

## **Economic growth strategies must be holistic - Dr Abbey**

Accra, Nov. 11, GNA - Dr Joseph Abbey, Executive Director of the Centre for Policy Analysis (CEPA), on Wednesday said efforts in reducing the high inflation rate must be simultaneous with workable economic growth strategies.

"There must be better balance between growth objectives and efforts of bringing inflation down," he said. Dr Abbey was launching Ghana Economic Review and Outlook 2009 in Accra. He said the President Mills-led government that assumed power in January 2009 was faced with less stable macro-economic environment, which manifested in a huge budget deficit estimated at 14.5 per cent of Gross Domestic Product (GDP) at the end of 2008.

This, he said, included nearly one per cent of GDP in respect of commitments and payments arrears from previous years. Dr Abbey said though the macro-economic difficulties of 2008 were primarily due to election year spending excesses, they nonetheless, exacerbated an underlining continuous deterioration of fiscal discipline which CEPA had noticed and drawn attention to since 2006. "The policy response in the midst of this dilemma is to raise the money supply resulting in a jump in the rate of inflation without any marked improvement in the employment situation," he said. Dr Abbey described the dilemma Ghana faced in policy making in present circumstances as a situation in which the economy was inflating and stagnating at the same time.

"Prices may be going up in many industries although large number of men and women cannot find jobs posing a cruel dilemma for macro-economic policy making," he said.

He stressed that under this condition pressure from significant external shocks to the economy would be quickly felt. However, Dr Abbey recommended that "price stability, fiscal discipline, and policy credibility are the key factors for success." "Uncertainty causes economic inefficiency because the allocation of invisible funds can be optimal only if all agents correctly estimate the same real rate of interest in making their decisions involving the allocation of their resources," he said.

Another means of remedying inflationary rates Dr. Abbey said was raising real deposit rate close to their competitive free-market levels thereby increasing demand for money, while simultaneously raising the rate of economic growth by increasing the real supply of credit. He called for decentralisation and proper information dissemination at the local level and accountability which provided citizens with means by which to be informed to participate in public life in an informed manner and pressurise government for improved outcomes. Dr Abbey said institutions of governance such as the police, the armed forces, the fire service, judiciary and the legislature must be strengthened to perform their assigned roles. Dr Nii Noi Ashong, Research Fellow of CEPA said the self inflicted financial crisis called for a reduction in government spending while the global financial crisis required the provision of government support to ignite the ailing economy. He said

politicians should create the situations that policies they formulated were public-owned.  
11 Nov. 09

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**Source:** GNA