

INFLATION AND SEIGNIORAGE STUDIES IN AFRICA

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ABSTRACT

This paper explores the link between inflation and seigniorage, which is the revenue governments get from printing money. My research uses data from twenty-nine African countries in the time period 1981 to 2005 to find the inflation and seigniorage connection in long-term, short-term, and country-by-country analysis. The inflation-seigniorage link should be in the form of a Laffer curve and my results confirm this hypothesis. The inflation-seigniorage link is a significant problem in monetary economics as it relates to maximizing government revenues from the printing of money and the possibility of hyperinflation from the excessive pursuit of seigniorage. My research implies that seigniorage comes from the inflation tax alone (as the form of the Laffer curve without an intercept is a great deal more significant than the version with an intercept) and that countries rarely attempt to maximize seigniorage, as demonstrated by the rarity of inflation figures past the peak of the Laffer curve.