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Rethinking Currency Valuation: Charlie Anyama's Approach to Confront Stagflation in South Sudan Through Political Will

Charles Anyama Kalisto* 

The Educated Illiterates - Rethinking the Education Culture, USA

***Corresponding Author:**

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Abstract

Let the Abstract begin from " We've seen this before elsewhere We have seen this before elsewhere. Stagflation is not merely an economic phenomenon as many sees it; it's a social catastrophe that quietly erodes livelihoods, destroys savings, discourages investment, and also weakens confidence in the state. This is a pragmatic experience we endure. In South Sudan, the persistent depreciation of the South Sudanese Pound (SSP) against the United States Dollar (USD) has become one of the defining economic challenges of the nation in the recent years. As natural as it could be, every rise in the exchange rate is quickly reflected in the prices of food stuffs, medicine, fuel, transport, rent, and nearly every commodity available in the market. Consequently, ordinary citizens bear the greatest burden while the purchasing power of their incomes diminishes by the day. This isn't a thing to be celebrated; rather, it's a catastrophe to be frowned at.

A dangerous misconception has -since then-gradually become embedded in public thinking. Many citizens celebrate receiving hundreds of thousands of South Sudanese Pounds in foreign currency. To speak properly, for a meagre amount of foreign currency. Political actors and policymakers, too, often fail to appreciate the deeper implications of this trend. For instance, ex-changing a mere USD 100 for up to 770,000 South Sudanese Pounds or even more, should not be regarded as a sign of economic prosperity or financial advantage. Instead, it should be viewed as compelling evidence that the national currency has lost substantial value against its purchasing power. One may contend that these are rates at the black market but its worth reminding that the black-market rates actually speak louder on the currency performance of any nation. A relatively good economy is one that has the functioning of the black-market right within its grasp of control. This article offers to proactively invite South Sudan's political leadership as well as Policymakers to reconsider how currency valuation is perceived and managed. Genuine political will is essential if the country is to arrest Stagflation and restore confidence in the South Sudanese Pound henceforth.

The Psychology Behind Currency Illusion

It's often the case that human beings associate larger numerical figures with greater wealth. People tend to feel excitement from seeing abundance, not the worth attached to them. This psychological tendency creates what economists commonly describe as a money illusion - which is - the mistaken belief that possessing a greater number of currency units necessarily translates into increased wealth. Supposedly this is also the case in South Sudan today. Illustratively, when a common citizen goes to the market and exchanges USD 100 and receives SSP 770,000 or higher, instinctively they are elevated. They start to think they can buy more because they have more money at hand. To many citizens, this appears impressive. Holding three-quarters of a million pounds creates an illusion of abundance. And abundance is all that excites them. The figures seem enormous compared to the modest-looking one hundred dollars.

In contrast, the reality is entirely different. The exchange rates do not indicate that the individual has become wealthier. Rather, it demonstrates that the South Sudanese Pound has become significantly lame. If that exchange rate feels like wealth, the person still possesses wealth equivalent to only USD 100. The difference lies solely in the declining purchasing power of the local currency. This is because when the value of the currency falls so dramatically, traders

naturally adjust prices upward because imported goods require more local currency to purchase foreign exchange. Since South Sudan relies heavily on imports, depreciation immediately translates into higher prices throughout the economy, and you already know what that actually means: severe decline in purchasing power. The excitement generated by receiving vast quantities of SSP therefore masks a painful economic reality. The reality that even if one appears to have abundance of money in cash at hand, they can hardly purchase enough of their daily needs.

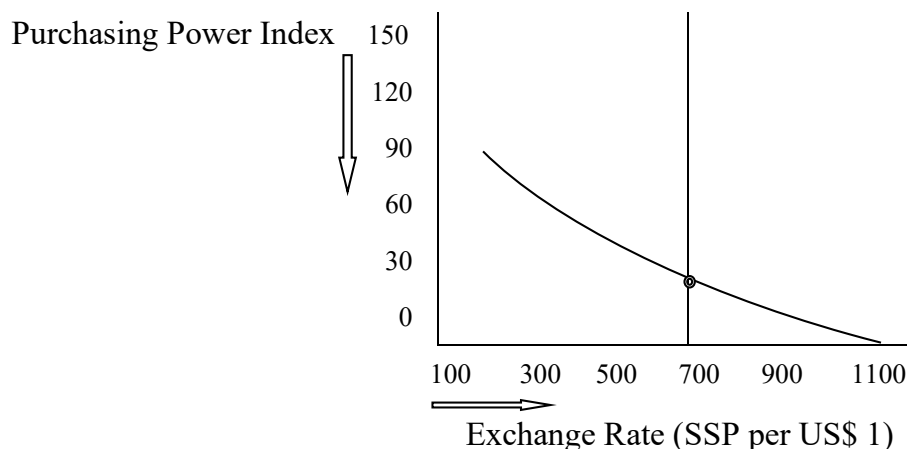


Figure 1: A Conceptual Illustration of Exchange Rate vs Purchasing Power of SSP

Interpretation

- When the exchange rate is 100 SSP per US \$1, the SSP retains relatively high purchasing power.
- As shown, when the exchange rate hiked to exactly SSP 700, the purchasing power was seen at approximately 40, translating the weakness in the currency valuation.
- As the exchange rate increases to 700 and beyond, each US dollar exchanges for more units of SSP and thus, creating an appearance of abundance.
- However, that abundance reflects a weaker currency, so more notes are required to buy the same goods and services. Consequently, the purchasing power of each unit of the local currency (SSP) declines swiftly, leading to excessive prices for goods and services in the market.
- The drastic increase in the numerical exchange rates equally means a drastic currency depreciation which in turn increases the quantity of the South Sudanese Pounds in circulation while it simultaneously erodes its real value and purchasing power.

Currency Depreciation & Market Prices

The relationship between exchange rates and inflation in South Sudan is direct and immediate. This is primarily because of the nation's high dependency on imports, rather than producing local products. Most commodities consumed within the country which includes fuel, construction materials and machinery, and even staple foods are imported from neighbouring countries like Uganda and Kenya, or even overseas, such as medicines from India. Now to complete these transactions for the imports, suppliers purchase these goods using foreign currencies, primarily the US Dollar.

Suppose a trader imports goods worth USD 10,000 at the time when the exchange rate is SSP 300 per USD, the trader requires SSP 3,000,000 for that single transaction. However, if the exchange rate deteriorates to SSP 7,500 per USD, the trader suddenly requires a wholesome of SSP 75,000,000 to import the same quantity of goods at the same price. For this case, the goods themselves have not become more valuable, rather, the South Sudanese Pound has simply become less valuable by creating abundance of cash at hand. As a consequence, to recover these higher import costs, businesses inevitably increase retail prices and thus, consumers are then forced to experience rising food prices, increasing transportation costs, higher school fees, expensive healthcare, and soaring rental charges, to mention but a few. It is exactly this situation that the currency depreciation becomes inflation. And this is the visible reality at the moment. Such abundance of currency in the hands of people often translates to the misleading excitement to think people are wealthy simply because a mere USD 100 at the hand of an individual means carrying a three quater of a million south Sudanese pounds. That is illusive.

The Dangerous Celebration of Weak Currency

As thoroughly discussed in the previous essays, perhaps one of the greatest obstacles to economic reform is the widespread celebration of weak exchange rates. Citizens excites on holding plenty of the local currency at hand the moment they change a bit of their foreign currency. When wanting to change the USD to SSP, people often look for the highest changing rates for that purpose. This is nothing but the instinctive belief that much is satisfactory, while less is insufficient. This habit creates an invisible hand that pushes exchange rates even higher. Political figures sometimes observe citizens exchanging small amounts of dollars for enormous quantities of SSP and assume that liquidity has improved within the economy. This perception is fundamentally flawed. What that actually means is a systemic weakness

to strengthen the values of the local currency. Receiving more units of a weak currency is comparable to carrying larger buckets filled with water that has little value in the marketplace. Quantity alone does not determine wealth. Imagine two scenarios.

First, USD 100 exchanges for SSP 30,000. And second, USD 100 exchanges for SSP 770,000. Many individuals instinctively believe the second scenario is preferable because the numerical amount is far larger. And that's just as it is: factual. Yet in reality, the first scenario reflects a much stronger national currency. A stronger currency generally allows citizens to purchase imported goods at lower prices and helps preserve the value of salaries and savings altogether. The second scenario, however, merely reflects extensive depreciation in the values of the local currency.

Political leaders should therefore regard such exchange rates with concern rather than satisfaction. While the common citizen finds blissfulness in choosing the second scenario, the political leaders and policy makers - as upright thinkers- should rather feel remorse for such immense depreciation in the local currency's values. This then requires a reverse thinking for the political leaders and policy-makers. The sheer absurdity is when both categories of people – the common citizen and their governing elites- finds the same excitement from exchanging less foreign currencies for much more local currency. What that actually means is this; a vacuum of hopelessness for any positive change in the economic system. Both the present and the future remains gloomy.

Political Will as the Missing Ingredient

Economic reforms cannot succeed without political commitment. Historically, this is factual. While economists may recommend several alternate remedies such as monetary tightening, fiscal discipline, and in certain cases, exchange rate reforms, these measures require determined political leadership -regardless.

Political will -not just as an idea but a proactive engagement- involves making decisions that prioritize long-term national stability over short-term political conveniences. It also requires resisting excessive money creation by the government and re-enforcing budgetary discipline. It further involves strengthening financial institutions, and ensuring transparency in public expenditure in order to keep track of the total money in circulation.

Besides, political leaders must reject the temptation to interpret increasing exchange rates as normal or harmless. Every substantial depreciation of the SSP should trigger immediate policy concern and properly planned execution of financial policies to curb value depreciation. Such efficient actions by the State helps in restoring confidence in the South Sudanese Pound by the general public. It will also help to prevent the threats of the increasing dollarization of the economy, where businesses prefer pricing goods in dollars because the SSP is perceived as unstable, creating additional demand for foreign currency that weakens the local currency in the long run.

Fiscal Discipline: A Need We Can't Escape

Governments contribute to inflation when public expenditure consistently exceeds available revenue and deficits are financed through excessive expansion of the money supply. Illustratively, when more currency enters circulation without a corresponding increase in goods and services, purchasing power declines. Thus, the principle is straightforward; More money chasing the same quantity of goods results in higher prices. It is from this perspective that South Sudan must therefore strengthen fiscal discipline by improving domestic revenue collection and reducing wasteful expenditure, so as to ensure that borrowing remains sustainable.

Besides, Public funds should be directed toward productive investments rather than recurrent expenditures that generate limited economic returns. This will not only improve productive investment in the country but, it will also provide substantive employment opportunities to the masses living, otherwise, in utter unemployment. For instance, the use of public fundings in improving economic infrastructure such as roads and schools will not only provide better transportation and scholarly benefits to the country; it will equally create numerous jobs that would settle amicably the challenges of unemployment in the country.

Furthermore, there is an inalienable need to diversify the economy. Historically, we have known that an economy heavily dependent on oil revenues remains vulnerable to external shocks. The equation is that when oil prices fluctuate or production declines, foreign exchange earnings fall. As a result, reduced foreign currency inflows place additional pressure on the exchange rate, thus, severely depreciating the valuation of the local currency. Therefore, economic diversification, for instance through the agricultural sector shall immensely help boost the very strata for the country's economic prowess. What this does first, is to boost food security and tackling hunger strikes in the country. Then the cheap provision of raw materials for agro-based production in large scale. This remedy is feasible as the country possess large-scale fertile land, abundant water resources, and favourable climatic conditions capable of supporting large-scale food production for its citizens and in surplus for exports.

This massive progressive and high yielding initiative, once taken, would reduce dependence on imported food while increasing exports. Similarly, it would foster large-scale manufacturing, fisheries production, livestock and tourism productivity, as well as tapping on the mineral development could generate additional foreign exchange earnings. This economic diversification would naturally strengthen the national currency.

Additionally, there's need for strengthening monetary institutions in the country. This involves employing the Central Bank to fully preserve the stability of the South Sudanese Pounds. This can be done by; First, ensuring the independence of the Central Bank, and such independence must be respected and protected at all times by the concerned authorities in the country. Second, by ensuring that monetary policy decisions prioritize price stability rather than political considerations. There needs to be a clear-cut boundary in deciding for political interest and the larger public interest. A good system is one that prioritizes the larger public interest over their minute political interests. Third, by strengthening banking supervision, improving reserve management, enhancing transparency, and developing effective foreign exchange markets, the general public will begin to believe that the financial system operates professionally and predictably at their interests, not at the interest of the few elite class.

More so, currency speculation often accelerates depreciation. When traders expect further weakening of the SSP, they immediately rush to acquire dollars. When they anticipate otherwise, they accordingly follow that trend in their actions. This unstable state of affairs in the market leads to increased demand that pushes exchange rates even higher. Combating speculation then becomes an immediate demand of the time. Authorities should therefore improve transparency and eliminate opportunities for arbitrage to ensure that foreign exchange markets function fairly. This will in turn boost the market confidence to reduce speculative pressure and build trust in the system.

Lastly, there is need for a proper public education on currency valuation. This when done, will shift the burden from merely being on the policymakers to the general public. Citizens with greater financial literacy would be able to minimize their zest for abundance of money at hand as they begin to see values instead. Today, many people understandably celebrate receiving SSP 770,000 for USD 100 because the numerical amount appears enormous. However, such public education should explain that wealth depends on purchasing power rather than the number of notes in one's pocket. If yesterday's salary purchased twenty bags of food but today's salary purchases only five, numerical increases in wages provide little comfort. Therefore, understanding this distinction empowers citizens to demand sound economic policies.

Valuable Lessons from History

Countries such as Germany after the First World War, Zimbabwe in the late 2000s, and Venezuela more recently experienced severe inflation driven by fiscal imbalances and monetary expansion, collapsing confidence as well as weak institutions. Conversely, nations that restored stability generally implemented comprehensive reforms combining these lessons, including political commitment. These are not just lessons; they're experiences South Sudan can reckon.

These countries have also been able to overcome those economic threats due to their willingness to make a change in their political mindset as they were quick to realize that the most significant reform required was psychological rather than technical. This would substantially offer a stepping stone for South Sudan's economic reformation as well. Political leaders should fundamentally change how they perceive exchange rates. Say, instead of celebrating that USD 100 now purchases SSP 770,000, policymakers should ask why the national currency has weakened to such an extent. Instead of viewing larger numerical figures as evidence of abundance, they should regard them as warning signals. Therefore, a stronger currency should become a national objective because it enhances purchasing power while encouraging investment and reducing inflationary pressures to strengthen public confidence. The shift should be that economic success should be measured not by how many pounds citizens receive for a dollar, but by how much those pounds can actually buy.

Conclusion

South Sudan stands at a defining moment in its economic history. Stagflation is not inevitable, nor is currency depreciation irreversible. What is required is courageous leadership, informed policymaking, and a collective shift in mindset. The image of exchanging USD 100 for SSP 770,000 should no longer inspire excitement, at least with all that we know now. It should rather, provoke serious national reflection. That expensive exchange rates symbolizes not prosperity but the erosion of the South Sudanese Pound's purchasing power in toto. Every additional zero attached to the exchange rate represents another step toward higher prices, weaker savings, and diminished public confidence in the state. Political leaders as well as policy makers, therefore, carry a responsibility far beyond managing numbers on an exchange board.

They must cultivate a culture in which a strong currency is celebrated, fiscal discipline is respected, and economic stability is treated as a cornerstone of national development. People's excitement for a better livelihood should not be how many South Sudanese pounds they can exchange for a single dollar; it should be how much value the South Sudanese Pound itself can command in the financial market. It is only when the country's political leaders and policymakers begin to view this currency valuation through that lens then the nation will have taken its first meaningful and lasting step toward defeating stagflation and securing lasting economic growth and development with all its merits to the nation.

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