

Echell Mobil or Gürhan Uysal System on Foreign Currency Exchange

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Abstract: There might be isomorphism threat in global economy. Firms and their products are becoming similar. Customers have trouble for product choice. Secondly, global economy becomes full competitive markets. That has an impact on product prices. However, USA economy might be oligopolistic structure, such as retail industry Wal-Mart, K-Mart. So, there may be demand problem in global economy. Therefore, global economies may apply propositions of neo merchantalism theory and/or golden quantity theory to get out of isomorphism and demand lessening.

Key words: Isomorphism; competitiveness; neomerchantalism; golden quantity

JEL Codes: E11, E32, F10, G20

1. Introduction

This study discusses echell mobil system in international currency exchange. Sample is TL.

Global GDP is 60 trillion dollars, currently. Global GDP may increase up to 500 trillion dollars through echell mobil. Therefore, global economies may apply echell mobil system in their economy through next 20 years. If global economy may apply of echell mobil system, global GDP may increase up to 500 trillion dollars.

2. Literature

Echell Mobil is to use third variable in currency valuation. It means three of them together it is French system in bureaucracy compensation. Wages is aligned with inflation rate in bureaucracy. Echell Mobil is inflation rate in compensation. Echell mobil is dollar to determine value of TL.

3. Apply of Theory: Currency Exchange System

In Echell Mobil, value of Turkish Lira (TL) is determined according to USA dollars. First of all, parity of TL-dollar is specified by markets and Central Banks. Then, value of TL is determined by dollar against other currencies. Figure of Echell Mobil might be:

In this system value of TL against to the currencies is determined by value and power of dollar. But IMF permits to apply this system in international currency system. Because value of dollar-euro; dollar-juan; dollar-yen and dollar-others are determined in IMF according to purchasing power of dollar. So, purchasing power of dollar in IMF will determine value of TL against the currencies.

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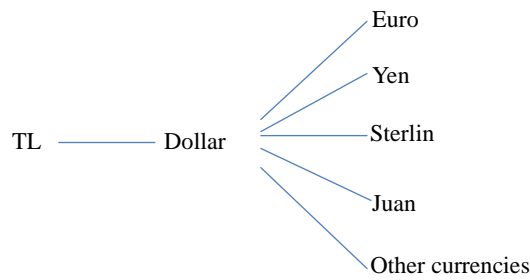


Figure 1 Echell Mobil System of TL

It is expected that this system will increase official parity between TL and others, but that may decrease value of TL-against in secondary market. There will be secondary market in Echell Mobil. For example, value of TL-euro is 2.85 TL currently. After applying echell mobil, official value of TL and Euro may increase up to 4 TL; however, value of TL-euro may decrease down to 2 TL in secondary market. It is free market such as Tahtakale, and it is informal market.

Echell Mobil of currency has two steps. Aligned with Figure 1 above, parity between TL and dollars is specified by market and Central Bank of Turkey. Then, second step, value of Euro-TL is determined by dollars. Dollar is third variable in echell mobil to determine value of TL-Euro.

There isn't direct value in this currency system but there is indirect value between TL and Euro. And between TL-yen; between TL-juan; and between TL-others. Instead there is TL-dollar-euro; and TL-dollar-yen; and TL-dollar-others. So, dollars determine value of TL with other currencies. Echell Mobil of TL in currency is dollar and IMF is to approve this indirect relation.

There is purchasing power of dollar with other currencies in IMF. Value of dollar-euro; value of dollar-yen; value of dollar-others are determined according to purchasing power of dollar in IMF. Therefore, IMF should approve echell mobil system in TL-dollar-euro, and in TL-dollar-others relation. Echell Mobil of TL is dollar in this relation.

Echell Mobil will most probably increase value of Euro-TL up to 4 TL. This would be official record. Market value of Euro-TL may be 2 TL in secondary market of Tahtakale. Therefore, there would be gap between official record and market value. This gap would be advantage for Turkish firms. Because they need foreign currency, and value of foreign currency goes up in Turkish currency market.

4. Apply of Theory: Echell Mobil in IMF

For example, Turkey needs dollars to finance their international debt and currency deficits. According to Echell Mobil, Jordan, Iraq and Quwait's Central Banks issue dollars, and they may give these bank notes to Turkey's Central Bank. IMF's approval is necessary for this case.

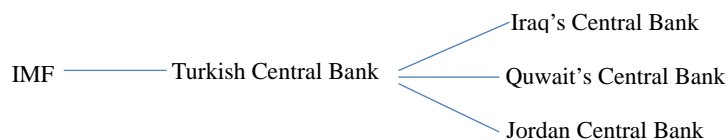


Figure 2 Echell Mobil of Turkey

Thirdly, European states may need dollar for their operations, and Iceland's Central Bank may issue dollar

bank note, and may distribute to the European States. This money policy is similar to Fed's quantity enlargement policy. However, echell mobil implicates QE policy with third variable. In this case, echell mobil of EU is Iceland. Echell mobil of Turkey above is Jordan. For example, Iceland CB may print and issue 1 trillion dollars, and distribute European States. This policy of finance through echell mobil may be applied in European economy for the next 10 years. IMF should be the center for Echell Mobil. Because they manage the international monetary system. This is important because echell mobil system with third factor may satisfy capital need of European markets.

5. Conclusion

Criteria for becoming echell mobil is "trade relationship". For example, echell mobil of Argentina might not be Brazil. Because they have strong trade relations. But echell mobil of Argentina might become Venezuela or Colombia. Because they have weak trade relationship.

To conclude, global economy currently has full competitive market characteristics, due to globalization trend for 20 years. Secondly, products and firms are similar to each other in global market. Those are basic two figures of global economy, currently. Full competition and isomorphism. Therefore, prices are decreasing, and firms are experience demand or sale trouble. For example, all automobile brands are similar, or all TVs, refrigerators, irons are similar in product features. So, there is sale problem in markets. Because there isn't differentiation, and there isn't market positioning by firms. To become differentiation is major strategy in Michael Porter's generic strategies. So, firms and economies are get out of isomorphism, and become differentiation of products in today's highly competitive full markets.

There may be applying three alternative policy for isomorphism dilemma. First policy, might be "differentiation". Secondly, global economy may apply of propositions of neomercantalism theory. It is to use national currency in global trade in order to increase demand against firm's products. Thirdly, it is applying golden quantity theory. Both policy are a kind of monetary policy that may increase emissions and demand in markets. Because higher the emission (money) in markets is, higher the demand is?

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