

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Humanities**



**Bachelor Thesis**

**The Inflation Crisis and Its Impact on the Capital Cities  
of the Czech Republic and Mongolia**

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# **BACHELOR THESIS ASSIGNMENT**

Dulguun Lkhagvasuren

Economics and Management

Thesis title

**The Inflation Crisis and Its impact on the capital cities of the Czech Republic and Mongolia**

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## **Objectives of thesis**

The goal of the thesis to understand the inflation crisis, focusing on the capital cities of Ulaanbaatar, Mongolia and Prague, Czech Republic. The research seeks to gain a deeper understanding and to identify major and minor factors contributing to the prevailing high inflation rates in these regions.

## **Methodology**

The thesis will consist of two parts. First part should deal with an elementary theoretical overview. It should deal with the theory of consumer behaviour including principles, models and its evaluation. The theoretical part of the thesis will be based on the critical review of information gained from the study and comparison of relevant resources. The fundamental, empiric part will be focused on consumer behaviour understanding in a given company. Data for the empirical part will be gained using appropriate data collection techniques – interviews and questionnaires.

## The proposed extent of the thesis

30-40 pages

## Keywords

Inflation crisis, capital Ulanbatar, capital Prague, consumer behaviour

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## Recommended information sources

DECROP, Alain, 2017. Consumer Behavior in Tourism and Hospitality Research. Bingley: Emerald Group Pub. 200 p. ISBN 9781787146914.

Journal of Consumer Behaviour, ISSN:1479-1838

Journal of Consumer Psychology, ISSN 1057-7408

RUST, Roland T. a Anthony J. ZAHORIK, 1993. Customer satisfaction, customer retention, and market share. Journal of Retailing [online]. 69(2), 193-215 [cit. 2018-10-13]. DOI:

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SOMAN, Dilip, 2015. The last mile: creating social and economic value from behavioral insights. London: University of Toronto Press. 296 p. ISBN 9781442650435.

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Prague on 25. 02. 2024

## **Declaration**

I declare that I have worked on my bachelor thesis titled by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 04.03.2024

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## **Acknowledgement**

I would like to thank Ing. Jří Sálus for his advice and support, my family and friends for encouraging me during my work on thesis.

# **The Inflation Crisis and Its impact on the capital cities of the Czech Republic and Mongolia**

## **Abstract**

This bachelor thesis is focused on inflation crises of the contrasting insightful comparisons between Prague and Ulaanbaatar, based on their unique situation. Prague, flourishing under a temperate climate, showcases a diverse economy and benefits immensely from its EU membership, thriving in sectors like manufacturing, IT and tourism. On the other hand, Ulaanbaatar, known as the coldest capital city in the world, faces challenges in energy consumption and urban planning, with an economy that has shifted from agriculture to being heavily reliant on mining. This shift brings to the fore significant environmental concerns and a push towards sustainability. The study reveals Prague's adept balance between modern growth and historical preservation, while Ulaanbaatar contends with infrastructural strains due to rapid urban expansion. The literature review of the thesis examined the underlying causes and effects of inflation in Prague and Ulaanbaatar, while the practical analysis compares their economic indicators and public perceptions, evaluating inflation's real-world impacts. This comparison not only highlights the distinct paths of urban and economic development in Prague and Ulaanbaatar but also highlights the imperative of pursuing sustainable growth and diversification in the face of evolving global challenges.

**Keywords:** Inflation crisis, regional development, economic impact, capital cities, Ulaanbaatar, Prague, macroeconomic analysis.

# Inflační krize a její dopad na hlavní města České republiky a Mongolska

## Abstrakt

Tato bakalářská práce je zaměřena na inflační krize v kontrastních pronikavých srovnáních mezi Prahou a Ulánbátarem na základě jejich jedinečné situace. Praha, vzkvétající v mírném klimatu, představuje rozmanitou ekonomiku a nesmírně těží z členství v EU, daří se jí v odvětvích, jako je výroba, IT a cestovní ruch. Na druhou stranu Ulánbátar, známý jako nejchladnější hlavní město na světě, čelí výzvam ve spotřebě energie a městském plánování, s ekonomikou, která se přesunula ze zemědělství do velké závislosti na těžbě. Tento posun přináší do popředí významné obavy o životní prostředí a tlak na udržitelnost. Studie odhaluje dokonalou rovnováhu Prahy mezi moderním růstem a památkovou rezervací, zatímco Ulánbátar se potýká s infrastrukturními tlaky způsobenými rychlou urbanistickou expanzí. Literární rešerše této práce zkoumala základní příčiny a dopady inflace v Praze a Ulánbátaru, zatímco praktická analýza srovnává jejich ekonomické ukazatele a vnímání veřejnosti a hodnotí dopady inflace v reálném světě. Toto srovnání nejen zdůrazňuje odlišné cesty městského a ekonomického rozvoje v Praze a Ulánbátaru, ale také zdůrazňuje nutnost usilovat o udržitelný růst a diverzifikaci tváří v tvář vyvíjejícím se globálním výzvam.

**Klíčová slova:** Inflační krize, regionální rozvoj, ekonomický dopad, hlavní města, Ulánbátar, Praha, makroekonomická analýza.

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**List of abbreviation:**

CR... Czech Republic  
 UB... Ulaanbaatar  
 EU... European Union  
 WEU... Western European Union  
 GER... Low-income neighbourhood in Ulaanbaatar  
 GDP... Gross Domestic Product  
 GRP... Gross Regional Product  
 CZK- Czech Koruna – local currency  
 MNT- Mongolian Tugrik – local currency

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## **1. Introduction**

The current inflation crisis is significantly reshaping the economic environments of major cities around the world, directly affecting the daily lives of people residing in these areas. This thesis begins with exploring the inflation crisis and its impact on everyday life, with a specific focus on two distinct capital cities: Prague, the heart of the Czech Republic, and Ulaanbaatar, the central city of Mongolia. The selection of these cities is chosen by the personal interests of the author; Ulaanbaatar is the author's birthplace, and Prague is where the author is pursuing higher education. This research will analyse economic and demographic data from official statistical websites, combining and examining both historical and current data, particularly focusing on inflation rates, GDP, unemployment rates, and population changes, among other factors. Additionally, this study incorporates first-hand information gathered through public opinion via google form with residents of Prague and Ulaanbaatar, providing insights into the everyday experiences of people in these cities. In the end, this thesis plans to bring together all the gathered information to better understand the details of the inflation crisis and to look for ways to deal with times when period of inflation crisis.

## **2. Objectives and Methodology**

### **2.1 Objectives**

The goal of the thesis is to understand the inflation crisis, focusing on the capital cities of Ulaanbaatar, Mongolia and Prague, Czech Republic. The research seeks to gain a deeper understanding and to identify major and minor factors contributing to the prevailing high inflation rates in these regions. Additionally, it is to learn about the impact of inflation on the daily lives of citizens, emphasizing its effects on regional development and the quality of life in Ulaanbaatar and Prague. The research will try to explore strategies and policies that can be adopted to achieve a healthy inflation rate.

The goal of this comparative study is to benefit both academia and practitioners, particularly the citizens of Prague and Ulaanbaatar. The findings of this study will try to provide practical guidance on managing finances during periods of high inflation. Academically, the research contributes to the knowledge of both countries by providing insight into their past responses to inflation crises and try to identify the most effective strategies. Additionally, the study explores the potential synergies between the strengths of the two countries to achieve better results in managing the inflation crisis.

### **2.2 Methodology**

For the practical part of the thesis, both quantitative and qualitative methods of data gathering were used, namely Documentary research and public opinion through Google form.

- Documentary research data will be gathered from “Mongolian Statistical information Service” and “Czech Statistical Office”

It will be collected essential economic and demographic indicators from the official statistical websites. This will include retrieving data on inflation rates, gross domestic product (GDP), unemployment rates, population size and growth, age distribution, urbanization trends, income distribution, consumer price index (CPI), and, if available,

information on housing prices or real estate trends. The selected indicators aim to provide a comprehensive understanding of the economic and demographic landscapes in both cities over a specified time frame, allowing for a detailed analysis of the impact of the inflation crisis. The data obtained will be crucial for comparing trends and patterns between Prague and Ulaanbaatar and addressing the research objectives of the study.

- Primary data will be collected through public opinion using google forms. Ordinary citizens in Prague and Ulaanbaatar will be invited to share their perspectives on daily-live changes, reduction in spending and particularly personal views on inflation crisis of their region. The survey will include a mixed mix of open-ended, close-ended and multiple choice questions.

Questions will include, demographic information, awareness of inflation, personal impact, employment and income, coping strategies, government policies, quality of life and perceptions of the future.

(This research respects people's choices, keeps their information private, secures data, handles sensitive topics carefully, and shares a summary afterward to make sure everything is done in a fair and respectful way.)

## **3. Literature Review**

### **3.1 Inflation Crisis**

#### **3.1.1 Concept**

Numerous scholarly works have explored the concept of “crisis”. According to Brecher, M and Wilkenfeld as discussed in their study “A study of crises”; the term “crisis” word originated from Greek word “krisis”, which means “fracture”. The word interprets turning point or a crucial stage in the course of anything. The word is specifically used in medical and judicial context. (Brecher, 2022)

- In Medicine, the word “krisis” is mostly referred to a critical point of any disease. At this turning point, an important change occurs, can be led to full recovery or to death. Basically, The word interprets the most critical moment in medicine.
- In Judicial, the word “krisis” was used to describe the decision-making moment, or judgment.

The Greek root of the word expresses the idea of critical moment, where an important decision is made, which will have significantly impact to the result.

According to the latest terminological standards, The term “Crisis” is a complex concept, from psychology and sociology to economics and political science. It primarily points to a critical moments or significant turning point, often characterized by intense difficulty period, instability and expresses danger. In terms of economy, the crisis is a period of time when there is significant disturbances in market, a decline in asset values, business and startup bankruptcy, increase in unemployment rate. In number of ways, it may occur including financial crisis, currency crisis and inflation rate crisis. (Pethick-Lawrence, 1920)

There are few honourable people in history that made a notable contribution to our understanding of “Crisis” in an economical perspective, particularly concerning inflation. The Concept of Crisis in economical view, was first described on theoretical level by Karl Marx in 1867 in the book “Das Kapital, Kritik der politischen Oekonomie”. Summarily,

Karl Marx argued that Capitalist societies mostly experiences various crises, the Inflation crisis is one of the main.

Karl Marx believed that crises are a natural part of the capitalist system because of its built-in conflicts. He explains that these crises were characterized by overproduction and market saturation, leading to business failures and unemployment. Marx theorized that such recurrent crises would ultimately challenge the sustainability of capitalism. (Marx, 1867)

Overall, The one of the main point is critiques the capitalist system, focusing on the nature of wealth, labour and capital accumulation. Marx analyses the exploitation of labor, where workers are paid less than the value of their output, leading to capital accumulation by capitalists. He discusses the concept of surplus value as the source of profit in capitalist economies. The study also deeply describes how things are made and sold in a capitalist system, market competition, and the inevitable crises resulting from the capitalist system. Marx view was a transition to a socialist from communist society as an outcome of these contradictions. (Marx, 1867)

In historical view, The Crisis has been changing nearly over 3 centuries, perspectives on economic crisis have evolved. The politicians did not view economic crises as an integral part of national economics until late 19<sup>th</sup> century. Nowadays. Crises began to be associated with temporary shifts in demand, consumption and natural patterns, also stages in the reconstruction cycle that recurrence and regularity. On the other hand, despite being fundamentally harmful, crises considered a positive part of the cycle. (Talakh, 2023)

An Inflation Crisis is defined for Modern economic by Steve Forbes, Nathan Lewis and Elizabeth Ames in the book “Inflation: What it is, Why it’s Bad, and How to fix it”, in the book, the concept defined as “Inflation is general rate of price increase for goods and services, it results decreases in purchasing power. As well as, it is measured as an annual percentage increase and happens when the regional economy’s money supply grows more faster than its capacity to create the goods and services. (Steve Forbes, 2022)

The book explains, Inflation crisis is critical for:

- **Erodes purchasing power:**

Inflation reduces the value of money, it means more cash is needed to purchase the same amount of goods and services, we used to buy before.

- **Instability and Uncertainty for the Economic**

Inflation crisis makes the regional economic uncertainty, making the region difficult for businesses and consumers to plan the future.

- **Savings and investment impact.**

Inflation crisis can decrease the real value of savings over time, and negatively affect and overall economic growth.

Causes of inflation may be very broad, As of Henry Hazlitt, It may have several factors but all of them touched main factor, which is government and central banks decision making. Often to finance government spending beyond what they can collect in taxes. This excessed money added to the national economy, reduces the value of existing money leads to rising prices, in another word, leads to inflation crises. (Hazlitt, 1894)

The other inflation factors as of Henry Hazlitt, In the book “The Inflation crisis, and how to resolve it”

1. **Demand-Pull Inflation:** This event occurs when the overall demand for goods and services in the economy exceeds the supply. Often described as “too much money chasing too few goods and services” happens when consumer increased spending, government expenditure and investment.
2. **Cost-Push inflation:** This type of inflation is driven by rise in price of goods, which can include increases in payroll(citizens wage) or the prices of raw materials. Higher production price makes goods and services more expensive, which also leads to higher inflation.
3. **Built-in Inflation:** This is also known as wage-price inflation. It involves where workers demand higher wages to keep up with rising living costs. At this point, employers do appraisals for the employees to maintain profit margins, leading further inflation.
4. **Monetary inflation:** This one is caused by an increase in the money supply relative to the availability of goods and services. Central banks and government might increase the money supply, which devalues the money. Also leads to inflation crisis.



- 5. Supply Shock Inflation:** This event occurs when supply of the good decrease suddenly due to any kind of event occurs effective for raw material such as natural disasters or geopolitical events(war and trade restrictions), leading to rapid increase in prices; recent examples include Russian and Ukrainian war (Mbah, 2022) and COVID-19 pandemic. Both led to “Global Supply Shock” inflation due to restrictions. (Bekaert, 2020)
- 6. Devaluation:** When the country devalues its currency, the cost of importing goods from other countries increases. This leads higher prices on everything, which is also one of inflation crises.

### **3.1.2 The impacts of the inflation crisis on capital cities**

The inflation crises have complex impacts on capital cities, reflecting in economic, social and infrastructural dimensions. The research on macroeconomic stability and urban economic provides insights into these dynamics, highlighting the complex relationship between inflation crises pressures and urban area development. (Azimi, 2020)

#### **3.1.2.1 Economic impacts**

The capital cities, often being economic hubs, faces hardest challenges during inflation crises. According to Keynesian economic theory, inflation reduces the real purchasing power of money, leading to decreased consumer spending and investment (Keynes, 1936). In capital cities where government and major business operations are concentrated, this can lead to reduced economic growth and increased unemployment, which strongly affects to overall country’s economy. Empirical studies, such as by (Friedman, 1968), highlights the negative correlation between high inflation rates and employment levels; means that high inflation crises can worsen joblessness in urban areas significantly.

### **3.1.2.2 Social Impacts**

The social outcome of inflation crises in capital cities are profound. Cost of living adjustments fall behind inflation rates, impacts lower-income households more than other segmentations. As prices for basic goods and services increase, income inequality widens, making social division worse. Research by Piketty in the book “Capital in the Twenty-First Century” on economic inequality highlights how inflation can increase income disparities within citizens, impacting social unity and increasing the risk of social unrest in high population urban areas. (Piketty, 2014)

### **3.1.2.3 Housing and Infrastructure**

Inflation crises gives significant pressure on housing markets and infrastructure development in capital cities. As inflation rises, does the cost of construction materials and labor, stalling infrastructure projects and exacerbating housing shortages (Harris, 1996). The study on urban development points to the inflation-induced cost spiral as a key barrier to affordable housing, further straining city resources and limiting residents to access to suitable living conditions. (Glaeser, 2003)

### **3.1.2.4 Administrative and Policy Responses**

The role of urban governance and policy responses in mitigating the impacts of inflation crises is critical. Studies on monetary policy effectiveness (Bernanke, 1983) suggest that central banks in countries with capital cities experiencing inflation crises often resort to tightening monetary policy, impacting credit availability and economic activity within these cities. Furthermore, fiscal policies, including targeted subsidies and price controls, are debated within the literature for their effectiveness in cushioning urban populations from the worst effects of inflation (Fischer, 1993)

Overall, this section highlights that how much inflation crises can have significant and diverse impacts on capital cities, affecting economic performance, social equity, housing, and infrastructure development. The synthesis of these source highlights the

necessity of integrated economic and urban planning policies to navigate the complexities of inflation crises in capital cities.

### 3.1.3 Analysing the Impact of inflation crisis on historical events

The author will use 2 examples and will be compared to the study's main objectives. Since they are offering contrasting scenarios. Especially, the inflation crises in Venezuela started due to being reliant on mostly single export income, which was oil revenue, comparing to Ulaanbaatar's case mostly being dependent on mining sector (Pittaluga, 2021).

On the other hand, Weimar Republic, Germany as another example. From author's perspective, this could be compared to Prague, not because of war, but due to its membership in the European Union. This membership is significant and could be sensitive from EU regulations(external impact). This is not to imply that EU membership has a negative impact, but it requires tightening strict fiscal policy and other related terms. For these reasons, these examples were chosen for analysis.

#### *I. Weimar Republic, Germany:*

Regarding impacts of inflation crisis, The author have chosen the example of hyperinflation (rapid or uncontrollable price increases in an economy). One of the most striking and often exemplified example of inflation crisis is the hyperinflation that happened in Weimar Republic in Germany between 1921 to 1923. The result of combination of complex factors including political, economic, social dynamics and as well as external impacts. It is a historical event that made us understand how political wrong decisions, fiscal and monetary policies, and external country pressure can lead to hyperinflation. (Haffert, Haffert, L., Redeker, N., & Rommel, T.)

The Weimar Republic's hyperinflation happened because of several factors,

- **War reparation and its debt. :**

Germany had to pay large amount of debts to damages after world war I. The Country already had substantial debt from war, and these reparations added to the financial system.

- **Printing Money**

To fulfil these financial obligations, Germany government decided to printing more money. This was initially viewed as blind solution, but as a theoretically it devalue the currency.

- **Economic Instability:**

During these period, Germany's economy was already instable by the war. It lost significant productive territory and faced country internal challenges like political unrest and struggling post-war economy.

- **Inflation Spirals:**

As more money were printing, the value of the Mark(old currency) significantly dropped the value, leading to inflation crisis. As the inflation goes strongly, the government decided to continue to print more money to cover all the debts, further devalue money. Nowadays, Some historical people mentions that during that time the price of goods were doubling within few hours.

- **Loss of confidence:**

Hyperinflation heightened to by complete loss of confidence of the currency. Both german citizens and outside investors lost their faith in the Mark, and it led to rapid decline in its value.

- **External Factors:**

Since it was post- world war I, the internal pressure was still on especially from France and Belgium, which are demanded reparation payments from Germany, which made intensified the inflation crisis.

Overall, the hyperinflation in Weimar Republic in Germany interpreted as cautionary tale of how money supply, associated with political and economic factors mismanaged by government, possibly lead to catastrophic economic consequences. This past event still highlights for today's government, importance of fiscal discipline, the dangers of excessive debt and the crucial role of confidence in a currency.

## ***II. Venezuela.***

The Inflation crises has been happening to Venezuela since 2016 until today, which is complex phenomenon with multiple contributing factors. The root of this inflation crises have several key aspects:

- **Oil-reliance on revenue**

Venezuela was one of the largest oil reserves in the whole world. The economy became dependent on oil revenue. When oil prices fell drastically on 2014, Venezuela's oil revenue fell as it was heavily dependent on oil. This led to severe economic downturn.

- **Economic Mismanagement:**

The government of Venezuela implemented socialist policies against the inflation crises, such as price control, currency control and nationalization of industry etc. Thus, these policies discouraged foreign investments and led to inefficiency.

- **Printing Money:**

Like usual government response like others, Venezuela is also printing more money to the national economy. This excessive printed amount of money in the economy of Venezuela, without the backing of economic growth or reserves, leads to the devaluation in the currency of Venezuela.

- **Political instability and Sanctions:**

Regarding in this section, political disturbance, lack of investor confidence compounded to the national economic. On the other hand, International Sanctions; The U.S and other countries imposed sanctions for Venezuela, particularly on oil industry of Venezuela.

Overall Venezuelan inflation crises is case study for us that how dependency on single export commodity, Government mismanagement, political instability and also external pressure can lead to hyperinflation in other words inflation crises. The governments inability to recover of changing economic circumstances, associated with political issue, might continue to the hyperinflation.

The situation in Venezuela also known as how economic status of country is important to its citizens. The population has been suffering from poverty, lack of nutrient, lack of essential services, mass emigration and many more. Therefore, it's also highlights to how important is economic diversification, good governance, and the need for policies that promote sustainable economic growth and stability.

Conclusion, based on above 2 examples, Inflation crises clearly impacts to due to a variety of factors; Decreased purchasing power, Savings erosion, uncertainty and investment deduction, income redistribution, increased cost of borrowing, menu cost, international trade impact. As is evident, inflation crises ends up by human cost. Thus, it's

important to have government's ability to keep the money management, check supply and demand on everything. Diversity on inflow and outflow revenue.

### **3.1.4 Solutions to Inflation Crises**

Based on real-time historical examples confirm to us, there are common conditions that leads to onset of an inflation crisis, each crisis is unique, As a result, It is impossible to have single solution to overcome the inflation crisis. However, certain measures can be identified that help in addressing to these challenges. In the conclusion of this section, the solutions will be provided considering both practical examples and theoretical concepts.

- I. The solutions of hyperinflation of Weimar Republic, Germany between 1921 to 1923.

The crisis ultimately resolved by introducing a new currency; Germany introduced the new currency on November 16, 1923. The new currency, Rentenmark was pegged to the value of gold, which helped to restore the currency confidence. Along with introduction of new currency, the government implemented strict fiscal and monetary policies, these policies mostly aimed to control the money supply and stabilize economy. Afterwards Dawes plan in 2024, Dawes plan restructured the Germany's reparation payments, Changes focused on making the payments more manageable and linked to the country's ability to pay. This plan also includes foreign loans and investments mainly from United States, helping to stabilize Germany's economy. As a result of that, The new currency and the economic reforms gradually restored confidence in Germany economic, both domestically and internationally. This stability was crucial for stopping the hyperinflation. Lastly, Economic and political implications. The Germany hyperinflation had deep socio-economic impacts. It wiped out all the savings and led to widespread poverty, contributing to political instability. The inflation crisis affect was shaping German fiscal policy and public attitudes towards monetary stability for decades.

(A, 2010)

## II. The ongoing solution for addressing the inflation crisis in Venezuela.

However, The Venezuela inflation crisis is remains, the Government managing good recovery from hyperinflation. The examples of decisions are helping to lower from hyperinflation rate.

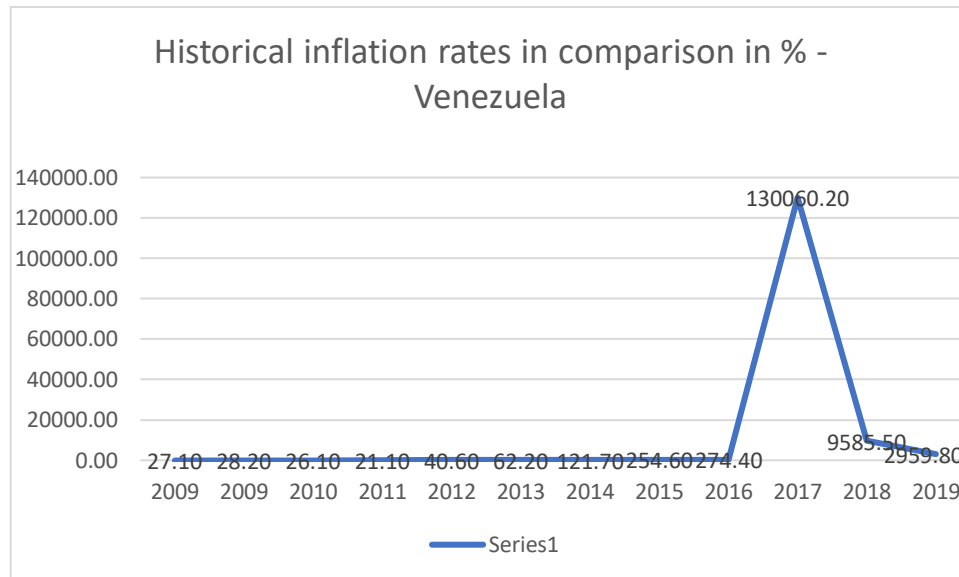


Figure 1 Venezuela, historical inflation rate

Source: own processing based on World Bank and OECD Inflation CPI data 2024.

Many Central Banks such as Federal Reserve in the United States or the European Central Bank targets 2% inflation rate is ideal for economic growth. The target is balanced between preventing rapid inflation and avoiding deflation. However, The Venezuelan inflation rate is reached 130060% in 2017. Venezuela's government, moved towards economic liberalization, which included eliminating price and currency exchange controls and import tariffs. The inflation is 189.8% as of January 2024 from Central bank of Venezuela. Although inflation rate is remaining at risky levels, there has been substantial decrease from 2017. (Wang, 2022)

The key aspects of how Venezuela recovering from hyperinflation:

First most crucial step for Venezuela was to stabilize the currency (Bolvar) by doing significant changes in monetary policy, limited reducing excessive mass print of money. As well as the government pegged the Bolvar to a more stable foreign currency or adopting dual-currency system helped to regain the public trust in the currency.

Second, the government decision was distribution of heavy reliance on oil revenues, managing these resources effectively and diversifying the economy was crucial. This meant investing oil revenues wisely to other sectors to create balanced portfolio was crucial step for lowering from hyperinflation. The Venezuela's government invested their oil revenue to several key sectors this includes: agriculture, mining, tourism, manufacturing, technology, telecommunication and renewable energy.

Thirdly, The government strict fiscal management and budget management was one of the essential. This involves reducing deficits and possibly increasing revenue through tax reforms, ensuring that the government did not resort to printing money to cover expenses.

Fourth, Realistic target inflation rate each quarter and price controls, The Venezuelan Central Bank started to main clear inflation targets and possibly applying temporary price controls helped to stabilize economy.

Sixth, Restructuring external debt and seeking international financial support is playing significant role in the recovery process. This helped to decrease external pressure and provided the necessary funds.

Finally, Political stability and effective governance were key in ensuring the successfully implementation of economic reforms. Fundamentally, enhancing of confidence in the government's capabilities increases the trust in currency from external and internal views. (Reilly, 2020)

In conclusion, Venezuela's path towards recovery from its inflation crisis represents a complex interaction of social, political, and economic factors. The key to the recovery process has been complex, involving the above factors. As Venezuela continues its path of economic stabilization, it shows a case study for other governments. The lesson learned from Venezuela's experience highlights that focusing on a balanced approach to investment and diversified income generation reduces risk and stabilizes the national economy.

According to Stephen D.King in the book "We need to talk about inflation: 14 urgent lessons from the last 2000 Years.", Summarily, D.King highlights most crucial historical examples from ancient Rome through the American Civil War to today's asset bubbles, and we can identify the patterns and mistakes to avoid in currency economic



policies. By examining 14 past events that happened to us crucially, he pointed out few key aspects which should be considered as main focus for every country, in order to avoid inflation crisis; (D.King, 2023)

- **The Role of Policy Errors:**

By understanding how past policy mistakes have led us to inflation crisis can help in making better decision in the present. This includes how government mismanagement leads to inflation. The most common mismanagement was printing money, therefore it must be under control.

- **Impact of Sovereign Greed and Mismanagement:**

One of main point is also affects of government actions, in the book, most of the cases of 14 past examples were included this reason in the book, such as excessive printing money and wrong fiscal management have led to inflation crisis in most cases, therefore this book highlights must be under control.

- **Loss of Faith in Currencies**

A significant aspect of higher inflation is the external and internal parties trust in currency. D.King suggests that a collective loss of faith in the value of money, therefore its governments responsibility to show the currency is strong and believable to internal and external parties.

- **Economic and Social Upheaval caused by inflation:**

King's analysis also includes the broader impacts of inflation on society and the economy, suggesting for modern governments to understand these vital for comprehensive inflation management strategies.

- **Learning from Diverse historical Contexts:**

To avoid the inflation crisis, the book mentions that "it's a pattern challenge of human being to face. Every generation needs to understand the past hyperinflation period and must learn from it." Means from ancient times inflation is similar to modern-day events. Thus, A broad viewpoint is much required.

- **Complex interplay of Factors Leading to inflation:**

The Book underscores that the unhealthy inflation is not result of single cause, but complex various including economic, political and social elements.

In the book “How to fix the inflation” points out 4 key ideas how to avoid from inflation crisis:

First, By **Controlling Money Supply**; The book highlights many times, We need to control the growth of the money supply as a key strategy to keep the inflation in healthy rate.

Second, **Interest rates**; Adjusting the interest rate approach is traditional approach by Central Banks, Higher interest rate can cause slow down the spending and borrowing, thus reducing inflation and cooling the regional economy.

Third, **Fiscal Policy**; The demand for goods and services also influenced by the government spending and taxation policies, which also affects significantly to the inflation.

Fourth, **Strengthening Institutional Frameworks**; To have more efficient inflation management, Central banks independence and dedication to price stability must be guaranteed. (Steve Forbes, 2022)

In conclusion, it is essential to recognize that every inflation crisis is unique. A detailed analysis of its origins and underlying causes is crucial. Focusing on key aspects has proven effective in most past cases; these include strict monetary regulation to manage money supply, fiscal restraint to curb government overspending, and efforts to stabilize the currency. Additionally, diversifying the economy and establishing explicit inflation targets are necessary strategies that governments need to follow.

## **3.2 Regional Development**

### **3.2.3 Definition and theory**

The word “regional” comes from the Latin “regio” meaning “direction, boundary, district”, Over time, it evolved into the word “region” in English, expressing a distinct area or division of space. Thus, “regional” refers to that something belongs to, is characteristic of, or located in particular region or area.

And the word “development” is a compound word formed from French language “de-” and “velop,” stemming from the old French “desveloper”, which means “to unwrap, unfurl” and the prefix “de-” is reversal, implying covering or wrapping up. The word evolved to

mean to act of bringing something into a fuller, more advanced, or more effective state. In the modern English, the word “development” refers to process of growth, positive process, usually in an economic, social or structural sense. (Nijkamp, 2009)

In the modern society, Regional development refers to focus on a specific area and it's the process of enhancing the welfare and quality of life for people. This concept focuses on the sustainable, balanced growth of the regions social, economic, environmental and resource-based capacities. The term “development” is linked to several related concepts, such as economic development, socio-economic development and the broader progression of a nation's economy. Thus, the concept expresses the development of specific area. (Higgins, 2017)

Historically, Regional development became an important economic and political issue around the time of World War II. Before and after the war, both Western Europe and United States implemented measures to help regions, which were struggling from the Great Depression. In the 1930s, WEU and US started to support these areas, and later on, more support approached programs were launched to economic growth evenly from underdeveloped regions to more developed regions. Starting from 1950s, many countries in the developing world also started ambitious to do regional development plans to encourage growth. These regional policies were based on a widely accepted idea; that capitalist economic growth often leads to the creation of highly advanced 'core' regions and less developed, dependent 'peripheral' regions. (Scott, 1990)

Regional development can be categorized into several types, each type has unique focus and approach, and every category touches economic category.

- **Economic Development:**

This type is the most focused subject and every other category linked to the economic development. This is about increasing the economic capacity of a particular region. Includes attracting new business from internal and external parties, supporting existing businesses, supporting entrepreneurship, creating jobs and improving hard and soft skills of employees. Economic development usually focuses on industries that are suitable for region's resources, strength and advantages.

- **Social Development:**

Social development focuses to improve the welfare and quality of life for the residents of a region. This includes improving education, healthcare, housing and social services.

Oppositely, this also addresses; poverty, inequality, and social exclusion.

- **Environmental Development:**

This type aims to sustainable development and prudent use of natural resources. It includes sustainable agriculture, renewable energy and reducing environmental pollution. The goal tends to economic growth without destroying the environment.

- **Cultural Development:**

It is about promoting and save the cultural heritage and introducing to external regions. It includes arts, heritage conservation and organizing cultural events. This type of development tends to increase the tourism.

- **Infrastructure Development:**

This type involves building and upgrading the infrastructure such as roads, buildings, public transport, water supply and sanitation. This is crucial for increasing the quality of connectivity, attracting investment and improving the quality of life of a region.

- **Technological Development:**

Technological development is about adopting and discovering of new technologies to the regional development. It includes pushing the innovation, supporting new tech businesses/startups, getting an access and importing of modern digital technologies. Nowadays, Technological development is key for all regions to participate in the digital economy.

- **Institutional Development:**

Institutional Development focuses to strengthening the ability and capacity of government and institutions. Effective institutions are key to good influence for regional development. (Pike, Local and regional development., 2016)

In conclusion, even though the regional development highlights economic development, its tightly linked to other development aspects. We have seen how regional development not only about economic growth, but also about achieving a balanced and sustainable progression that benefits all areas of that particular region. The strategies and policies implemented both developed and developing countries.

### 3.2.4 Key Components and Objectives

Regional development is fundamentally aimed at growth economically and diversification within specific area. This objective achieves by attracting startups, supporting existing industries/companies, and fostering entrepreneurship to boost productivity and living standards. Integral to this is the reduction of regional disparities, where the focus is on bridging the economic and social gaps between different areas, particularly between urban and rural regions. Strategies such as targeted investment for underdeveloped regions and offers good rewards for businesses to establish there are common. (Pike, What kind of local and regional development and for whom?, 2007)

Secondly, important objective is job creation and skill development in specific area. This is not only about employment opportunities, but also about providing essential training and education to the local workforce to fulfil the requirements of the necessary economic. Additionally, this is the improvement of infrastructure, which includes upgrading transportation networks, utilities and social facilities like school and hospitals, which are crucial for overall economic activities and residents' quality of life.

Third, Sustainable resource use is also main component of regional development. This objective highlights the importance of use of natural resources efficiently and effectively in a region, ensuring the long-term environmental and economic health.

Fifth, Improving the social integration and improving the quality of life is the hearth meaning of the regional development. The aim is ensuring that all of the regional development categories are reaching to all community segments, benefiting from it. This includes access to quality education, healthcare and leisure facilities (Higgins, 2017).

Discussing about regional development is sometimes hard as it varies significantly because based on specific region. A Regional development strategy could be effective in one area, but could prove ineffective or even challenging in another area. Factors such as regions current situation, geographic location and the number of neighbouring areas play a crucial role, these factors decide the regional development would be easier or harder. For instance, the presence of a waterway in a region can be advantageous, the region can be benefits from transportation and trade opportunities. Waterways also provide a cost-effective and efficient means of transporting goods, especially for heavy cargo. This tends

to increase economic activity and attract businesses which needs shipping for their operation. Moreover, waterways often have greater access to international market, boosts their export potential.

Second example would be having numerous neighbouring regions, as we mentioned above, it also beneficial for enhanced trade and economic collaboration. Neighbouring areas can serve immediate markets for goods and services, and factors such as like that also most crucial base for the regional development.

### **3.2.5 Challenges in regional development**

#### **- Balancing the economic growth and environmental sustainability**

The drive for economic progress leads to resource exploitation and environmental decline. Implementing sustainable works, like green technologies or renewable energies can be expensive and complex. Policymakers and new businesses may resist these changes due to immediate economic interests.

#### **- Inequalities and social inclusion**

Economic growth tends to lead to increase wealth disparities, creating big gap between high class and low class is not objective of regional development; leaving behind certain groups such as low-income families, ethnic minorities or rural population. Supporting these groups into the economic mainstream requires targeted social policies, education and training programs, which can be difficult to design and implement effectively to all of them.

#### **- Managing Urbanization and Rural Decline:**

Urban areas often grow at the expense of rural regions. This urban-rural divide can lead to a lack of services, opportunities and infrastructure in rural regions. Because of that, creating policies that equally develop the rural region and manage urban sprawl is really complex task, even rural areas face population decline as young and middle aged people move to urban region for better opportunities.

#### **- Overcoming infrastructural deficits:**

Many regions suffer from outdated or insufficient infrastructure, including transportation, utilities and digital connectivity. Upgrading these to modern and sufficient

infrastructure not only requires investment and also long term planning and disturbance for citizens.

- **Dealing with political and institutional barriers:**

Effective regional development often requires coordination between different levels of government and various agencies. In some cases, local development projects are stopped and rejected by political disagreement or changes in government.

- **Impact of climate change:**

There are regions, including urban area, that are disrupted by impact of climate difficulties. including extreme weather events, rising sea levels, and changing agricultural conditions. Adapting to these changes requires integrated planning, investments in resilient infrastructure and international collaboration. For instance, in Ulaanbaatar, Mongolia temperatures reaches minus 40celsius during winter disrupts most developing sectors. (Bank & Randall W. Jackson, 2019)

### **3.3 Case Studies: Ulaanbaatar in Mongolia and Prague in Czech Republic**

#### **3.3.3 Introduction to the Economy of Mongolia and Czech Republic**

In this section, The author will try to explore both regions historical economic reforms, current situations, advantages, disadvantages and challenges.

Ulaanbaatar, Mongolia's economy is fascinating, since rapid transitioning from a Soviet-style/communist system to a market economy in the early 1990s. Traditionally, Mongolia's economy was centered around agriculture and herding, which still has significant role in socio-economic fabric. However, the discovery of extensive mineral resources; mainly coal, copper and gold has shifted the economic focus. The mining sector has become the main revenue of Mongolian economy, contributing significantly to its GDP and export earnings. The country's economic journey has been marked by high growth rates, especially during 2010s, driven largely by external investment in the mining sector. However, this growth has been coupled with challenges such as economic volatility linked to fluctuating commodity prices and dependence on few sectors. (Byambasuren, 2010)

Additionally, Mongolia's economy is also significantly influenced by geographical location and low number of neighbouring. Only neighbouring with Russia and China, which are major trading partners. And there is no waterway advantage due to geographical location. (Byambasuren, 2010)

The Prague, Czech Republic, with its rich industrial heritage, has one of the developed and industrialized economies in Central Europe. Since the fall of communism in 1989 and the eventual split of Czechoslovakia in 1993, the Czech Republic has experienced considerable economic transformation and liberalization. This transition included privatizing many state-owned enterprises and encouraging external investments, which has been a key driver of economic growth.

The Prague is known as by well-educated workforce and a strong manufacturing sector, with a particular emphasis on automobiles, machinery and electronics. And plus, tourism also plays significant role in the economy. The CR entry into the European Union in 2004 further solidified its economic ties with WEU countries, increasing the trade and investment opportunities. Basically, The Czech Republic has been recognized as steady economic growth, low unemployment rate. However, such as many other countries, it has been facing challenges including managing economic cycles, addressing regional disparities and dealing with external economic influences such as the Eurozone crisis and global trade tensions. (Sýkora, 2017)

### **3.3.4 Economic Policies and Reforms in both countries**

Mongolia has transitioned from a centrally planned economy to a market-oriented system. This transition chased by extensive economic reforms, including privatizing state-owned enterprises and liberalizing trade policies. The government introduced reforms to attract foreign investment, especially in the mining sector. Laws were amended to create a more favourable environment for international investments, which resulted in a significant boom in mining sector. (Byambasuren, 2010)

#### **- Mining Sector Development:**



As discussed, Mongolia's vast mineral resources have been central to its economic strategy. The government aimed to implement policies to exploit these resources, especially support and develop the large mining projects like "Oyu Tolgoi" most focus is mining copper and gold, and another main project is "Tavan Tolgoi" mostly mining coal. While these projects significantly increased Mongolia's export revenue, It also led to challenges such as economic dependence on the mining sector and sensitivity to global commodity price fluctuations like discussed in Venezuela's case. Being dependent on a single source of income presents high risk. Even the government has also pursuing policies to diversify the economy and reduce dependence on the mining sector. Affording developing other sectors such as agriculture, tourism and renewable energy, but still mining sector represents most income. Mongolia has struggled with fiscal instability, led to implementation of various monetary policies aimed at controlling inflation and stabilizing the currency. (Batbayar, 2003)

The Czech republic's transition from state-controlled economy to market-based was marked by large-scale privatization and liberalization. The privatization program was allowing citizens to purchase shares in state-owned companies. This transition reforms restructuring industries, modernizing the banking sector and developing capital markets, was changing the economy more intensive/competitive and more diversified.

Joining to the European Union in 2004 was a major step. This integration required the Czech republic to adopt number of economic policies to meet EU standards. Thus, EU membership brought significant benefits, including access to a larger market, increased external investment and structural funds for development.

The government has focused on diversifying the economy to avoid dependence on manufacturing sector. It had focused on developing mostly information technology, financial service and tourism. These policies have been directed towards innovation, research and development, aiming to move the Czech economy up to the value chain in the world economy. (Marek, 2010)

Lastly, The Czech Republic has maintained a relatively conservative fiscal policy, aiming for fiscal stability and sustainable public finances. But the inflation rate is relatively high after COVID-19 pandemic. (Fund(IMF), 2023)

### **3.3.5 Introduction to the inflation crisis in Ulaanbaatar and Prague**

Ulaanbaatar's economy, heavily reliant on mining, experienced significant volatility due to instability in global commodity price. During the boom periods brought significant revenue into the city, but it led to overheating of the economy. The government's decision to preserve the countryside for tourism (as virgin nature) while focusing mainly on the development of Ulaanbaatar, attracted rural areas citizens move to Ulaanbaatar and rapid urbanization and population growth, pressures on housing and basic services and as well as driving up costs, combined with high government unnecessary spending and loose monetary policies leading to the rising inflation rate.

The Inflation crisis in Ulaanbaatar significantly impacted the cost-of-living index, making basic goods and services more expensive for residents. This is being particularly challenging for the lower income population and those living in the GER districts. The inflation also affected to the affordable housing prices.

The government's response to the crisis, which included tightening monetary policy and seeking for support from international organizations are not helping much. (Mongolia, 2023)

Prague's inflation crisis was influenced by different factors, including economic policies at the national level, collaboration with European economy and external economic impacts; factors like rising energy prices and external economic pressures has been playing a significant role in Prague's high inflation rate.

The inflation crisis impacts in Prague led to high cost of living compared to other rural areas; its almost doubled, and affecting household index, food and other essential goods and services. This has been big challenge for residents in Prague, especially for those with lower incomes. Prague's real estate price has been facing inflation, due to partly driven by foreign comers and the city's attractiveness for tourists and businesses. The Czech National Bank and government took steps to control inflation by tightening monetary policy and fiscal changes. These policies have not yet result effectively yet, As the inflation rate is 10,7% in Dec 2023. (Source: Czech Statistical Office 2024) (Horak, 2007)

## **4. Practical Part**

### **4.1 Comparison of Economic Development of Prague and Ulaanbaatar**

In the practical part, The author will start by comparing both regions economic development focusing on Prague and Ulaanbaatar and afterwards collect and use both quantitative and qualitative methods of data collection. Specifically, gathering statistical data from “Mongolian Statistical information Service” and “Czech Statistical Office” and the public opinion via google form, The comparison will be on same time period to ensure accurate result.

#### **- Economic Structure and Growth:**

Ulaanbaatar: The economy is heavily dependent on the mining sector, with rapid urbanization driven by this industry. This could be followed by high inflation crisis risk like Venezuela’s case. This city also has experienced volatile growth, closely tied to global commodity prices.

Prague has more diversified economy with strong service and manufacturing sectors. Growth has been more stable and integrated with the European Union market.

#### **- Challenges:**

Ulaanbaatar faces significant challenges such as urban infrastructure, affordable housing and environmental issues such as air pollution. Being tied up to the mining sector and its export, making Ulaanbaatar sensitive to external shocks.

Nowadays, Prague has been challenging housing affordability, sustainable in the face of over-tourism and managing regional disparities within Czech Republic.

#### **- Inflation crisis and Economic Policies**

Both countries having a high inflation rate 7.9% and 10.7% as of Jan 2024 According to their statistical official site. Ulaanbaatar inflation crises have been driven by economic overheating due to mining booms and rapid urbanization; mainly leading to the higher inflation rate. The government response has been included monetary changes and seeking international support. Prague’s inflation rate has been influenced by internal consumer demand, external economic shocks and energy prices. The Czech National

Bank's monetary policy and government's fiscal policies has been aimed to stabilize the economy.

- **Regional development and Planning**

Ulaanbaatar's regional development has struggled to keep pace with rapid population growth, leading to issues in housing and infrastructure.

Prague has been planned urban development, with investments in infrastructure and efforts to balance growth with historical preservation and sustainability.

- **Social and Economic impacts**

Ulaanbaatar's social impacts is mainly the disparity in living condition and access to services for low classes, with significantly portion of the population living in low-income neighbourhood.

Prague faces challenges in balancing the needs of residents with the pressures of being a major European capital and tourist destination, impacting the cost of living and housing.

- **Resilience and adaptability:**

Ulaanbaatar demonstrates resilience in adapting to the cyclical nature of its commodity-based economy, though it faces ongoing challenges in diversification and environmental management.

Prague Shows adaptability in its integration into the European economy, managing economic shifts while maintaining stability and growth. (Jeffries, 2007) (Vltavská, 2015)

The economic conditions of Prague and Ulaanbaatar are offering fascinating study in contrast, shaped by their distinctive histories, geographies, and socio-economic frameworks. Prague, the Czech Republic's capital has a significant legacy that positions it as a key center of culture, politics, and economics in Central Europe. Its economy improving due to a strong industrial base, high tourism sector and a strategic position that promotes trade and investment within the European Union. The city's accession to the EU in 2004 further strengthened its economic connections with Western Europe, improving market access, capital inflow, and technological advancements.

On the other hand, Ulaanbaatar has undergone significant economic transformation, shifting from an agriculture-centric economy to one dominated by mining and services. The utilization of extensive mineral resources mainly coal, copper and gold; has stimulated

economic growth and attracted foreign investment. However, this mining dependence has introduced economic volatility and vulnerability to global commodity price swings has been challenging stable development.

Both capitals struggle with the dual-edged sword of globalization and external economic dependencies. Prague has economic stability and resilience, supported by its diversified industrial and service sectors, such as manufacturing, IT, finance, and tourism, alongside benefits from EU integration, such as investment, labor mobility and trade opportunities.. In contrast, Ulaanbaatar's economic is tightly linked to the mining industry, subjecting it to external economic fluctuations and the challenges of commodity market cycles. The city faces the challenging task of using its mineral wealth to drive broader economic development, reduce poverty, and tackle environmental and infrastructural issues stemming from swift urbanization.

Considering these obstacles, Ulaanbaatar harbors growth opportunities in tourism, renewable energy, and the tech sector, which could open the way for a more diversified and sustainable economic foundation. Essential to Ulaanbaatar's future are efforts to diversify its economy, enhance governance, and invest in human capital.

In summary, the economic path of Prague and Ulaanbaatar mirror their distinct conditions and challenges. Prague's economic solidity and expansion are supported by its diverse economy, strategic European location, and the advantages of EU membership. On the other hand, Ulaanbaatar's progress hinges on Mongolia's mineral riches, with continued efforts aimed at offsetting economic instability through diversification and sustainable development initiatives. Both regions, despite their disparities, both cities continue to adjust to the constantly evolving global economic environment.

## **4.2 Macroeconomic indicators**

In this section, Statistical data will be collected from both countries official statistical websites. These data will provide to our study a comprehensive overview of how the inflation crisis affects the economies of Prague and Ulaanbaatar. Through these indicators opens a gate to assess the health and resilience of each city's economy, understand the impact of inflation on different economic sectors and population segments and evaluate the effectiveness of governmental policy responses. This statistical analysis will highlight the direct and indirect consequences of inflation on economic stability, social

equity and regional development, offering insights into the challenges and opportunities for managing inflation in urban areas.

**Inflation rate:** Annual and monthly inflation rates over a defined period. This is the primary focus of the research

- **Gross domestic product (GDP)** : Data on GDP growth rates, GDP per capita and sector-wise GDP distribution is to understand the economic structure and growth over a defined period of time.
- **Unemployment rate:** Current and historical unemployment rates, including demographic breakdowns (age, gender, education level) if available
- **income distribution:** Data on income levels, poverty rates and income inequality indicators like the Gini coefficient.
- **Consumer Price Index:** Changes in the CPI, to understand how the cost of the living has changed over time
- **Interest rate:** Central bank interest rates, which influence the inflation rate.
- **Government debt and fiscal policy data:** Information on government spending, budget, deficit or surpluses.
- **Monetary policy information:** Central Banks reports policy decisions, especially those related to money supply and inflation control.

#### 4.2.1 Inflation rate index

In the first part of practical part, the author will analyse the hearth of our research; the historical and current inflation rates. This analysis will help us to measure the economic health of both regions. Moreover, the inflation rate data will be examined in relation to other datasets to provide a comprehensive understanding.

The discussion of inflation rates involves the use of local currencies, namely the Czech Crown and the Mongolian Tugrik. The inflation rate is often expressed through various figures, which are calculated using the Consumer Price Index (CPI). It's necessary to specify clearly both the reference period for which the inflation rate is calculated and the base period against which this reference period is compared. For accurate comparison, the same base period usage is must. This base year is set as the year 2015. This means that the

result is measured against the price levels of 2015 for both regions from official websites of both regions.

In the figure #2, it is important to note that the inflation rate data utilized is at the national level for both Mongolia and the Czech Republic, rather than specific to the regions of Ulaanbaatar and Prague. This approach is necessitated by the availability and accessibility of data. Despite this limitation, the national-level inflation data remains valuable for understanding the broader economic environment within which the cities of Ulaanbaatar and Prague operate. It provides a general context for the urban economic conditions, although it may not capture the unique dynamics of these specific cities.

In the figure #2 represents the annual inflation rate of specifically of Ulaanbaatar, Current inflation rate is announced as 7.9%

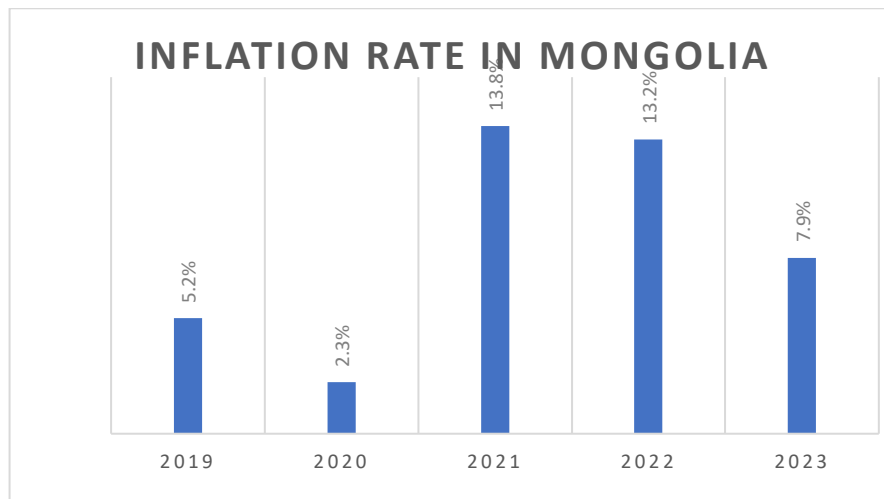
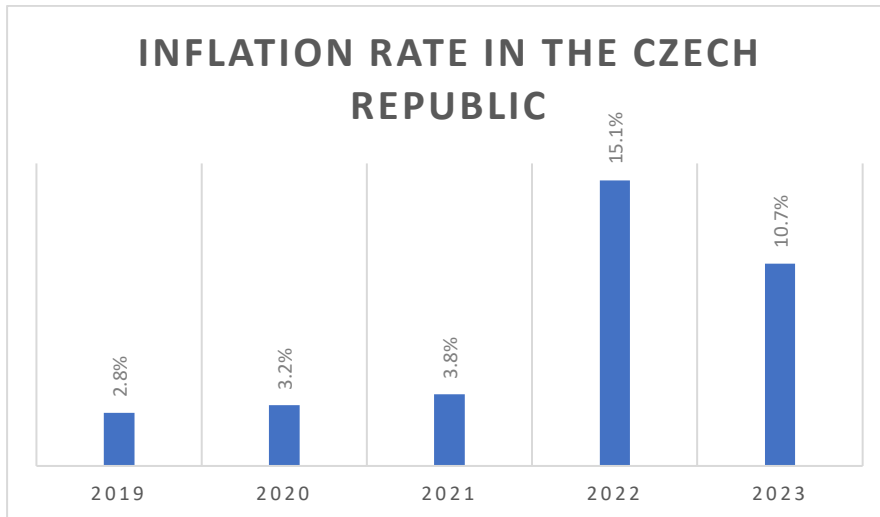


Figure 2 Inflation rate Mongolia

Source: own processing based on the central bank of Mongolia (Office N. S., National Statistical Office, 2024)



*Figure 3 Inflation rate Czech Republic*

Source: own processing based on Czech statistical office.  
(Consumer price indices - inflation - January 2024, 2024)

In the figure #3, the inflation rate data spanning from 2019 to 2023 provides a showing narrative of the economic conditions within the regions under study. Basically, a moderate inflation rate in 2019 that spiked notably in 2021 and 2022 suggests a response to significant economic pressures, potentially linked to the global events such as the COVID-19 pandemic and its widespread repercussions. This sharp increase is indicative of economic shocks, highlighting a period of volatility and reflecting the challenges faced by the regions monetary policies in stabilizing prices.

A comparative analysis between figure 2 and 3 reveals disparities in the inflation rates, particularly in 2021. These differences could be attributed to the varied economic tactics, resilience, and responses to international and local economic trends employed by each region's governing bodies.

According to Mongolian economists, the government's response to the COVID-19 pandemic was excessively tight. This cautious approach was mainly due to significant concerns about the COVID-19, especially considering Mongolia's relatively small population of only 3 million. There was a prevailing fear that a rapid spread of COVID-19 could pose a severe risk to the entire population. As a result, even when Mongolia had zero coronavirus cases, the government implemented strict measures. These included travel restrictions (such as restricting all flights and rail transport), quarantine measures, lockdowns in Ulaanbaatar (closing all public places except supermarkets), restrictions on



public gatherings, and economic support for citizens. These actions led to high inflation despite having zero COVID-19 cases in Ulaanbaatar. Mongolian economists criticize the government's early measures, arguing they brought economic difficulties to citizens and businesses.

The sharp increase in inflation rates, followed by decrease in 2023 potentially representing the turning point to economic recovery for both regions.

#### 4.2.2 Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is a comprehensive measure of overall economic activity. It expresses the total value of all goods and services produced between specified time period within nation's border. Generally, its used to test overall the country's activity, health and growth. An increasing GDP expresses economic strength, and decreasing GDP interprets economic weakness. Both regions' data will be covering between 1<sup>st</sup> quarter of 2019 until 3<sup>rd</sup> quarter of 2023. And Both data's seasonally adjusted and GDP change from previous quarter in national level.

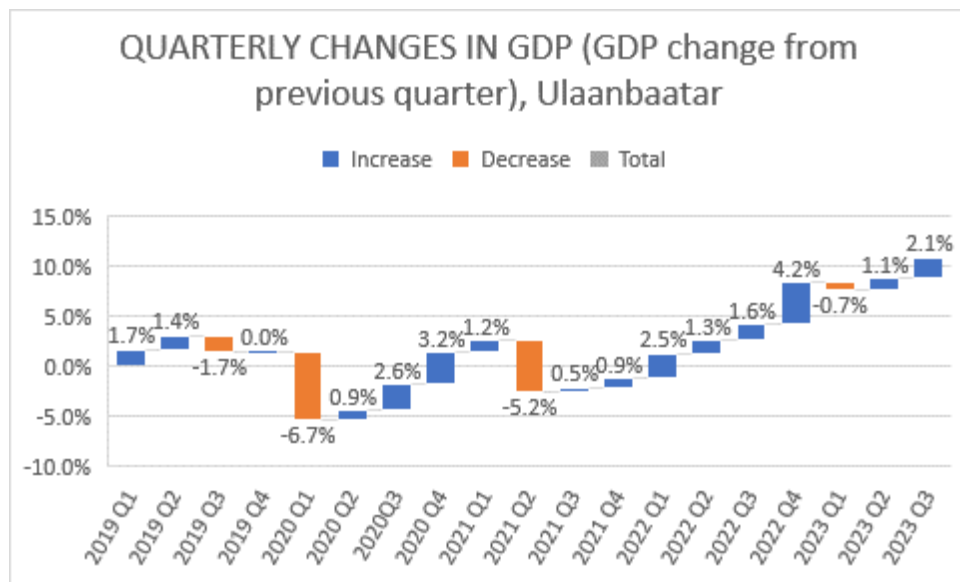


Figure 4 GDP, quarterly, Mongolia

Source: own processing based on Mongolian Statistical Information System (Office N. S., Statistics, 2024)

In the figure 4, it expresses generally growth is noticeable, with some significant drops, particularly in 2020 Q1 and 2021 Q2, which are result of initial impacts of the COVID-19

pandemic. The sharp decrease in 2020 Q1 followed by a rebound in subsequent quarters suggest a resilient economic response post-initial shock.

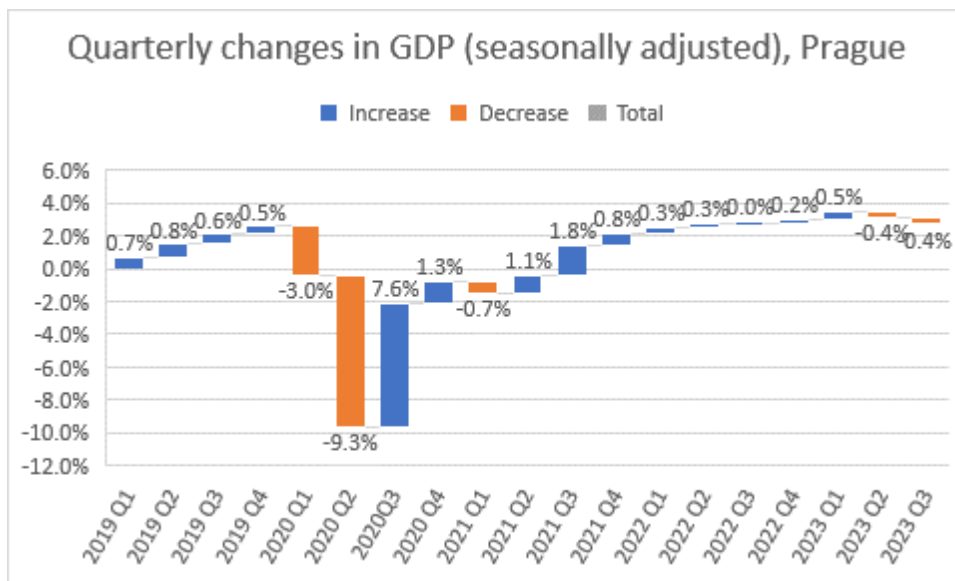


Figure 5 GDP, quarterly, Czech Republic

Source: own processing based on Czech statistical office (Office C. S., 2024)

Figure 5 is showing a more severe drop in 2020 Q2, indicating a significant economic contraction likely due to the pandemic's effects. However, a strong recovery is seen in 2020 Q3, which may reflect effective fiscal policies or recovery measures. The stability in 2022 with low growth rates could suggest a cautious approach to economic recovery or ongoing challenges in regaining pre-pandemic economic activity levels.

The negative growth in 2023 for Prague indicates an economic contraction, which could be due to various factors such as renewed COVID-19 restrictions, global economic slowdowns, or other external shocks.

Comparatively, Mongolian economy shows volatility but with higher peaks, possibly it may be more sensitive to external factors like commodity prices or trade flows, given its reliance on mining. Prague's economy, on the other hand, possibly shows signs of being more impacted by internal demand and possibly more influenced by its integration with the EU economy.

### 4.2.3 Unemployment rate

Continuing with unemployment rate, The unemployment rate will valuable insights into the labor market’s health of both regions. Starting with this indicator, focusing on our specific regions. It will help us to understand how current high inflation is impacting employment levels and how economic condition influence the labor market in Prague and Ulaanbaatar. A high unemployment rate possibly indicate economic difficulties, which can negatively affect to the inflation as consumer spending power decreases. On the other hand, a low unemployment rate possibly express a stronger economy, potentially give citizens more resilience against the inflation crisis. Both regions unemployment rate is between age of 15-64 and also filtered by gender, including individuals with disabilities for both region.

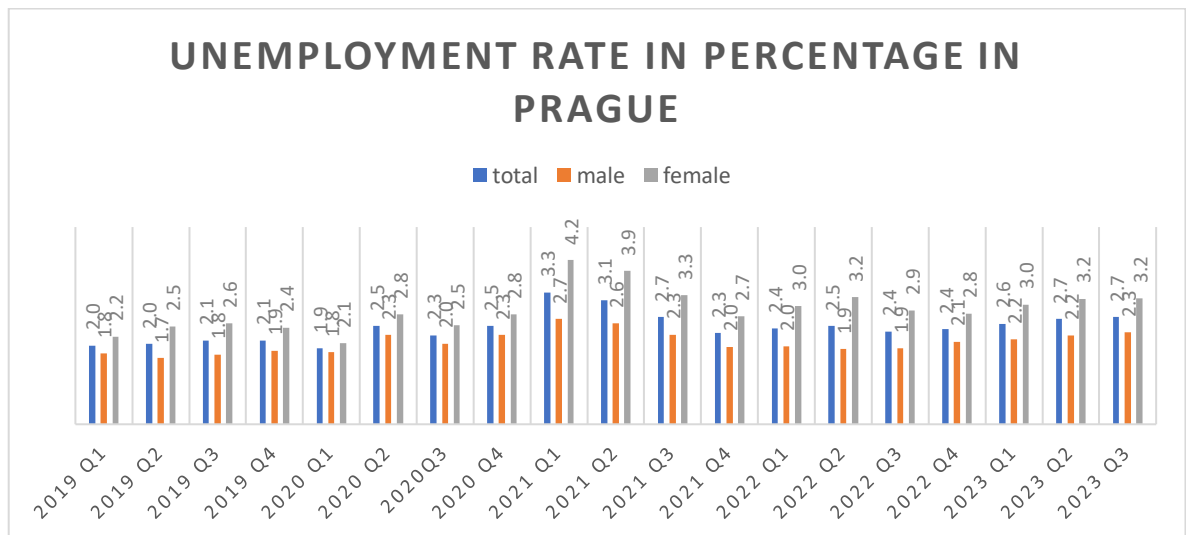


Figure 6 Unemployment rate Prague

Source: own processing based on Czech statistical office (Office C. S., 2024)

Figure 6 is clearly expressing that relatively stable market with low unemployment. Prague is recognized as the region with one of the lowest unemployment rate in Europe, especially when considering historical global standards, which is between 3-5%. The figures indicate a slight increase in the unemployment rate in 2021, which could express the economic impact of COVID-19. Additionally, there is consistent gender disparities. The female unemployment rate is always being higher than the male rate throughout the period observed.

In the book “Lean In: Women, Work, and the Will to Lead” By Sheryl Sandberg discussed the gender inequality in the workplace. According to the book and based on Czech statistical office data, The author assumes that the disparities between gender in the unemployment rates in Prague can be attributed to few factors, notably including the gender pay gap and societal norms around career choices and family responses. Women in the Czech Republic, on average, earn less than men for the same roles and type of work(*income distribution by gender, Czech statistical office*). This pay gap is partially due to motherhood and career breaks, which disproportionately affect women’s earnings and career development. Which can result in higher wages for men in the same positions. In addition, Majors such as education and healthcare, may offer higher wages to attract male employees. Women also tend to spend more time on family care and household, which limits the time they can focus on their careers. This issue is compounded by social culture, which has normalized the expectation that women will be paid less. Employers may also factor in potential family-related absences when making salary decisions, which can disadvantage women in wage negotiations. (Sheryl Sandberg, 2013)

In Ulaanbaatar, due to availability of data, Unemployment rate is officially announced only annually by Mongolian statistical information system.

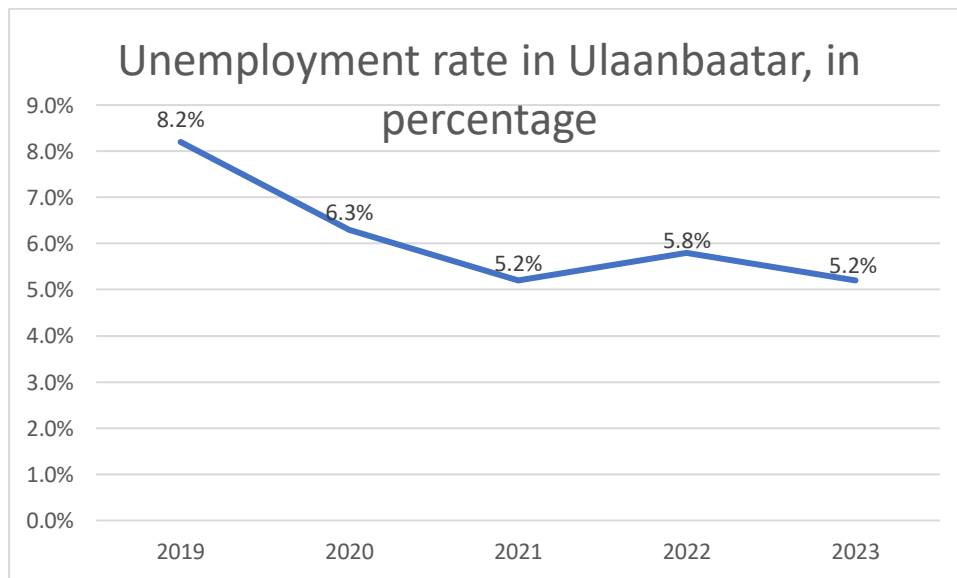


Figure 7 Unemployment rate Ulaanbaatar

Source: own processing based on Mongolian statistical information system. (Office N. S., Statistics, 2024)

The figure 7 highlights a positive trend by decreasing from a peak of 8.2% in 2019 to 5.2% in 2023, Ulaanbaatar's unemployment rate remains above the average rates observed in similar economies, which often range between 3% to 5% (*the International Labour Organization (ILO)*). This trend suggests an improving labor market post-COVID-19, potentially supported by the stability of the mining sector, which, according to (system, 2023) continued operations and even absorbed labor from other sectors during the pandemic.

A decreasing unemployment rate of Ulaanbaatar typically signifies economic recovery and growth, potentially that the job market in Ulaanbaatar is strengthening and more residents are finding employment. Secondly, Sectoral health like mining or services are large part of Ulaanbaatar's economy, the improving unemployment rate might indicate stability or expansion within these sectors.

#### **4.2.4 Income distribution & Real income**

In this section, the real income distribution data will provide an overview of income within the cities and it will provide us 2 main results. Firstly, We will analyse how wealth is spread among these urban areas. Secondly, how inflation crisis have changed the actual purchasing power of income by calculating real income.

This section will help us to understand economic inequality, impact of inflation crisis on purchasing power, policy evaluation, social stability, growth and development and consumption patterns.

#### 4.2.4.1 Income distribution / nominal values

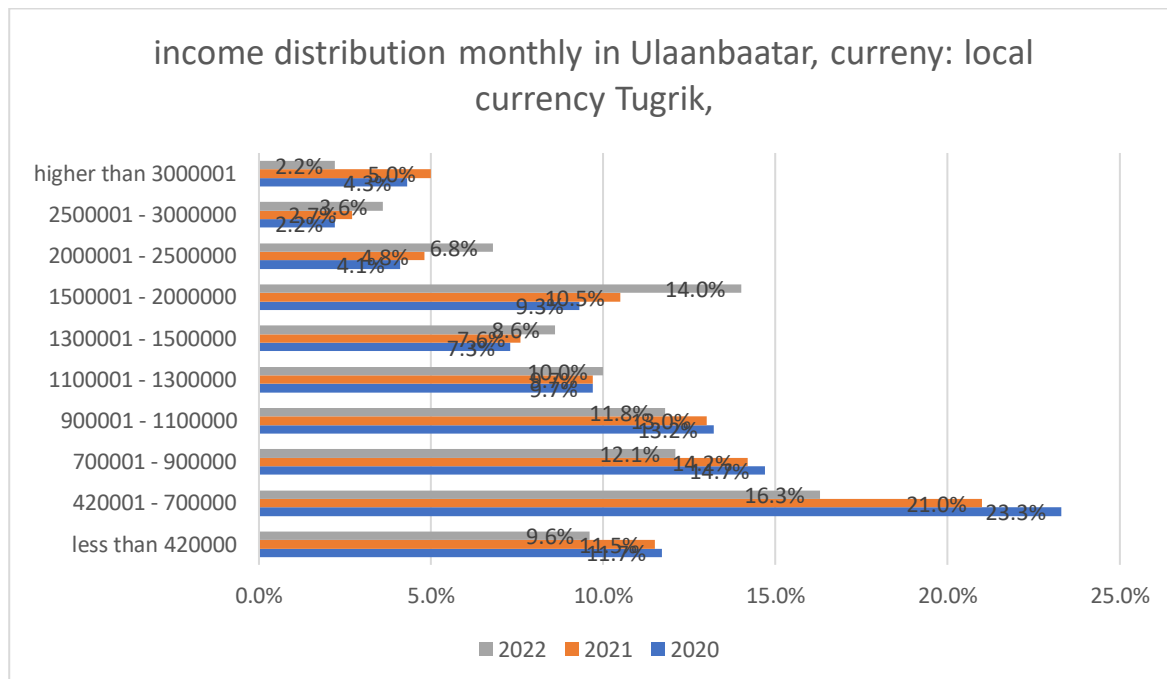


Figure 8 Income distribution Ulaanbaatar

Source: own processing based on Mongolian statistical information system. (Office N. S., National Statistical Office, 2024)

In the figure 8, There is a clear trend of decreasing income range of less than 700,000 MNT over three years. Basically, there is noticeable increase in the proportion of individuals in higher income brackets (1,500,000 to 3,000,000). The percentage of individuals less than 420,000 has decreased over 3 years, which would indicate possible reduction in the lowest earners or improvement in minimum wage levels. There is a significant increase in brackets between 1,500,000 to 2,500,000 range, this shows us there is an upward mobility within the middle-income segmentation. Lastly the percentage of individuals earning more than 3,000,000 MNT has been sensitive, reached 5% of the population in the 2021, but then dropping significantly to 2,2% in 2022. This could indicate a volatility in high paying jobs; a change due to fiscal policy affecting the highest earners, The Mongolian government implemented tax policy during COVID-19 pandemic period, which is; increased tax percentage from 25% to 30% of 3,000,000 MNT and higher income individuals, decreased lower income individuals 15% to 10%, which potentially resulted the higher income segment decreased. (system, 2023)

The data reflects a trend of income mobility, with fewer individuals in the lowest income range and more in the middle and upper middle brackets over time. This may imply economic growth or an effective redistribution of income, possibly due to economic policy changes, job market changes.

Conclusion, The trend could be the result of various policy measures or economic conditions. Mongolian economist “Mendsaikhan Enkhsaikhan” pointed out that the drop in the minimum wage is a consequence of the COVID-19 restrictions. Interestingly, the situation in Ulaanbaatar has been different from most other countries. When many businesses had to shut down in 2020 due to the pandemic, the mining sector remained active and was looking for employees. The mining sector, which usually pays at least 2,500,000 MNT which considered upper-middle income, attracted more employees. Usually, Ordinary Ulaanbaatar’s citizen don't choose to work in mining sector because the jobs are far from the city and workers must follow a tough schedule, working for 14 days straight and then getting 14 days off. This kind of life, away from family and home for long periods, doesn't appeal to many who live in Ulaanbaatar. But, COVID-19 made no choice other than that for ordinary citizens, and as a result of that, minimum wage group has been decreased and increase in middle and upper-middle segmentation observed.

Secondly in the figure 9, Prague income distribution

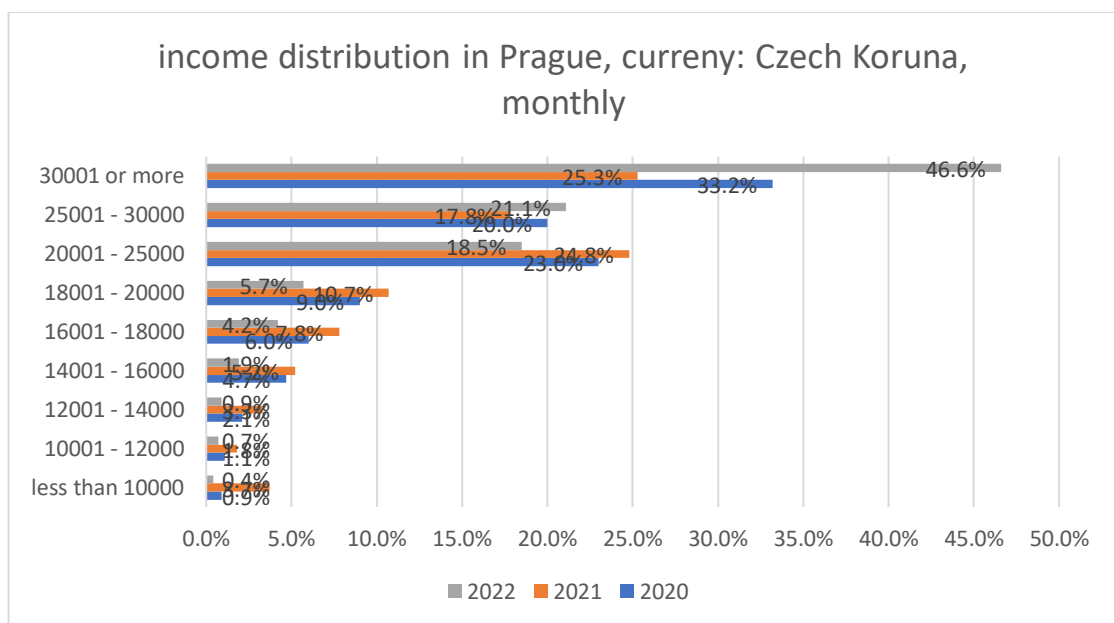


Figure 9 Income distribution Prague

Source: own processing based on Czech statistical office data 2024 (Office C. S., 2024)

In the figure 9, the population of Prague has seen slight rise from 2020 to 2022, and in the lower wage group; there is notable reduction in the percentage of the population earning less than 20,000CZK. The group earning less than 10,000CZK has dropped from 0.9% in 2020 to 0.4% in 2022. The percentage of middle wage group between 10,000CZK to 25,000CZK sensitive across the 3 years, within an increase in 2021 followed by decrease in 2022. But significant increase observed in higher income bracket; 30,001 and more. This group almost doubling from 25,3% to 46,6% in 3 years.

Overall, these trends may be showing an economic rebound post-pandemic, with shift towards higher paying jobs and an overall increase in the wealth of Prague's residents. It could also reflect the impact of government policies or changes in the structure of the labor market. This data is showing us the overall economic health, with a move away from lower wages and an expansion of the middle and upper-middle segmentation.

Data from both cities show that Ulaanbaatar and Prague may have experienced economic shifts post-pandemic, leading to a decline in the lower wage range and an expansion in the middle and upper-middle income brackets. These trends could highlight broader economic growth, policy reforms, and shifts in labor market dynamics.

#### **4.2.4.2 Real Values of Income distribution**

Firstly, Ulaanbaatar's real income will be analysed of income based on nominal values we have obtained from Mongolian statistical information system. The nominal values were obtained from both official statistical websites, and the author has calculated them to check the real income.

The formula used for real income is

$$\mathbf{Real\ income = Nominal\ income / (1+Inflation\ rate)}$$



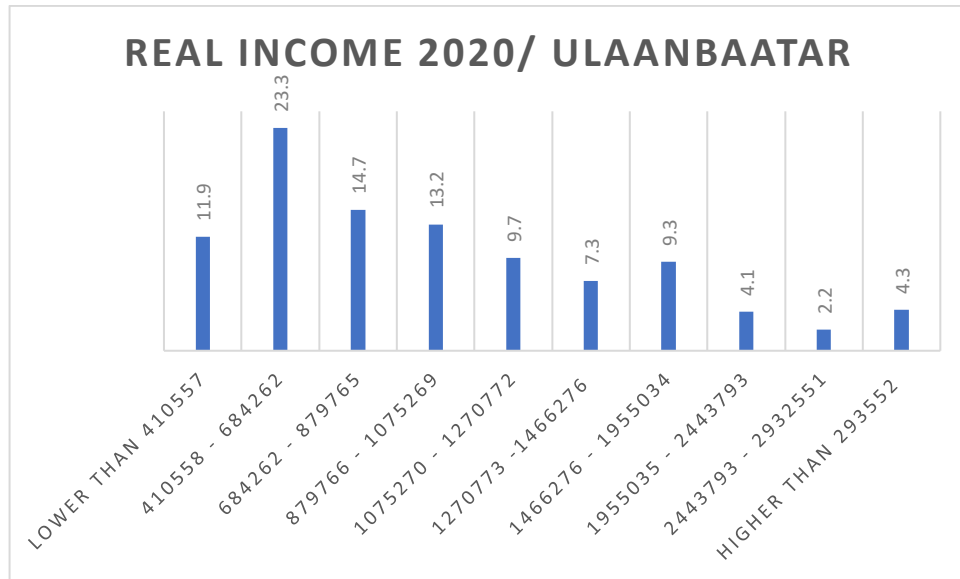


Figure 10 Real income 2020, UB

In the figure 10, how inflation rate impacted to nominal values that we obtained from statistical website. “Firstly Lower than 410,557 MNT” bracket’s nominal values was 420,000 MNT in previous chapter. The calculation is  $420,001 / (1 + 0.023) = 410,557$ .

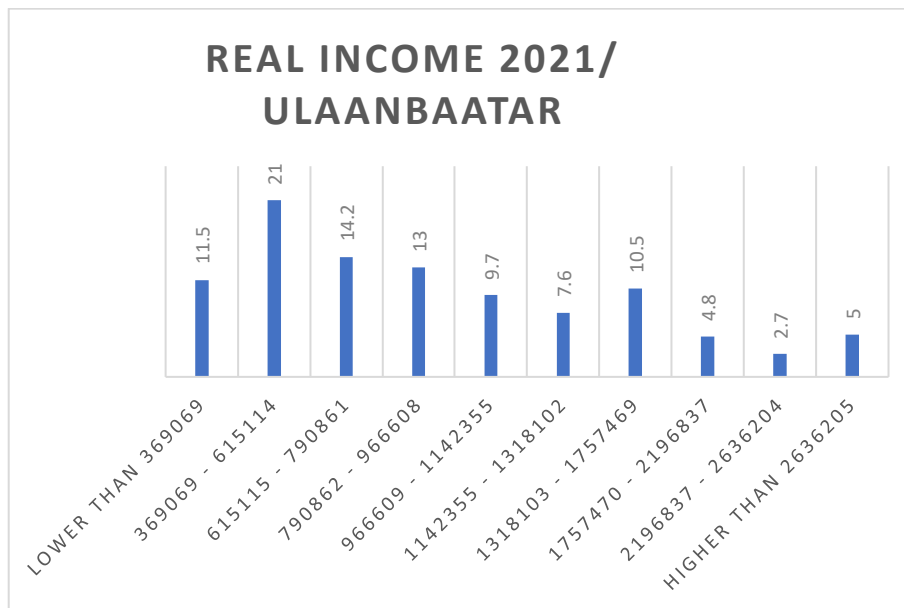


Figure 11 Real income 2021, UB

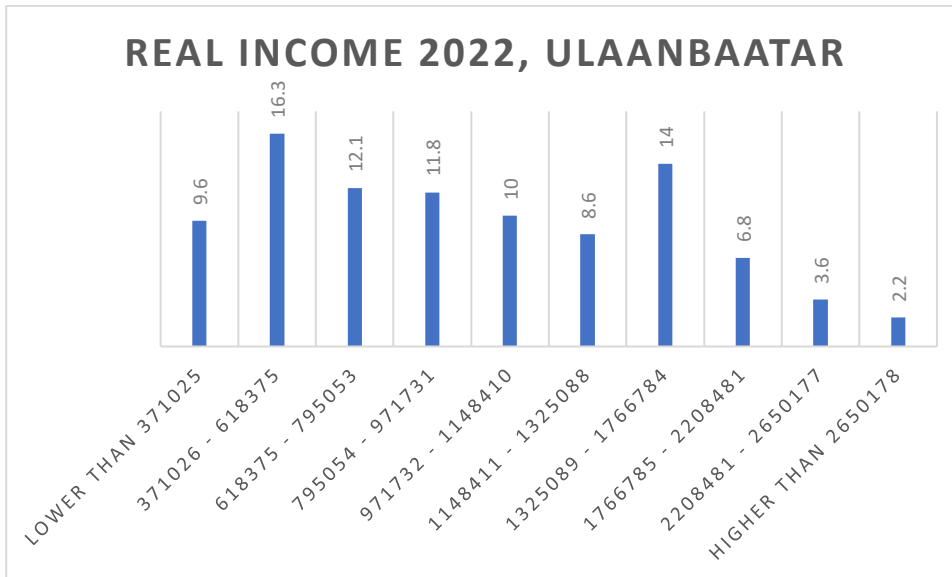


Figure 12 Real income 2022, UB

Between figure 10 and 11, every income bracket experienced a decrease in real terms, even it was increasing in the nominal values, which means the purchasing power of people in these brackets has been reduced due to inflation. The largest real decrease was in the lowest income bracket, with a reduction of 17.16%, indicating that the inflation rate has significantly eroded the purchasing power of lower-income individuals.

Between figure 11 and 12, The trend of decreasing purchasing power continued across all brackets. The real decrease was more pronounced in the lower income brackets, with the lowest bracket experiencing a reduction of 29.72% in real terms. This shows that inflation continued to have a severe impact on the purchasing power of individuals, particularly affecting those in the lower income brackets.

Overall, The real purchasing power of individuals in Ulaanbaatar has declined from 2020 to 2022. The high inflation rates of 13.8% in 2021 and 13.2% in 2022 have not been matched by increases in income within the same periods, leading to a decrease in real income across all brackets, even nominal values were increased.

Secondly, Prague's real values on income distribution.

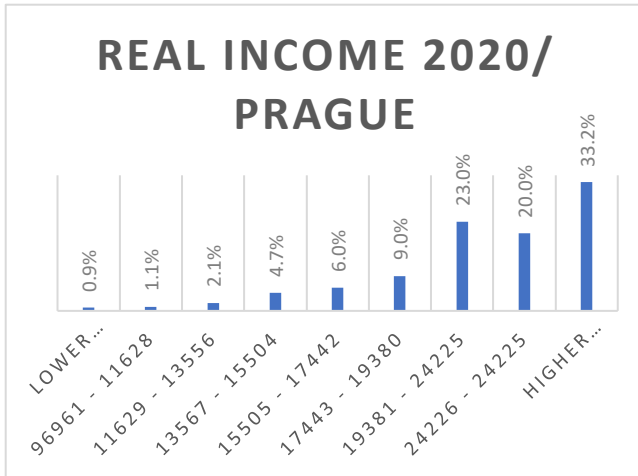


Figure 13 Real income 2020/ PRG

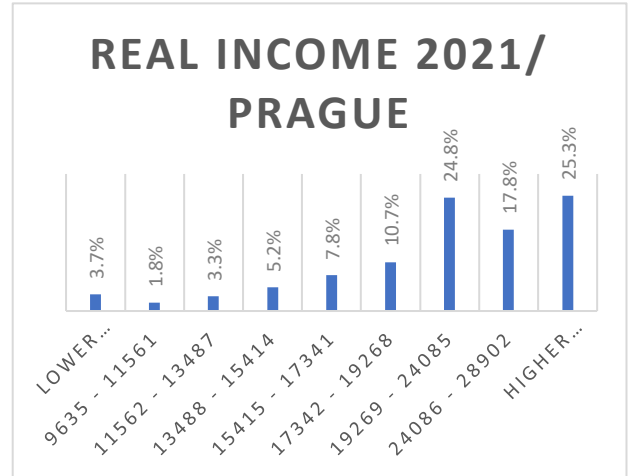


Figure 14 Real income 2021/ PRG

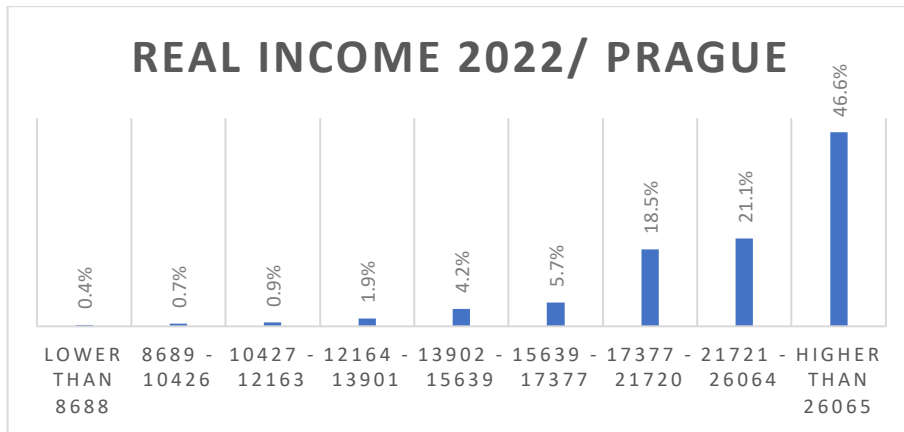


Figure 15 Real income 2022 / PRG

In the figure 13 and 14, there was an enormous apparent increase (over 300%) in the bracket earning less than 9634, likely due to the low base effect, which could be a expressing of COVID-10 changes in the job market.

In other income brackets, there were also increases, such as a 15.09% increase in the 17443 - 19380 bracket, indicating a possible shift towards higher incomes or adjustments for inflation.

The bracket of 24226 - 28902 saw a real change decrease of 14.8%, which suggests a contraction in that income bracket or a shift towards higher income categories.

Between figure 14 and 15, it indicates with a high inflation rate of 15.1%, all income brackets experienced a decrease in real terms, with the lowest income bracket seeing a decrease of over 104% in real terms, indicating a significant erosion of purchasing power.

The highest income bracket saw a substantial apparent increase in population (over 69%), which, even after adjusting for inflation, suggests a significant shift of the population into this bracket, potentially indicating widening income inequality or a significant increase in high-paying jobs or entrepreneurship within the economy.

Overall, The data suggests that there has been a significant shift in the income distribution in Prague, with a marked increase in the highest income bracket population. However, this shift has occurred against a backdrop of high inflation, especially in 2022. The purchasing power of most income brackets has decreased, with the inflation rate outpacing income growth, particularly in 2022. This would necessitate policy measures to support those in lower-income brackets and ensure that wage growth keeps pace with inflation to maintain the standard of living.

Conclusion, however both countries shown as nominal income values increase over 3 years, the real income figures representing true purchasing power, which have significantly dropped. This indicates that the observed wage growth has not kept pace with the inflation rates, leading to a decrease in the standard of living for many residents in both Ulaanbaatar and Prague. In Ulaanbaatar, the high inflation rates of 13.8% in 2021 and 13.2% in 2022 have eroded the purchasing power of all income brackets, particularly affecting the lower-income groups. The economic dependence on commodity exports has made the city vulnerable to external shocks, and the residents' ability to afford basic goods and services has diminished as prices have increased faster than incomes. Similarly, in Prague, the inflation spike of 15.1% in 2022 has had a profound impact on real incomes, with even the highest income brackets experiencing a decrease in purchasing power. While there appears to be a shift towards higher nominal income categories, this shift is overshadowed by the significant inflationary pressures that have resulted in a real-life decline in wealth for most of the population.

The trends observed in both cities highlights the necessity for robust economic policies that not only stimulate nominal income growth but also importantly contain inflation to protect and enhance the real purchasing power of citizens. There is a clear need for targeted interventions, such as adjustments to minimum wage policies, tax relief programs, and social welfare enhancements, to support those most affected by inflation. Additionally, based on our research on literature review, strategies to diversify economies, stabilize local

currencies, and foster sustainable economic growth are imperative to build resilience against future inflationary pressures.

#### 4.2.5 Base interest rate

In this section, We will study the policy interest rates set by the central banks of both regions, also known as the 'base interest rate' or 'key interest rate'. It will be highlighted how the Central bank's decision on interest rate are pivotal factor in economic dynamics. These rates significantly influence borrowing costs. When interest rates are high, borrowing money becomes more expensive, which can slow down how much people spend and invest. On the other hand, when interest rates are low, it encourages more spending and investment. By looking at interest rate, The data provides have necessary idea of how the government is trying to manage the economy. For instance; higher rates might be used to control inflation, while lower rates might be to help the economy grow. This can give us overall economic situation.

The following data has shown Ulaanbaatar's base interest rate percentage of following

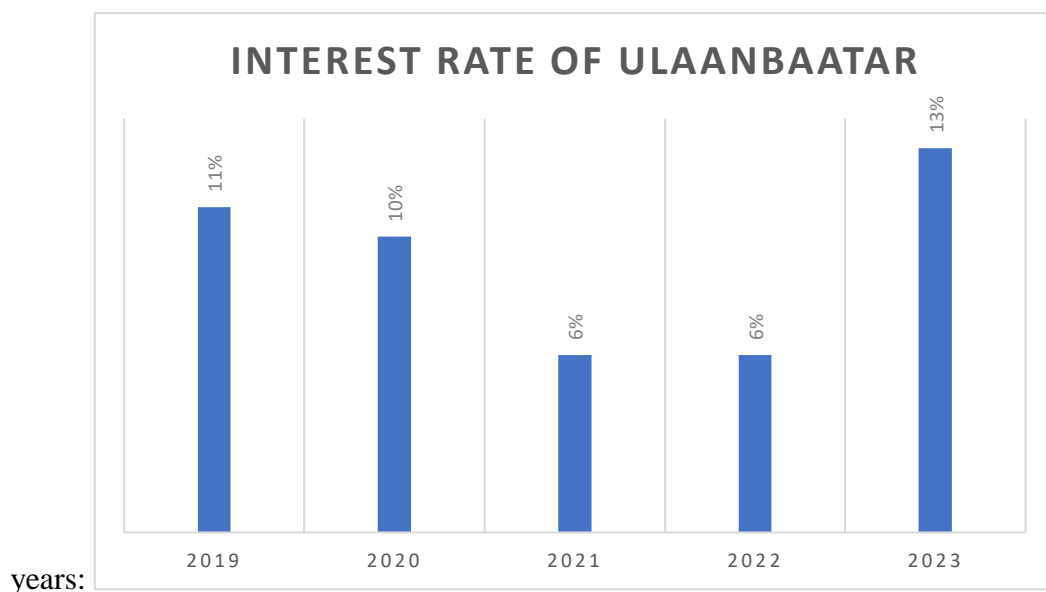


Figure 16 Interest rate Ulaanbaatar

Source: own processing based on The Central Bank of Mongolia

The interest rate trends in Mongolia from 2019 to 2023 is showing us how dynamic economic policy environment. Basically, by decreasing from 11% in 2019 to 6% in 2021 could indicate a period of monetary easing where the central bank aimed to stimulate

economic growth by making borrowing cheaper. This could have been in response to a slowing economy or in anticipation of needing to bolster economic activity, possibly in relation to the COVID-19 pandemic's impact.

The steady rate in 2021 and 2022 suggests a phase of economic stabilization, where the central bank maintained low rates to continue supporting economic growth during and after the pandemic's main economic impacts.

The drastic increase to 13% in 2023 is particularly significant and might reflect a response to increasing inflationary pressures or an overheating economy, necessitating a tightening of monetary policy to prevent runaway inflation. It could also signal the central bank's intention to stabilize the currency or attract foreign investment by offering higher returns on deposits and securities.

Secondly, The Czech Republic's base interest rate;

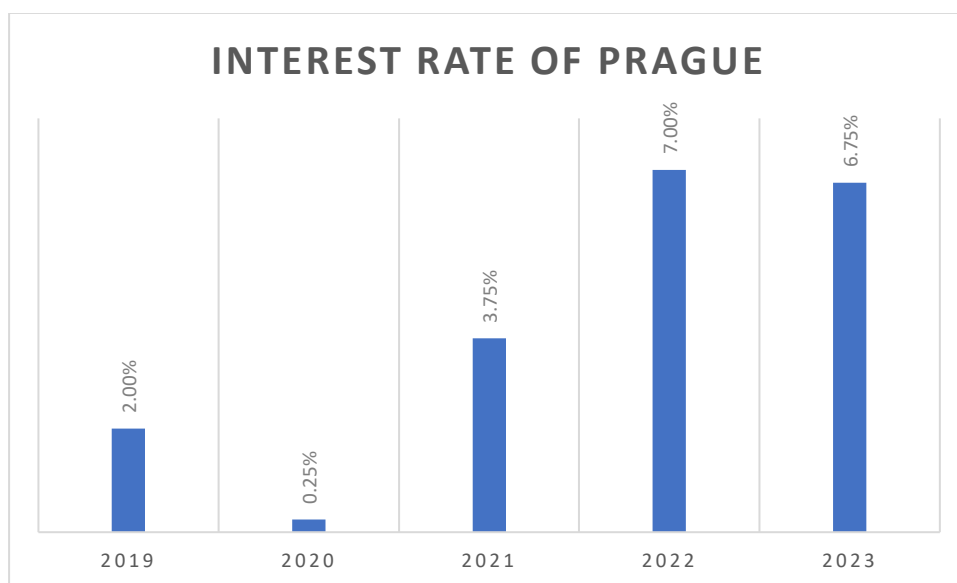


Figure 17 base Interest rate, Prague

Source: own processing based on Czech National Bank

The interest rates in the Czech Republic from 2019 to 2023 show varied monetary policy responses to economic conditions. In 2019, a moderate rate of 2.00% suggests stable economic conditions. In 2020, the rate dropped significantly to 0.25%, likely reflecting a response to the economic impact of the COVID-19 pandemic with a strong stimulus intent. The subsequent increase to 3.75% in 2021 and a sharp rise to 7.00% in 2022 could indicate efforts to curb inflation during the recovery phase. The slight decrease to 6.75% in 2023

might suggest that the central bank is aiming to balance controlling inflation while not overly restricting economic growth.

In conclusion, comparative study between these of interest rate of these 2 countries between 2019-2023; Clearly both countries central banks employed distinct monetary policies reflective of their individual economic situations. The Czech National Bank fluctuating interest rates, by significant drop in 2020 followed by rises, potentially indicating that strategic response to stimulate the economy during pandemic and later, to combat inflationary pressures. On the other hand, The Mongolia's response, with high rates maintained during the early pandemic years, a decrease in pandemic period and notable increase in 2023, may indicate a varied response timeline to similar global economic challenges.

#### **4.2.6 Fiscal policies**

The main goal of fiscal policy is to manage the economy by adjusting government spending and taxation, which implemented by government. Its also one of the key policy that can affect directly to inflation crises, in times of high inflation. Through reduced spending or increased taxes, aiming to stabilize prices. It aims few key economic goals which are economic growth, full employment, price stability, balancing the budget, stabilizing the economy. These objectives significantly impacts economic performance, day-to-day living standards

It has significant effect to residents:

- Government spending on infrastructure, education, healthcare and social programs can create jobs and increase demand for labor market and leads lower unemployment rate; potentially higher wages.
- Taxation policies: Tax cuts can increase disposable income for individuals and businesses, encouraging spending and investment.
- Public services: Fiscal policy decisions on where to spend the government spending directly and indirectly can affect social welfare, such as healthcare, education and public transportation and so on; impacts people's quality of life.
- During economic downturn period, governments can implement fiscal policy to support to overall economic and residents; such as decreasing tax percentage,

supporting businesses/ startups. Another words, Fiscal policy is one of main policy that can affect directly to inflation crises, in times of high inflation. Through reduced spending or increased taxes, aiming to stabilize prices.

The fiscal policy in Prague, between 2020 to 2022, mainly focused on managing the economic impact from COVID-19 pandemic, inflation and maintaining public finances under challenging circumstances. The fiscal response involved significant public spending to support the economy, healthcare and social services, while focusing the rising public debt.

In 2020, The Prague's economy faced substantial economic downturn due to global pandemic. GDP declined by 6.1% annually. The government and the CNB implemented significant changes on fiscal and monetary policy to keep the economic downturn with little stress as possible. General government deficit of about 5.8% of GDP and an increase in public debt to 38.3% of GDP by the end of the year. Fiscal policy adjustments were made to prepare the expenditure framework for following years, means aiming to support recovery without imposing drastic restrictions that could undermine potential economic recovery. *(World Bank report on Czech's economic outlook)*

In 2021, The Czech government aimed to decrease the economic downturn with the draft state budget forecasting a deficit of CZK 376,6 Billion (5.8% of GDP), based on expenditure with a structural deficit of 5.6% of GDP. The Goal was to return back to more sustainable fiscal, balancing economic growth and fiscal responsibility. The average inflation rate was expected to reach 3.5% in 2021, which almost reached by 3.8%. But it jumped back to high inflation rate in 2022, mostly due to high energy and commodity prices. *(World Bank report on Czech's economic outlook)*

In 2022, Economic situation continued to face pressures from high inflation and the economic outcome of the Russian and Ukraine war. The annual rate went upwards and reached 15.1%, significantly impacted households and businesses. The original state budget for 2022 was changed due to this challenges, improving the budget balance by nearly 100 billion CZK due to higher expected revenues and expenditure adjustments. The



deficit of 2022 was 375 CZK billion, with state budget deficit of 295 CZK billion planned for 2023. (*World Bank report on Czech's economic outlook*)

Overall, the fiscal policy overview highlights that how the government and CNB responded to navigate through economic downturns, external pressures and inflationary pressures. By adjusting fiscal policy to stabilize the economy, support the recovery and aiming for long-term fiscal growth.

In Ulaanbaatar, Mongolia, The fiscal policy has been changing to overcome depending on unique economic challenges, including those stemming from its mostly being dependent on mining sector. The government has implemented several fiscal measures to reach economic stability, growth and diversification. These measures including adjusting public spending to support infrastructure development and social services, reforming tax polices; with focus fairness between population segmentation. In Ulaanbaatar, the economic hub, fiscal policy has focused on urban development, improving public services and highlighting socio-economic disparities. Mongolia's fiscal policy faced the COVID-19 pandemic, global economic disruptions, trade restrictions, especially with China. Efforts to stimulate the region's economy and invest in sustainable urban infrastructure and improving the quality of life for residents are key of Ulaanbaatar's fiscal policy management. This aims to create a resilient economy capable of defending from external shocks such as from global commodity prices, impacts of global economic downturn and external pressures. (BTI-Ulaanbaatar, 2022)

The comparative analysis highlights the different fiscal policy challenges and responses from both governments during period of COVID-19 pandemic and external economic shocks. While both countries implemented measures to support their economic, their strategies reflect their unique economic context and long-term suitability challenges. The government's approach of Prague, CZ was more conservative, focusing on budget tightening and tightly following to implemented fiscal responsibility rules. In contrast, Ulaanbaatar has been implementing expansive fiscal policies aimed at immediate economic support led to increased debt and highlighted the need for significant reforms to ensure fiscal sustainability. Both regions has been facing the tasks of navigating post-pandemic recovery and supply shock inflation due to Russian and Ukrainian war.

## **4.3 Public opinion**

This study is to explore public opinion on the impact of both urban areas inflation crisis, utilizing a structured through google forms. The public opinion featuring both closed-ended and open-ended questions, was designed to collect quantitative data on various aspects of the crisis, alongside qualitative insights into the participants perspectives and experiences. The author was able to totally find 31 participants from both regions, all above 18 years of age, with a variety of employment statuses to ensure a diverse representation within the specified demographic and employment categories. This approach aimed to understand the wide range of experiences and viewpoints of residents from both regions regarding the inflation crisis, thereby gathering comprehensive data that reflect the complex nature of this economic challenge.

### **4.3.1 Public opinion results**

The author collected data from 31 participants. The public opinion included questions on demographic information, awareness and perception of inflation, its impact on daily life, employment status, thoughts on government policies, quality of life, future perceptions, and an open-ended section for feedback. Please note that there were required and not required questions, The author will be analysed the most relative answers and hypothesis will be provided in the final part of this section.

- **Graph 1 Where are you from?**

Where are you from?  
31 responses

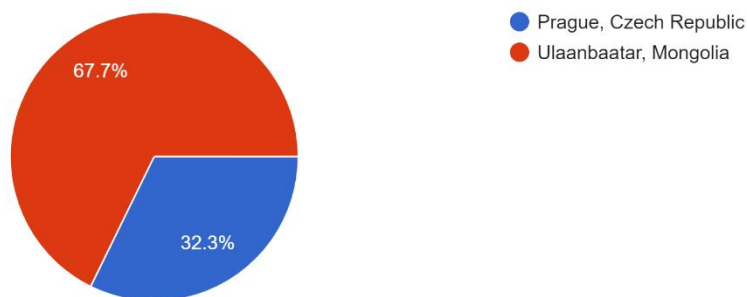


Figure 18 Demographic, public opinion

Source: own work

According to graph 1, the majority of respondents 67,7% (21) were residents of Ulaanbaatar and 32,3% (10) participants were from Prague.

- **Graph 2: Age Groups:**

Age Group  
31 responses

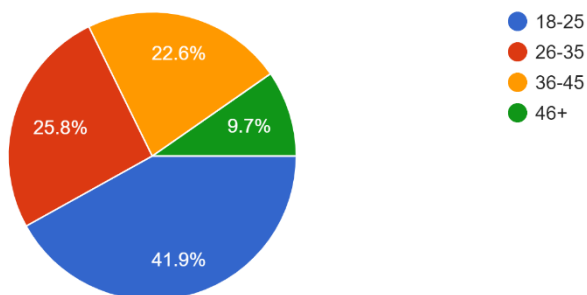


Figure 19 Age Groups, public opinion

- Source: own work

The author limited the age group to a minimum of 18 years old, because in Ulaanbaatar most citizens under the age of 18 are legally not allowed to work full-time jobs. However, in the Czech Republic, they can work under certain conditions. This distinction makes it challenging for younger individuals to experience the effects of inflation on their daily lives, according to the author's view. The most participants were between 18-25 years old,

and followed by 25,8% of 26-35 years old, 22,6% of participants were between 22,6% and lastly there were 9,7% of 46+ years old.

- **Graph 3: Employment Status:**

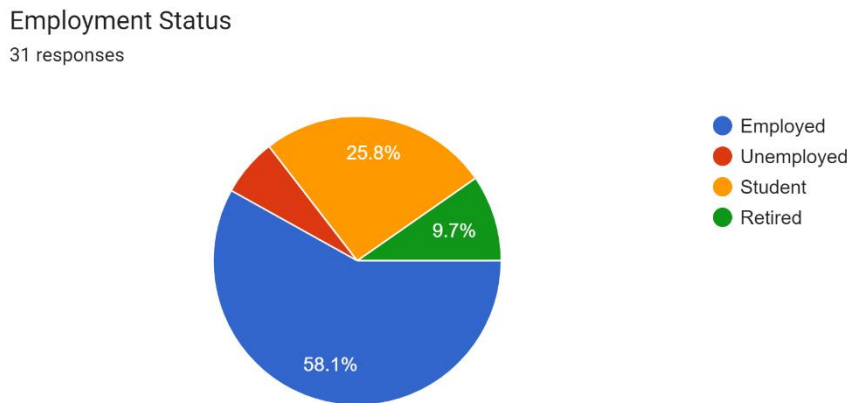


Figure 20 Employment status, public opinion

Source: own work

Our most participants were employed, and 25,8% of respondents were students but all of them informed to me they have part-time jobs. Retired participants were 9.7% and 6.5% of unemployed participants with certain savings.

- **Graph 4: Awareness of inflation crisis in their region**

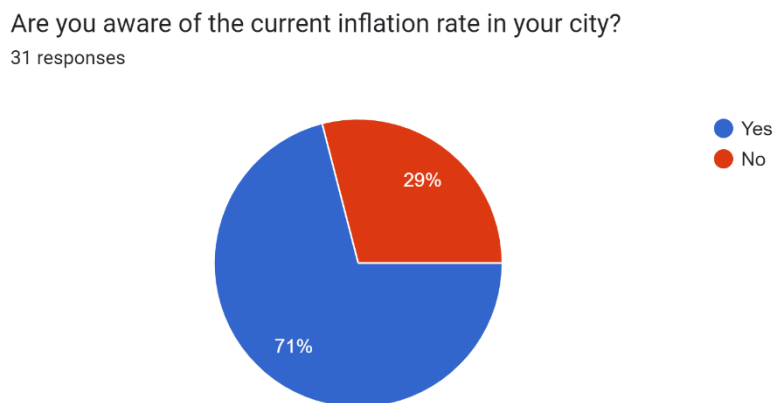


Figure 21 Awareness of inflation, public opinion

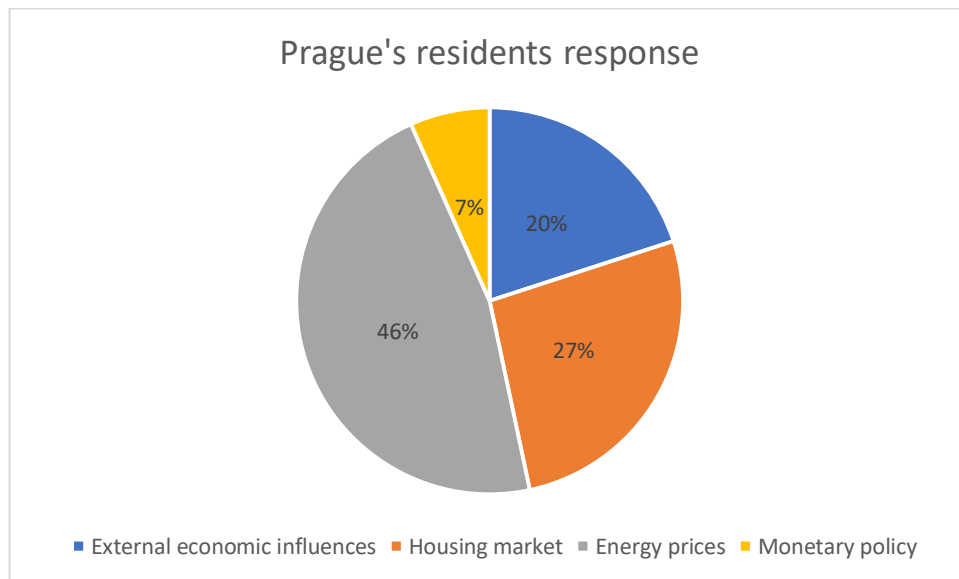
Source: own work

71%(22) of participants were aware of current inflation rate of their region and 29%(9) participants were not aware of current inflation rate of their region.

- In the figure 22, “**In your opinion, what are the main factors contributing to the current inflation in [Prague/Ulaanbaatar]? Please feel free to explain your views or provide examples based on your experience or observations.**”

Since the question was open-ended, The author is summarizing the main point of all participants answers.

- **Graph 6: Residents of Prague**



*Figure 22 Main factors of inflation, Prague - public opinion*

Source: own work

Please note that most participants mentioned 2 or more factors. A total of 10 participants of Prague citizens. 46% of the answers referring to “Energy prices”; The participants were pointing out that fluctuations in energy prices, especially given Europe’s recent energy market volatility directly impact their daily lives. Followed by 27% answers were raising a point of “housing market”. The cost of housing in Prague has been rising, contributing to overall inflation through increased living costs. Thirdly, with 20%, “External economic influence” which they described being a part of the EU, the Czech economy is influenced by broader European economic policies and conditions. Lastly, 7% of the answers pointing that monetary policy by Czech National Bank including interest rates and money supply affecting this high inflation rate.

- **Graph 7:Residents of Ulaanbaatar:**

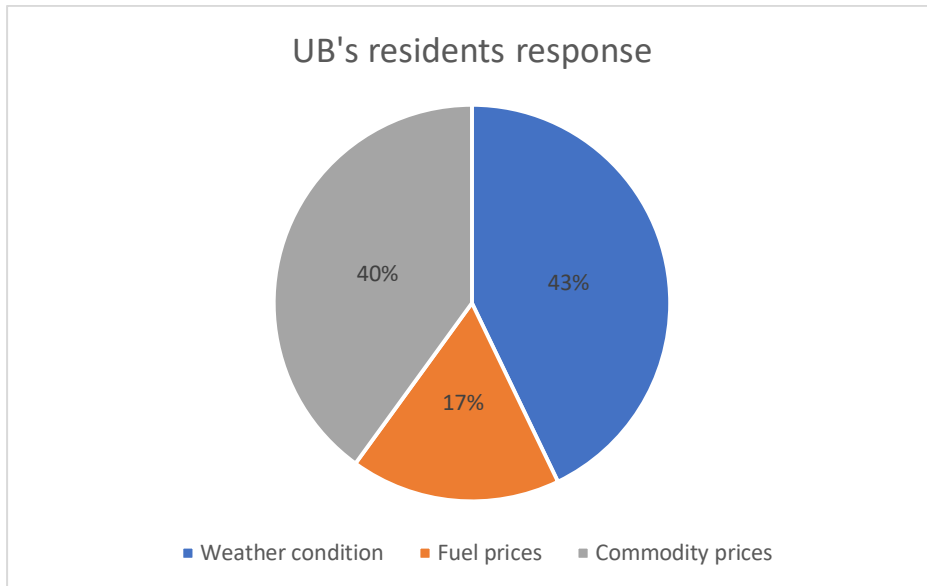


Figure 23 Main factors of inflation, Prague - public opinion

Source: own work

However, residents of UB are pointing out different factors. 43% (15) of participants pointed out about weather conditions; being a country with significant agricultural output, adverse weather conditions can affect food prices and, in general, the inflation experienced by Ulaanbaatar's residents. In winter, temperatures can reach approximately -40 Celsius, which makes it extremely hard for the agriculture sector. Followed by 40% (commodity prices); Since the economy is heavily dependent on mining sector, fluctuations in the prices of these commodities significantly impacts inflation. Lastly, fuel prices were highlighted by 17% (6) of the responses. The reliance on imported fuel and fluctuations in global oil prices can have a direct impact on inflation.

- **Have you noticed an increase in your regular expenses due to inflation? (e.g. Groceries and foods, Housing costs, Utilities, Transportation, Healthcare, Education costs, Clothing etc... )**

It was a multiple choice question(one answer), possible answers were: No increase, Slight increase, moderate increase, significant increase.

Graph 8:Responses of Prague

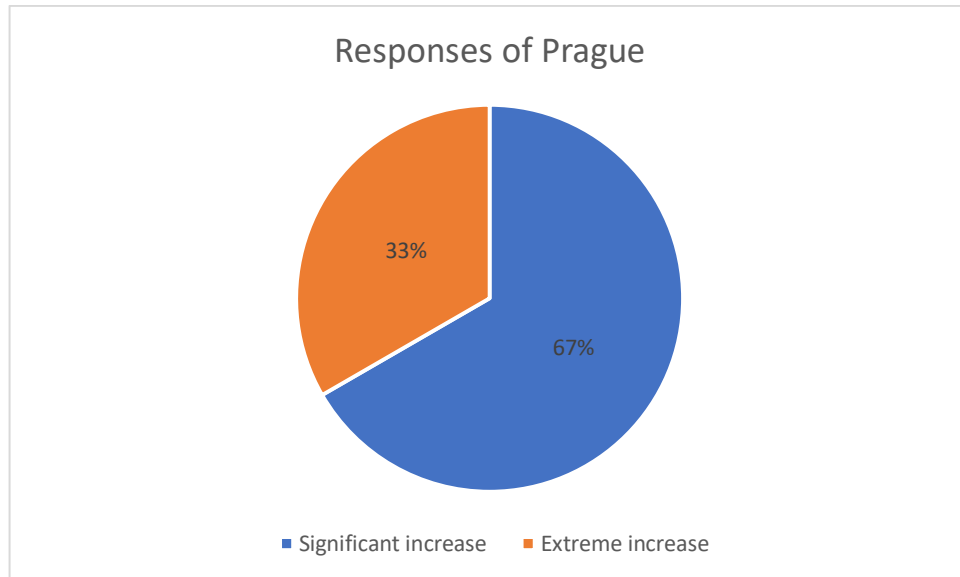


Figure 24 noticed increase - PRG - public opinion

Graph 9: Responses of Ulaanbaatar

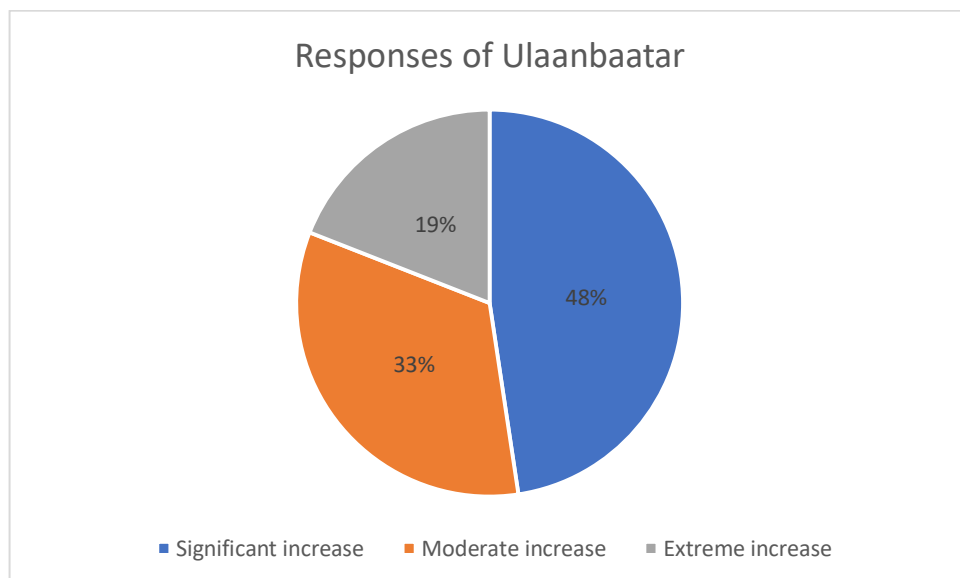


Figure 25 noticed increase - UB - public opinion

Source: own work

Both regions' participants reported that they recognized mostly significant and extreme increase in their expenses. Which expresses the data from the public opinion responses reflects that individuals in both Ulaanbaatar and Prague have perceived an increase in their

regular expenses due to inflation. The majority of respondents from Ulaanbaatar report a significant increase in costs, with some indicating an extreme increase or moderate increase. Similarly, respondents from Prague also report increases in expenses, with many indicating a 'significant increase' and others noting 'extreme' increase. This consistency in responses across both cities suggests that the inflation crisis is having a tangible impact on the cost of living, affecting various aspects of everyday life such as groceries, housing, utilities, transportation, healthcare, education, and clothing.

- **Have you reduced spending in certain areas due to increased costs? (one or more answers)**

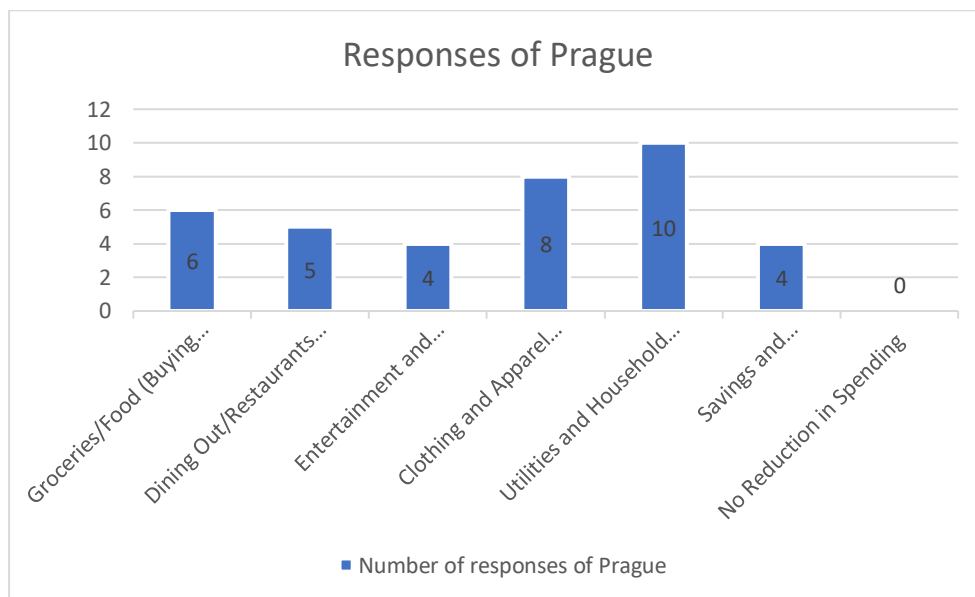


Figure 26 reduced spending - PRG - public opinion

Source: Own work



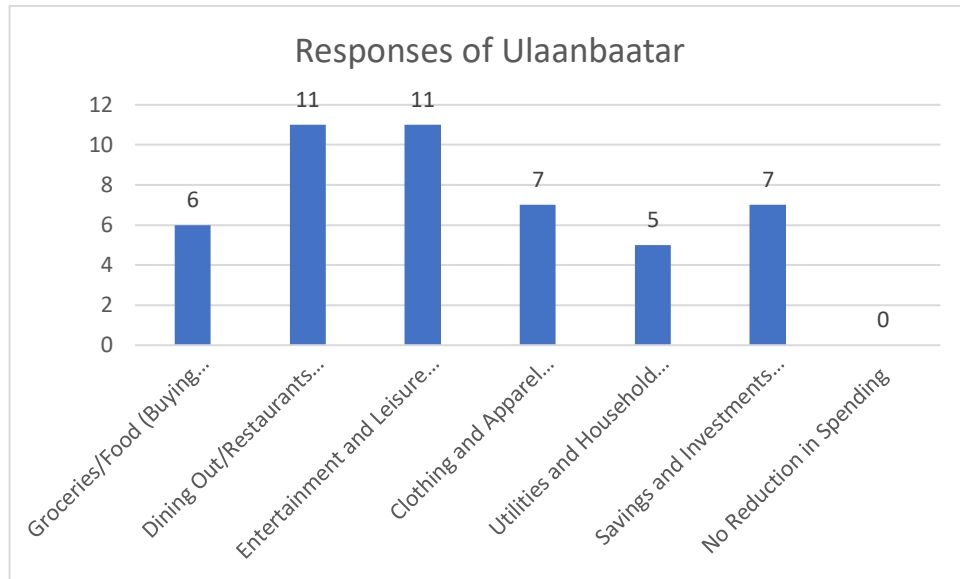


Figure 27 reduced spending - PRG – public opinion

Source: Own work

The public opinion results expressing us that the inflation crisis is prompting notable shifts in spending behaviour of population of Prague and Ulaanbaatar. Citizens of both regions are reducing expenditure across a range of categories, from essentials like groceries to discretionary spending such as dining out and entertainment. The trend suggests that inflation is widespread pressure on household budgets, Especially 100% participants of Prague expressing they are tightening their household expenditure. Comparison between these 2 regions indicate some distinct patterns. In Ulaanbaatar, there is more pronounced cutback in non-essential spending, with significant number of respondents reducing expenses in dining and entertainment more than Prague, This could reflect deeper impact of inflation on disposable income or possibly cultural variations in spending responses to economic downtime. The data underscores the absence of any group reporting “No reduction in spending”, highlighting the universal reach of inflation effects among the region. These insights not only illustrate the immediate challenges faced by individuals in managing their personal finances amid rising costs but also carry implications for local businesses, particularly in sectors where consumer spending is retracing. Such changes in consumer behaviour, if sustained, may influence long-term economic trends and warrant consideration in policy-making to bolster economic resilience and consumer purchasing power.

- **How satisfied are you with the government’s response to managing inflation;**

Interestingly in this question, 19 of 31 participants were answered, and all of them were not satisfied with the governments response to managing inflation; highlighting that their daily lives is highly affected by these inflation rate for both regions and potentially losing faith on their government and national bank’s decision-making.

- **Have you experienced job loss or reduced work hours due to economic conditions? (one answer)**

Have you experienced job loss or reduced work hours due to economic conditions? (one answer)  
31 responses

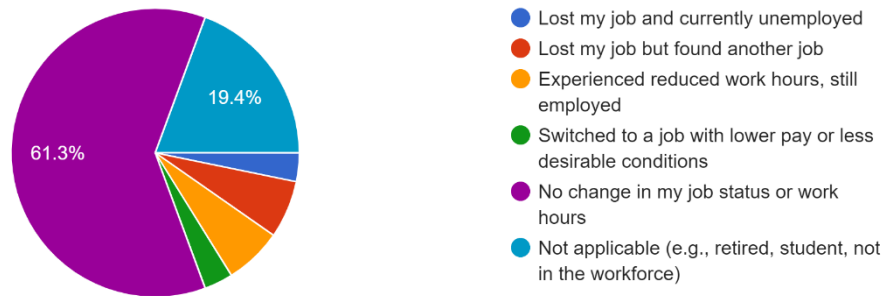


Figure 28 Job loss - public opinion

Source: own work

The public opinion data reveals a resilience in the employment sector for respondents from both Prague and Ulaanbaatar, with majority of participants reported no change in the job status. This indicates the labor market has absorbed the inflation pressures without widespread job losses or reduction in working hours.

- **Are you worried about the continued impact of inflation on your personal financial situation?**

Are you worried about the continued impact of inflation on your personal financial situation?

31 responses

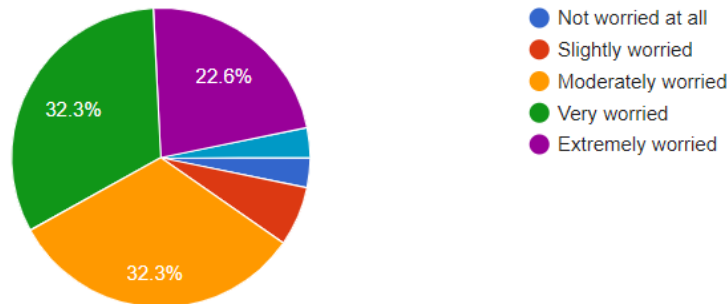


Figure 29 personal financial situation - public opinion

in the figure 23, Both regions residents mostly moderately and very worried about their financial situation. It may possibly tend to “loss of confidence” in their currency as well, which also one of reasons affects inflation crisis. This public opinions identified as possibility.

#### 4.3.1.1 Hypothesis on Public Opinion

In this section, the author will be summarized the public opinion, and hypothesis will be made.

Regarding the awareness of inflation and its impact on daily life: Given that most participants are aware of the current inflation rate in their region, it suggests a high level of economic engagement among the population. Therefore, a hypothesis: "The awareness of inflation is positively correlated with the participants level of education or employment status, as these individuals are more likely to engage with economic information and feel the direct impact of inflation on their daily lives."

On the effect of inflation on employment status: Considering the employment status of the participants, where most are employed and the rest have part-time jobs or certain savings, it is hypothesized that "Those employed full-time are more likely to perceive inflation as a significant factor in their cost of living due to a fixed income structure,

whereas those with part-time jobs or savings may have a more diverse set of income sources, potentially offering a buffer against inflationary pressures."

On public opinion about government policies and quality of life: The public opinion indicates that individuals perceive a significant increase in regular expenses due to inflation. Therefore, the hypothesis is: "Negative perceptions of government policies regarding inflation are likely to be associated with personal experiences of increased living costs and a perceived decline in quality of life."

Regarding future perceptions: Since there is an expression of increased living costs due to inflation in both Ulaanbaatar and Prague, a hypothesis is: "The future perceptions among residents are likely to be pessimistic regarding economic stability, with many possibly expecting continued inflation crises and its adverse effects on their standard of living."

On the open-ended feedback: The feedback from residents of Prague and Ulaanbaatar pointing out different contributing factors to inflation, like energy prices and weather conditions respectively, allows for the hypothesis: "The main factors contributing to inflation are region-specific, with Prague residents being more affected by energy prices due to Europe's energy market volatility, and Ulaanbaatar residents being more affected by local conditions such as weather impacting the agriculture sector and commodity prices due to the reliance on the mining sector."

## **5 Results and Discussion**

The research highlights significant insights into the inflation crisis in Prague and Ulaanbaatar, with both cities experiencing varying degrees of inflationary pressures but under different economic, social, and policy situation. The study shows how each city's unique economic structure, policy responses, and global economic influences have shaped their unique inflation crises. It highlights governments and national bank must know historical inflation rate's causes and their outcomes. Even each inflation crises are different depending on the factors, status and situation. It shows that its important to have

knowledge about historical inflation crises; if the main root of cause and region's situation is similar; the outcome, potential risk and recovery paths are similar.

## **5.2 Major Factors Contributing to inflation crises**

- In Prague, major contributing factors include increased consumer demand post-COVID-19, rising energy prices and supply chain disruptions. Additionally, the Czech Republic's strong integration into the European economy means broader economic trends significantly impact local inflation rates.
- In Ulaanbaatar, factors such as dependence on imports for essential goods, fluctuations in commodity prices, especially coal and copper and currency depreciation have been critical in driving inflation. Moreover, the geographical isolation and logistics challenges intensify the pressure on prices.

## **5.3 Impacts on Citizens Daily Lives**

Citizens in both cities reported decreased purchasing power, with notable impact on housing affordability, access to healthcare and overall quality of life. The public opinion highlights the strain on household budgets, leading to altered spending behaviours and increased financial stress among the residents. The impact is more pronounced in Ulaanbaatar due to the city's higher reliance on imported goods, making daily essentials more sensitive to global price changes.

However, it needs to be noted that Prague has about 1.5 million residents, but the author only able to collect opinion of 31 people for the research. This public opinion shows 31 people's opinion, which must not considered as representative sample. Thus, the conclusion mostly based on literature part and documentary research, and took the public opinion as possibility.

Citizens can benefit from this thesis by understanding inflation's root causes and impacts, it also guides on financial resilience, helping individuals adjust spending and savings strategies during inflationary times. By informing public discourse with research findings, the thesis can influence policy decision, leading to measures that directly improve economic stability and quality of life.

## **5.4 Strategies and Policies for Managing Inflation Crises:**

The study suggests several effective strategies for managing inflation for both regions situation. including monetary policy adjustments, fiscal measures to support vulnerable populations, and policies aimed at increasing supply chain resilience.

- For Prague, maintaining a tight monetary policy in coordination with European Central Bank guidelines, alongside targeted fiscal policies to protect the most affected sectors.
- In Ulaanbaatar, diversifying the economy to reduce dependence on imports and commodity exports, alongside improving logistical infrastructure, emerges as key strategies.

## **5.5 Collaborative Opportunities/Synergies between Prague and Ulaanbaatar**

This study suggests potential synergies in sharing policy experiences, particularly in managing supply chain disruptions and developing sustainable urban economic policies. Prague's experience with energy efficiency and renewable energy initiatives offers valuable lessons for Ulaanbaatar, aimed at reducing import dependence.

Collaboration on technological advancement and digitalization in financial management could benefit both cities, enhancing efficiency and resilience against future inflationary pressures.

Overall, the comparative study highlights the complexity of managing inflation, influenced by global and local factors. By understanding the unique challenges and strengths of Prague and Ulaanbaatar, the research contributes valuable insights into inflation management strategies that are both practical for citizens and informative for policymakers. The findings highlight the importance of tailored policy responses, international cooperation and the need for continuous adaptation to dynamic economic condition.

## **6 Conclusion**

This thesis takes a close look at the challenges inflation brings to Prague and Ulaanbaatar. It shows how complex the issue of inflation is, affecting everything from big economic indicators to the daily lives of people in these cities. Through comparison, the study points out that inflation doesn't just change numbers on charts; it directly impacts how people live, from making things more expensive to altering how societies function. This study identified several main reasons behind inflation in both regions, including changes in the global economy, decisions made by local governments, and specific weaknesses in their economies. This work highlights how important it is for policies to be carefully thought out and for different regions to share their experiences and solutions when dealing with similar economic problems. It suggests clear steps to lessen the bad effects of inflation, underlining the need for being adaptable, coming up with new ideas, and working together across borders. Lastly, the thesis does more than just add to academic discussions about inflation; it offers real-world advice for policymakers and residents. By improving our understanding of why inflation happens and what its effects are, and by looking into how Prague and Ulaanbaatar can work together, this thesis helps push forward the conversation on how to keep economies stable and improve people's lives when facing inflation.

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# Appendix

Survey questions:

1. What is your name?

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2. Where are you from?

- Prague, Czech Republic
- Ulaanbaatar, Mongolia

3. Age Group?

- 18 – 25
- 26 – 35
- 36 – 45
- 46 – 64
- 65+

4. Employment status?

- Employed
- Unemployed
- Student
- Self-Employed
- Maternity leave
- Retired

5. Are you aware of the current inflation rate in your city?

- Yes
- No

6. In your opinion, what are the main factors contributing to the current inflation in [Prague/Ulaanbaatar]? Please feel free to explain your views or provide examples based on your experience or observations.

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7. Have you noticed an increase in your regular expenses due to inflation? (e.g. Groceries and foods, Housing costs, Utilities, Transportation, Healthcare, Education costs, Clothing etc... )
- No increase
  - Slight increase
  - Significant increase
  - Extreme increase
  - *Add other* \_\_\_\_\_
8. Have you reduced spending in certain areas due to increased costs? (one or more answers)
- Groceries/Food (Buying less expensive items etc..)
  - Dining Out/Restaurants (Eating out less frequently etc..)
  - Entertainment and Leisure (Cutting back on movies, concerts, and events etc..)
  - Transportation (Using public transportation instead of personal vehicles etc..)
  - Clothing and Apparel (Buying fewer clothes or pting for lower-cost brands etc..)
  - Utilities and Household Expenses (Trying to save on electricity, water, heating, etc..)
  - Savings and Investments (Decreasing the amount saved or invested each month etc..)
  - No Reduction in Spending
  - *Other* \_\_\_\_\_
9. Have you experienced job loss or reduced work hours due to economic conditions? (one answer)
- Lost my job and currently unemployed
  - Lost my job but found another job
  - Experienced reduced work hours, still employed
  - Switched to a job with lower pay or less desirable conditions
  - No change in my job status or work hours
  - Not applicable (e.g., retired, student, not in the workforce)
10. Do you think your income is keeping up with the rising cost of living?

- Yes
- No

11. How satisfied are you with the government's response to managing inflation?

\_\_\_\_\_

12. What changes do you think should be made to help make living more affordable or to reach a healthy inflation rate?

\_\_\_\_\_

13. How has inflation impacted your overall quality of life?

\_\_\_\_\_

14. Are you worried about the continued impact of inflation on your personal financial situation?

- Not worried at all
- Slightly worried
- Very worried
- Extremely worried
- *Other* \_\_\_\_\_

15. Please feel free to write your personal thoughts or additional comments related to the inflation crisis in your region.

\_\_\_\_\_