



Return of the Dollar, Zim Dollar

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The soon to be introduced Bond Notes in Zimbabwe, and just the thought of it, brings trepidation and uneasiness among Zimbabweans. They fear the return of the Zimbabwean dollar – the Zim dollar. The memory of carrying bags, suitcases and sacks full of trillions of Zimbabwean dollar notes that could only buy a loaf of bread and sweets in 2007/8 is still bitterly fresh to experience again.

After about 10 years of reckless printing of money that began in 1997 and hyperinflation that could not be measured by 2008 (the Gideon Gono “Mr. Zeros” legacy) that brought the productive sector of the economy to a halt, Zimbabwe introduced a multi-currency operating system. In the beginning, the trading currencies were the USA dollar (US\$), the South African Rand (ZAR), the Botswana Pula and other hard currencies such as the Pound and Euro among others. With the weakening ZAR/US\$ exchange rate, the main currency of choice remains the US\$ - the global reserve currency. South Africa (SA) is the biggest trading partner, and shopping centre, of Zimbabwe. Zimbabweans travel to SA day-and-night to buy consumables – food mainly. Why did the officials not engage SA and peg the Zim dollar to the ZAR before its total extinction?

With no forward-looking policy formulation framework and no operational monetary policy capacity, liquidity was going to be the problem sooner or later. And here we are again, cash-strapped and cash-withdrawal limits in full force. As an answer, the Reserve Bank of Zimbabwe (Governor John Mangudya) is to introduce Bond Notes, pegged 1:1 to the US\$ to ease the liquidity pressures. But who will trust the Bond Notes? The ghost, the Zim dollar, is coming back to haunt the people.

Printing money will not solve anything, Zimbabwe problems are more than the currency problem. There are issues of trade deficit, budget deficit, corruption, economic mismanagement, capital flight, money laundering and other myriad of challenges. There is “trust deficit” too as few trust the government of President Mugabe. I am not sure if the Minister of Finance, Mr. Patrick Chinamasa has any solutions to the economic problems of the country. Before his appointment to head up the Finance Ministry, his experience was mainly in legal matters if I recall correctly. Had he been a treasurer of any of the ZANU PF party structures before, maybe he might have had a little experience in finding financial solution – so I ponder. At this juncture, learning on the job is not an option for Zimbabwe.

Capacity, relevant experience and innovation are required.

The government does not want learn from history. There is no political or moral will to change the course. Well, they say: one “cannot not teach an old dog new tricks”. Zimbabwe is stuck between a rock (can’t scratch to move forward) and a vast sea of problems (that could drag the country fast down the path of further destruction). The message to the authorities is simple: without its own currency, which defines financial sovereignty; Zimbabwe can’t print money, control money supply or monitor the flow of it and hence can’t manage the economy effectively. The same authorities have failed Zimbabwe in the past, and they are likely to fail again this time and in the future. A new economic management model and new teams are required. The laws of economics must be respected, and trust must be earned. Times have changed.

Nonetheless, the thought of the return of the Zim dollar and black currency market is scary. For now, let’s hope it will not happen any time soon, not twice in people’s lives. And for now, let’s keep the Zim dollar in a closet and in museums where the history of the struggles of Zimbabwe is preserved for learners and tourists.