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## Weak Currencies Are The New Cool

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VENTURES AFRICA – Strong currencies are not “cool” any more. The economic system as we know it is dissolving into a new world and economic order right before our eyes. While politicians are using the term “change” as their trump card, change has always been the once consistent. Emerging economics is the new fashion of the global financial system.

When a Country A's currency is worth more than that of Country B, not necessarily does it mean that Country A's economy is stronger than that of B's. For example, Japan's economy is regarded as the world's strongest, yet a single Japanese yen exchanges for less than \$1. Cyprus' economy is considerably smaller than that of the US, but their currency, the pound exchanges for almost double that of the US dollar.

So what constitutes the power of a currency? Is this even a relevant question in today's financial system?

Something we ought to consider, the causes of poverty. These are critical to economic development, and undermine not necessarily the strength of a currency, but takes away some of the stability that lends towards sustained economic trade.

Let's face it Africa is a rich poor continent. Africa is rich in resources and potential, but very poor in redistribution and commitment to her people. I recently read last year's report published by Health Poverty Action, “Honest Accounts? The true story of Africa's billion dollar losses”, on how development aid to Africa serves as a mere “smokescreen to cover up illicit financial flows, unfair trade policies and costs of adapting to climate change that drain the continent of its resources.”

These are the causes of Africa not progressing, not to gain a stronger currency, but neglecting to redistribute through efficient, ethical and constitutional obligations, the proceeds for developing Africa. We have to lay out these hindrances to Africa's progress. If we are experiencing growth phenomenal growth in Africa with such enormous illegal activity by governments, our sustainable projections should be superior to any other continent, if my calculations are anything to go by.

It is funny how things change with time and a dose of irresponsible leadership. South Africa once hailed by far the most economically successful country in Africa has now slipped down the ranks and struggling to resurrect itself. South Africa at one stage accounted for 40% of the total GDP of the 48 countries south of the Sahara, and Nigeria, three times more populous, staggered behind in second place at 14 percent.

To prove the point of currency strength as not being a real indicator, the strongest currencies in Africa are Libya, Tunisia, Ghana, Sudan and Egypt. Look at their economies, and they a lagging behind considerably.

“South Africa ranks 132nd out of 144 countries for its primary education and 143rd in science and maths. The unemployment rate, officially 25 percent, is probably nearer 40 percent; half of South Africans under 24 looking for work have none. Of those who have jobs, a third earn less than \$2 a day.”

*“Conventional wisdom has it that globalization is a win-win but that is increasingly looking like a pope dream. There is no escaping the concerns that workers in high-wage countries have.” – Stephen Roach*

In Africa as an emerging market this is the ideal platform for going global. These markets have all the attractions for investment and sustainable development.

Are new government priorities and an enthusiasm for unconventional monetary policies changing the way the currency markets work? They most certainly are!

Looking back at most of the world's economic history, most countries pursued a strong currency—or a stable one. During the gold standard and the Bretton Woods system periods, governments exerted great efforts to maintain exchange-rate pegs, even if interest rates stimulated economic downturns. Only in exceptional economic eras of the 1930s and 1970s, were they deemed too painful and abandoned the pegs.



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As the world exited the tail-end of the global financial crisis, we realised that strong and stable are out of fashion.



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