EDITORIAL

There have been debates as to whether free economic interchange, which is also referred to as globalisation is beneficial to all countries. The editorial takes a brief look at both arguments. The idea is to generate intellectual debates in Ghana in order to critically examine whether Ghana is positioned to derive maximum benefits from free economic interchange.

Economic growth in the last fifty years experienced a faster forward surge. For example, Britain grew at an average of annual rate of 1.5 percent per capita. However, currently, many countries have achieved per capita annual growth rates of 5 to 8 percent. According to one school of thought, it has been argued that the reason why growth has been accelerating faster is because, growth and globalisation have gone hand-in-hand. Access to international market has greatly facilitated faster growth. A substantial degree of reliance on comparative advantage and division of labour has also contributed to this buoyant growth. They further argued that, the rapid growth is taking place in an environment where support facilities are available from other trading nations. Facilities such as communications, finance, insurance, etc., could not have been provided by poor countries themselves and thereby would have put them at a disadvantage competitively. Technology transfer to poor countries has helped boost growth rates.

To substantiate this argument, it was put forward that South Korea greatly benefited from technology transfer and with three decades, moved from 70 percent rural economy to 70 percent urban economy. This has contributed immensely to reducing global poverty. World poverty has declined regardless of increasingly high population growth in the developing countries. Since 1980, those living on less than one dollar a day have fallen by about 200 million, due to the rapid growth of China, India, and Korea.

Conversely, others are of the view that globalisation has misguided assumptions as it breeds inequality and distorts the economy of the poor and developing countries. They portend that the free market advocated by the World Trade Organisation (WTO) is laced with falsehood.

One of the falsehoods is what they refer to as the market's self-regulating virtues. For example, since 1992, the major industrialised countries have embraced global markets willingly. The United States of America (USA) quickly enacted the FAIR (Federal Agriculture Improvement and Reform) Act to do away with direct subsidies, instead of 'decoupling' aid. This allows farmers to produce with no restrictions. It is argued that this has not positively affected the wild swings in the markets. The instability of the market has rather led to the explosion of emergency direct subsidies to offset declining prices.

The untruth according to the proponents against globalisation is the assertion that competition generates wealth for everyone. They argued that, competition is meaningful only if competitors are able to survive. They are of the view that, labour productivity varies from continent to continent. Majority of farm workers who harvest the land with their hands is estimated at 1.3 billion as against a tiny minority of 28 million mechanised farmers formidably equipped for exports. Productive farmers receive emergency subsidies and multiple guarantees against falling prices in addition to their direct and indirect export bonuses. The peasant farmers go bankrupt at the failure of the rain.

Another area of controversy is the argument that, world market prices are necessary criterion for guiding output. However, it has been argued that these prices apply to a small percentage of global production and consumption. For example, the international trade takes place at prices that are determined not by aggregate trade, but prices of the most competitive exporting country. The world price of wheat is pegged to the price in the USA which accounts for only 5.84% of aggregate world output from 1985 to 2000.

To conclude, the rise of feelings against globalisation is a sign that policy makers and analysts need to consider reforms that are necessary for globalisation. It is therefore necessary for policy makers in Ghana to critically examine the effects of globalisation since 1990 when the country opened up its market to free market economy. All the sector of the economy needs to be assessed in order for the country to strategically position itself advantageously.

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