

Comparative Analysis of Hyperinflation in Brazil and Israel: Causes, Consequences and Stabilisation Lessons

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ABSTRACT

In order to maintain economic stability, economies and central banks aim for an inflation rate of 2-3%. This is to avoid a hyperinflation crisis, which is defined as an annual inflation rate exceeding 50%. Understanding how and why inflation transmutes into hyperinflation has proved to be vital for public economic and monetary policy. Through detailed case studies of Brazil's and Israel's hyperinflationary experiences in the 1980s, economic principles and analysis are employed. It also uses detailed comparison to better understand the causes and consequences of hyperinflation and to study the effectiveness of different stabilisation approaches. The analysis reveals that while both countries were in similar situations, Israel achieved faster stabilisation due to stronger government credibility and beneficial external factors, whereas Brazil's recovery was held up by multiple failed attempts and deeper economic turmoil. The findings show that successful stabilisation requires addressing root causes rather than implementing temporary solutions, maintaining public trust, and developing comprehensive long-term strategies. This research contributes to economic understanding by highlighting the importance of approaching hyperinflationary episodes through solutions based on specific country contexts. This analysis suggests that effective stabilisation strategies must consider both domestic economic conditions and external factors while prioritising the restoration of public confidence.

Keywords: Hyperinflation; Stabilisation; Comparison; Inflation; Brazil; Israel

INTRODUCTION

As modern economies strive to maintain an inflation rate within the optimal range of 2-3%, understanding the workings of monetary stability becomes vital for effective economic management (1). While traditional monetary policy tools generally succeed in maintaining

price stability, the transformation of moderate inflation into hyperinflation presents a complex economic challenge that has repeatedly threatened many economic systems throughout history (2-4). The structure of hyperinflation can be understood through comparative historical analysis, with particular emphasis on the contrasting experiences of Brazil and Israel during the 1980s.

An analytical framework which considers both demand-pull and cost-push factors driving price levels is employed. Historical episodes where inflation exceeded 50%, a rate signalling potential monetary system collapse are examined. The objective is to identify the key factors behind successful stabilisation

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strategies and policy tools. Particular focus is placed on the role of government credibility, comprehensiveness of approach and external economic factors in shaping stabilisation outcomes. Brazil and Israel were selected not only because they experienced severe hyperinflation during the same decade, but also because their responses mirrored their markedly different political and economic contexts. While both nations faced similar inflationary pressures, their stabilisation responses and outcomes significantly differed, this dichotomy made them ideal for exploring how national context, policy credibility, and implementation shape recovery outcomes in these situations. This comparative approach yields important insights into the obstacles and policy options involved in managing severe inflationary pressures, offering practical lessons for contemporary economic policy making. Through systematic analysis of historical cases, understanding of how seemingly stable economic systems can unravel and how they can be effectively stabilised using the right policy responses is enhanced.

A critical in the literature is addressed by analysing why countries facing similar inflationary pressures achieve markedly different outcomes in their stabilisation efforts. Through a detailed examination of these cases, various policy approaches and external factors influencing the success or failure of stabilisation programs is discussed.

THE ROLE OF INFLATION IN A HEALTHY ECONOMY

The textbook definition of inflation is “A sustained increase in the general price level of goods and services in an economy after a period of time, typically measured as an annual percentage increase, leading to a decrease in the purchasing power of money” (5). Although general inflation has many causes, one important cause is changes in the market forces, that is, the aggregate supply and aggregate demand for goods and services. It is important to note both demand-pull and cost-push inflation assume perfect competition in goods and labour markets, no government intervention, flexible wages and prices, and an economy operating at or near full employment level of output. The following subsections discuss in detail their effects and real-world examples.

Demand pull inflation

Initially, an economy has an aggregate demand AD and aggregate supply AS as shown in Mankiw’s

(1998) textbook. The equilibrium price and quantity are P and Y respectively. Studying figure 1, we can see that aggregate demand increasing causes a shift in the original demand curve AD. The new demand curve is marked AD'. This results in a new equilibrium price and quantity P' and Y' respectively. Hence, an increase in demand causes an increase in price levels from P to P' . Since inflation is defined as an increase in general price levels, an increase in demand causes inflation in an economy. This is known as demand-pull inflation. In the period between 2000 and 2006, the US experienced a significant increase in housing demand, fuelled by low interest rates and lax lending standards. As a result, housing prices skyrocketed, leading to a demand-pull inflationary effect (6) (Figure 1).

Cost push inflation

In Figure 2, assume the same economy with aggregate demand AD and aggregate supply AS as shown in Mankiw’s work (7). The equilibrium price and quantity remain P and Y respectively. In the graph, there is a decrease in aggregate supply and the original supply curve shifts to the left. The new supply curve is marked AS'. This results in a new equilibrium price and quantity P' and Y' respectively. It can be concluded

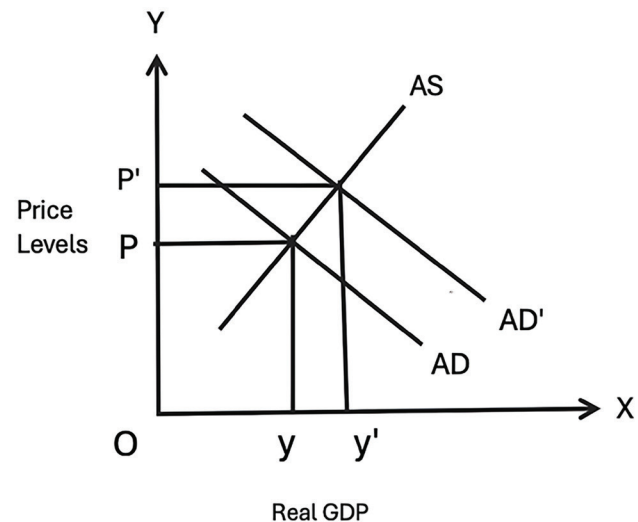


Figure 1. Demand-Pull Inflation Model. This graph illustrates the mechanism of demand-pull inflation, where increased aggregate demand leads to higher price levels in the economy. The rightward shift in the aggregate demand curve demonstrates how rising consumer and investment spending, often backed by fiscal stimulus, can cause upward pressure on prices in the short run (10).

that a decrease in aggregate supply causes inflation in an economy as prices increase from P to P' . This is known as cost-push inflation. In 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) imposed an oil embargo, leading to a sharp increase in oil prices. This sudden increase in production costs led to a cost-push inflationary effect, as businesses passed on the higher costs to consumers through higher prices (8) (Figure 2).

The benefits and risks of inflation

Stable prices are a key feature of a healthy economy. This suggests that a constant increase in prices can be termed as a disadvantage. However, inflation is an important part of an economy, and countries strive to maintain a low and stable inflation rate. Although when the rate of inflation surpasses a certain threshold it can cause several adverse effects, a country's economy cannot be healthy without inflation. This threshold and adverse effects are discussed in greater detail in the later sections.

Inflation yields various benefits. These benefits include economic growth, more investments and wage adjustments. Modern inflation encourages firms and individuals to invest as holding money becomes less attractive than putting it to productive use. This is due

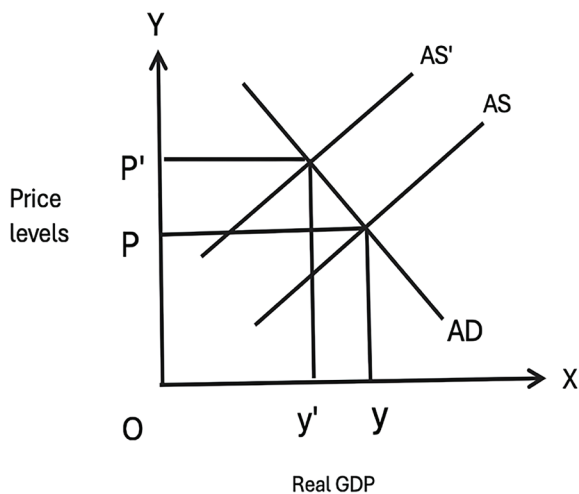


Figure 2. Cost-Push Inflation Model. This diagram shows cost-push inflation, resulting from rising production costs (such as wages or raw materials), which shift the aggregate supply curve leftward. The resulting price level increase occurs despite stagnant or declining output, contributing to stagflation (10).

to the fact that the purchasing power of money goes on decreasing. While managed properly, inflation paves the way for economic expansion. Inflation also facilitates wage and price adjustments. Inflation ensures a gradual increase in wages to maintain the purchasing power of workers. Since workers typically resist nominal wage cuts, this is difficult without inflation. Inflation provides a buffer for deflation. Deflation is another economic phenomenon which can result in several detrimental effects and damage the economy. Central banks aim for a 2-3% inflation target to strike a balance between price stability and economic growth. This target range allows for some inflation to stimulate economic activity while avoiding high inflation that can destabilise the economy and erode purchasing power.

Mechanisms of rising inflation

Assume that a country has a government budget deficit. The government may choose to print more money to reduce this deficit. There is an increase in price levels due to an increase in money supply. However, tax revenue is collected on nominal amounts and is not usually adjusted for inflation. This decreases government tax revenue and leaves them printing more money. Inflation requires firms and businesses to constantly update their prices. These frequent price changes known as “menu costs” increase expenses and later prices. Inflation decreases the value of a currency (depreciation). Exports become cheaper as the country's currency has a relatively lower value. This increases aggregate demand-

$$AD = C + I + G + (X - M) \quad (1)$$

In the aggregate demand formula as shown in equation (1), C refers to consumer spending, I refers to investment spending, G refers to government spending, and X and M refer to exports and imports respectively. $(X-M)$ refers to net exports. Therefore, an increase in net exports increases aggregate demand. An increase in aggregate demand results in demand-pull inflation. This analysis assumes a small open economy with flexible exchange rates and elastic foreign demand for exports. Domestic consumers and firms are also assumed to have relatively fixed spending habits. Hence, when inflation starts rising gradually, it starts creating numerous feedback loops which keep increasing the rate of inflation. Soon, inflation goes on increasing until it reaches the point where it has detrimental effects on a country's economy.

BEYOND THE BREAKING POINT: THE HYPERINFLATION PHENOMENON

The previous section discusses a point where inflation harms an economy. There is a general consensus among economists and international institutes that an inflation rate above 50% signals the collapse of a country’s monetary system. This is known as hyperinflation.

Measuring and distinguishing hyperinflation

While all hyperinflationary episodes are classified as extreme inflation, all extreme inflation cases need not cross the threshold of 50%. Hyperinflation is generally

dangerous and difficult to control without proper intervention, whereas regular inflation can be managed through conventional policy measures. Hyperinflation is more than just a price problem as it represents the breakdown of a country’s monetary system.

Figures 3 and 4 use World Bank data to visually represent what hyperinflation and regular inflation look like. Figure 3 depicts the data of the Syrian Arab Republic which suffered from high inflation. Figure 4 represents Singapore, a country with relatively stable prices. Distinguishing between hyperinflation and inflation is essential as it informs policy responses, affects the likelihood of successful stabilisation and influences the extent of long-term economic damage,

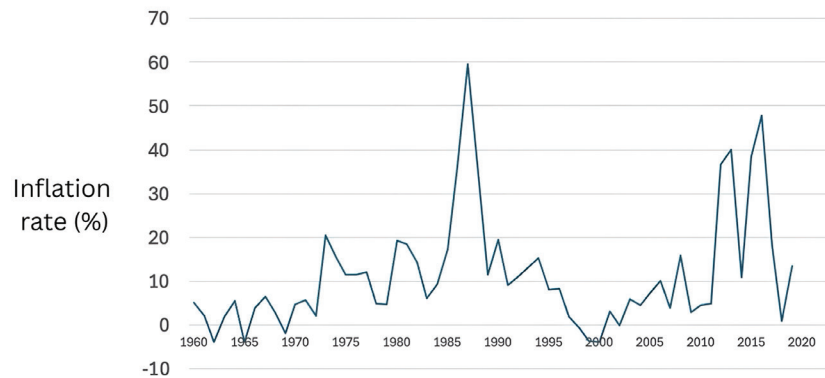


Figure 3. Inflation in the Syrian Arab Republic. This figure presents the inflation rate in Syria during its period of hyperinflation. The dramatic spikes in inflation reflect the severe economic instability, currency depreciation, and political conflict during this time (14).

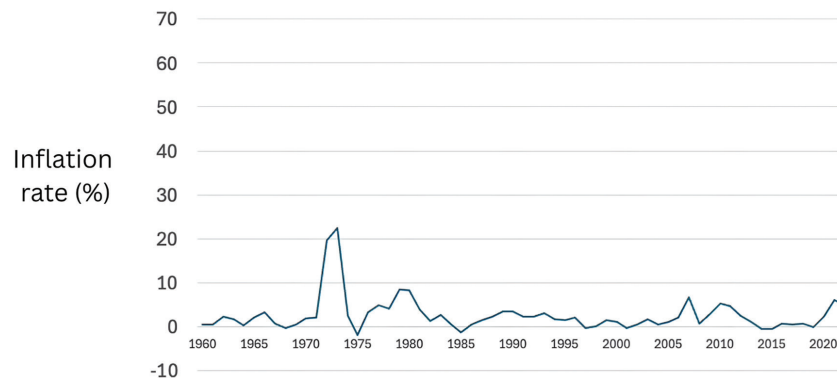


Figure 4. Inflation in Singapore. Contrasting Figure 3, this graph depicts the relatively stable inflation trends in Singapore. It serves to highlight the effectiveness of strong macroeconomic governance and policy consistency in maintaining low and controlled inflation rates (14).

ultimately determining whether external intervention is necessary.

Adverse effects on the economy

Hyperinflation has various adverse effects on a country's economy. A major effect is a decrease in the value of money. The money in one's pocket becomes worth less and less each day. Fixed income and additional savings become nearly worthless as the prices go on increasing. As people require more money to buy the same items, the cycle becomes destructive. The government requires more money to reduce the deficit, and this money creation increases inflation. Individuals cannot plan their finances and businesses struggle to set prices. No individual chooses to hold money during this crisis. The fear of prices increasing causes them to spend the money and decrease government credibility. This disrupts the market as a whole. Businesses and individuals cannot operate normally in the ordinary business of life. Apart from firms and citizens, the government has to face the adverse consequences of hyperinflation. They lose any effective control over the economy and cannot manage the currency's value. There are various examples of hyperinflation throughout history that show the widespread economic problems and confusion it causes in society.

Causes and inflation traps

Although inflation can be caused by multiple factors, the core cause of most major hyperinflationary episodes is the government budget deficit. A large fiscal deficit cannot be financed through normal means. Hence, a key feature of hyperinflation is the relationship between money printing and government deficit creating a spiral loop. Hyperinflation also reduces credibility as citizens start losing faith in the government to fix the problem. This creates a trust problem and people attempt to get rid of the currency quicker. This eventually leads to a trap where high inflation leads to money printing which results in higher inflation. Breaking free from this dangerous cycle requires a comprehensive approach to stabilisation to escape. Stabilisation involves various policies, external support and interventions. The government is responsible for carefully analysing the situation and selecting appropriate stabilisation policies to contain the situation.

Stabilisation and historical examples

Hyperinflation is comparable to a fast-moving disease that infects the entire economic system and becomes

increasingly difficult to cure. Economists and governments aim to prevent hyperinflation before it begins because once it starts, it becomes extremely difficult to stop. Although it is considered extremely difficult to stop, it is not impossible. Historical examples from countries like Germany, Russia, Austria, Hungary, Greece, and Poland show that once hyperinflation starts, it creates widespread economic and social problems that affect everyone in society. These cases ended with successful stabilisation where some countries overcame the situation quickly and others took a relatively longer time.

STABILISATION STRATEGIES AND POLICY TOOLS

There exists a belief in the neoclassical view that price levels flexibly adjust themselves in the long run. This promotes a hands-off approach, believing markets naturally correct themselves, making government intervention unnecessary and potentially counterproductive. The neoclassical view suggests that the government should focus on controlling inflation in the long run rather than short-term interventions (9). However, government intervention becomes virtually unavoidable in cases of hyperinflation, as stabilisation is essential to both understanding and resolving such crises. Historical examples highlight not only the devastating effects of hyperinflation but also the diverse strategies employed to address it. Different countries adopted different approaches, tailored to their specific economic and political circumstances. While the duration, number of attempts, and specific policies varied, the fundamental elements of successful stabilisation remained consistent across cases. This makes it crucial to examine what actions different countries took and why. Equally important is understanding why certain stabilisation approaches proved effective in some contexts but failed in others, as this reveals the deeper dynamics behind economic recovery. Dornbusch and Fischer (1986) provide detailed analyses of these approaches, emphasising key strategies like budget reforms, exchange rate management, and monetary adjustments (3). The authors explore the specific cases of Germany, Poland, and other nations, showing how the timing, comprehensiveness, and execution of these policies played a crucial role in stabilising hyperinflated economies.

Budget Reforms and Deficit Reduction

Firstly, as previously discussed, the government

budget deficit is the core cause of inflation. Hence, it is no surprise that budget reforms and deficit reduction were implemented in all successful cases. This stabilisation technique ensured the elimination of inflation-driven tax revenue erosion, increasing the tax revenue earned by the government. In these cases, the deficit need not be reduced completely but rather to an amount which can be financed through normal means. The hyperinflation in Germany in 1923 is an example of this. The government printed large amounts to cover war debts and reparations after World War I. To combat this, the government implemented strict measures and policies to reduce the deficit and eventually stabilised the economy. The government also restricts the number of resources used in government spending, which decreases aggregate demand. This results in a decrease in inflation rates.

Exchange Rate and Monetary Management

Exchange rate pegging proved to be a crucial element in many successful cases. This process usually follows a pattern: initial real devaluation of the currency, exchange rate pegging during stabilisation and real appreciation while maintaining the peg. Some cases, such as Argentina under Martinez de Hoz, were unsuccessful because underlying fiscal issues were not addressed. However, many countries overcame hyperinflation with this technique, such as Poland, which followed a similar pattern of successful exchange rate management.

Contrary to conventional wisdom, successful stabilisations allowed significant money supply growth in their early stages. High real interest rates were common during these periods. Strict monetary growth limits often proved counterproductive and could lead to excess recession or policy reversals due to unsustainable economic pressure. Austria showcased this in 1922 with a 287% increase in money supply a year after stabilisation began. The notes in circulation increased by 75% in 1923. However, it is important to note that success was maintained in Austria using this technique because it was backed by gold and foreign exchange flows. An increase in money supply is facilitated using a monetary policy approach. Monetary policy increases interest rates to decrease borrowing and spending. Fiscal policy, on the other hand, reduces government spending and increases taxes to decrease aggregate demand. Both policies reduce aggregate demand. By connecting this to the demand-pull inflation model initially discussed, inflation can be stabilised using fiscal and monetary policies.

Credibility, External Support and Institutional Reforms

The reduction of credibility and the trust problem was one of the causes of the inflation trap. External support is represented internationally in the stabilisation program which increases government credibility. Foreign loans or their prospects appeared in all successful stabilisation cases. They helped defend the exchange rate. Austria showcased not only the monetary policy approach but also the importance of external support in their stabilisation. Austria received a League of Nations loan. Notably, the prospect of a loan alone was enough to stabilise the exchange rate. This proves the importance of credibility in the stabilisation process.

There were various institutional reforms during these periods. Legal restrictions on money issuance and budget deficits were often implemented. The introduction of a new currency was a common reform. Many cases also show the creation of a central banking authority. In Poland, 30% of gold or foreign exchange reserves were required against money issues. There was the introduction of a new currency known as zloty. Government borrowings were limited to 50 million zlotys. "Bank of Poland" was a new central bank created in 1924.

Timing and Policy Mix and Transitional Costs

Successful stabilisations do not have to be in one attempt. Previous failed attempts may even increase the credibility of subsequent programs. Successful programs are usually combinations of different policies and techniques rather than complete reliance on a single measure. Germany, for example, tried to stabilise their economy using only exchange rate management and were unsuccessful. A few months later, they tried a more comprehensive approach including not only exchange rate management but also budget reforms and the introduction of a new currency. This proves that the timing and comprehensiveness of the approach play a vital role in the stabilisation process.

Overall, there was a certain economic pattern in all successful stabilisation processes. These include Initial unemployment increases, high real interest rates during transition periods and eventual recovery of economic activity. There are always some costs of stabilisation associated with these processes as they are unavoidable. However, these costs are preferable to continued hyperinflation. In Italy in 1947, unemployment increased by 400,000 within six months, and industrial

production fell by over 10% initially but recovered within a year, though unemployment remained elevated.

Modern Approaches and Lessons

Most of these historical examples are a result of World War I and the high war debts and reparation. In the later examples, such as Israel and Argentina in 1985, wage and price controls were used in addition to traditional stabilisation techniques. These modern cases also started from relatively better economic conditions. They attempted to move directly to low inflation equilibrium rather than gradual adjustment.

The stabilisation techniques discussed are the major ones. Every successful stabilisation case used at least one of these measures. The comprehensiveness of the approach, timing, policies and measures have to be selected based on various factors such as feasibility, country's economic structure, external economic environment and other relevant considerations.

HYPERINFLATION IN ISRAEL AND BRAZIL: A COMPARATIVE ANALYSIS OF CAUSES, CONSEQUENCES, AND LESSONS

The case study compares the causes, consequences and effectiveness of stabilisation approaches of Brazil and Israel during their hyperinflationary periods in the 1980s. By examining the structural and policy differences, the analysis explains why Israel was able to resolve its hyperinflation crisis more quickly than Brazil and draw lessons on effective economic stabilisation strategies.

Brazil and Israel are two important cases of hyperinflation that provide insights applicable to other economies. The two countries face crises from macroeconomic imbalances, falling public trust, exogenous shocks, and multiple failed short-term stabilisation efforts. You can see the same stories play out in Argentina, Zimbabwe, Turkey and, going back to Weimar Germany, where uncontrolled deficits generate excessive money-supply growth with weak policy credibility, leading to inflationary spirals. The case study of Brazil and Israel is chosen because these two countries represent two different scenarios of recovery: one in which growth is achieved only after a policy of severe fiscal adjustment and currency depreciation, and another that successfully combines internal reforms with favourable external developments. The different political and economic contexts in which they operate demonstrate the way hyperinflation manifests itself in

dissimilar ways even though there are similarities in the underlying mechanisms. This serves to make the two cases complementary and useful for lessons which transcend their boundaries.

Causes, consequences and policy responses in Brazil

Bresser-Pereira and Nakano (1991) provide an in-depth analysis of Brazil's hyperinflation, examining the causes, consequences, and failed stabilisation attempts during this period (10). The story of Brazil's hyperinflation is a powerful example of how economic stability can quickly unravel when external shocks, fiscal mismanagement, and loss of public trust collide.

The 1970s, before hyperinflation, was a stable period for Brazil. Foreign debt was balanced between private companies and the government. The crisis began in the late 1970s when oil prices shot up due to an increased production cost and interest rates rose. Foreign investment also stopped during this period. This was caused by external shocks, such as the United States combating its own hyperinflation. Over time, the foreign debt gradually shifted to the government which resulted in money creation by the government. In 1985, Brazil transitioned into a democracy and labour unions and businesses informally agreed to price and wage adjustments which further fueled inflation. The government attempted to control high inflation during this period. They used the indexation system where wages and prices automatically adjusted based on past inflations. This system collapsed when they further announced the summer plan. This summer plan involved the creation of a new currency and freezing prices. This plan subsequently failed since frozen prices merely increased business spending.

Hyperinflation started around 1989 when the government stopped paying interest on foreign debt, citizens' trust in the government decreased causing a collapse in the financial system and inflation hit 56% in January 1990. The Collor plan (March 1990) put in place involved government confiscation of savings which further led to a recession because people lost their savings overnight. Hence, the hyperinflation in Brazil resulted in a deep recession and economic collapse. These were not only the effects of the Collor plan but also the reduction in economic activity due to businesses' refusal to sell prices and less investment. Financial chaos was the result of erosion of savings and debt repayment became unsustainable. Labour unions demanded a wage rise due to the reduction in the value of workers' wages. Brazil finally ended hyperinflation

in 1994 through the Plano Real (Real Plan). The government cut spending to reduce the budget deficit and money printing was significantly reduced. The Real was initially pegged to the US dollar but later adjusted itself. The government communicated the plan clearly to gain public trust. Still, Brazil had many failed stabilisation attempts such as the indexation system, summer plan, Collor plan and many other short-term tricks. This is because Brazil did not address the root cause of inflation: government budget deficit and loss of trust in economic policies. However, Brazil shows that hyperinflation cannot be controlled using temporary measures and emphasises the vitality of identifying the root cause and addressing it accordingly.

Causes, consequences and policy responses in Israel

Similar to Brazil, Israel's struggle with hyperinflation highlights how short-term fixes and delayed structural reforms can lead to prolonged economic turmoil and financial instability. Nitzan and Bichler (2000) provide a detailed account of Israel's experience with hyperinflation, emphasizing the consequences of short-term fixes and delayed structural reforms (11).

The 1970s, prior to the hyperinflation, was a period of stable economic growth for Israel supported by immigration-driven demand, foreign capital inflows and cheap Palestinian labour. However, these sources began to diminish, and dominant business groups changed their strategies. There was no economic growth that corresponded to the inflation due to the government's excess military spending. Banks maintained artificially high interest rates and the stock market had artificially inflated prices due to a system- visut. This led to stagflation- inflation combined with low economic growth. Israel attempted to use an indexation system, which failed and merely prolonged inflationary pressures. The stock market collapsed due to the visut system and inflation increased due to government spending in bailing the financial system out. Inflation rates had peaked at 450%. The government attempted several stabilisation methods. The new economic plan of 1985 involved wage and price controls, fiscal strictness and reduced government spending. Inflation fell from hyperinflationary levels but high inflation still persisted. These internal reforms combined with the external reforms of 1990 paved the way to a lasting solution. In 1990, the collapse of the Soviet Union brought in migrants, and Israeli businesses turned towards the international market and globalisation and facilitated sustainable growth. Israel's hyperinflation

resulted in economic stagnation, wealth redistribution, and financial chaos. Although the banking sector initially profited, the labourers and middle-class workers suffered. Israel shows proof that stabilising an economy requires more than short-term monetary and fiscal fixes. This case highlights the importance of addressing the root causes of inflation, and economic stagnation, rather than relying on temporary measures that fail to resolve underlying economic imbalances.

Comparative analysis

As summarised in Table 1, despite facing parallel crises, the key differences in political trust, external conditions, and policy decisions help explain the divergence in their outcomes. Both Brazil and Israel experienced economic stability in the 1970s before falling into hyperinflation. In both cases, government overspending was a key cause of high inflation. Brazil took on excess foreign debt whereas Israel incurred overspending on military. Both implemented an indexation system which subsequently failed and caused prolonged inflationary pressure. The financial system of both countries suffered. In Brazil, over-money printing caused this. On the other hand, the collapse of Israel's financial system was due to the visut system. Social consequences in Brazil included a demand for wage increases and recession due to the collor system. In Israel, the financial sector initially profited, but middle-class investors and labourers suffered as inflation devalued wages. The two cases had many similar causes, economic contexts and consequences. Israel's faster recovery can be explained by stronger government credibility, more consistent policy decisions, and favourable structural shifts. While both countries experienced inflation due to government overspending, Brazil through foreign debt and Israel through military expenditure, the inflationary pressures in Brazil were intensified by cost-push factors such as rising input prices and excessive money creation, which led to currency depreciation. In contrast, Israel's inflation was more demand-driven, fuelled by consumption and unchecked government spending. Brazil's use of extreme short-term policies like the Collor Plan reduced public trust and triggered a deeper recession. Israel avoided such drastic measures. Instead, it implemented a clearer and more measured approach through the New Economic Plan, which combined fiscal tightening with wage and price controls. Israel also benefited from external support through migration and global trade, which helped ease structural imbalances. Brazil, lacking

these external boosts and facing repeated failed plans, struggled to anchor inflation expectations. Israel's case shows that successful stabilisation depends not only on cutting spending but also on preserving public trust and recognising the root cause (Table 1).

The case studies reveal lessons both general and country specific. Some broader lessons are the limited effectiveness of short-term measures in solving problems where deeper structural imbalances have already spread; the central role of government credibility in anchoring expectations; and that consistent fiscal and monetary discipline is essential. These points are also relevant in large inflationary environments such as Zimbabwe, Turkey and Argentina. Other outcomes, meanwhile, are more concrete and specific to their own case. Brazil's foreign borrowing dependence and the harsh Collor Plan vary from Israel's military spending and the advantages of migration and globalisation. Political institutions also structure policy credibility differently, as seen in Brazil's transition to democracy compared with Israel's focus on security. These disparities indicate that while generalised stabilisation principles can be broadly prescribed, the actual policy mix and growth trajectory remain dependent on each country's specific domestic and external circumstances.

Key lessons from these countries include short-term fixes do not work unless they address root causes, the importance of public credibility and hyperinflation can be solved through long-term structural reforms. While Brazil required strict fiscal austerity, Israel benefited

from globalisation and external economic changes. Ultimately, both cases highlight that lasting economic stability depends on restoring public trust, addressing structural imbalances, and implementing sustainable long-term solutions.

CONCLUSION

This comparative analysis of hyperinflationary episodes demonstrates that while moderate inflation can benefit economic growth, the transition beyond the critical 50% threshold creates devastating monetary instability that requires decisive intervention. Through examination of historical cases, particularly the contrasting experiences of Brazil and Israel in the 1980s, it is revealed that successful stabilisation depends not only on policy choices but also on the broader economic and social context within which these policies are implemented.

Three critical factors for successful stabilisation are highlighted: maintenance of public trust, reduction of fiscal deficits, and implementation of comprehensive rather than piecemeal approaches. Israel's relatively quick success, achieved through strong government credibility and the effective implementation of the New Economic Plan, contrasts sharply with Brazil's prolonged struggle marked by multiple failed attempts and deeper economic turmoil. This divergence in outcomes, despite similar initial conditions, underscores the importance of addressing country-specific root

Table 1. Comparative Analysis of Hyperinflation: Brazil vs. Israel

BASIS	BRAZIL	ISRAEL
Key causes of hyperinflation	Government budget deficit and money printing.	Excessive military spending and financial market distortions.
Peak inflation	56% in January 1990	450% at peak
Government response	The Collor Plan (1990) and confiscated savings.	New Economic Plan and the international market shift.
Final solution	1994 Real Plan: Budget cuts, reduced money printing, pegged Real to US dollar.	1990s external factors: Soviet migration, globalisation, and new business strategies.
Economic consequences	Severe recession due to savings confiscation.	Stagflation with financial chaos, middle-class losses.
Root causes to address	Reduction of government budget deficit and increase of government credibility.	Reduction of government budget deficit and solution to economic stagnation.

It presents a side-by-side comparison of the causes, consequences, and stabilisation efforts in Brazil and Israel during their respective hyperinflationary periods. Key dimensions such as policy responses, public trust, external influences, and inflation outcomes are highlighted to facilitate visual analysis and draw out critical contrasts between the two cases.

causes rather than applying one-size-fits-all solutions. Several limitations are acknowledged. First, the study relies primarily on secondary sources and historical case studies, which may be affected by biases or gaps in the available data. The comparative analysis focuses only on Brazil and Israel, meaning the findings may not be fully applicable to other countries with different social, political, or economic environments. While this approach highlights important contrasts and similarities, it cannot capture the full complexity of factors unique to individual hyperinflationary episodes. Looking ahead, future research should focus on developing flexible stabilisation frameworks that can adapt to varying economic contexts while maintaining core principles of fiscal discipline and public trust. Additionally, policymakers should consider establishing early warning systems to identify potential hyperinflationary triggers before they reach critical thresholds. As global economic challenges become increasingly complex, these insights offer valuable guidance for maintaining monetary stability while acknowledging the unique circumstances each nation faces.

CONFLICTS OF INTERESTS

The author declares there are no conflicts of interests regarding the publication of this article.

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