FEATURE ARTICLES

Post-Multiple Currency Strategy: Which Way Zimbabwe?

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Abstract

The paper explores the options that Zimbabwe can adopt in the short-term and long-term post-multiple currency era. The methodology adopts a comparative analysis with countries that have previously experienced similar situations. An evaluation of the convergence characteristics of the economies in the trade bloc is also invoked. Multiple currency regime in Zimbabwe is viewed as a symptom hence accelerating reforms, the major problems would eventually be overcome leading to good money chasing away bad money. The way forward on Zimbabwe post multiple currency strategy is the adoption of the Muddling-through-with-Accelerating reforms strategy. In conclusion, the paper advocates for macroeconomic policies that complement with the identified currency option.

I. Introduction

Zimbabwe experienced a decade of major challenges, chief among them being hyperinflation, idle capacity in the manufacturing sector, negative growth rates, and negative balance of payment. In a bid to stabilize the economy, the government introduced the multi currency system in February 2009. Multiple currencies are the use by a country of various currencies.

The multiple currencies system succeeded in reversing the hyperinflation from multimillion levels to negative territories in the first half of the year. (see Appendix 1). There has been increased stability in the macro economy which led to increased business confidence levels. The multiple currency dispensation led to significant improvement in the standard of living of the average person. In addition, the regime resulted in the stronger flow of essential goods into the economy. Capacity utilization by firms increased from about 10% (Feb 2009) to about 35% (Sept 2009).

In general, signs of recovery in the economy have been observed. Although immense benefits could have been yielded by the multiple currency regime it has presented with it new set of challenges. Some of the challenges include an acute shortage of liquidity, cash for transaction purposes is in short supply, and many people do not have access to hard currencies.

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