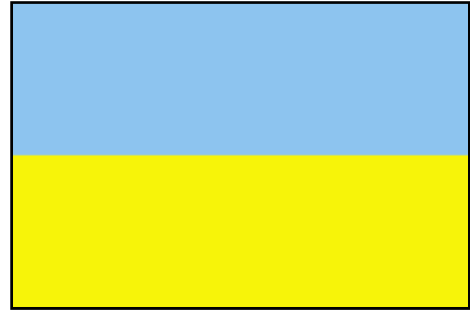


Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

UKRAINE (1993 INFLATION RATE: 4,735 PERCENT)

Inflation undoubtedly is affecting the economy in Ukraine in a sad way. In the early 1990s, people did not expect to experience inflation, so their goals remained the same - to keep their money in the banks and to buy government bonds or insurance policies. But a period of change emerged, and with it the rise of prices and inflation. As long as the growth of wages kept up with the growth of prices, the purchasing power of citizens was maintained. But when prices went up more than wages, people lost in many ways. Millions of people lost their savings in banks because the money wasn't worth anything anymore. People lost their faith in the banks. Banks and other financial institutions will be working hard for a long time, trying to regain the trust of the population. Banks are experimenting with different ways of attracting deposits, but they are not popular. Inflation can be a winning instrument in the hands of those who know how to use it properly, at least at an appropriate time. Some of those who had access to credit and loans managed quite well. For example, one family took out a loan for building a home, built it relatively quickly, and was able to payoff the loan without any significant damage to the family finances. The salaries of the family members went up some, and the value of the house increased greatly. In a similar way, but on a much larger scale, powerful government figures were able to gain. The main and most reliable way for people to protect themselves against inflation today is to buy hard currency, mostly U.S. dollars. The dollar holds its value because inflation is not high in the United States. Furthermore, many people don't have any choice but to buy goods and hoard them - to avoid paying higher prices in the future. Or people buy durable goods, such as electronics or furniture, and then sell them in the future. In times of inflation the goods go up in value, but money goes down in value.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?

2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

ESTONIA

(1993 INFLATION RATE: 89 PERCENT)

Since the end of 1980s and until 1992, inflation in Estonia was very high - reaching 500 percent per year. Before that pensioners (retirees) were putting money aside for future funerals, as is our custom, but during the period of high inflation these savings were brought to zero. During the period of high inflation Estonians greatly increased the reserves of cheese, canned meats, linens, etc. Many didn't even pay attention to the sizes of clothing, and people were buying children clothes for many years in advance. They knew that it was better to buy now, because prices would be higher in the future. Those who had savings tried to exchange it into hard currency such as U.S. dollars or German marks, although our country had a shortage of it. These currencies were more stable and safer. There were many limitations on currency exchange operations. Only a few banks were exchanging rubles into hard currency, and these banks had very long lines. Those who had friends, relatives or other connections in these banks were able to protect themselves better from inflation. In 1992, Estonia implemented monetary reform targeted at fighting inflation. People could exchange 2,000 Soviet rubles for 200 Estonian kronas. This took all money reserves other than kronas out of the economy.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?
2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

RUSSIA (1993 INFLATION RATE: 896 PERCENT)

On the surface everything is simple: inflated prices, not enough money to buy things. More money is needed, but it is not supplied. Thus, in an artificial way, inflation is kept partially under control. How did the wealthy, the top 10-15 percent of the Russian population, cope with inflation? They invested in real estate and jewelry. They built cottages with two to three floors, the value of which was equivalent to five two-bedroom apartments. They bought apartments beyond Russian borders, built houses, and bought hard currency - usually dollars. Thus they were able to escape inflation. The prices of these things went up, and they didn't hold rubles that lost their value. How did the other 85-90 percent of Russians cope with inflation? There was not enough income for the most basic needs. Why? Government enterprises in which the salaries were supposed to be 800-900 rubles in actuality only paid 50-100 rubles at a time. The rest was issued in the form of coupons for meals at the work cafeterias and fast passes for the public transportation. Government organizations paid salaries one-to-three months late. The question at the top was where to get money to pay government workers, including teachers. If the government printed more money, the inflation would only get worse. What has happened due to inflation is that people find ways to avoid using money. In the last few years, due to privatization reforms, it is quite easy to gain land for personal use. If an individual was born in the countryside, he can be given land upon request, even if he has not lived there. Many have taken advantage of this opportunity and are now providing for their families by growing agricultural products. And sometimes payments are made between organizations and enterprises by exchanging goods and services rather than money. Agreements are made between banks and enterprises to pay the rents and utilities of employees without issuing cash directly to the workers. Such are the ways in which we run away and hide from inflation.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?

2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

LATVIA

(1993 INFLATION RATE: 109 PERCENT)

Hyperinflation in Latvia happened in 1992. I was working at school and received my salary on a regular basis. Salaries in Latvia were indexed (adjusted for inflation) regularly to keep up with inflation, and thus I did not experience any significant losses from that. My parents - pensioners [retirees] -lived in the countryside during the summer, and that is where all our relatives went for their vacations. They grew vegetables, marinated cucumbers, made jams, picked berries and mushrooms. Everyone was preparing supplies for winter. This summer activity was not affected by inflation because money was not involved. (But Latvians also grow food in the summer when there is not inflation, because money saved in this way can be used for other purposes. There is a saying that a real Latvian can't live without land and also, that having a good meal is essential for a real Latvian.) During that time it was very difficult to save anything, even though the Baltija Bank was offering 120 percent in interest. I always tried to spend my money right after the payday because prices would be higher the more days you waited. It was not that easy, as it was difficult to tell which goods were expensive or cheap that day. It felt great to buy an item which grew in price the next day. My sister who earned considerably more than me tried to purchase dollars and save them, but even that was difficult to do because sometimes dollars were not accessible or it was difficult to assess the exchange rate.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?
2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

BELARUS

(1993 INFLATION RATE: 1,188 PERCENT)

In 1990, when Belarus was still part of the USSR, my parents kept their money in a savings account. They had 5,000 Russian rubles in their account. In the summer of 1990, my father feared that money would be devalued and prices would go up, so he removed his money from the bank and bought furniture for my house. He got me a kitchen set and furniture for my guest room. Five thousand rubles were enough for purchasing this furniture. My account had 3,000 rubles at that time. I didn't remove them to purchase anything, although my father was trying to convince me to withdraw that money from the bank and to buy goods. Pretty soon I could only buy 1 kilogram of meat for my money. With each year, inflation is growing in Belarus. My retired parents are forced to grow fruits and vegetables in their gardening lot and preserve them for the entire year. Because they cannot afford to buy meat, they are raising a pig. It is through their self-sustainable agricultural practices that they are surviving during inflation.



Five thousand rubles were enough for purchasing this furniture. My account had 3,000 rubles at that time. I didn't remove them to purchase anything, although my father was trying to convince me to withdraw that money from the bank and to buy goods. Pretty soon I could only buy 1 kilogram of meat for my money. With each year, inflation is growing in Belarus. My retired parents are forced to grow fruits and vegetables in their gardening lot and preserve them for the entire year. Because they cannot afford to buy meat, they are raising a pig. It is through their self-sustainable agricultural practices that they are surviving during inflation.

Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?

2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

LITHUANIA

(1993 INFLATION RATE: 390 PERCENT)

Inflation made many troubles for all Lithuanians, no matter rich or poor, and for my family as well. During Soviet times, my family was from the middle class with medium earnings. We had the opportunity to save some money. My mother thought about me and my future. She put some rubles in a savings account in our Saving Bank of the Lithuanian Republic every year from my birthday.

It was an agreement that I should get 1,000 rubles on my wedding day. In the 1970s and 1980s, the sum of 1,000 rubles would be a very nice wedding gift from parents. However, I am 28 and I am not yet married. I will never get this gift, but not because I am not going to marry someone. I will not get the gift due to inflation. In terms of litas, the new Lithuanian currency, 1,000 rubles are worth nothing. Now, 10 years after Lithuania became independent from the Soviet Union, the government has started to compensate people for their lost savings, but the compensation is much less than the money lost. In another way my mother was able to benefit from inflation. In 1990 under the Soviet system, cars and one-room apartments were given the same price. When Lithuania became independent my mother foresaw that property like houses or apartments would be worth more than cars. So she sold our car, a new one but a Soviet model, and bought a one-room apartment. Now the price of the apartment is more than 1,000 percent higher and worth much more than a car. So now I do have my own valuable property and that is a result of inflation, and because of my very clever mother.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?
2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

ALBANIA

(1993 INFLATION RATE: 85 PERCENT)

In Albania the change of the political system after 1990 led to many inflationary situations that are still going on. During 1990-92 prices went up drastically and in an uncontrolled way. Meanwhile, wages remained the same. Everyone knows that in our prior communist system the only sector was the state sector. Therefore during the transition many government enterprises shut down and many people remained jobless while prices increased 20-30 times. The population was desperate. Before the 1990s, a family who saved 10,000 lek could buy an apartment. Months later this money would only buy food for two or three months. We had another inflationary period during which pyramid schemes boomed in Albania. Companies pretending to be investment companies borrowed money from the people and paid very high interest rates, about 20 to 25 percent per month. For a while, some people who loaned their money to these companies earned a big quantity of money. From the interest alone they could earn a sum 100 times more than an employee in the state sector or private sector. But it turned out that these companies were just setting up pyramid schemes, and the money they paid out was from new lenders, and not profits from investments. They were bound to fail. The government intervened and the companies were closed. The closure of these companies brought many social problems. People lost all their savings, or worse they lost even their houses. Those who were jobless remained without a bit of money and often tried to emigrate illegally many times.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?

2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

ARMENIA

(1993 INFLATION RATE: 3,732 PERCENT)

Naturally, the growth of inflation in Armenia is reflecting itself on the well being of individuals, and especially on those who work in the government sectors. In November of 1993, Armenia introduced a new national currency, the dram. The official exchange rate was announced relative to the dollar, which was 1 dollar = 14.4 dram. After one month, the rate dropped to 1 dollar = 350 dram. Currently, it's fluctuating between 500 dram to 550 dram per dollar. Many people made mistakes during 1993, when Soviet rubles were changed to dram. Those who left money in savings accounts suffered terribly. Our family also lost a great deal of money that way. For example, those who had 5,000 rubles in the bank before the exchange could have bought a car. After the exchange and the inflation that followed, they could only purchase one piroshki [a fried dumpling].



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?
2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

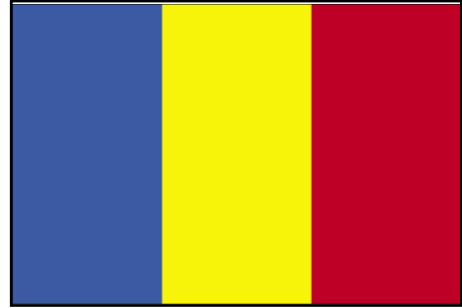
The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

ROMANIA

(1993 INFLATION RATE: 256 PERCENT)

In 1998, the inflation rate was 50.8 percent in Romania. All prices were going up, but the real wages of workers were going down. Officially the index of wages was only about 60 percent of the inflation rate. But beginning in September 1998, the government paid no indexation, which meant that the wages of government employees didn't go up at all. The situation is dramatic for people who are retired. Their pensions do not buy

enough for all their expenses. A lot of old people are in this situation and need help from their children or from charity organizations. Many retired people are looking for extra jobs. Usually, women offer their services as housekeepers or baby sitters, and men as persons who can fix different things in a home. We have to also mention some things about peoples' savings. Because the inflation rate is so high and wages so low there are only a few people who can save. Usually, the banks offer a high interest rate - approximately 50 percent (this is average) a year. But, even so, the population prefers to keep money not in our national currency, but in a stable currency - in U.S. dollars. For people from Romania, sometimes it is cheaper to spend money in a foreign country such as Greece or Turkey. In these countries the prices are low and the services are good.



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?

2. What were some of the things that people tried to do to adapt to the higher rates of inflation?

Living with Hyperinflation in the Former Soviet Union

The following represents a real life account from a teacher who lived through the incredible economic changes that occurred in this country following the break up of the Soviet Union.

MOLDOVA

(1993 INFLATION RATE: 789 PERCENT)

In Soviet times my grandfather had a deposit of 5,000 rubles or \$312.50. In 1993 the national currency, the Moldavian leu, was introduced, and the denomination was one leu for 1,000 rubles. Today due to inflation five leu are only equal to \$1, so the total value of Grandfather's deposit decreased to \$1. It is an example of the problem of taking no action with a bank deposit during inflation. I had a deposit at the Saving Bank too. The total sum was 3,000 rubles or \$187.50. After the introduction of the national currency I withdrew my money and purchased a small house near the river Dnestr. It is a very beautiful place situated 70 kilometers from Kishinay. I own this house today, and my family spends holidays there. In 1996 my friend purchased a house near my house, and the price of this house was \$3,000. There is an obvious difference between \$187.50 and \$3,000, isn't there?



Answer the following questions about hyperinflation in this country on a Post-It Pad:

1. What were the main impacts of hyperinflation described in the above account?
2. What were some of the things that people tried to do to adapt to the higher rates of inflation?