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CEPA HAS A POINT (MAY 29, 2010)

ECONOMIC growth is a critical factor in assessing the level of development of a country and this is usually reflected in the standard of living in the country.

The success of a country's development efforts is founded on sound economic policies that work to promote the growth of businesses to create jobs for the people and also provide important social amenities.

Over the years, countries that have improved their development ratings have placed an important premium on pursuing economic policies that suit their peculiar needs. In Ghana, there is a history of various economic interventions that have sought to improve the lot of Ghanaians, with those interventions usually receiving mixed responses from Ghanaians.

There have been arguments over the suitability of some of the interventions, especially as their impact has not been felt, leading to calls that the government should adopt recommended policies from its development partners only if those policies are found to be suitable to the peculiar challenges the country may face.

When the NDC government assumed office in January 2009, the issue of budget deficit was played up, after it emerged that the previous government had left behind what was described as a "high budget deficit".

Indeed, while there is the logical recognition that a government needs to spend in key sectors of the economy in order to promote growth, there is also the related caution that spending should not be reckless.

The call by the Centre for Policy Analysis (CEPA) on the government to regulate its descent to single digit inflation raises some important issues. According to CEPA, it was important to regulate that descent because attaining a single digit inflation in a very short time frame might do more harm than good.

Indeed, CEPA argued that the inflation targets set by the International Monetary Fund (IMF) in the stabilisation programme and the pace of disinflation were too fast.

It further commented on the government's declared commitment to pursue austerity measures and stressed the importance of placing a balance between austerity and finance. It again noted that there was the use of fiscal policy to reduce demand and, therefore, the tempo of economic activity.

CEPA is not alone in its observations.

The Bank of Ghana's Monetary Policy Committee released a press statement on April 16, 2010 which pointed out that the economy was, indeed, slowing down.

These observations clearly bring to the fore the need for an effective analysis of the country's economic path to address whatever challenges are prevailing.

As noted by the local representative of the International Monetary Fund (IMF), Mr Wayne Mitchell, at the launch of the report by CEPA, there was the need to also

improve revenue mobilisation in order to improve government expenditure.

The importance of growth in every economy must not be ignored, and inasmuch as the DAILY GRAPHIC cautions against any reckless spending, it is also important not to act in an overly cautious manner so that in the bid to cut down on expenditure, the country does not end up creating payment arrears and unduly slow down economic growth.

We believe that the country has the men to deliver economic success in a reasonable time frame. We also hope the report launched by CEPA will be put under the microscope by the key stakeholders to ensure that whatever good recommendations they contain are adopted for the benefit of Ghanaians.