The Effects of Capitalism: Ghana and South Korea
# Table of Contents

Introduction........................................................................................................................................3

Ghana
   Socialism turned into Capitalism.................................................................................................3
   Ghana’s Economic Environment......................................................................................................5
   Education.......................................................................................................................................5
   Business practices – Allied Oil.......................................................................................................6

South Korea
   The beginning of an economic giant............................................................................................6
   South Korea’s Economic Environment..........................................................................................7
   Education.......................................................................................................................................8
   Business practices / Consumption behavior ...................................................................................9

Conclusion........................................................................................................................................9

References........................................................................................................................................10
Introduction

Capitalism, also known as a free market economy, is an economic system in which the means of production and distribution and industry are privately owned and operated for a private profit. Decisions regarding supply, demand, price, distribution, and investments are made by private sectors in the market rather than by central planning by the government; profits is distributed to owners who invest in businesses, and wages are paid to workers employed by businesses (Hooker, 1996).

Internal and external forces pertaining to capitalism can contribute to a country’s economic success or it can also lead to a diminishing or stagnant economy. Ghana and South Korea are perfect examples of two countries with different environments that took capitalism as their new economic model after their independence. The result of capitalism in the two countries, differ; South Korea’s economy flourished, while Ghana’s economic state weakened. Was the molding of a western constitution the primary reason that capitalism in Ghana suffered drastically over the last five decades and South Korea enjoyed a large economic growth? Or was it from different forces that contributed to the results of capitalism? In next few sections we will discuss the political, cultural, and economic environments of the two countries in-depth to further the discussion on the effects of capitalism in the two countries.

Ghana

Socialism turned into Capitalism

Ghana, formally known as The Gold Coast, was administered into four separate territorial divisions during prior to its liberation in 1957 from Great Britain. According to the U.S. Department of State, once the British started to administer the four separate divisions, the British administration joined together the territories into one. The British government in 1951, decided to administer a constitution with the procedure of popular vote to elect members for the government of The Gold Coast. Once the constitution was administered to the general public, the British decided and promised to set a date for the independence of the country in the near future (USDS, 2007).

Three years after the first constitution was created, a second constitution was ratified. This new constitution established a cabinet compromised of African ministers who were selected in a general election. During this election, the Convention’s People Party, led by their leader Kwame Nkrumah, took majority of the seats available in the newly formed assembly (USDS, 2007). The promise the British made, was finally repaid once the African assembly and legislation was seen as successful, giving the Gold Coast its independence.

For Nkrumah, the move to state socialism in the early 1960’s was a pragmatic one, born of a desire to modernize Ghana as quickly as possible. This is not to deny any ideological motive, but simply to emphasis that pure ideology did not drive this change in policy. Nkrumah saw socialism as a better vehicle than liberal capitalism for the rapid modernization of Ghana. He believed that socialism held an advantage that could offer Ghana “true” independence; avoiding the possibility of becoming beholden to foreign business interests (Kennedy, 1977). On a more cynical note, Nkrumah was a bit cautious that following the traditional ideology of industrial
capitalism could create an indigenous entrepreneurial class that would act as a counterbalance to his personal power within Ghana.

The history of socialism in Ghana under Nkrumah is complicated one, of great successes and disheartening setbacks. There was a huge expansion in the provision of public services, such as health care and education. At the same time the incomes of the average Ghanaian stagnated, even though the cost of living rising rapidly.

Due to the collapse of the CPP as a disciplined political force, socialism was, by the middle of the decade, inextricably bound up with personality of Nkrumah himself (Hirson, 1989). As the party fell apart, the president was left to attempt to micromanage the country’s transformation. His increasing self-reliance meant that he became ever more isolated from the people, which in turn reduced his ability to flexibly respond to changing events. His outlook became increasingly dogmatic, so the fate of socialism as viable force for economic and social change in Ghana was sealed.

Nkrumah and his ministers were finally dismissed due to the violation of individual freedom and liberty; this was also the end of the CPP and the start of a new government. Once the new government, headed by the National Liberation council, civilian rights and liberties were restored to the people of Ghana. It wasn’t until 1969 where Kofi Busia and his Progressive Party claimed 105 out of 140 seats in the council. At this special election, no officials were titled to become prime minister or head of state of Ghana (USDS, 2007).

The old national inferiority complex, which Ghanaians couldn’t survive on their own without the help of the old colonial masters, was laid to rest, yet the national desire for self-determination led to protracted economic problems arising from government overspending (Hirson, 1989). Many of the difficulties faced by Ghana can be traced to their inheritance of an economy so dependent on a single product, cocoa. Above all else, looming like a malevolent shadow was the spectra of corruption and political infighting.

Darko Opoku, an assistant professor of African American studies at Oberlin University stated, “the failure to develop dynamic capitalist classes in most African states has, in the words of one observer, [as cited in Lewis 1994a] ‘been protracted, contentious and often frustrating’ (Opoku 2).” Ghana is no exception to the failure of the capitalism in Africa. This failure soon appeared after the country gained independence causing a stagnant economy that lasted until the 1980’s. The Ghanian government introduced policies regarding the “capitalist accumulation” that was to be implemented to change the structure of the economy and political system.

The Vice President of the Chairman of Ghana, Dr. Abu Sakara, acknowledges the global economic crisis facing the West of Africa is an indication that capitalism is not a sustainable economic system (Daabu, 2008). The system oppressed the poor in favor of the rich causing an imbalance of power. According Sakara, the CPP’s policy of government intervention is to ensure that the poorest members of the society have access to essential services (Daabu, 2008). To avoid a worsening economic and poverty situation in the country, the CPP needs to be voted back into office. Sakara also strongly urged Ghanaians to look at the governance system of the country to determine the economic prosperity the country.
**Ghana’s Economic Environment**

Ghana’s population was estimated to be at 18 million in 1997. The population is unevenly distributed across the country with two to three million people living in the Accra metropolitan area, which covers less than one percent of the country’s surface. Twenty-five percent of the population currently lives in the coastal zone, which represents six percent of the land area (World Bank, 1996).

Like many countries in the sub-region of Africa, following independence in 1957, Ghana embarked on a program of economic development to alleviate poverty and raise the standard of living of its people. The process of economic development in Ghana is, to a large extent determined by the mining and timber industries and a rapidly industrializing and export-oriented agricultural sector, mainly based upon cocoa and oil palm, but diversifying into a wide array of tropical fruits and vegetables. Economic development is associated with rapid population growth and increased urbanization (EPC, 1991).

From the year 1984 to 2001, Ghana increased its GDP growth rate from three percent to seven percent. This increased rate is considered a success to the African economic model. The country, since then resumed the economic development diligently. As a result, the foreign capital investment increased, while the import and export industry expanded.

The government has made great efforts to improve infrastructural facilities, and to further agricultural development, industry processing, resource development investment constructions, and continues to reduce restrictions on investment and other requirements.

Because of a global financial crisis, the country’s main export products price has dropped substantially, the funding of foreign assistance did not arrive, the worker and farmers' income has reduced, a lot of people were unemployed, strike by students and works were everywhere. The social order condition has worsened. The country failed to meet its objective goal of a GDP growth rate of eight percent. In March 2002, Ghana returned to a poor heavy debt country.

**Education**

In 1957 Ghana had one university and a handful of secondary and primary schools. Ghana now has 12,130 primary schools, 5,450 junior secondary schools, 503 senior secondary schools, 21 training colleges, 18 technical institution, and two diploma-awarding institutions and five universities serving population of 17 million; proving that most Ghanaians have relatively easy access to good education. Government expenditures on education fall between 28 percent and 40 percent of its annual budget (Addo, October 2004).

Basic education, consisting of primary and middle school education were subsidized by the government and was mandatory to all students. The funding required all students to be accommodated by enough teachers and facilities. In 1987 students began their six-year primary education at age six. After completion, the student may enter a senior secondary school, which prepares them for university education (Addo, October 2004). Students usually study a combination of three elective subjects and number of core subjects. At the end of the three year senior secondary course, students are required to sit for the West African Senior Secondary Certificate Examinations (WASSCE). Students who obtain a high degree of success can enter the university system. The score is usually determined by the student’s grades in the required courses.
**Business practices – Allied Oil**

Allied Oil goal is to be the dominant indigenously owned private oil marketing company in Ghana. The firm provides a comprehensive range of services to both urban and rural consumers. In 1999 the firm’s size only consisted of 12 employees and only a small percentage of market shares, since then the company has established itself as the best oil marketing company in the country with a present workforce of sixty. It has also employed 270 support workers at various stations, and has grown to become a source of livelihood for many Ghanaians (Koranteng, October 2007).

The company boasts a staff of well qualified, experienced and motivated professionals. Today, the history of indigenous private sector participation in oil marketing business in Ghana could not be written without reference to the successful entry of Allied Oil into an industry that appeared to be a reserve for multinational companies. Its dynamic style in service delivery contributed to the company’s expansion to approximately 43 licensed oil marketing companies in across Ghana, with most being Ghanaian owned (Koranteng, October 2007).

**South Korea**

*The beginning of an economic giant*

The start of Korea can be traced back thousands of years. But the transformation in the last generation changed the dynamic of what Korea has now become: North Korea and South Korea. The North is following Karl Marx ideology of communism, while the South, lingered on the introduction of western ideology, capitalism. After the Second World War, Russia and the United States decided to divide the country into two, splitting the communist north and the capitalist south at the 38th parallel. The tensions of the two countries reach an all-time high in 1950 causing the two opposing governments into war. The war never officially ended, but an armistice was agreed in 1953, and the border on the 38th parallel was once again instituted. At this time, the country was finally divided and the borders were heavily protected, insuring no civilians to cross the borders (CIA Factbook).

Once the borders were protected, from the help of American forces, South Korea started to rebuild its economy and legal system. Emerging companies such as Samsung, Hyundai, SK Telecom, and LG Electronics expanded into the global markets and shifted the economy into an increased GDP in the last five decades (Kim 2010). The focus on the exporting industry helped the country overcome the poverty stricken country that was hindered by the war. The economy grew significantly and the country was transformed into a full democracy, and a regional power in East Asia. They are now the 12th largest economy of purchasing power parity above twenty thousand (Schuman, March 2010).

In the late 1990’s, there was fear that the economy was going to get overrun by the Chinese. Chinese firms were penetrating at a lower cost into the industries in which South Korea specialized, such as ship building and electronics. But the country has managed to maintain a clear edge over China by starting to make the leap from a developing economy into a different
approach. Korean companies are becoming leaders at research and development, branding, design and marketing (Schman, 2010).

The country at this time was in the early stages of democratization. While the vestiges of the old system of state control remained, the financial sector was still manipulated by the bureaucracy. Chaebols were well protected by compliant bankers, regulators, and government officials during the early 1990’s. The financial crisis in 1997 negatively altered the strength of the country’s economy. Once the country regained its stability over the economic, these chaebols become more independent, profitable and transparent. This laid the groundwork for the explosion of Korean corporations like Samsung, Hyundai, SK Telecom and LG in the global marketplace (Schuman, 2010).

South Korea’s Economic Environment

Shortly after the country was founded, the Korean War broke out and tramped the country for three years consecutive years, 1950 to 1953, and this seriously hampered its economic development. In the following decade, the Korean government focused on developing its export industry. To accelerate its export growth, the government strategically depreciated its currency by 100 percent and adopted its single currency pegging policy that tied its currency to the American dollar. This strategy successfully decreased the production and labor costs, as well as attracting foreign investments.

In the next two decades, the government started concentrating on the “heavy” and secondary industries. The government introduced the “heavy” industry development scheme that poured in major investments in 1973. During this period, the ship building, steel, automobile, electronic, petroleum, as well as mining industries were in its burgeoning periods. As a result, the country’s “heavy” industries posted a large growth. From 1972-1978, its gross domestic product grew 10.8 percent and the export of “heavy” industry products also increased from 21 percent in 1972.

In the meantime, the government also introduced and implemented town reforms and campaigns which increasingly raised the productivity and living quality of the people. In the 1980s, Korea's economy started a liberalization phase, starting with a restructuring reform. To address the problems caused by the over-development in the 1970s, the government closely collaborated with chaebols to adopt a series of restructuring measures to the automobile, heavy and chemical manufacturing, mining, ship building and overseas developments. Such restructuring movement deepened the market domination of chaebols.

Liberalization also accelerated the pace for bank privatization and diversification, as well as development in the country’s financial industry. The restriction on the foreign investment outflow regulation was lifted and lowered to pave the path of future expansion and globalization. The South Korean economy gradually started transforming into the globalization phase in the 1990’s. The trend in the regionalization and new global trading led the economy into a new era of globalization. Towards the end of the century, Korea's economy started moving away from a centrally planned, government-directed investment model towards a market-oriented capitalism structure.

At the start of the millennium, South Korea’s GDP has grown to an estimated $1.3 trillion in 2009. With its labor force, estimated at around 24 million people in 2009, GDP growth in the first half of 2010 was recorded at 6.1%, and its GDP per capita exceeded to $28,100. Its
main industries are now composed of electronics, automobile production, chemical, shipbuilding, and steel.

**Education**

Most economists agree that South Korea’s spectacular progress in modernization and economic growth since the Korean War is largely attributable to the willingness of individuals to invest a large amount of resources in education: the improvement of “human capital”. The traditional esteem for the educated man, originally confined to the Confucian scholar as a cultured generalist, now extends to scientists, technician, and other specialized workers.

The Korean education system is known as being crucial to one’s success, and competition is consequently very heated and fierce. South Korea’s younger workforce is more likely to have achieved an upper secondary education than anywhere else in the developed world. With reference to the Organization for Economic Cooperation and Development, the younger generation are also among the most likely to obtain university degrees. In 2006, results of the OECD Programme for International Student Assessment, the country came first in problem solving, third in mathematics and eleventh in science.

South Korea became the first country in the world to bring high speed fiber-optic broadband internet access to every primary and secondary school nationwide. Due to the success of the technology the country has developed the first digital textbooks in the world, which will eventually be distributed for free to every primary and secondary schools nation-wide in 2013. The Korean public education structure is divided into three parts: six years of primary school, followed by three years of middle school and then three years of high school. In 1996, only about five percent of Korea’s high schools were coeducational (Levy, 2008). The proportion of coeducational schools has increased by almost ten percent. The primary curriculum consists of nine principal subjects: moral education, Korean language, social studies, mathematics, science, physical education, music, fine arts and practical acts (Levy, 2008).

The aims of education at the high school level are stated as, “to foster each student’s personality and ability needed to preserve and strengthen the backbone of the nation; to develop students’ knowledge and skills to prepare them for jobs needed in society; to promote each student’s autonomy, emotional development, and critical thinking abilities to be brought to bear in and out of school; and to improve physical strength and foster a sound mind” (Levy, 2008).

Along with their strong belief in the family and cultural traditions, Koreans value education and are willing to make significant personal sacrifices to ensure that their children are afforded the best available learning opportunities. No nation has a higher degree of enthusiasm for education than Korea, and nowhere are children more pressured to study. Evidence of major educational accomplishments, such as degrees from prestigious colleges and universities, strongly influence a person’s suitability for employment, marriage, and everyday interpersonal relations (Levy, 2008). Education has contributed to the growth of Korea’s democratic government; it produced hardworking, skilled employees who have brought about an economic miracle within a single generation.
**Business practices / Consumption behavior**

Korean consumers are very sensitive to the power of the brand name, the healthy aspect of a product and perfect after sales services (Laposte, 2010). They are ready to pay for the quality. They like to be guided and well informed when they buy something. The economy is export driven, with production focusing on electronics, automobiles, ships, machinery, petrochemicals and robotics.

South Korea is a member of the United Nations since 1991; they maintain diplomatic relations with more than 188 countries. In 2010, South Korea and the European Union concluded a free trade agreement to reduce trade barriers. They are also trying to negotiate a Free Agreement with Canada, and another with New Zealand. Some growing sectors of consumption behavior for South Korea are: education & training services, healthy products (food nutritional complements), household consumer goods, housing decoration, computer software, medical equipment, new energy power generation, pharmaceuticals, fashion & luxurious goods, “silver services”, and travel & tourism (La poste, 2010).

Korean’s have collectivist cultures, which are fundamentally different from individualistic American culture. Korean consumers are very sensitive to the power of the brand name, the healthy aspect of a product and perfect after sales services. They are ready to pay for the quality; Korean consumers like to be guided and well informed when they buy something. They are less and less nationalist in their purchasing preference.

**Conclusion**

**Ghana**

From its independence, Ghana’s mistaken strategy, unstable political environment, and severe inflation are the main obstacle to its economic development. Over reliance and concentration over its few main exports in gold, coco and lumbering industries also explained why the Ghana economy is still the backward developing country phase and its external environment is still too limited to lead to its quantum leap.

**South Korea**

The most significant factor in South Korea economy’s exponential growth is related to the government’s direct and active involvement in infrastructure construction, industry development, foreign investment simulation, currency exchange ratio control and financial reform. The government’s policy and strategy that promoted economic growth through labor-intensive manufactured exports in the early phase helped the country to develop a competitive advantage. Government initiatives and its role have served as important successful factor to today’s South Korea’s prosperity.
REFERENCES


