

All countries have suffered high inflation in the past

MAXIMUM ANNUAL INFLATION (COUNTRY, YEAR)

HYPERINFLATION

< 10%	10 - 20%	20 - 40%	40 - 80%	80 - 200%	200 - 500%	> 500%
	Panama (1974) New Zealand (1980)	Netherlands (1918) Hong Kong (1949) Malaysia (1950) Singapore (1973) Canada (1917) United States (1864) Switzerland (1918) Côte d'Ivoire (1994) Central African Republic (1971) Taiwan (1973) El Salvador (1986) Sri Lanka (1948) Mauritius (1980) Honduras (1991) United Kingdom (1800) South Africa (1919) Sweden (1918)	Egypt (1941) Guatemala (1990) Kenya (1993) Denmark (1800) Belgium (1812) Dominican Republic (2004) Colombia (1802) India (1943) Australia (1854) Morocco (1947) Myanmar (2002) Algeria (1947) Tunisia (1943) Nigeria (1995) France (1946) Thailand (1919)	Portugal (1808) Iceland (1983) Costa Rica (1982) Ecuador (2000) Venezuela (1996) Spain (1808) Uruguay (1990) Turkey (1942) Ghana (1983) Mexico (1987) Paraguay (1952) Philippines (1943) Norway (1812) Zambia (1993)	Korea (1951) Finland (1918) Chile (1973) Italy (1944)	Japan (1945) Indonesia (1966) China (1947) Austria (1922) Brazil (1990) Argentina (1989) Angola (1996) Peru (1990) Bolivia (1985) Nicaragua (1987) Russia (1923) Poland (1923) Greece (1944) Germany (1923) Zimbabwe (2008) Hungary (1946)

PAPER MONEY LOSES ITS
VALUE THROUGH INFLATION

Source: Reinhart/Rogoff (2009, chapter 12)

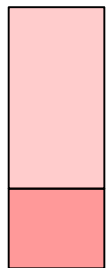
In the stable post-war period, all countries experienced significant inflation

AVERAGE ANNUAL INFLATION 1951 – 2010 BY COUNTRY

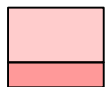
0 - 2%	2 - 4%	4 - 6%	6 - 8%	8 - 12%	12 - 20%	20 - 40%	> 40%
	Panama Switzerland Malaysia Belgium Luxembourg Japan Netherlands Austria United States Canada	Germany Thailand Tunisia Morocco France Denmark Norway United Kingdom Sweden Australia Finland New Zealand Italy	Mauritius India Spain El Salvador Guatemala Sri Lanka Hungary Egypt Portugal South Africa Honduras Philippines	Greece Kenya Dominican Republic Costa Rica Myanmar	Columbia Paraguay Iceland Venezuela Ecuador Mexico Poland	Zambia Ghana Turkey Indonesia Chile Uruguay	Bolivia Peru Nicaragua Argentina Brazil

PURCHASING POWER AFTER 60 YEARS (1951 – 2010)

30 - 100%



10 - 30%



3 - 10%



1 - 3%



0 - 1%



0%



0%



0%



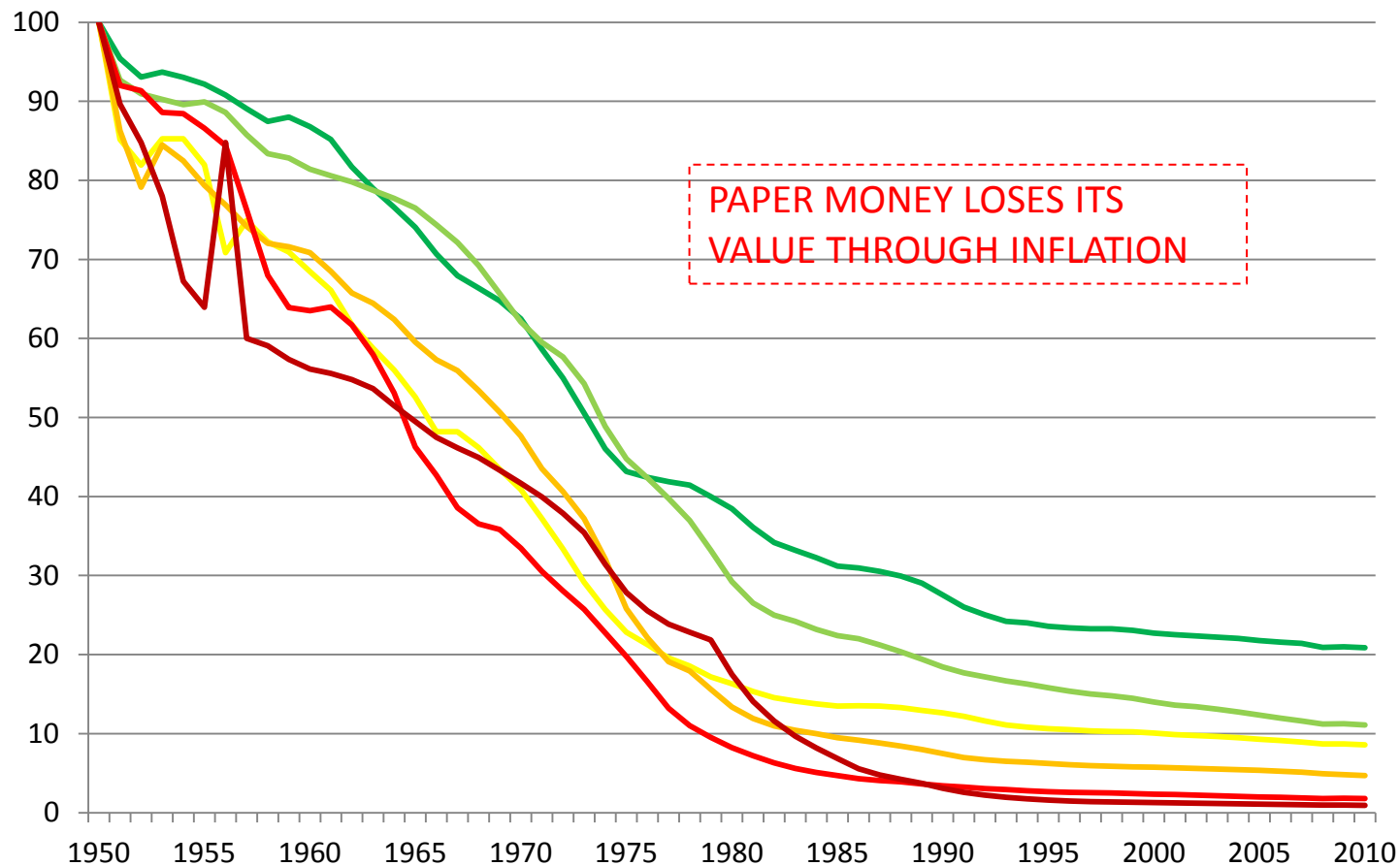
PAPER MONEY LOSES ITS VALUE THROUGH INFLATION

Source: Reinhart/Rogoff database; own calculations

Even the most stable currencies lost at least 80% of their purchasing power

PURCHASING POWER 1950 - 2010

1950 = 100



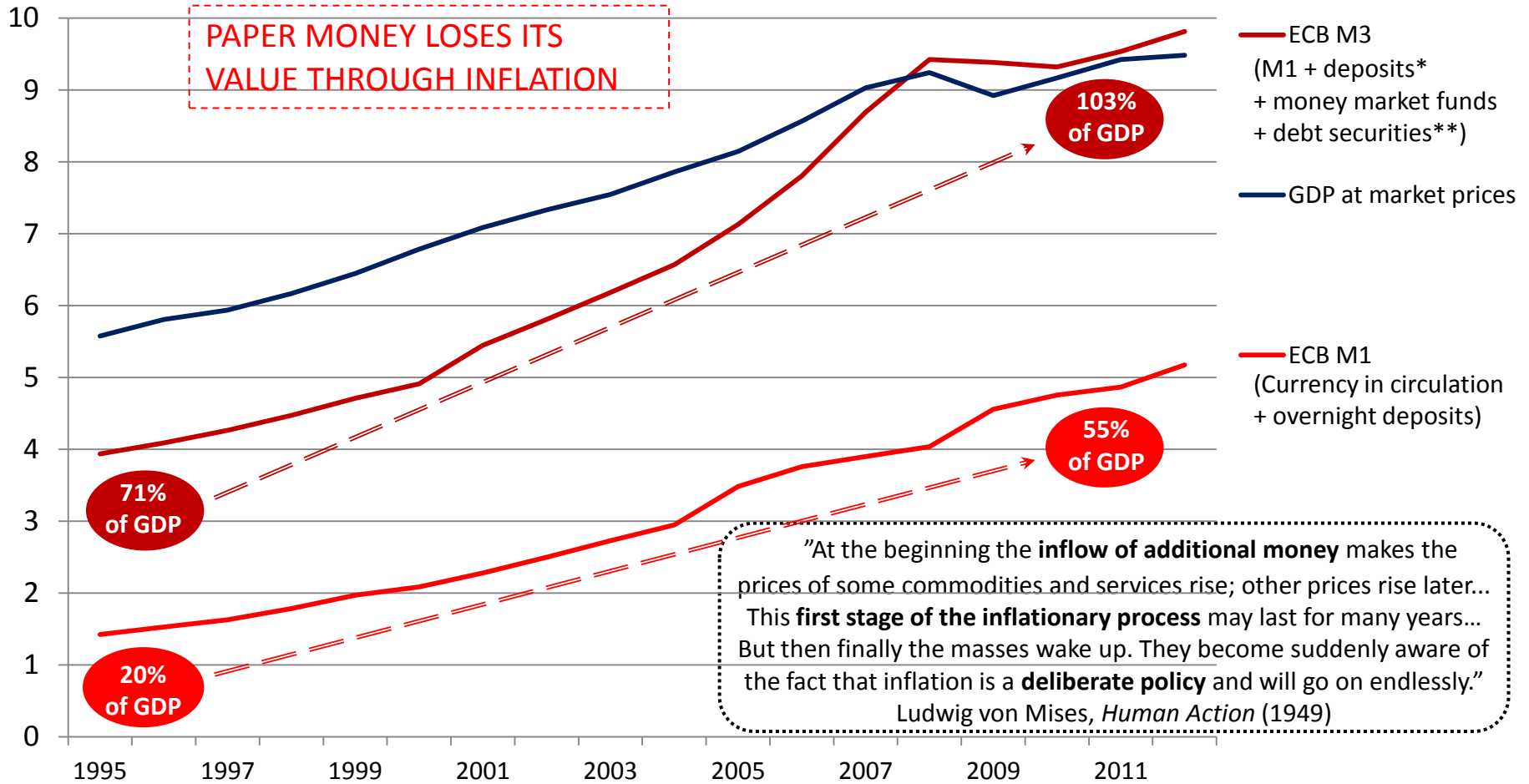
"All governments are firmly committed to the policy of **low interest rates, credit expansion and inflation.**"
Ludwig von Mises, *Human Action* (1949)

Source: Reinhart/Rogoff database; own calculations

Strong growth of monetary aggregates makes future inflation more likely

ECB MONETARY AGGREGATES AND EUROZONE NOMINAL GDP 1995-2012

In trn EUR



Source: ECB Statistical Data Warehouse

* With maturity up to 2 years or redeemable at notice up to 3 months ** Up to 2 years