

Inflation by the Decades: 1970s

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About the Series

Inflation by the Decades is the most comprehensive free-to-use inflation database. It provides inflation data in digestible formats for countries across the world. These data are provided over each decade from 1950 to 2000. Along with annualized inflation over the decade, we find the cumulative inflation, value of one monetary unit at the end of the decade, and the change in inflation. The dataset used for all reports can be downloaded as an Excel file on the Cato Institute website.

This series repackages the work previously published in 2014 by Prof. Steve H. Hanke and Nicholas Krus¹ to include choropleths, digitized data, and a basic discussion and analysis of trends.

About the Authors²

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Methodology

We obtained the data presented in this report from three sources. We used the IMF's International Financial Statistics (IFS) most often. If data were not available via the IFS, we used the World Bank Development Indicators (WBDI). Finally, if data were not available via the IFS or the WBDI, we used data from the Economist Intelligence Unit's Online Database (EIU).

Utilizing these data, we calculated the cumulative inflation rate, the annualized inflation rate, the value of the monetary unit, and the change in the annualized inflation rate. We did so using the following formulas:

i_x = the annual inflation rate for the xth year in the decade

1. Cumulative inflation rate = $[(1 + i_1) * (1 + i_2) * \dots * (1 + i_{10})] - 1$
2. Annualized inflation rate = $(\text{cumulative inflation rate} + 1)^{1/10} - 1$
3. Change in annualized inflation rate = (annualized inflation rate in the current decade - annualized inflation rate in the previous decade)
4. Value of 1 monetary unit at the end of the decade = $1 / (1 + \text{cumulative inflation rate})$

Plotly was then used to create the choropleths.

Only countries that had inflation data available for the entire decade were included in this study to remove any confusion or bias in the table.

¹ See Steve H. Hanke and Nicholas Krus *Inflation by the Decades*, Cato, 2014. Available on the Hanke-Krus "World Inflation and Hyperinflation Table" page on the Cato Institute website (<https://www.cato.org/research/world-inflation-and-hyperinflation-table>).

² Copyright © 2018 by Steve H. Hanke and Tal Boger. This work may be reproduced provided that no fee is charged and the original source is properly credited. All charts and choropleths are created by the authors unless otherwise specified.

Introduction

Key Findings

For the 1970s, we recorded inflation data for 95 countries and territories.

The oil crisis ravaged many economies throughout the world. As such, there were cases of elevated inflation in every region of the world.

Similar to the 1980s, multiple South American countries battled high inflation, and sometimes hyperinflation, in the case of Chile.³

Outside of South America, Israel saw high inflation because of troubles with its neighbors and the oil crisis. Furthermore, countries in Sub-Saharan Africa such as the Democratic Republic of the Congo and Ghana suffered from high inflation.

Aside from causing inflation in developing countries, the oil crisis caused elevated inflation in the industrialized world. Countries such as the United States faced Stagflation, and other developed European countries such as Spain and Italy had double-digit inflation rates.

Throughout the decade, 9 countries had annualized inflation rates of over 20%, and 48 countries had a rate over 10%.

World Inflation Choropleth

Figure 1 below shows the annualized inflation in the 1970s of every country and territory for which we recorded data.



Figure 1. World annualized inflation in the 1970s.

³ See the latest World Hyperinflation Table. Steve H. Hanke and Erik Bostrom *Zimbabwe Hyperinflates Again: The 58th Episode of Hyperinflation in History*, working paper no. 90 in Johns Hopkins University's "Studies in Applied Economics" working paper series.

Africa

Summary

In Africa, we measured the inflation for 27 countries. The average inflation for the entire continent was 11.85% with a standard deviation of 7.32%.

Though the Democratic Republic of the Congo and Ghana had high inflation compared to the rest of the world, their inflation was not too severe. The countries had an annualized inflation rate of 36.97% and 35.10%, respectively. Both these figures are low for the most inflationary countries in Africa compared to other decades. Furthermore, the average inflation and standard deviation for the continent is lower than other decades.

The Democratic Republic of the Congo and Ghana had the 4th and 5th highest inflation in the world, respectively. After the Democratic Republic of the Congo and Ghana, Nigeria was the most inflationary country in Africa. Nigeria had the world's 14th highest inflation rate at 15.50%.

Choropleth of African Inflation

Figure 2 below shows the annualized inflation of countries in Africa.

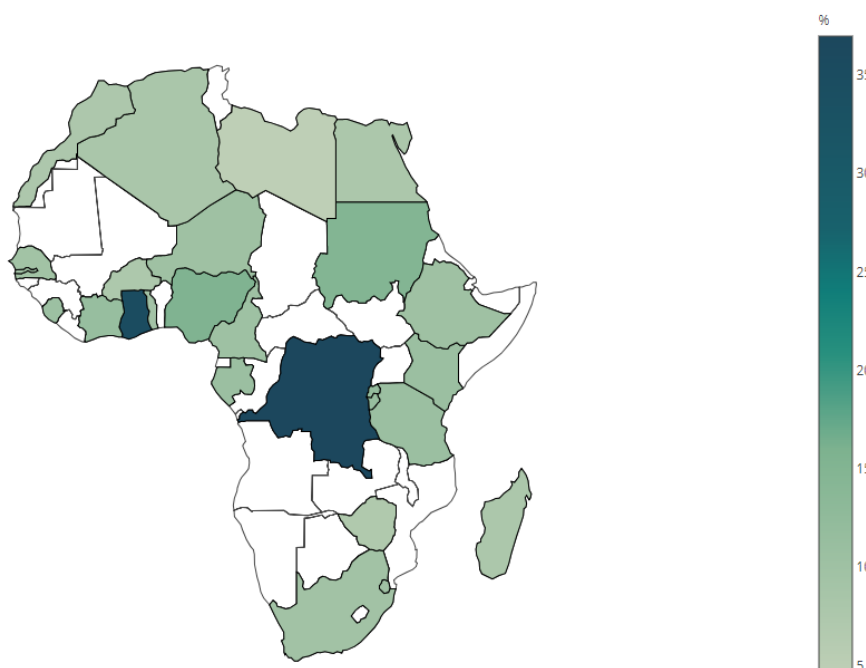


Figure 2. Africa annualized inflation in the 1970s.

South America

Summary

In South America, we measured inflation for 10 of the 12 countries in the continent. The average inflation was 39.12% (the highest of any continent in this decade), with a standard deviation of 44.64%. Annualized inflation ranged from a high of 129.84% in Chile to a low of 6.56% in Venezuela. The countries highest in our world rankings were Chile (1st), Argentina (2nd), and Uruguay (3rd).

Many of South America's economic struggles continued into the 1980s. In the 1980s, South America had the highest average inflation in the world again. Furthermore, many of its countries hyperinflated in the 1980s.

The cause of these hyperinflations in the 1980s started years earlier in the 1970s. Several of these countries took out extensive loans. Then, their debt outweighed their earning power, causing banks to stop lending overseas to these countries.

This temporary stop in lending ravaged Latin American economies, leading them to recessions, and ultimately, hyperinflation.⁴

Choropleth of South American Inflation

Figure 3 below shows the annualized inflation of countries in South America in the 1970s.

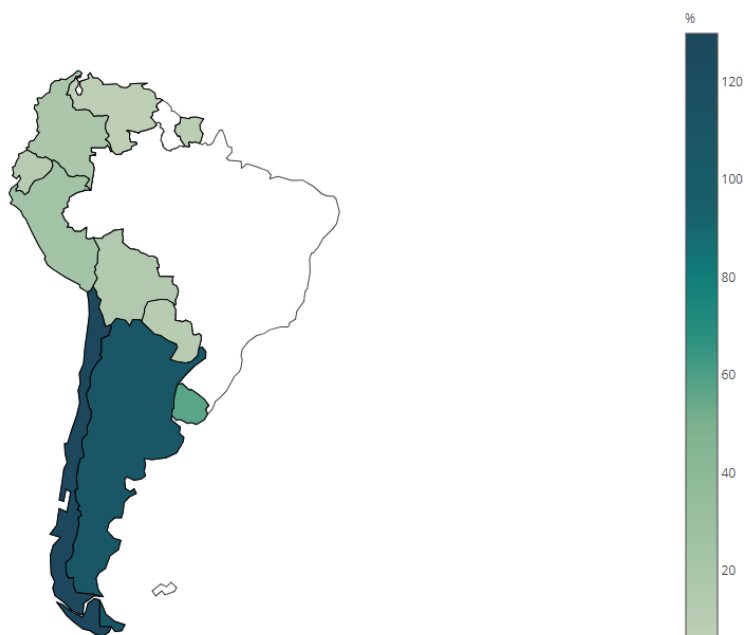


Figure 3. South America annualized inflation in the 1970s.

⁴ See Jocelyn Sims, *Latin American Debt Crisis of the 1980s*, Federal Reserve History, <https://www.federalreservehistory.org/essays/latin-american-debt-crisis>.

North America (including Central/Caribbean)

Summary

In North America, we measured inflation for 15 countries. The average inflation for the entire continent was 9.92%, with a standard deviation of 3.27%. Annualized inflation ranged from a high of 16.88% in Jamaica to a low of 5.95% in Panama. The average inflation in the 1980s was over 3x higher than the average inflation in this decade.

Jamaica had the 11th highest inflation in the world. The next most inflationary North American countries – Mexico and Barbados – had the 18th and 21st highest inflation in the world, respectively.

Visualizations of North American Inflation

Because North America is a large continent, with most of its land mass composed of the United States, Canada, and Mexico, it is difficult to see the inflation of Central American and Caribbean countries. So, we have split these up into two different figures. First, we have a choropleth of all of North America. To visualize inflation in Latin America and the Caribbean, we have a color coded dataset according to the severity of the country's inflation.

Figure 4 below is a choropleth of mainland North America's inflation in this decade.



Figure 4. North America annualized inflation in the 1970s.

Figure 5 on the following page is the colorscale of Latin American and Caribbean inflation. The colorscale goes from white for the lowest inflation, light green for the middle inflation, and a darker green for the most inflationary countries.

The US, Canada, and Mexico are excluded from this visualization given that its primary focus is Latin America and the Caribbean

Country	Annualized Inflation
Jamaica	16.88%
Barbados	13.51%
Saint Lucia	13.16%
Trinidad and Tobago	11.52%
Costa Rica	9.49%
El Salvador	9.21%
Dominican Republic	9.12%
Haiti	9.01%
Guatemala	8.70%
Bahamas	6.88%
Honduras	6.58%
Panama	5.95%

Figure 5. Latin America and the Caribbean annualized inflation in the 1970s.

Europe

Summary

In Europe, we measured inflation for 19 countries. The average inflation for the entire continent was 10.04%, with a standard deviation of 5.59%. Annualized inflation ranged from a high of 28.64% in Poland to a low of 4.88% in Germany.

The Stagflation caused by the oil crisis lead many developed countries to have above-average inflation rates. For example, Italy and Spain both had annualized inflation rates above 12%. The Netherlands and France both had annualized inflation rates above 7%. These inflation rates are relatively high given the stability of these economies.

Iceland had the 7th highest inflation in the world, followed by Portugal with the 12th highest inflation. The next most inflationary European country was Spain, which had the 20th highest inflation in the world.

Choropleth of European Inflation

Figure 6 on the following page is a choropleth of Europe's annualized inflation in this decade.

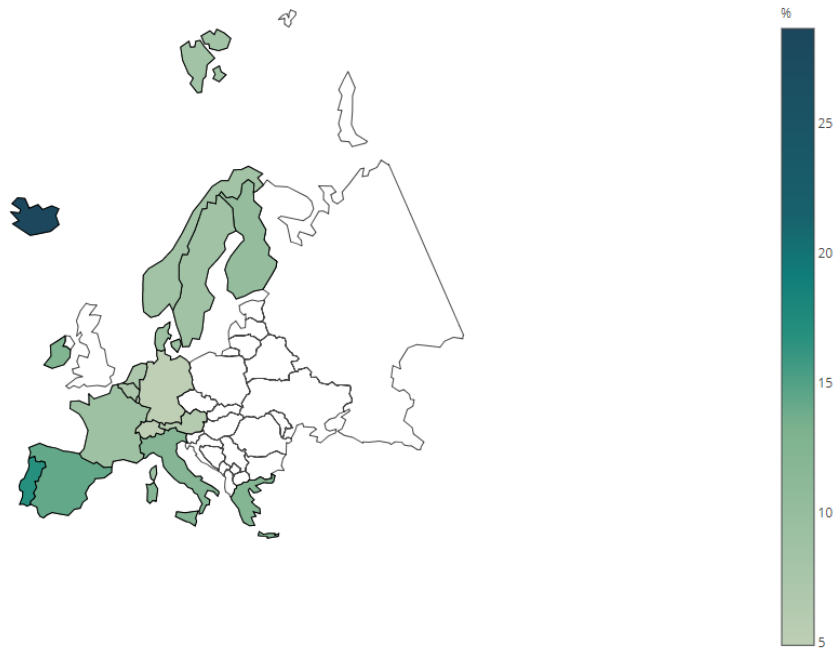


Figure 6. Europe annualized inflation in the 1970s.

Asia

Summary

In Asia, we measured inflation for 19 countries. The average inflation for the entire continent was 11.83%, with a standard deviation of 6.23%. Annualized inflation ranged from a high of 30.98% in Israel to a low of 5.40% in Malaysia.

Along with having the highest inflation rate in Asia in this decade, Israel had the highest inflation rate in Asia in the 1980s. The foundation for this even higher inflation was set in the 1970s, as Israel suffered from Stagflation. Furthermore, conflict with neighbors fostered economic instability.

To combat this inflation, which peaked in the 1980s, the Israeli government passed the “Economic Stabilization Policy.” This allowed the government to freeze prices and exchange rates. Though many viewed this as an unnecessary and reactionary action, the policy helped stop the rampant inflation by the late 1980s.⁵

Israel had the 6th highest inflation in the world in this period. After Israel, the most inflationary countries in Asia were Turkey – which had the 9th highest inflation in the world – and Indonesia – which had the 13th highest inflation in the world.

Choropleth of Asian Inflation

Figure 7 on the following page is a choropleth of Asia's annualized inflation in this decade.

⁵ See *Israel Business & Economy: The Rise & Fall of Inflation*, Updated 2011, Jewish Virtual Library, <https://www.jewishvirtuallibrary.org/the-rise-and-fall-of-israeli-inflation>.



Figure 7. Asia annualized inflation in the 1970s.

Australia

Summary

In Australia, we measured inflation for 4 countries. There is some debate over whether the continent of Australia has only 3 countries⁶ (Australia, New Zealand, and Papua New Guinea) or about 11-14 (if islands such as Fiji are included).⁷ Because we found data for these small island nations, we decided to include them in our analysis for Australia.

The average inflation for the entire continent was 10.21%, with a standard deviation of 0.99%. Annualized inflation ranged from a high of 11.43% in New Zealand to a low of 9.14% in Samoa. The countries highest in our world rankings were New Zealand (33rd), Fiji (43rd) and Australia (50th).

Visualization of Australian Inflation

Because most of the countries in Australia are very small, it would be almost impossible to see them on a choropleth. So, we have used the same method we used for the Latin American and Caribbean countries in North America. Furthermore, because we only found data for 4 countries, and the standard deviation is so low, the visualization cannot add much context.

We created a color scale of the data. The countries with the lowest inflation are in white. The middle countries are marked in a light green, and the light green turns darker for the countries as the countries have higher inflation.

Figure 8 on the following page is the annualized inflation for Australia on a three-color scale.

⁶ Some who believe Australia is composed of very few countries consider it to be four countries; the three listed along with Indonesia.

⁷ According to Worldometers.info, a website offering various data on many countries in the world, Australia is composed of 14 countries. We consider there to be 11 countries, which are listed in the colorscale on the following page. Inflation data for territories is available in the full Inflation by the Decades dataset on the Cato website.

Country	Annualized Inflation
New Zealand	11.43%
Fiji	10.52%
Australia	9.77%
Samoa	9.14%

Figure 8. Australia annualized inflation in the 1970s.

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