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The Difference Between Strong Currency and Weak Currency



I have repeatedly written in my articles and books that those who seek economic factors behind the depreciation of a country's currency are simply looking from the wrong perspective.

Macroeconomic decisions are made by governments and implemented by bureaucrats. Obviously, they exchange information and opinions in the process.

Although these decisions are designed in accordance with the political philosophy of the government, their technical infrastructure is shaped by bureaucrats before being put into legislation.

However, not every theory offered by a politician finds its way into practice. Even if the idea is right, the conditions may not allow it to be actually implemented, or sometimes it is not the right idea, even if the conditions are satisfactory.

In both cases, trying to impose the prescription authoritatively may lead to undesirable results.

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For example, there is no guarantee that you can slow down an overheated economy safely by hiking interest rates and taxes, since there is no recipe for a soft landing.

Likewise, it is not possible to push down interest rates and taxes to guarantee growth. Economics is a social science based on human experience and it is rationalised by mathematics, which causes it to be ranked last among other branches of knowledge, therefore allows politicians to put forward their own economic theories.

People tend to forget that the economics is based on observation and experience, not experiment.

This aspect of economics makes it possible to be inspired by past practices that have yielded positive results or learn from those that yielded negative results.

However, a specific solution devised for a specific economic problem does not bring the same rate of success in all periods, situations and circumstances, because either one of them or all of them together fuel the factors that make solving economic problems easier or more difficult.

Encouraged by this fact, governments tend to ignore previously tested, successful methods or models for being "outdated" or "unrealistic", whereas the real reason is they think that these methods or models do not fit their ideologies, and instead, they try to execute their supposedly original ideas.

The scientific rules that apply to building fighter jets, for instance, are considered irrelevant when it comes to economics.

When evaluating a country, international institutions tend to pay attention to whether the government is inclined to use solutions that are known to deal effectively with political and social issues.

They do not regard notions such as the rule of law, education, civil rights and freedoms as "details"; they prioritise them.

Because what will happen to a foreign company when that country basically depends primarily on the very existence of these notions.

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Private property rights might be at risk in a country where the law does not work or is applied arbitrarily, and the low level of education is a clear warning that the country in question will not be the first choice in terms of high-quality human resources recruitment.

As creativity and freedom of thought go hand in hand, countries that are unwilling to complete their structural reforms are left with no choice but to act as the subcontractors of global industry.

Given that the criteria I just mentioned above determine the artistic, sportive, cultural levels of countries as well as the quality level of their healthcare services, they also serve to distinguish “growing” countries from the developed ones.

The people of countries that stably progress in these activities aim to be self-sufficient rather than getting rich.

That's why we hardly see the luxurious style of living that we see in developing countries. Many things that are of good quality are available for the buying pleasure of their people, but what really defines a decent person is not their assets, it is their values.

These nations are living in prosperity today because they did not wait until they become rich to solve whatever problems they had in the past.

In countries where people think that elections alone can make democracy happen, economic growth is given priority whilst other things needed for development, such as art, education and sports, are regarded as time-wasting obstacles to enrichment.

Such economies gradually start opting for dollarisation as their local currency becomes unstable and constantly depreciates due to wrong policies implemented by governments.

Economy and Political Influence

Basically, the economic difficulties experienced all over the world are the result of wrong policies.

The luxurious lifestyle of politicians and bureaucrats, detached from the public, their defiance against science and rationality, their arbitrariness and their constantly changing mindsets are considered strange in civilised countries. In most developing countries.

On the other hand, these are considered as “the God-given right of those who hold power”. Democracy is the rule of the people, but unless it is supported by the rule of law, it becomes a kind of fascism of the majority.

In such countries, governments tend to determine the value of the national currency by directly intervening in the market instead of allowing the market to determine it.

Despite the harmful results and side effects, these governments continue their interventionist policies, consequently causing people to pay the price for their actions.

In countries struggling with constant financial crises, the administrators consider themselves entitled to intervene.

They do not believe that people can decide what is best for themselves. Such practices eventually lead to a gradual disappearance of notions such as predictability, market equilibrium, fair competition, and added value.

An unfair process starts to prevail in which only the elite can expand and grow their businesses, using the privileges provided to them by the government.

The market is dominated by a few certain companies, enabling those in power to control them in whichever way they like.

The inevitable result of this situation would be the unwillingness of foreign investors to

allocate their capital to such economies, a huge saving deficit and persistent depreciation of local currency.

It is not possible to solve economic problems with technical interventions

We could therefore say that it is not possible to solve economic problems with technical interventions.

What is needed is a government that is willing to see the realities in the country, acknowledge the importance of the market economy and the rule of law, the fact that any economic intervention should be only temporary, and competitive equality is “indispensable” to a prosperous business future.

Education should teach evidence-based scientific facts and concepts, and the fact that a country is failing to develop arts, culture and sports for the betterment of its people will never be respected by the international community. And the rest is good orchestrating.

A conductor cannot play every musical instrument but they can conduct an orchestra effectively provided they appreciate the harmony of different sounds.