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Easy Economics



Remzi Kitabevi

EASY ECONOMICS



MAHFI EĞİLMEZ was born in Istanbul. He completed his undergraduate education at Ankara University's Faculty of Political Sciences (Department of Economics and Finance) and earned his PhD from Gazi University with a dissertation titled "Financing of State Economic Enterprises."

Throughout his public service career, he held various positions, including Finance Inspector, Deputy Director General of Revenues, General Director of Public Finance, Deputy Undersecretary of the Treasury, and Chief Economic and Commercial Counselor at the Turkish Embassy in the United States.

In July 1997, he was appointed Undersecretary of the Treasury. He resigned in December of the same year after the government declined to adopt the structural reforms he proposed, concluding his public service career.

Starting in 1998, he served as chairman and board member of several financial institutions, roles he held until 2006. He has carried out research on Hittite history, taught economics at universities for two decades, written for newspapers and economic journals, and provided economic commentary on television.

He currently writes regularly on his blog (www.mahfiegilmez.com) and hosts an economics program on CNBC-e. To date, he has published 28 books—including five novels and a memoir-essay—along with numerous articles.

MAHFİ EĞİLMEZ

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Contents

Foreword, 7

What Is Economics, and What Are Its Applications?, 9

Economics in Simple Words, 10; The Importance of Understanding Economics, 12; Market or Marketplace, 14; We're All Involved in Economics, One Way or Another, 16; Economic Units, 18; The Contradictory Nature of Economics, 20

Consumption, Production, Savings, Investment, 23

Consumption Is a Requirement, 24; Production, 26; Consumption or Production?, 28; Savings and Investment, 30; Capacity Utilisation, 32

Income and GDP, 35

Personal Income and Family Income, 36; A Country's Income: Understanding GDP, 38; Adding Apples and Oranges – How to calculate GDP, 40; Different Methods of Measuring a Country's GDP, 42; Congratulations, the Statistics Say You're Okay, 44; Income Distribution in Türkiye, 46

What Drives Economic Growth?, 49

Economic Growth, 50; Turkish Growth Model: Consumption and Current Account Deficit Driven Growth, 52; Soft or Hard Landing?, 54; Growth in the Turkish Economy, 56; Rating, 58

Unemployment, 61

How Is Unemployment Calculated?, 62

Public Sector Finance, 65

Finance, 66; The Concept of a Budget, 68; Public Budget, 70; Treasury Cash Balance, 72; Turkish Tax System, 74; Public Debt, 76; Public Debt of Türkiye, 78; What Is DIBS?, 80; Fiscal Policy, 82; Additional Tools That Support Fiscal Policy, 84

Money and Interest, 87

What Is Money?, 88; The Possibility of a Money-Free Economy, 90; Can Money Buy Happiness?, 92; Is There Any Physical Value Behind Paper Money?, 94; Monetary Policy, 96; Reserve Currency, 98; Returns Without Borders, 100; Interest, 102; Central Bank Interest Rate , 104

Inflation, 107

Inflation, 108; Types of Inflation, 110; Inflation and Others, 112; Structural Reforms, 114

External Balance, 117

Current Account Deficit, 118; The Origin of the Current Account Deficit, 120; Türkiye's Current Account Deficit , 122; Financing the Balance of Payments, 124; Net Errors and Omissions, 126; Capital Movements, 128

Foreign Exchange and Exchange Rate, 131

Foreign Exchange, Exchange Rate, Parity, 132; Exchange Rate Movements, 134; Does a Rising Dollar Exchange Rate Lead to a Crisis?, 136; Currency Basket, 138; What Is Real Effective Exchange Rate (REK)?, 140

Management, 143

Portfolio Management, 144; Don't Bet Everything on One Horse, 146; Tulip Mania, 148; State Administration, 150; Company Management, 152; Comparison of the State and Company Management, 154

Global System, 157

Globalisation, 158; The Three Systemic Crises of Capitalism, 160; Nebuchadnezzar's Dream, 162; Recession, Depression, Deflation, 164; League of Economies, 166

Urban Myths, 169

"Assets Kept Under the Mattress Can Save the Economy", 170; "Türkiye's Wealth Is in Assets Kept Abroad", 172; "Most of the Economy Is Informal", 174; "Nothing Will Happen to us", 176; "Ottoman Debt Is Overemphasized", 178

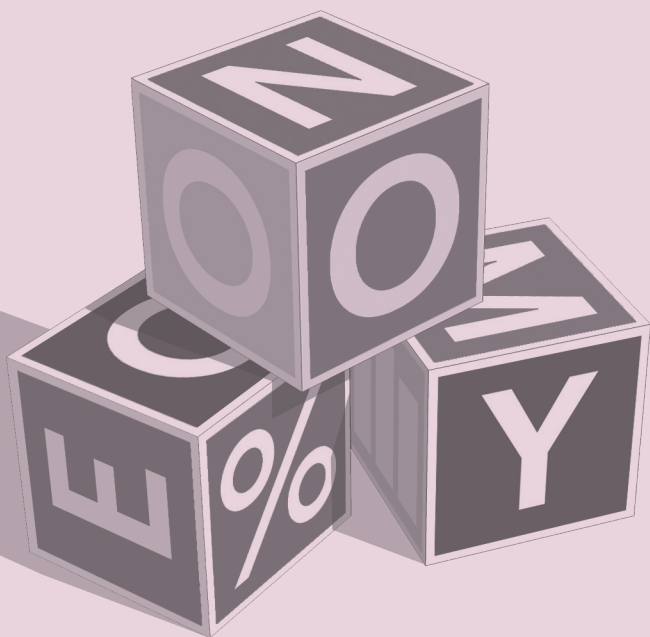
Glossary, 181

Foreword

Economics is boring for many people. Most readers flip past the economics pages in newspapers, and if they see an economics program on TV, they switch the channel.

This book is for people who skip those pages, who change the channel when economics comes on, who haven't studied economics but still want to understand what's going on in the economy, and even for those who studied it but never liked it.

That's why the book is called **Easy Economics**.



What Is Economics, and What Are Its Applications?

*Economics has never been
a science - and it is even less now
than a few years ago.*

Paul A. Samuelson

Economics in Simple Words

Economics is a social science that studies how individuals and societies make choices given limited resources. In essence, it explains how an economy functions and how decisions shape economic outcomes.

Today, the term “economics” refers to a scientific discipline, but it also retains the meaning of “saving.” In Turkish, the word *iktisat*—of Arabic origin—was used for many years, encompassing both “economy” and “saving.” In recent times, however, the term *ekonomi* has become more commonly used in Türkiye.

People’s wants are endless, but the resources to satisfy them are limited. Economics tries to match these unlimited wants with limited resources. That’s why people say economists wouldn’t be needed in heaven—because there, scarcity does not exist. This is the first lesson in economics.

Anthropologist Marshall Sahlins, however, argues that the notion of ‘unlimited wants’ is a product of capitalism itself. In any case, within the system we live in, our desires often

seem endless, while our means to satisfy them is constrained by income, wealth, and borrowing capacity.

The second basic lesson in economics is the principle of **supply and demand**.

- **Supply** is how much of a product is offered for sale.
- **Demand** is how much people want to buy it.

When supply is greater than demand, prices fall. When demand is greater than supply, prices rise.

For example, suppose weather conditions were favorable, so more farmers started growing tomatoes, and production doubled from the previous year. If domestic and foreign demand do not increase by the same amount as supply, tomato prices will fall. Most relationships in economics arise from this basic interaction between supply and demand.

In economics, demand isn't just about wanting something—it also requires the ability to pay for it. People who want a product but cannot afford it are not counted as demanders; they are simply expressing a wish.

The Importance of Understanding Economics

Is economics just about crunching numbers and ratios that have little to do with daily life? Not at all. Economic knowledge is extremely useful—it helps you understand how the world works and make smarter personal choices. It can guide you in increasing your income, managing your spending, or making better investment decisions. With even a basic understanding of economics, you can follow the stock market more confidently and potentially benefit from your investments.

Imagine you have some savings and want to invest them in a way that earns the highest return with the lowest risk. This is exactly where economic knowledge becomes valuable. To choose the best investment or compare different options, you need to understand basic economic principles. Even if you consult a financial expert, having some economic literacy helps you understand their advice and decide whether it makes sense for you.

Economics can also help you avoid costly mistakes. For

example, some people take out loans in foreign currencies and later face large losses when those currencies rise in value. With a bit more economic awareness, they might avoid borrowing in a currency they don't earn, and thus avoid those losses.

Another everyday example is salary negotiation. Imagine your workplace allows employees to request wage adjustments. In such a case, it's important to understand the current inflation rate and its impact on your purchasing power. Without this knowledge, you could request a raise that still leaves you worse off, unable to maintain your standard of living.

Market or Marketplace

A market is a place where goods and services are bought and sold. This is the traditional definition. Today, however, many markets operate without a specific physical location. Buyers and sellers can interact from anywhere.

Based on this, markets can be grouped into two main types:

1. **Markets with a physical location**, where buyers and sellers meet face-to-face. Examples include neighborhood markets and shopping malls.
2. **Markets without a physical location**, where buying and selling happen remotely. A common example is the futures market, where goods are traded today at prices set for the future. Internet marketing is another clear example of remote marketplaces

The market is a core element of the capitalist economic system. Every economic system must answer four key questions:

- What will be produced?
- For whom will it be produced?
- At what price?
- In what quantity?

In capitalism, the **market mechanism** answers these questions.

More specifically, markets serve five important functions:

1. **Determining value:** Prices of goods and services are set through supply and demand in the market.
 2. **Organizing production:** What gets produced depends on market demand.
 3. **Distributing goods and services:** Products flow to the places where there is demand.
 4. **Maintaining rationality:** When demand is higher than supply, prices rise. This discourages excessive demand and helps balance the market.
 5. **Shaping the future:** Economic development happens through savings and the investments made from those savings, both of which are influenced by market activity.
-

We're All Involved in Economics, One Way or Another

A father bringing home his salary, a mother putting money into a savings account, a student spending their allowance on books, or a businessperson running a company—all are examples of **economic units**. Similarly, a billionaire buying a Picasso painting, an industrialist taking out a loan to build a factory, or an investor selling treasury bonds to buy stocks are all engaging in **economic activities**.

The man selling simit (Turkish bagel) on the street and the woman working on the farm are also economic units. Their work is part of the economy, too. In this sense, we are all—whether we realize it or not—actors in the economic system, and every choice we make has economic significance. The difference lies in how aware we are. Those who understand how the system works can be considered “trained” actors, while those who act without this awareness are more like “amateur” actors.

Consider a retired civil servant who withdraws one-third of their quarterly pension for monthly expenses, puts another

er third into a one-month time deposit, and places the last third into a two-month time deposit. Without knowing it, they are managing a small-scale **investment portfolio**, similar in principle to professional portfolio management.

The word *portfolio* originally means “wallet.” In economics, it refers to a collection of assets held for investment—such as cash, gold, foreign currency, stocks, bonds, or real estate. For example, imagine you have 100,000 TL in savings: you put 50,000 TL into a bank account and use the other 50,000 TL to buy treasury bonds. This simple combination is already a form of **portfolio management**.

Economic Units

Economic units are the actors whose decisions shape the economy. These include individuals, companies, institutions, the government, and foreign actors.

Individuals affect the economy through their everyday choices. For example, someone buying bread or fruit at a local shop increases demand for those goods. The money they spend becomes income for the shopkeepers. One person's spending may seem small, but when thousands of people make similar purchases, the overall impact on the economy is quite large.

Companies also make daily decisions. They produce goods and services, sell them, and earn income. They buy materials and services from others, creating income for those businesses as well. They also hire workers and pay wages, contributing to the flow of money through the economy.

The state (or public sector) collects revenue and makes expenditures to keep the economic system running smooth-

The purpose of this book is to explain economics in the simplest way possible and to help anyone who reads it easily understand what people say, write, and discuss about the subject.

"The first lesson of economics is scarcity: There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics."

THOMAS SOWELL

"Finance is the art of passing money from hand to hand until it finally disappears."

ROBERT W. SARNOFF

"The crisis of today is the joke of tomorrow."

H. G. WELLS

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