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Analysis of today
Assessment of tomorrow

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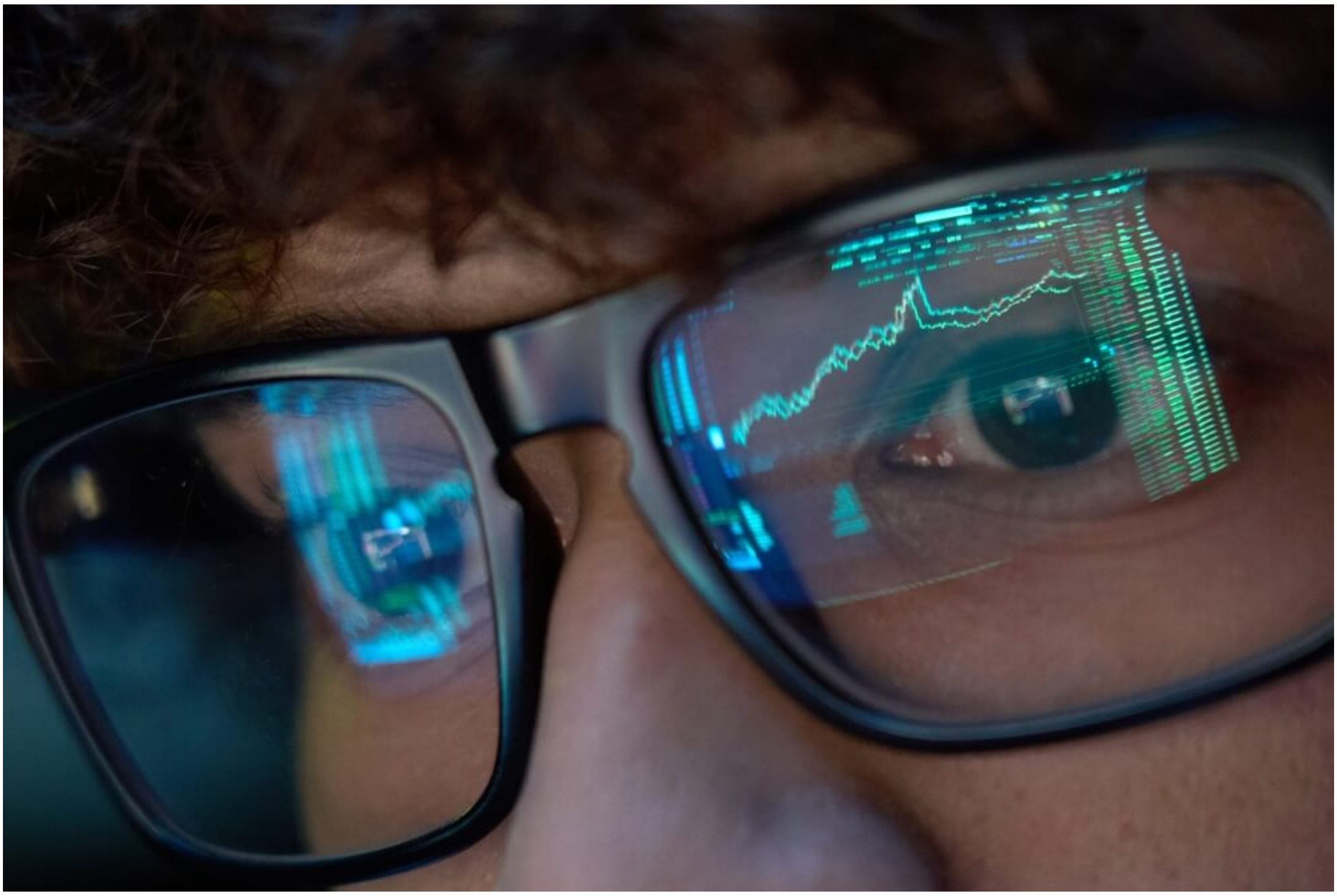
Reading Intentions vs. Reading the Game: Difference between Analysts and Economists



I have around half a million followers and I follow thousands of people on social media. I follow my friends, colleagues as well as analysts and experts I have never met, either from Turkey or different parts of the world.

Most of the people I follow happen to be analysts, enabling me to monitor what is happening in the markets as accurately as possible. Cryptocurrencies, debt securities, commodities and stocks… In their own style, they analyse in detail each movement in the markets.

However, I cannot say that they always provide thorough information about the source of a problematic market behaviour, maybe due to lack of focus, or perhaps they do not want to cause some sort of dispute or conflict between the organisations they represent and investors because of a particular analysis they have made. Or maybe because they respect the balance established in free market economy.

Free market economy does not allow us to describe the behaviours of investors as rational or irrational. In such an economy, expectations are bought and those that came true are sold.

Economists, however, are different. People with scientific backgrounds tend to seek the real source of the problem. If there is a problem, the solution is to comprehend and pinpoint the source that creates the problem.

Analysts, on the other hand, explain the problem and try to guess what will happen next. They do not focus on the solution, but providing the correct information to people who want to make money.

An economist doesn't ignore the mistakes made by people

Instead of helping people who want to make money, economists consider possible scenarios and try to produce solutions for each of them, ensuring that their solution would also help increase social welfare and prosperity, which means an economist does and shall not ignore the mistakes made by people who run the economy just so that some people make money.

Today, most of the reports on foreign countries, authored by analysts from foreign financial institutions, fail to make accurate forecasts.

The reason for their failure is that they tend to see economy as if it had no relation or connection with politics, diplomacy, social developments, population movements, changes in consumption patterns, therefore, they tend to make models by keeping these social and political factors entirely out of the equation.

> It is not possible to foresee the changes unless they are dealt with an interdisciplinary approach

However, economy is not static but a dynamic, non-linear, evolving and self-organizing system that is affected by various internal and external factors.

These driving factors of the economy have particularities and variations which have been established over the years and can be affected and changed unexpectedly by a new trend.

It is not possible to foresee these changes unless they are dealt with an interdisciplinary approach.

Unreliable reports

Each economic parameter, from credit card spending to the components of growth, is subject to political and social exposure and is often directly affected by it.

For this reason alone, I have difficulty taking seriously the reports prepared or to be prepared by international financial institutions about the possible outcome of almost 70 local and general elections that will be held around the world this year.

Because none of the reports they have published about the general elections in Turkey became real, but all of the unlikely possibilities that they have imagined came true.

I just want to think that these reports are not tailored for manipulative purposes, considering that most of the analysts working for international financial institutions tend to write about the things they want to happen rather than the things that are likely to happen.

Although perhaps this cannot exactly be called manipulation, their analyses refer to ideas or possibilities that they want to become a reality.

> Markets that are under the influence of politics and diplomacy or under government control make it impossible for analysts to make correct projections

But we do know that, most interestingly, their forecasts have often accurately predicted the current situation of the markets and the direction they will take in the future under the decision-making of the Turkish Central Bank.

Markets that are under the influence of politics and diplomacy or under government control make it impossible for analysts to make correct projections, which can sometimes cause them lead their clients into the wrong direction.

Such reports should be interpreted as follows: For example, "the Central Bank of XXX is expected to hike/cut rates by ……can be translated into "it is to be hoped that it will be the figure that we want, otherwise our clients will suffer".

Or, "the fight against inflation will continue after the election". This can be interpreted as "They better do that. If not, we will be offended".

Or, "XXX is likely to be the winner of the elections in YYY", meaning, "We want them to win". Reports authored as such are often revised after a while.

Reading the game vs. guessing the intentions

Economists do not try to guess intentions like analysts do, they try to read the game first. Because they know that the intention of only one party would not be enough in helping the desired goal to be achieved.

Accordingly, reading the game is more important than guessing the decision-maker's intentions.

Of course, economists do take past experiences into consideration as well to anticipate what decision-makers could do in the future, which enables them to caution decision-makers to think through before taking any step.

They also reveal hidden agenda that is implied in the press statements of Central Banks or finance ministers.

Obviously, such warnings or counsel provided by economists often anger people who actually run the country's economy, some of the politicians and people who have invested their money based on information furnished by the central bank itself.

But an economist is bound by scientific ethics therefore they are responsible for telling the truth.

And sometimes, they put their careers at risk to identify the source of the problems and prevent potential ones from occurring.

Economists are perhaps lucky to be able to speak freely without being afraid of losing their jobs like analysts could

An analyst, on the other hand, does not do this, because they cannot. Their job is to make comments that will please the clients and help them make money, not to point to problems that could anger the government.

Many analysts who tried and went above and beyond their job descriptions have been sacked.

Economists are perhaps lucky to be able to speak freely without being afraid of losing their jobs like analysts could, but if you are one of those economists, who criticise things that the government did or is doing, you can be subject to harsh reactions on social media, which can make it difficult for you to openly and freely explain your economic ideas they have worked hard on.

Just like an artist cannot find a place to exhibit their works, or a theatrical troupe cannot find a stage to perform on, an economist too cannot find a medium to express their thoughts.

Economists must tell the truth; an analyst tries to be right in the end

One more difference between an analyst and an economist is that an economist must always tell the truth, while an analyst tries to be right in the end.

If analysts start tailoring their analyses in a way that they prove their forecasts correct, then the gap between perception and reality would begin to grow.

People would start forgetting that economics is the science of choices, objectivity would disappear and those analysts would start writing whatever their heart desires.

For this reason, economists do not consider themselves bound with the "must have" principle when devising or suggesting solutions to various problematic scenarios.

They are aware of the influence of the political power on economic decisions; therefore they make sure that their solutions are not aimed at treating economic problems alone.

Analysts, on the other hand, believe that everything will be better with the mere help of a solid monetary and fiscal policy.

People who write reports for international financial institutions could make more accurate analyses if they asked for support from experts who "can read the game" instead of experts who "try to read intentions" - Emre Alkin

Economists are not afraid to criticise, or at least they should not be. If an economist can find a platform to express their ideas, there will definitely be people who will listen to them.

Even though only a small part of the solution or improvement they offer is taken seriously most of the time, that small part alone can help avoid major disasters.

In a country where everything works like clockwork, the possibility of making money is conjunctural. Because calm markets are generally over-regulated.

Investors need to be patient for opportunities. If, however, markets in a country are always volatile, this means that that country has not yet completed its structural reforms and has transitioned to a market economy before becoming a real democracy.

Therefore, it is quite risky to invest in that country although there might be big profit to make there, but no one can tell what will happen the next minute.

So, models do not work in such countries. GDP, inflation, interest and exchange rate forecasts made by analysts by building models fail to realise and are constantly revised.

I think people who write reports for international financial institutions could make more accurate analyses if they asked for support from experts who "can read the game" instead of experts who "try to read intentions".