Zimbabwe's central bank allowed its citizens to exchange the country's almost worthless currency for US **dollars**. Its **100-trillion**-dollar note is worth just 40 U.S. cents.

In economics, hyperinflation occurs when a country experiences very high and usually accelerating rates of inflation, rapidly eroding the real value of the local currency, and causing the population to minimize their holdings of local money.

Hyperinflation is extremely rapid or out of control inflation. There is no precise numerical indication of hyperinflation. Hyperinflation is a situation where the price increases are so out of control that the concept of inflation is meaningless. Although hyperinflation is considered a rare event, it occurred as many as 55 times in the 20th century in countries such as China, Germany, Russia, Hungary and Argentina.

When associated with **depressions**, hyperinflation often occurs when there is a significant increase in the money supply not supported by gross **domestic product** (GDP) growth, resulting in an imbalance in the supply and demand for the money. Left unchecked, this causes prices to increase, as the currency loses its value.

When associated with wars, hyperinflation often occurs when there is **a loss of confidence** in a currency's ability to maintain its value in the aftermath. Because of this, sellers demand a risk premium to accept the currency; they do this by raising their prices. Within a short period of time, the average price level can increase exponentially resulting in hyperinflation.

Hyperinflation is a Man-Made Disaster

Hyperinflation is a macro-economic event that occurs as a result of a steep devaluation of a country’s currency which causes its citizens to lose confidence in it. When the currency is perceived as having little or no value, people begin to hoard commodities and goods that have value. As prices begin to rise, basic goods, such as food and fuel, become scarce, which sends prices spiraling upward. In response, the government is forced to print even more money to try to stabilize prices and provide liquidity, which only exacerbates the problem.