

Exchange Rate: The Door to Prosperity, or the Scary Crisis?



In the world of exchange rates, the only constant is change.

Picture walking into a shopping mall where prices change every few minutes. Not because of promotions, but because no one can agree on what money is worth. A coffee might cost you as much as a smartphone in the morning, then drop by afternoon. Sounds absurd? Without reliable exchange rates, that would be daily life.

Currencies are the Wi-Fi of the global economy. Just as Wi-Fi connects your phone to the internet, exchange rates connect countries to one another. They make it possible for a Thai company to import crude oil, a tourist to travel in Japan, or a farmer to sell durians to China.

But sometimes this connection gets unstable and that's when problems start.

When Currencies Behave Well

Think of exchange rates as the traffic lights of global commerce. When they work, trade flows smoothly.

Clear Path for Trade: Stable exchange rates act like GPS for global business. Companies can plan ahead, sign contracts, and invest across borders without feeling like they're rolling dice in a casino. A factory that opens and hires thousands doesn't

want a sudden currency swing to wipe out revenues. Stability means production continues and workers feel safe about their jobs.

Power of Specialization: Exchange rates also let countries focus on what they do best. A nation that grows rice can trade it for machinery. Another that makes electronics can swap them for energy. For countries without natural resources, trade is survival.

When Currencies Turn into Monsters

Yet currencies can flip from friend to foe overnight.

Soros Broke the Pound (1992)

Britain tried to keep the pound stronger than its economy could bear. George Soros spotted the weakness, sold billions, and pocketed over \$1 billion in a single day. The UK government lost both money and credibility.

Argentina's Peg Trap (1991-2001)

Pegging the peso 1:1 with the dollar ended hyperinflation at first. But exports became uncompetitive, reserves drained, and debt piled up. When the peg collapsed, the peso crashed,

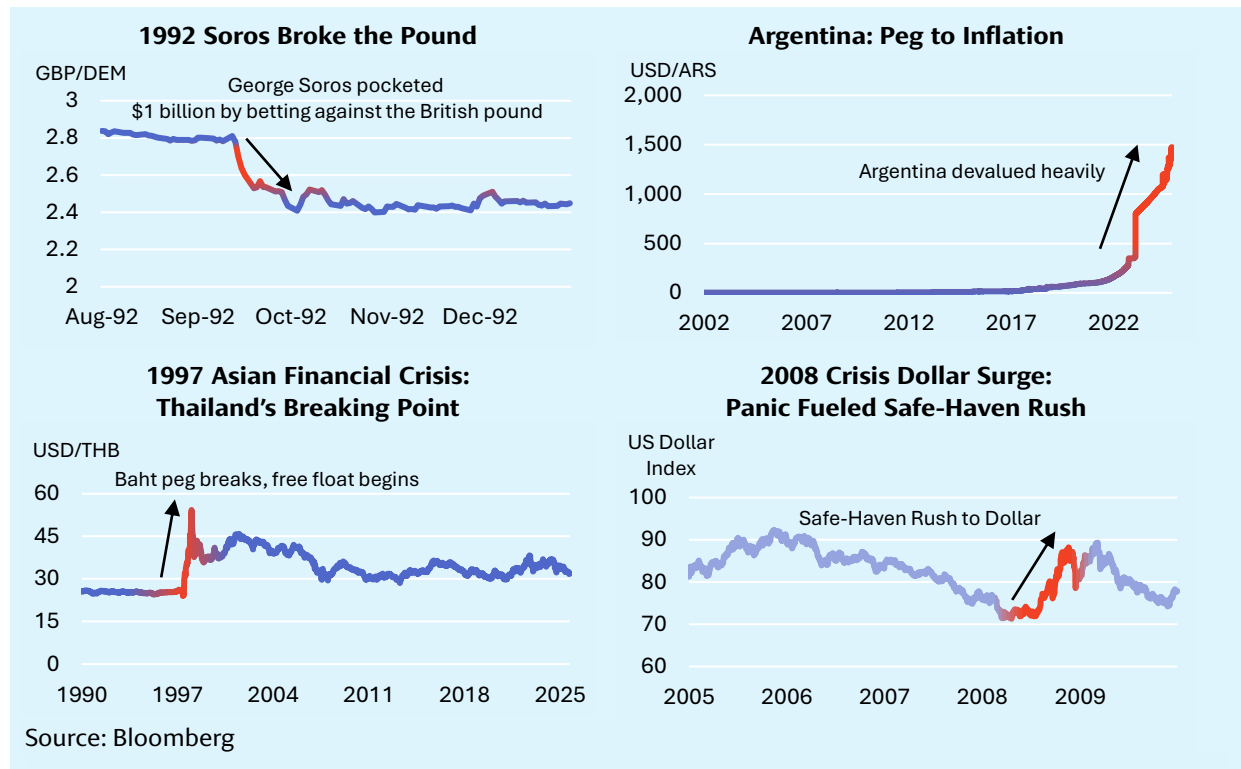
savings vanished, and poverty soared. Even today, Argentina battles inflation of nearly 40 percent.

Thailand and the Asian Financial Crisis (1997)

The baht was pegged at 25 per dollar while foreign borrowing surged. Once investors pulled out, reserves drained, the peg broke, and the baht collapsed. Companies failed, banks fell, and the crisis spread across Asia.

The Emotional beside of Money

Currencies are more than numbers. They're driven by psychology. Optimism brings inflows; fear sparks outflows. In 2008, exchange rates swung wildly not just on economic data but on headlines. Investors rushed out of "risky" currencies into the dollar and yen, even though the crisis began in the U.S. Currency markets often act like popularity contests, ruled as much by emotion as by fundamentals.



The Two Faces of the Baht

Thailand knows both sides of the story.

Strong Baht: Great for consumers. Imported goods become cheaper, inflation stays low. But exporters and tourism operators get squeezed. A strong baht turns Thai beach holidays into luxury getaways less attractive for budget travelers.

Weak Baht: Great for exports and tourism. But oil gets expensive, imported equipment costs more, and debt in foreign currency starts to bite.

The baht, in short, is a mirror of Thailand's economy: too strong or too weak, and someone inevitably suffers.

Managing a currency, then, is about building trust. If people believe in the baht, it stands firm. If doubt spreads, even strong fundamentals may not save it.

From Gold to Floating

Once, the dollar was tied to gold, and other currencies were tied to the dollar. The system was predictable, but rigid. In 1971, the gold link snapped. Since then, currencies have floated, and volatility has been part of the bargain.

Floating offers flexibility but comes with swings. Fixing brings stability but risks collapse. No country has found a perfect system.

Riding the Currency Rollercoaster

Exchange rates will never stay still. They rise and fall with economies, politics, and emotions. The smartest approach isn't to chase the illusion of perfect stability but to build resilience and flexibility.

In truth, the exchange rate is both a doorway to prosperity and a path to crisis. Managed wisely, it opens opportunities for trade and growth. Left unchecked, it can slam shut and trigger collapse.

Ultimately, currencies are mirrors of trust. They reflect not only economics, but also emotions and politics. And there is one rule that never changes: in the world of exchange rates, the only constant is change.

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