being taken to re-  
vive this sector, and do you think that this is adequate?**

The country has portrayed a bad image due to political violations, the country need to  
clean up its image first. Though at the moment little is being done but slowly but surely  
people are coming. The government need to create the right connections to market the  
country tourism.

live in rural areas? What should be done to de-  
onomic growth?

There is need for improvement in communication channels and road construction. Rural electrification will create jobs for people living in the rural areas but also due to lack of power other means should also be taken into consideration like for example solar energy and wind turbines. They should also give incentives to investors.

The government should put into use regionalization to create job security for locals only if the locals lack the skills then they can consider hiring from outside the region.

**15. What is the future of the Zimbabwean economy? Do you see a bright or dark future?**

The country has learnt its lesson (hopefully) in the last ten years BUT it all hinges on politics. The future is Bright because of the diamonds, the core industries are there just need to ramp up capacity utilization, generally educated workforce. The discovery of diamonds is an enough testimony that we have the potential to grow economically. And it also depends on how well the country utilises its resources.

**16. Are there any aspects of the Zimbabwean economy which you would like to comment on?**

All sectors of the economy are somehow linked, collapse of one leads to the down fall of another. We need first to be able to feed, clothe and provide shelter for our people. This should be a prerequisite, a basic requirement. Other things will fall into place. Mining- specifically diamonds. This is a God given endowment which if the people of Zimbabwe, the government, investors and business people manage well the GDP of the country can treble. This would tremendously improve the budget.



Historically, Zimbabwe is said to have had one of the strongest and most desirable economy in African history; some good examples among many others include the agricultural system which was very successful, the education system and also the banking system. The education system was good such that residents from neighbouring countries came to study in Zimbabwe. The economy had been doing quite well on standards, then later along line in the 1990s political conflicts slowly started and in the long run began to affect a number of sectors in the economy. A lot of decisions taken in action were not well planned and either budgeted for which therefore led to the collapse of many sectors, for example the war veteran payments.

The causes of the collapse of the Zimbabwean economy included; the land reform program, war veteran payments, the country's involvement in the DRC war, policy lapses, growth of external shocks, undesirable weather conditions for agriculture, international isolation and normal economic hardships. Everything added up together created a bad image for the country and thereby worsening the crisis.

To revive the Zimbabwe economy the country decided to dollarize; it is dollarization that has brought up some form of stability into the economy of Zimbabwe. Dollarization was a great move for Zimbabwe. Improving export performance is critical for a turn-around in Zimbabwe's economic situation; this could start with for example minerals which are already at the moment helping the economy much since the great collapse. If there will be donors or lenders, they will most probably impose tough conditions on their investments.

What happened to Zimbabwe is nothing new just that it was one of the worst cases. It will take a very long time for Zimbabwe to have its own currency again. It has once happened to other countries like for example Argentina and Germany, the only difference is the intensity and causes of situations. Zimbabwe will recover sooner or later, all those problems in my opinion are caused by poor management of resources, miscalculation and in Zimbabwe's case greed too.

in the way forward but only a few ideas have been  
s of the Zimbabwe economy. Other methods that  
have been implemented to develop the economy include the creation of tall gate on ma-  
jor roads were by police man stand by the road and collect a fee from a drivers passing  
through and this money will be used to maintain and improve roads. The banking sys-  
tem is slowly becoming functional though they charge high interests on services.  
Teachers and nurses are now earning better salaries which has had a positive effect on  
education; local teachers are willing to go to work.

It is believed that some farmers might come back, but few as investors, and most as  
managers and professionals. Zimbabwe needs a lot of capitals, skilled employees and  
well-organised institutions such as an efficient and incorruptible civil service; this will  
be good for the growth of Zimbabwe. Another important factor that needs to be ad-  
dressed is the shortage of foreign currency through promotion of exports and tightening  
of monetary policies. Everything needs money, all the sectors need huge funding in or-  
der to be fully functional and benefit the society as a whole. The country needs money  
to pay salaries, for projects to commerce, repair and replace drainage systems and buy  
drugs for better health, provide educational materials ,give loans to potential entrepre-  
neurs and many other things to boost the economy. It all needs money and investments.

The future of the currency is unknown to all we just wait and see how it goes. For sure  
dollarization has very much helped to ease the situation in Zimbabwe. From my current  
visit to Zimbabwe I also noted that all food stuffs are now available in the shops; some  
things have become more expensive whilst some are now cheaper. Some industries have  
also started functioning well so with time things will fall into place.

Zimbabwe could increase its ability to produce goods and services if it gets more re-  
sources and better technology. Government policies can also help the economy achieve  
full employment and therefore reduce scarcity of resources. There is hope for a better  
Zimbabwe if only the officials could concentrate on developing the major areas, main-  
tain peace and find other means of funding for example agriculture and the mining sec-  
tor which are believed to be the ones that could boost up the economy now.

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