Echell Mobil System in IMF: Foreign Currency Exchange

Gürhan Uysal

Ondokuz Mayıs University, Samsun, Turkey

Echell Mobil is to use third variable in currency system. A criterion for becoming Echell Mobil is trade relations. In Echell Mobil system, Echell Mobil countries print and issue dollar banknote and distribute it to partner country. American Fed implemented *Quantity Enlargement Policy* during the 2008 crises. Fed directly distributes dollars in quantity enlargement. Echell Mobil is similar to *Quantity Enlargement Policy*. However, it is different from *Quantity Enlargement Policy*. There is a third variable in Echell Mobil and this third country issues dollar and distributes to partner country. Iceland may become Echell Mobil of European Union and Jordan may become Echell Mobil of Turkey.

Keywords: Echell Mobil system, International Monetary Fund (IMF), foreign currency exchange

Introduction

This paper discusses foreign currency exchange between countries. Global economies need foreign currency for international operations. Global monetary system is based on US dollar, since establishment of International Monetary Fund (IMF). Therefore, countries need dollar to exchange international operations. IMF is founded in 1944, whose system is based on golden-dollar account. Firstly, they manage international money-payment operations. Secondly, duty of IMF is to finance national economy's balance payment deficits, which is, maybe currently, issue of national economies in global economy, for example, to finance balance payment, China prints golden and England prints dollar, equal, according to IMF system. So, country's make payment of their international payments.

Echell Mobil discusses new model for currency need of global countries. IMF is the center of Echell Mobil, because they manage international monetary among countries.

In Echell Mobil system, a country determines partner country and partner country prints, issues, and distributes US dollars to this country. US Fed permission is needed for this print out. It is believed that this might increase demand in global economies. Because global economies are facing demand problem that results in recession and deflation problems. Echell Mobil application may end deflation and recessions problem in global economy. This is case for EU and Japan, for example.

Literature Review

This study discusses Echell Mobil system on international currency exchange. Sample is Turkish Lira (TL).

Echell Mobil is to use third variable in currency valuation. It means three of them together. It is French

Gürhan Uysal, Ph.D., associate professor, School of Business, Ondokuz Mayıs University, Samsun, Turkey.
Correspondence corcerning this article should be addressed to Gürhan Uysal, School of Business, Kurupelit Campus, Ondokuz Mayıs University, 55139, Samsun, Turkey. Phone: 0090 3623121919 ext. 6013. E-mail: gurhan.uysal@yahoo.com.

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.

In Echell Mobil, value of TL is determined according to USA dollars. First of all, parity of TL-dollar is specified by markets and Central Banks (CB). Then, value of TL is determined by dollar against other currencies. It is shown in Figure 1.

In this system, value of TL against other 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 other currencies.
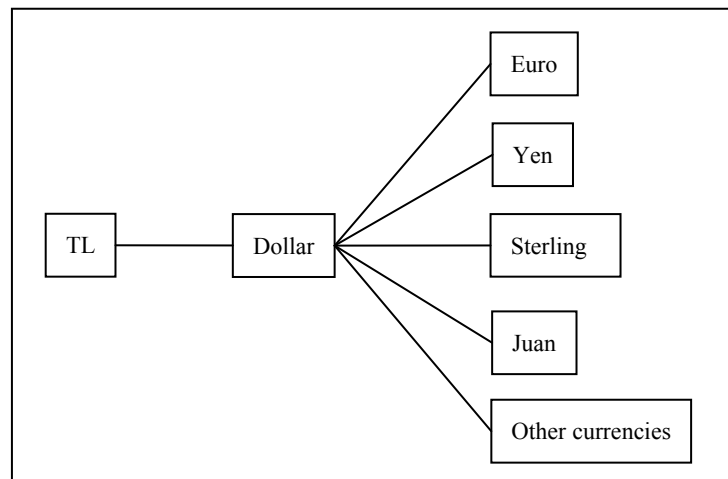

Figure 1. Echell Mobil system of TL.

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 a 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 CBs of Turkey. Then, second step, value of Euro-TL is determined by dollars. Dollar is the third variable in Echell Mobil to determine value of TL-Euro.

There isn't direct value in this currency system, but there is an indirect value between TL and Euro, between TL and yen, between TL and juan, and between TL and others. Instead there is TL-dollar-euro, 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, and 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 a 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.

Secondly, it also studies parity model for USA dollars (Figure 2).

Accordingly, sterling is England's currency. First of all, value of dollar is determined by sterling. Secondly, value of dollar against other European currencies is determined through dollar-sterling relationship. It is expected that value of dollar-mark increases sharp up to 1 dollar-10 euro; however, market value may decrease 1 dollar-2 mark in secondary market. It is expected that this is an advantage for US firms that operate in EU market.
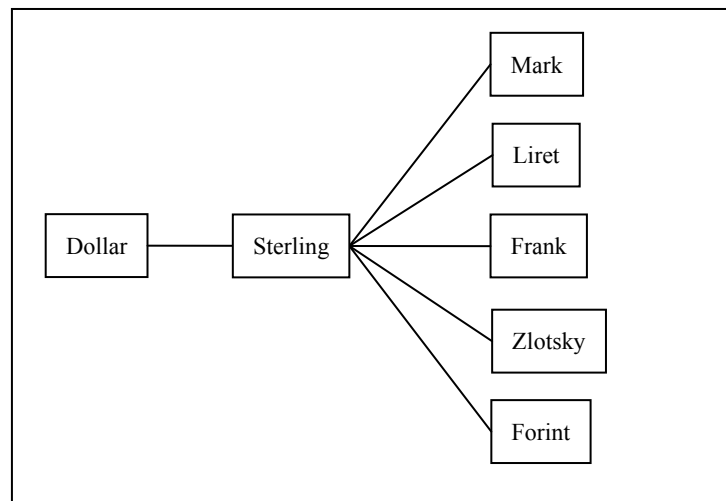

Figure 2. Parity between dollar and European states.

In addition, due to decreased internal demand in EU, economy value of euro is weakening. European Central Bank (ECB) manages operations of euro in EU. Therefore, European states may issue their traditional currency back again, such as mark for Germany, frank for France, florin for Dutch, and others. However, ECB continues to deal with euro issue in markets, because euro obtained international currency position worldwide. CBs in global economies save euro in their currency portfolio for international operations. Therefore, European countries issue national currency but ECB continues to issue euro for the need of international CB s.

Echell Mobil and IMF Involvements

Turkey needs dollars to finance their international debt and currency deficits. According to Echell Mobil, Jordan, Iraq, and Kuwait's CBs issue dollars and they may give these banknotes to Turkey's CBs. IMF's approval is necessary for this relationship (Figure 3).

Thirdly, European states may need dollars for their operations and Iceland's CBs may issue dollar banknote and may distribute to the European states. This money policy is similar to Fed's quantity enlargement policy. However, Echell Mobil implicates *Quantity Enlargement 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 one trillion dollars and distribute European states. IMF may determine the country's Echell Mobil and amount of print dollars, for example, for the case of Turkey, Echell Mobil might be Jordan and amount is 10 billion dollars.

IMF should be managing center for Echell Mobil system, because they manage the international monetary

system in global economy. This is important because Echell Mobil of EU may decrease deflation risk and capital needs of EU economy.
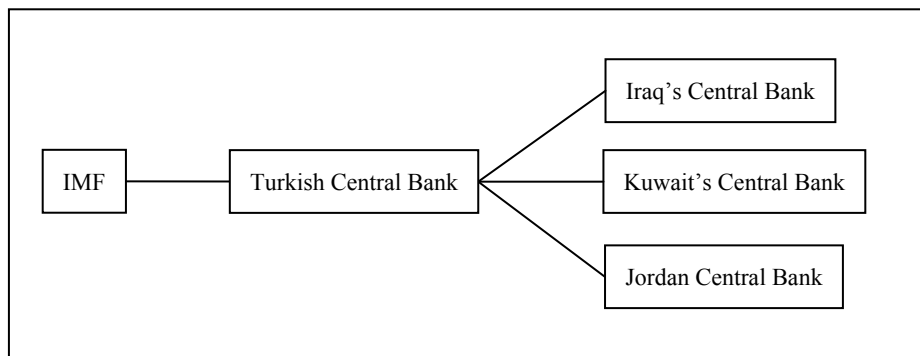

Figure 3. Echell Mobil of Turkey.

To conclude, 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.

Global gross domestic product (GDP) is 60 trillion dollars today. global GDP may increase up to 500 trillion dollars via Echell Mobil system. Therefore, global economies may apply Echell Mobil system through next 20 years. If global economies apply Echell Mobil in 20 years, global GDP may increase up to 500 trillion dollars.

Research Methods

This study is based on critical analysis, but it should be based on "case studies".

Research Results

Major result is Echell Mobil which can be used in currency valuation and foreign exchange. It specifies currency needs of global economies and may increase amount of total GDP in global economy. It is believed that it will increase demand in global economy.

Conclusions

Firstly, this study aims to find out causes of 1929 crashes and causes of 2008 crises. Cause of 1929 crashes is World War 1st. Countries (European states) owed international debt to finance World War 1st. After the World War 1st, financial resources of countries went to debt payment instead of penetrating into markets. Therefore, they couldn't import products of USA. So, export of USA decreased simultaneously. That resulted in severe recession in American economy during 1920s. There were two markets in global economy in 1900s. It is USA and Europe. Europe has war destruction and debt problem. So, they couldn't buy American products. American economy experienced economic turmoil. That resulted in 1929 crash. American Fed, founded in 1913, implemented *Quantity Enlargement Policy* in order to stop recession and crises during 1920s. But they couldn't.

Secondly, causes of 2008 crises might be "oil prices". Oil price increased from 30 dollars up to 150 dollars just before 2008. That increased "cost inflation" in American markets. In addition, one galloon of oil was one dollars but it increased to five dollars because of higher oil price. That resulted in consumer inflation, and that

decreased household income of American consumers. Major outcome of higher oil prices is that, cost inflation increased inflation rate in American Economy. Before 2008 crises starts, monthly inflation rate increased to 1% rate in USA. It was 4% rate yearly in USA economy earlier. Therefore, American people couldn't enable to pay mortgage payments due to less household income, higher inflation rate, and cost inflation. Therefore, 2008 crises started in financial system.

However, oil prices are recently declining in global economy that may be dangerous not only for oil countries but also other purchasing countries. Oil prices damaged global economy before and after 2008 turmoil. Therefore, it should be price of 80 dollars or 100 dollars galloon.

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