

Global experiences in deleting zeros from the currency and the possibility of their application in Iraq

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Abstract

The Iraqi currency and the Central Bank of Iraq faced great challenges and a heavy legacy inherited by the previous regime. In light of the economic and financial conditions and the pressures of inflation that befell the country previously, great distortions were generated in the structures and economic relations, including the presence of a monetary block with many zeros of little value, after that was a job The central bank under the previous system is an institution for issuing currency to finance government expenditures, and after the promulgation of laws supporting the independence of the central bank in the new era, the central bank has had to reform the monetary system and take measures to restore the spirit of the Arab economy Defended for growth and prosperity, and one of these solutions is the process of deleting zeros from the Iraqi currency in order to control the flow and better manage the cost of the monetary block.

Keywords: *Global experiences, currency and the possibility of their application in Iraq*

Research importance

The importance of the research stems from the large role that the central bank can play in carrying out economic reforms. The most important of these reforms is managing the currency and its structure through the process of eliminating zeros.

Research problem

The research problem stems from the following points:

- 1- Is the process of eliminating zeros from the Iraqi currency necessary and can it be done?
- 2- Is the current time appropriate to delete zeros?

Research hypothesis

The researcher assumes the following points:

- 1- The process of deleting the zeros from the Iraqi currency is necessary and is a vital process to revive the Iraqi economy and stir it from recession.
- 2- The current time is not appropriate to carry out the process of deleting zeros from the Iraqi currency

The first topic: the conceptual framework of the concept of removing zeros from money

Monetary reform is the most important step in economic reform and, therefore, monetary reform and the removal of zeros are an essential part of the monetary and economic reform process in general, where monetary policy is an essential element of global economic policy, as it plays a major role in the regulation of the money supply, the control of the amount of liquidity and credit, and the control of inflation in the country. .

Currency change is the process in which a new currency replaces an old currency with a specified replacement rate and is done by removing zeros from the old currency or by moving decimals to the left (1.(

Delete zeros, delete zeros, delete zeros, set the currency or delete zeros These terms all refer to the procedure by which zeros are deleted and deleted from the old local currency and renamed to a new currency, and the process of

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removing zeros is defined as the process by which the face value of a currency is changed The country due to high rates of inflation and devaluation (2.)

-1The objectives of the process for removing zeros from the currency:

A- Increase confidence in the currency at home and abroad.

B- Facilitate the exchange process.

C- Easy to carry coins.

W- Reduce the effects of inflation.

C- Avoid getting caught in the dollarization process (3)

H- Enter local currency into the basket of international currencies and officially process it on international exchanges.

G- Conclusion of economic agreements in local currency.

D- The capacity of the banking system to control liquidity (4)

2- Advantages of removing currency zeros:

A- Monetary authority control of trends in money supply and control of the phenomenon of monetary illusion and inflationary expectations.

B- Reduce the costs of printing a paper money, simplify the restrictions in the accounting registers and promote the use of the coin.

C- It helps to reduce the demand rate for foreign currency

W- Create a psychological impact for the citizen by the strength of its currency and its dependence on it more broadly instead of currency.

D - Reduce the costs of the large volume of transactions resulting from counting, sorting and coding operations in the accounting books, as well as reduce the risk of theft.

H- Reduce the burden on the banking system by reducing the monetary block (5).

3-The disadvantages of removing currency zeros:

A - The high costs linked to the printing of new banknotes in the event of non-issuance of large currency classes.

B- The expected increase in prices, due to the non-adaptation to the new situation and the possibility of its continuation.

T - the costs of destroying the old currency.

W - The process of removing zeros in the presence of financial and administrative corruption can lead to negative results (6)

C- The striking costs of the coins.

H - costs of advertising and education in the media on the new currency.

G- Costs of time lost in the waiting process in banks for currency exchange, costs of changing records and accounting entries.

D - the psychological impact of the drop in income resulting from the elimination of zeros.

I- Confusion in transactions between the creditor and the debtor.

A- Exploit the elimination of zeros in money laundering operations.

G- The emergence of money in reserve, which can be transformed into foreign currencies or fixed assets, like real estate, and this results in high prices and a further decline in the value of money.

O - Decrease in the capital of companies and institutions contributing to the stock market (7).

The second topic: global experiences in deleting the zeros from the currency

Many countries, especially developing countries and economies in transition, have witnessed the operations of raising the zeros from the currency, as they amounted to about seventy attempts from 1960 to 2005 varied among them by the

number of deleted zeros. Brazil is the most used country for this process by six attempts followed by Argentina with four attempts

The justifications for these countries differ, but they are included in the overall package of economic reforms, as well as some European countries have resorted to delete the yellows to enhance their integration in the European monetary area and facilitate the process of regional monetary integration within the European common market, as some countries resorted to raising the zeros as a result of internal conflicts as in Rwanda Nicaragua, Sierra Leone, and Angola.

But inflationary trends were the most influential variable in reforming the currency and eliminating zeros (8)

Below is a table that shows the most important international experiences in the field of deleting zeros from the currency and shows the renaming of currencies and their causes in different years for some countries that have gone through the experience

Table No. (1) targeting inflation for a number of countries by eliminating zeros (9)

The reason for the switch	The name of the new currency	The exchange rate of the old currency by the new	The name of the old currency	year	Country	ت
Inflation	Brasilia	1:2750	Real	1994	Brazil	1
Runaway inflation	Perfana Nevo	1:1000000	Pervana that I am	1991	Peru	2
Inflation	Peso	1:10000	Estrell	1992	Argentina	3
Just switch	Soviet Ruble	1:1	Cabro Ventures	1992	Ukraine	4
Inflation	Dinars	1:3000000	Yugoslavian Dinar	1994	Yugoslavia	5
Inflation	Polish zloty	1:10000	Polish zloty	1995	Poland	6
Inflation	Artistic guidance	1:100000	Cabro Ventures	1996	Ukraine	7
Inflation	Rubles	1:1000	Russian ruble	1998	Russia	8
Inflation	New Bulgarian Lev	1:1000	Bulgarian Lev	1999	Bulgaria	9
Inflation	Belarusian ruble	1:1000	Rubles	2000	Bella Russia	10
monetary unit	euro	0:3399	Pelican Luxembourg	2002	Luxembourg	11
monetary unit	euro	1:9558	Mark	2002	Germany	12
monetary unit	euro	0:7875	Irish Pound	2002	Ireland	13
Inflation	Ture	1:10	Leo Roman	2005	Romania	14
Inflation	Turkish lira	1000000	Turkish lire	2005	Turkey	15
Inflation	Mant sovinel	5000	Mant	2006	Azerbaijan	16
Inflation	New deadly	1000	Deadly	2006	Mozambique	17
monetary unit	euro	239:640	Tolar sovetside	2006	Slovenia	18
Inflation	Sir, the new navy	10000	sir	2007	Ghana	19

Inflation	Fiorent Boulevard	1000	Boulevard	2008	Venezola	20
monetary unit	euro	0.429300	LM	2008	Malta	21
Inflation	The new mant	5000	Old mant	2009	Turkmenistan	22
monetary unit	euro	30:1260	Slovenian Corbide	2009	Slovenia	23
Unbridled enclosur	The fourth Zambian dollar	1000000000000	The third Zambian dollar	2009	Zambia	24

To clarify more, we will briefly explain the most famous international experiences in this field:

1 -Brazil Experience

After decades of rampant inflation and after conducting several failed experiments in deleting the zeros, as part of a broad plan to achieve stability in the Brazilian economy, where the inflation rate reached 2075.8% in 1994, a plan was drawn up that included:

A- Introducing a new currency (riyal) instead of the previous one (Cruzeiro Real)

B- Taking a series of financial and monetary measures, including raising interest rates, reducing government spending, and attracting foreign capital.

C- Managing the balance of payments by setting an appropriate price against the US dollar.

The official currency of Brazil has been renamed to the riyal equivalent to (100 cents) and the exchange rate was supposed to be against the dollar (\$ 1 = 1 riyal), and this contributed to the influx of a lot of capital during the years 1994/1995, to decrease after that year 1999 to become (dollar = 2 riyals) and (a dollar = 4 riyals) in 2002, which prompted the public to exchange currency for physical assets or foreign currencies (dollarization), and then improved to become (1 dollar = 1.6 riyals) beginning of 2011.

Six categories were issued: 50, 100, 500, 1000, 5000, 50000, and five metal classes were minted, 5, 10, 50, 100 centavo, 1 riyal, and the replacement rate was (1000 Cruzeiro = 1 Real Cruzeiro)

After the issuance of the riyal, a significant decrease in inflation rates was achieved, as well as an improvement in the Brazilian export situation (10)

2- The Turkish experience

The Turkish economy suffered from unbridled inflation that spanned a period of 25 years from 1984 to 2004, and this made every person in Turkey a millionaire even though most of them were poor. You have to know that the price of a bottle of water was 300,000 TL and the cinema ticket is 7500,000 TL. To change its currency, delete six zeros from the currency, and began trading the new currency starting in 2005, and the exchange of the two currencies continued for a year, and this decision is due to several reasons:

A- Controlling tens, hundreds, thousands and millions is much easier than dealing with millions, billions and trillions.

B- The difficulty of processing big data.

C- Reduced credibility and confidence in the Turkish lira.

One of the results of deleting the zeros was the decrease in inflation rates until it reached 10% in 2011, an increase in the role of the private sector and an improvement in private investment and foreign direct investment, as the value of the Turkish lira witnessed a significant increase in its value as it witnessed a significant decrease in the dollarization process and the national currency was strengthened as a means of exchange (11).

3- Argentina experience

The Argentine currency has undergone many changes in its name and value, the last of which was in 1992, as it was renamed to (Bezos) in seven categories of banknotes are 1, 2, 5, 10, 20, 50, 100 pesos and six categories of coins are 1, 5, 10, 25, 50 Centafo, and one Bezos,

The currency was formerly known as (austral) for the period (1985-1991) and before it (Argentine peso for the period 1983-1985) and before it was known as (pesosle for the period 1914-1969) and before it (Solido 1969-1881).

In 1991, Argentina implemented a monetary reform plan based on fixing the exchange rate (the peso against the dollar at an exchange rate of 1 peso = 1 dollar)

It established what is called the Currency Council, and the results of this economic policy were initially good, as economic growth rates rose to 10.5%, but it soon began to decline after 1995, as foreign capital began to flee, confidence in the currency was shaken, and a broad process of withdrawing deposits by the public began (12).

4 -Nigeria experience

During the 1970s, the Nigerian economy transformed from a poor economy that relies on agriculture as a main sector to a rich economy that relies on crude oil as a main source of state revenue, but the Nigerian economy was characterized by instability, as it witnessed many shocks, external and internal turmoil and wrong policies by the government, wars, revolutions and population growth rates Immigration, among the most important factors of vulnerability in the Nigerian economy:

A- Inflation, which reached its peak in 1995, when it reached 72.8%.

B - External debt, which was estimated in 1995 at about 35.6 billion dollars.

C- The trade balance deficit, which was estimated at 332,175.2 million naira in 2001.

W - The budget deficit, as the deficit reached 103.6 billion naira in 2000.

The renaming of the currency along with the merger and acquisition process is a sensitive process in economic reforms, as the Nigerian naira was renamed by dropping two zeros and reducing the size of the banks to three, where the name of the currency itself remained unchanged, and during the transitional period it was referred to as the new and the old Naira, One of the results of this policy was the independence of the central bank, the reduction of government interference, and the stability of the exchange rate and interest, but in the end inflation rates remained high, reaching 12.4% in 2009 (13.)

5 -Germany experience

Unbridled inflation played a major role in raising prices to levels not known to history, as the government was financing its public expenditures through the paper mark, and in 1923 the German government resorted to issuing a new currency, the renmark, which is equivalent to one thousand billion paper marks, and then issued in the next year a new currency Its name is Reich Mark, replacing the Rentmark unit by one, but the difference is that the second is not exchangeable in gold, and in 1948 the mark was reintroduced until 2002 when it began trading in euros (14).

6 -The Bolivian experience

Bolivia has historically been characterized by multiple political coups and economic collapses. The dominant currency in the 1960s was the Bolivian, and in 1963 it was replaced to the peso at a rate of replacement (1000 Bolivians = 1 pesos) and its exchange rate ranged between (11-20 pesos = 1 dollar) during the period from 1963 to 1972, However, successive economic collapses began soon, until the exchange rate reached one million pesos

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