One of the delights of being an observer of the financial world is watching the people in it. They are no different from other people... full of beans and blather, and prone to stunning acts of stupidity.

Among the many that came to light in the early years of the 21st century was the case of the African country, formerly known as Rhodesia. Poor Cecil Rhodes had not so much been forgotten as in demonized.

Even at distant Oxford University, a "Rhodes Must Fall" student group agitated to bring down the statue of him in front of Oriel College. And back in the country that had been named for him, the indigenous peoples were up in arms against him. The capital city he founded and called “Salisbury” is now known as Harare. According to a recent Telegraph survey, it is also one of the worst cities in the world to live in.

And by the early light of the 21st century, Robert Mugabe was in Harare busily dismantling anything with Rhodes’ fingerprints on it. Most importantly, that meant kicking out white farmers so that black farmers and/or political cronies could take their land.

In retaliation and/or wishful thinking, many Western countries – led by Britain, the U.S., and Australia – imposed sanctions on the new Zimbabwe. These sanctions proved to be a great service to the Mugabe government... Anything that went wrong could be blamed on sanctions rather than its own corrupt and incompetent management.

By 2003, things were beginning to go wrong in a big way. Farm output was the biggest thing Zimbabwe had to sell the world. Getting rid of the people who knew how to manage farms had the predictable result of collapsing exports. This left the nation with an ambitious agenda of bribery to the zombies and payoffs to the cronies, but not enough money to pay for it.

This challenge was met in the dumbest way possible – simply by printing “money.” By 2006, U.S. Ambassador James McGee was reporting inflation at 230 million percent. He was as surprised as everyone else that the country held together... although barely.

Who was responsible for turning one of Africa’s richest countries into one of its poorest? Mr. Mugabe himself deserves most of the blame, but today we turn to his henchman, Mr. Gideon Gono.

We had followed his career, more or less – laughing, sniffing, outraged, and appalled – throughout the whole period. How could he do things so dumbheaded, we wondered?

As head of the Reserve Bank of Zimbabwe, he was responsible for one of the most spectacular runs of hyperinflation in world history. For a long time, we kept the evidence of it in our wallet – a note for $10 trillion Zimbabwe dollars. With it, and $3.50 U.S., we could buy a cup of coffee.

The hyperinflation reached its hot zenith in November 2008, with an official inflation rate of 79.6 billion percent. But when you reach those kinds of numbers, they no longer matter. Prices may have gone up, but what difference does it make?

By then, there’s nothing more to buy. Goods and services disappear; few businesses can operate when prices are increasing at such a rate. They can’t buy raw materials. They can’t pay workers. They can’t turn the lights on or sell their merchandise at a profit. Even if they doubled their money on the sale of a product, the profit would have vanished by the time they got to the bank.

Of course, there was no point going to the bank anyway. Banks couldn’t keep up with the demand for cash. Nor could they pay their own expenses.

Even the government was out of business. The feds couldn’t adjust wages fast enough to keep up with inflation. A policeman or a teacher, for example, might work for an entire month and then find his real wages for the period were worth only 69 cents.
As government, banks, and businesses closed, the entire economy shut down. People traded with one another for vital food. The black market was the only market left open; the only economy that still functioned was underground.

It takes thousands... millions... of people to make a prosperous economy. But it only takes a couple to destroy one. One of those was Gideon Gono. Naturally, we were curious about what sort of man would do such a thing.

“He’s no dope,” said our friend Doug Casey. “He’s actually a smart man...”

Doug has made a hobby of going to poor countries and giving them unsolicited, and usually unwanted, economic advice. He recently returned from Zimbabwe, after a meeting with Gono, with a copy of his new book, Zimbabwe’s Casino Economy.

Zimbabwe’s Casino Economy
By Gideon Gono

We have read it. It gives us some insight into the particular situation in Zimbabwe in the early years of this century. It also gives us a fuller picture of Mr. Gono. Our conclusion differs from Doug’s: He really is a dope.

Gideon Gono got his formal education by correspondence, from the Rapid Results College. He studied bookkeeping, accounting, and administration. There is no hint, neither in his education nor his performance on the job, that he ever had the slightest notion of economics. Yet, in 2003, he was called in to run Zimbabwe’s central bank, during the most challenging period of its history.

“...on that 1st day of December 2003, when I assumed office,” writes Mr. Gono, “I followed my own mind and chose the pragmatic path when I took up my assignment at the RBZ [Reserve Bank of Zimbabwe]... I chose the flexible path where the reality on the ground shaped and emboldened the determination and convictions of policymakers to be responsive in their strategies.”

Mr. Gono’s path led to disaster. Not because he lacked a Ph.D. in economics. What he most needed for the job was simple good sense; that was the essential missing part. You don’t need an advanced degree to run a central bank.

A central bank is – or should be – an extremely conservative enterprise. You don’t want a chief of the central bank who is “emboldened.” You don’t want him to take a “flexible path.” And you don’t want him to react to the “realities on the ground” (or, as Ms. Yellen would put it, to the “incoming data”). There is no need to think “out of the box.” There is no point in innovating. It is like basic arithmetic. You add two plus two; you want to get four. Not five. Not 10. Not 104. Just four.

You just want a stiff-necked, stubborn central banker who simply does what he is supposed to do.

You might liken it to being a judge...

Tremendous progress has been made in air travel since the Wright brothers first flew a plane at Kitty Hawk. But the judge who presides over an airline accident case is no different from the one who sat on the bench a hundred years ago.

There has been zero progress in jurisprudence. A judge is not supposed to make progress. He is supposed to apply the law. When a mass murderer is brought before him, he is not supposed to “get creative,” possibly giving the killer an award for liberating parking places. No, he’s supposed to bring the gavel down in the old-fashioned way... and send the man to the gallows.

Likewise, Mr. Gono didn’t have to do anything clever. He didn’t have to do anything that sparkled with invention and creativity. He just had to protect the value of Zimbabwe’s money, so its entrepreneurs, businessmen, and consumers could get on with their lives.

But he didn’t. His book, Zimbabwe’s Casino Economy, is merely a long, rambling, often incomprehensible... and often just silly... apologia for a job that he never understood and consequently completely botched.

Regards,

Bill Bonner
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