The Roots of Hyperinflation

I have written the following because I do not think the dangers of hyperinflation and currency collapse are understood;
Peter Shann

The most widely accepted view is that hyperinflation and monetary collapse results from governments introducing large amounts of fiat money into the economy, Wikipedia comments;

"The main cause of hyperinflation is a massive and rapid increase in the amount of money, which is not supported by growth in the output of goods and services. This results in an imbalance between the supply and demand for the money (including currency and bank deposits), accompanied by a complete loss of confidence in the money, similar to a bank run"

This explanation is superficial and doesn't provide answers as to why governments would in the first instance *"massively and rapidly increase the amount of money"* nor why they would feel compelled to continue with this as inflation increases by factors of thousands of percent and in some extreme instances print banknote in denominations of 100,000,000,000,000 currency units, it also fails to explain why newly issued money is not primarily invested in asset class goods or why goods that can easily be replicated, as can most essential consumables, be often subject to the greatest price inflation.

A prerequisite of hyperinflation and monetary collapse is that a disruption in the availability of essential goods occurs. Today this could happen as a result of past reliance on expanding credit and fiat money temporally facilitating dependency on low cost imported goods many of which
now feed primary needs leading to a commensurate loss of home production capacity with an 1
inherent delay to the medium−term should such re−engagement with manufacture become necessary as it would in the event of off shore suppliers losing confidence in reciprocal worth of monetary instruments offered in exchange for goods, and or shortage of essential goods may arise as a result of natural correction occurring, by way of example from the collapse of speculation driven credit markets and or as a result of collateral damage to the production cycle
caused by inappropriate governmental action in further increasing money and credit supplies in 2
attempt to drive a spontaneously occurring and necessary correction back in the direction of instability and in so doing distorting essential work ethics and disincentivising investment in the production cycle,

In my view the most probable sequence of events resulting in hyperinflation and monetary collapse is as follows:

1. A broad based shortage of goods that are thought essential develops and this is not relieved in time to satisfy demand.

2. Consumers trying to acquire essential goods that they believe are in short supply become fearful and are prepared to pay increasingly higher prices and stockpile these goods further increasing shortages and accelerating prices as a sellers market develops.

3. Prices rise for essential goods in short supply as an increasing proportion of the money supply circulates in these goods, also with increasing velocity and as most of these goods are consumables with high turnover upward re pricing quickly occurs.

4. The proportion of available money circulating in goods that are perceived as essential increases and the demand for less essential goods diminishes I.e essentials become disproportionately more expensive than the norm against non essential goods displacing money towards the goods most in demand further fuelling inflation,

5. The shortage of essential goods accelerates as manufactures increasingly focus on short term survival, longer term risk is avoided and investment in the production cycle is reduced accelerating 1.

6. The normal balance of demand for all goods increasingly prefers those goods required to satisfy primary needs and people engaged in making and supplying less immediately essential or non essential goods become unemployed who then pressures governments accelerating condition 9.

7. Eventually goods not immediately required but non the less essential are needed and rapidly increase in price as they also become in short supply.

8. Consumers with least money first find it increasingly difficult to secure essential goods, become frightened and are forced to allocate greater proportions of their money on essential goods and demand greater income,

9. The demand for money forced by need and fear becomes irresistible so governments feel insecure and provide increasing amounts of fiat new money,

10. Consumers first to spend the new money see some value but soon as this new money is distributed and its value is lost, the velocity of money also accelerates as people rapidly exchange money for goods, wealth is seen as best protected when stored as goods rather than cash further increasing price and reinforcing condition 9,