

Ghana's Development: Miracle or Mirage?

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Introduction: Ghana's Economic History in Perspective

Although Ghana enjoyed a privileged position in the post-colonial era due to a relatively stable regime with a charismatic leader committed to soliciting international financial support, profitable natural endowments, and a comparatively high stock of human capital, short-term growth belied the atrophy of long-term sustainable development. Six reoccurring historical themes account for Ghana's failure to capitalize on its assets: excess demand, currency overvaluation, foreign dependence, ineffective policies concerning comparative advantages, overextended state involvement, and financial sector inhibitions. As a means to develop the historical context, I will first give a brief overview of Ghana's economic history. Next, I will specifically focus on the policies of the Big Push strategy of Kwame Nkrumah and the Economic Recovery Program (ERP) of the Provisional National Defense Council (PNDC) under Jerry Rawlings because the conflicting ideologies of the socialist Nkrumah regime and the neoliberal Rawlings administration provide the best contrasts for historical developmental themes.

On March 6, 1957, after nearly eight years of struggle, the state of Ghana achieved independence under Kwame Nkrumah – the popular leader of the Convention People's Party. Instituting a variety of wide-spread industry reforms under a socialist framework, including the dramatic seven-year plan spanning 1964 to 1970, Nkrumah sought pervasive industrialization through a Big Push strategy, concentrating high rates of capital formation through domestic production of import-substitutes in state-owned enterprises. As debt spiraled out of control due to expensive investment in ambitious projects that ended as notorious fiascos such as the failed mango-processing plant and the corrupt hide-leather-shoe complex (Watkins), Nkrumah responded to political pressure by resorting to highly tyrannical, oppressive tactics as a means to secure a one-party state.

As an expression of public discontent, a military coup ousted Nkrumah's administration on February 24, 1966, beginning a twenty-year period of constant regime changes and economic

decline and chaos. Finally, on December 31, 1981, Jerry Rawlings seized control of Ghana through a military coup and established the PNDC, committed to long-term economic growth and democracy (BBC). With his charismatic appeal to the workers and rural populations of Ghana and his connections to Libya, Cuba, and Eastern Europe during a critical period of the Cold War, Rawlings successfully obtained IMF loans and popularized the Economic Recovery Program (ERP) – a neo-liberal agenda based in the Structural Adjustment Programs of the World Bank and IMF (Osei, 109).

In the mid-1980s, Ghana experienced unprecedented growth. Adulated by the IMF and World Bank as a model country, investors worldwide regarded Ghana as the “Asian tiger” of Africa – the exception to a seemingly bleak and hopeless economic sphere. Yet, by the end of the 1990s, Ghana teetered on the verge of economic collapse, her initial post-colonial assets squandered. With the emergence of significant macroeconomic distortions, export earnings dropped as market prices fell, triggering a crisis of currency and balance of payments that skyrocketed inflation and rapidly degraded living standards (Hutchful, 1). Bewildered by the sudden economic plummet after an ostensibly golden period of prosperity, Ghanaian citizens and economists and political scientists worldwide began to question existing policies, hoping to determine the structural reasons that prevented Ghana from escaping the debilitating “West Africa syndrome” despite its initial successes.

Position of Privilege: The natural assets of Ghana

The advantage of stable regimes and charismatic leaders:

As the first African country to achieve independence, Ghana experienced a relatively stable transition into the post-colonial era. Since the overwhelmingly popular Nkrumah quickly established the legitimacy of the new regime, Ghana evaded many of the ensuing bloody battles for power that plagued other countries such as the Congo. As the former British Governor of Ghana stated, “Nkrumah and his party had the mass of the people behind him. Without Nkrumah, the constitution would be stillborn, and...the Gold Coast would be plunged into disorders, violence, and bloodshed (Osei, 48).” In addition, according to the US State Department, at the time of independence, Ghana had substantial physical and social infrastructure and \$481 million in foreign reserves (US State Department). Although the Nkrumah regime grew steadily more corrupt, this initial stability unified

Ghana in the most critical early years (Osei, 96). Despite the numerous regime changes following Nkrumah's decline, as a whole, Ghana developed a united commitment to reform.

The effective mobilization of resources by the Rawlings regime in the past two decades attests to the institutional advantages of Ghana. The introduction of the PNDC in 1979, and later, the peaceable transfer of power to the National Democratic Congress (NDC) in 1992, increased Ghana's international presence. In August 1983, the Economic Recovery Program (ERP) initiated by the PNDC generated support from the IMF and World Bank, which gave \$611 million and \$1.1 billion respectively (US Department of State). In addition, Rawlings himself actively solicited at least five billion dollars from Western donors who approved of his economic reforms. Moreover, Rawlings carried out his long-term commitment to democracy by passing a new constitution in 1992 that freed political prisoners, allowed the formation of political parties, and articulated an obligation to human rights and free expression (BBC). Although governmental transparency remains an issue, Ghana is considered one of the more politically stable countries in comparison to other developing nations. According to the Center for Global Integrity, Ghana has a moderate rating in the public integrity index, ranking 13th out of 25 index nations (Appendix: Figure 1). This political stability is thus inherently attractive to foreign investors and critical to sustained economic policy.

The advantage of natural resources: Cocoa, gold, and mineral deposits

At the time of independence, Ghana was the leading cocoa exporter of the world. In the 1950s, Ghana exported an average of 370,000 tons annually, accounting for as much as 50% of the GDP (Dzorgbo, 2). Since British economic policy set a high international price for cocoa, Ghana profited immensely in the early stages of development by capitalizing on the difference between domestic cocoa prices and international prices (Watkins). Through the cocoa economy, Ghanaian farmers were considered more financially secure than the majority of peasants in Southeast Europe. Although this policy later resulted in devastating consequences, initial revenues provided a strong financial resource for economic reform.

As the producer of yet another highly lucrative item, Ghana mined 1/10th of the world's gold at the time of independence. Since the ancient times, the gold trade has been a source of stable

revenue due to continually high demand. Besides gold, Ghanaian lands contain rich deposits of aluminum, bauxite, diamonds, and manganese (Leith, 11). Through these natural assets, Ghana was considered a middle-income country whose per capita income in the mid 1960s (\$490) matched that of Mexico and South Korea, outperforming all the sub-Saharan countries by a significant amount. Thus, unlike many other developing countries, Ghana possessed a distinctive advantage in natural endowments that formed a strong financial base for economic reform (Dzorgbo, 2).

The advantage of human capital:

According to Kirk-Greene, "Ghana had more schools and health services per capita and a better road system than any other British Territory in Africa (Kirk-Greene, 30)." With such infrastructure, a prosperous middle class of rural capitalists emerged soon after independence. In addition, Ghana had the advantage of a distinguished history of higher education, administrative elites with country interests in mind, and a prevalent respect for international institutions and policies (Dzorgbo, 2). Throughout the past fifty years, enrollment in primary and secondary education has continually risen, thus theoretically providing a strong base for economic development (Appendix: Figure 2).

Ghana's Economic Development: Mirage or miracle?

Despite all these initial advantages, however, Ghana failed to capture successful long-term growth. Although deceptive short-term moments of expansion led to widespread optimism, Ghana's development can be considered more 'mirage' than 'miracle' because certain underlying structural changes have not occurred. From the mid 1970s to the mid 1980s, Ghana faced dramatic economic decline with negative growth rates, hyperinflation, food shortages, massive unemployment, deterioration of pre-colonial infrastructure such as transportation and communication networks, weakening health and social welfare systems, and environmental degradation (Dzorgbo, 3). In the past two decades of being the IMF and World Bank "success story", Ghana has simultaneously confronted the challenge of increasing dependence on foreign aid, an exponential external debt, high rates of unemployment and poverty, and deindustrialization resultant from the elimination of protective measures (Dzorgbo, 5). Moreover, recent assessments of development in Sub-Saharan

Africa indicate significant flaws in policy prescription by international institutions, suggesting that existent developmental literature does not adequately explain the unique inhibiting factors facing African countries. Nevertheless, six common themes emerge: excess demand, currency overvaluation, foreign dependence, ineffective policies concerning comparative advantages, overextended state involvement, and financial sector inhibitions.

The Paradox of Reform: Inhibitive Factors to Development

Excess demand: Inflation and expansionary fiscal and monetary policy

Before independence, government expenditures were capped at 10% of the GDP by the British colonial administration. When Nkrumah assumed power, however, he removed these constraints and instituted the Big Push program with an aggressive government expenditure program that pushed the budget deficit to over 6% of GDP. According to Osei, "The CCP adopted an exaggerated, bloated vision of development of which the crucial feature was the number of physical structures and general infrastructure that could be constructed rather than assessing the actual social and material needs of the people (Osei, 6)." Driven by the need to look impressive to his constituents, Nkrumah pursued costly and inefficient projects such as Ghana Airlines in addition to needed projects such as the Volta River Bridge (Watkins).

With such a rise in aggregate demand due to government spending exacerbated by a loose monetary policy, by 1965, the consumer price inflation had exceeded 20%— significant in context to the time period (Leith, 12). Through the policies of debt-financing and the issue of Treasury Bills, government borrowing from domestic commercial banks increased dramatically to the point that by 1965, credit from the banking system to the government accounted for 12% of the GDP. From 1960 to 1965, total bank lending increased from 14.5 million sterling pounds on monthly average to 153 million sterling pounds (Rimmer, 79). Consequently, the expansion of bank lending and the accelerating money supply skyrocketed high money growth rates, inflation, and inflation tax, exacerbating the problem of supply rigidities of foodstuffs and manufactures. By 1981, the Limann administration estimated the Ghanaian inflation rate to be 70% (Ghana).

In short, the burgeoning excess demand coupled with the depletion of foreign exchange reserves destabilized the macro-economy. Instead of relying on monetary policy to restore macroeconomic balance, continued government spending with dependence on banking credit created an environment inhospitable to foreign and private investment because excess lending and inflation resulted in low, possibly negative, real interest rates that discouraged future investment. Moreover, the policy precedent set by Nkrumah in the 1960s continued for the next few decades, resulting in an uncertain macroeconomic environment incompatible with economic reform. As demonstrated by Figure 3 and 4 (Appendix), GDP inflation, CPI inflation, and money growth rates have remained consistently high throughout the past four decades, hindering long-term economic growth.

Currency overvaluation: Exchange rates and import licensing

Simultaneously, the currency remained overvalued. Despite domestic inflation, the Nkrumah government maintained a fixed nominal exchange rate, thereby reducing Ghana's export competitiveness. According to Leith, "By 1966, the real price of foreign exchange had fallen to 50% of the level at independence (Leith, 25)." As a form of nationalistic pride and the important substitution policies of the Big Push, Nkrumah's administration chose not to devalue. Subsequent administrations chose a similar policy, often instituting exchange controls that only accelerated inflation and contributed to a source of uncertainty for exporters, importers, competing producers, and foreign investors alike (Huq, 197). With a fixed exchange rate and accelerating inflation, exports became even more uncompetitive, dropping from 30% of GDP at independence to less than 18% by 1965 (Appendix: Figure 5). In addition, the overvalued currency heavily damaged the important cocoa industry which collapsed in 1971 (Hutchful, 11).

Since currency overvaluation increased the attractiveness of imports, the government sought to establish a system of licensing in order to protect domestic industries in the 1960s. As a result, licensing changed the composition of imports, favoring producers' materials at the expense of essential consumers' goods such as sugar, salt, soap, and medical drugs (Rimmer, 93). Moreover, due to the inflation of purchasing power and the depreciation of foreign exchange at the official rate, import licenses became the object of corruption – prospective licensees often bribed for official

favors (Rimmer, 94). However, as budget deficits rose from 17 million cedis in 1971 to 781 cedis in 1977, compounded by the problem of a 500% increase in the money supply, a 100% inflation in the CPI, and the expansion of hoarding, smuggling, and profiteering, the government under the Acheampong began a series of liberal reforms, abolishing the licensing system and setting preliminary measures to adopt a flexible exchange rate (Hutchful, 12).

When the PNDC obtained power in 1981, the issue of foreign exchange posed a divisively critical concern. From April 1983 to 1986, the cedi was devalued from 2.75 per US dollar to 160 per US dollar, increasing exports at the expense of living standards dependent on foreign imports (Hutchful, 56). Positive benefits, however, were dampened by the lack of consistent policy to secure a stable real exchange rate, critical to export-oriented, long-term growth strategies. Even throughout the 1990s, exporters and import-competing producers have faced substantial uncertainties concerning real returns (Huq, 197), thus significantly reducing the benefits of open international trade since the nominal exchange rate often did not account for the change in domestic price levels due to inflation, and thereby hindering the development of long-run economic growth.

Excessive foreign dependence: Skyrocketing foreign debt service

Due to aggressive government spending, from the 1960s onwards, government expenditures continually exceeded revenues. As a result, Nkrumah's administration incurred a significant foreign debt to finance major development projects. By the end of 1965, the amount of outstanding commercial debt reached 110 million sterling pounds with contracted suppliers in Western countries and 29 million sterling pounds with suppliers in the Soviet Union and Eastern Europe. The formerly negligible debt service ratio of the 1950s reached an astounding 18.5% on the supplier's credit alone in 1966 (Rimmer, 82). In addition, Ghana received 37 million sterling pounds in long-term loans from the World Bank to finance the Volta Dam. In perspective, cumulative payments for 1996 and 1997 reached 33.5 and 40.5 million sterling pounds respectively, absorbing over one-quarter of export earnings per year (Rimmer, 84). Foreign debt during this epoch, however, was not one of the principle problems of the Ghanaian economy in comparison to other infrastructural difficulties.

Furthermore, throughout the 1960s and 1970s, the transition governments did not accrue significant amounts of additional foreign debt.

Conversely, Rawlings and the PNDC through the ERP significantly increased foreign debt. The ERP, developed by the PNDC under the guidance of the World Bank and IMF, consisted of three main phases. First, the government intended to minimize expenditures as a means to alleviate pressures on the banking sector, improve tax collection, create incentives for production, and devalue the cedi. Second, the government sought to privatize state-owned enterprises, further devalue the cedi, and eliminate the black market for currency exchange. Third, the government planned to intensify monetary reforms and reduce private corporate taxes in support of the private sector (Library of Congress Country Studies Index). Despite the initial success of the ERP, its continued reliance on foreign aid foreshadowed the demise of the economy.

As Figure 6 (Appendix) indicates, the debt to GDP ratio increased from less than 5% in 1982 to more than 80% by 1992. Aiming to stabilize the financial structure and promote production in the export sectors, the government in 1983 utilized 4.2 billion dollars from external sources to rebuild infrastructure, finance energy imports for machinery, and aid export industries. In addition, the failure of the ERP program to make a noticeable difference in non-export sectors such as food production and to cushion unemployment resulting from the privatization of state-owned enterprises created an impetus for even more expensive policies that skyrocketed foreign debt. Since Ghana had by now achieved a reputation for financially-sound reform, foreign investors were willing to lend even more money. In 1988, the government initiated the externally-funded \$85 million Program of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) that created 40,000 jobs over a two year period (Library of Congress Country Studies Index). Annual aid commitments from the US totaled \$426 million in 1984 and \$971 billion in 1989. Estimates believe total commitments over the six-year period reached over \$3.5 billion (Rimmer, 190). By the late 1990s, annual debt service accounted for approximately 25%-30% of exports of goods and services (Leith, 50).

With such a high dependence on foreign aid and a daunting level of annual debt service, Ghana became dependent on international institutions and foreign investors. By 2000, foreign debt

totaled at 160% of the GDP (Leith, 51). After qualifying for the IMF's Highly Indebted Poor Country (HIPC) initiative in 2002, Ghana recently received a reduction of external debt from \$5 billion to \$2.4 billion (DIFD). Despite this relief, however, Ghana faces significant challenges as vital economic resources contribute to past loans instead of promoting internal infrastructural development. Ironically, as Britain continues to assume the role of the largest bilateral donor, British imperialism in Ghana has changed to an equally effective form of economic imperialism. With such a large foreign debt, the possibility for sustained long-term growth remains slim since important export revenue goes to pay off foreign debt at the expense of capital reinvestment.

Ineffective policies of comparative advantage: Cocoa and mineral / gold extraction

Ironically, the two most promising natural resources of Ghana confronted the greatest difficulties. During the Nkrumah regime, the cocoa and mineral / gold extraction industries remained heavily underutilized. In the ERP epoch, these export industries received too much attention at the expense of the agricultural sector and other more technology-heavy industries, thus contributing to a form of deindustrialization damaging to long-term economic viability – a form of resource curse.

Since Nkrumah favored more industrial development, he wished to escape cocoa production and mineral resource mining because he felt dependence on a few commodities engendered instability. Following in the footsteps of his British predecessors, Nkrumah kept a low producer price to generate greater state revenues. By forcibly buying cocoa for cheap prices from domestic producers and then selling the product abroad at a significantly higher price, Nkrumah generated government revenues for development programs. This policy, however, hurt local farmers, reduced the incentive to produce more, increased government revenue dependency on cocoa, and decreased international competitiveness. Due to the profitability of the high cocoa price, Brazilian farmers began to also plant cocoa, thereby driving down the price (Watkins). Due to government dependence on cocoa profits, when the international price of cocoa fell, government revenues and economic stability also slipped. As expected, regime changes often coincided with cocoa boom and bust periods. Moreover, gold and mineral mining endured inefficient state ownership and neglect of infrastructure. Production declined significantly in the late 1960s because many pre-colonial mines

encountered poorer reefs (Appendix: Figure 7). Furthermore, production failed to recover for the next twenty years because the government did not provide sufficient capital to expand into new reefs and purchase new technologies (Frimpong-Ansah, 78). To illustrate, the two major gold mining enterprises, the State Gold Mining Corporation and the Ashanti Goldfields Company, did not even maintain production throughout the next two decades (Library of Congress).

On the other hand, the ERP overemphasized the importance of export industries of mineral extraction and cocoa production at the expense of other agricultural and industrial sectors. Figure 7 (Appendix) shows increasing amounts of mineral extraction in the past twenty years as a result of ERP programs focused on export development. For example, in the late 1980s, cocoa received a disproportionate 67% of total agricultural expenditures at the expense of food crops. In the meantime, farmers experienced a dramatic decline in their standard of living as the government's agricultural budget dropped from 10% in 1983 to 4.2% in 1986 (Library of Congress Country Index). As a result, Ghana faced many food shortages as food crops became significantly less profitable and less supported by government initiatives. Moreover, the overall decline of the agricultural sector also corresponded with problems of deindustrialization and capacity-utilization. As Arthur Lewis once stated, "The truth is that industrialization for a home market can make little progress unless agriculture is progressively growing vigorously at the same time. If agriculture is stagnant, industry cannot grow (Frimpong-Ansah, 11)."

In the 1960s, average capacity utilization of large and medium-scale factories remained weak. By 1982, capacity utilization hovered at the dismal rate of 21%. Although the ERP imported significant amounts of machinery and fuel, capacity utilization reached a high of only 40% in 1989. Since the ERP focused more on the control of export-related industries, deindustrialization soon occurred. By 1987 – the time of the supposed blooming of Ghana's economy – production of the manufacturing sector was 35% lower than in 1975 and 26% lower than in 1980 (Library of Congress Country Index). As a result, Ghana remained dependent on a few low-manufacturing commodities, failing to achieve long-term economic growth through sustained industrialization of more high-technology commodities. By pursuing an economic policy of exporting raw materials and importing

manufactured goods, Ghana ironically reverted back to the same colonial patterns of exchange, thus preventing sustained modernized development comparable to that of the Asian tigers.

Overextended involvement of the state: State-owned enterprises and rent-seeking

Nkrumah's seven-year plan created a precedent for lasting state involvement in the economy. According to Akwasi Osei, "The plan created state enterprises in all aspects of the economy, with 90% of total public investment in these enterprises (Osei, 64)." Although these enterprises were governed by an alliance of party activists, local businesses, and the bureaucracy, they soon failed to increase production due to political patronage and infrastructural difficulties. State-owned enterprises performed very poorly due to four major reasons. First, according to Huq, capacity utilization remained low due to the lack of spare parts, raw materials, and outdated technology (Huq, 242). Second, continuous bank bailouts minimized accountability, allowing enterprises to take unnecessary risk or ignore performance. Third, the financial managers knew very little about recovering costs and did not pressure the enterprise to pay back borrowed capital. Since nepotism remained rampant, most managers commanded as much economic rent as possible with little regard for the company's productivity. Fourth, state enterprises often employed an excess number of workers as part of the government's endeavor for universal employment. For example, the State Insurance Corporation could have cut its labor force by half without any loss of output (Huq, 244).

Moreover, throughout the regime changes, the state extorted huge rents from society. By 1966, civil servants demanded a standard 10% kickback for all public contracts, thus channeling significant public resources into private pockets (Osei, 64). Furthermore, in December 1972, the National Redemption Council (NRC) of the Acheampong regime demanded a 55% equity participation in foreign owned mining and timber economies in Ghana. By the time Rawlings had come to rule, entrepreneurs viewed the state and its agents as predators and state-owned enterprises as the primary obstacle to economic growth. Their resultant distrust in government policy thus reinforced the basis for a continually low private investment sector.

By the 1980s, most state enterprises approached bankruptcy, contributing to the economy's dismal condition due to their heavy subsidization by the government and their consumption of

Ghana's total domestic loan capital. The privatization of state-owned enterprises thus became a principal issue of the ERP. In 1980, 284 pure state-owned enterprises existed (Huq, 241). In 1984, the government announced that the 22 most essential and sensitive enterprises such as the major utilities, cocoa, and mining industries would remain under state control (Library of Congress). The Divestiture Implementation Committee, created in 1990 with the aid of the IMF, gradually auctioned off state enterprises to the highest bidder (Rothchild, 206). Since many domestic entrepreneurs did not possess enough resources, foreign investors bought the majority of the enterprises, thus increasing dependency at the expense of long-term self-sustaining development. By December 1990, divestiture of 34 enterprises had already occurred, and by 1992, preliminary procedures of the privatization of national banks had begun (Library of Congress). The painful economic consequences of the state-owned enterprises for the past four decades, however, continue to haunt Ghana's long-term economic growth due to the inherent difficulties of transition such as unemployment and industry displacement. More importantly, Rawlings remained deeply suspicious of private entrepreneurs, and very reluctantly withdrew government activity from all spheres of reform, further exacerbating the problem of an overextended state incapable of bringing long-term economic growth.

Financial sector inhibitions: Failures of the banking system

The excess government spending supported by domestic banks through the haphazard issue of Treasury Bills illustrated a critical financial weakness of the Nkrumah administration. Due to excessive governmental involvement in state affairs, the government boasted a financial system characterized by its "shallowness, inefficiency, lack of competition, and a high proportion of non-performing loans (Rothchild, 9)." Furthermore, according to Leith, "The commercial banks all had a substantial state shareholding, and the bulk of their loan books were to state-owned enterprises, many of which were effectively bankrupt (Leith, 52)." To illustrate, by 1982, 92% of outstanding bank credits came from the public sector. According to the IMF, non-performing assets amounted to as much as 41% of bank credit in 1989 (Leith, 53).

As a result of the debilitating history of bad loans and ineffective government regulation of the financial sector, the PNDC under Rawlings initially experienced extreme difficulties in instituting

long-term financial reforms. The ERP proposed a three phase program: liberalization of interest rates and credit allocation (1987-1988), regulation and standardization of bank balance sheets (1989-1990), and structural change through divestiture and increased incentives for private capital investment (1992-present) (Leif, 53).

Although Ghana's financial reform has been superficially praised as success, major infrastructural problems continue to remain that hinder long-term development. First, Ghana has continually failed to secure private long-term credit since it remains a risky environment for investors. Since inflation has continually remained high, banks rarely commit funds for periods exceeding six months (Hutchful, 159). Second, high government expenditures for development programs crowd out private investment, resulting in a low level of capital formation. Third, the aforementioned appreciation of the cedi due to the rise of the real exchange rate has increasingly favored the credit of foreign countries at the expense of Ghanaian credit (Leith, 56). Combined, these three factors stifled the performance of the financial sector in promoting long-term growth.

Conclusion: Does a development paradigm for Africa exist?

From the divergent ideologies of Nkrumah's socialist agenda based on self-sufficiency and protectionism to Rawlings's neo-liberal emphasis on international exports and competitive foreign exchange, Ghana has endured a variety of often conflicting policy initiatives that nevertheless, have not led to sustained long-term economic growth. Once hailed as the frontier of Africa, comparable to the Asian tigers, Ghana faces immense challenges as "formulas for success" have continually failed her. In the post-colonial era, Ghana seemed to be poised for economic expansion due to her natural assets of a stable regime, profitable natural resources, and comparatively high stock of human capital. Yet, long-term growth has atrophied and eluded her despite the beguiling periods of short-term economic prosperity. The six reoccurring historical themes of excess demand, currency overvaluation, foreign dependence, ineffective policies concerning comparative advantages, overextended state involvement, and financial sector inhibitions may perhaps explain Ghana's failure to capitalize on its assets, but a more pressing and unsettling concern remains.

Hindsight provides generalities of failed movements. But in the dynamic and uncertain periods of economic policy formation, is it even possible to generalize a developmental theory for Africa? Ake disagrees vehemently, "Because development paradigms largely ignore the specificity and historicity of African countries, it puts them in a position in which everything is relevant to them and nothing is uniquely significant for understanding them (Dzorgbo, 13)." For this reason, paradigms, constructed from the experiences of other countries, often bring incomplete and out-of-context conclusions, often obscuring the dichotomy between a viable plan and an incompatible program. As Ghana's economic history demonstrates, developmental theory can perhaps be the most misleading for Africa.

Appendix: Economic Indicators

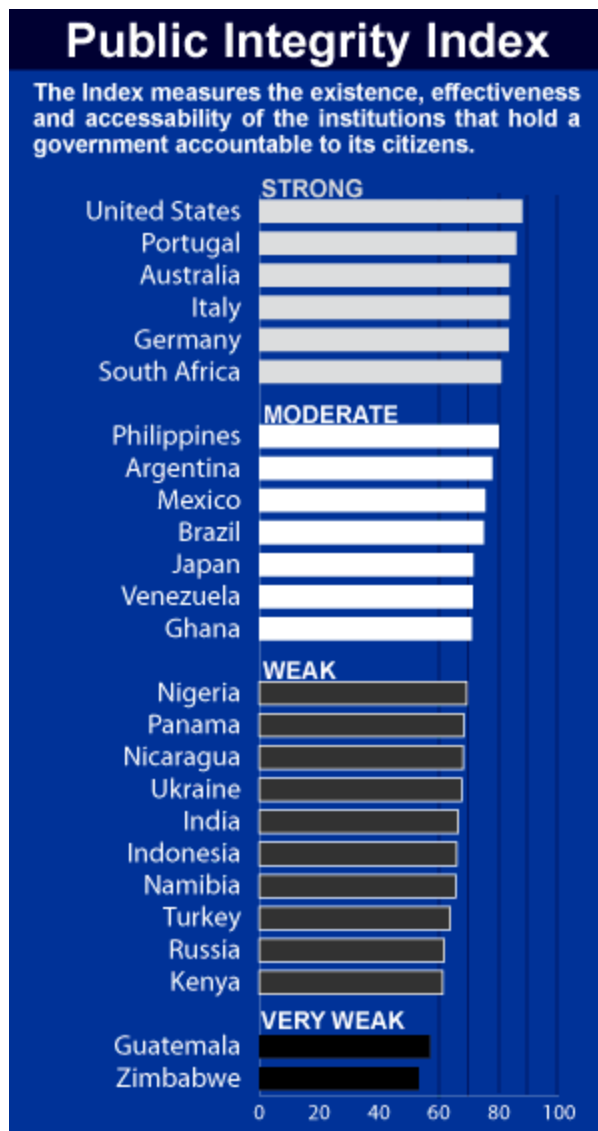
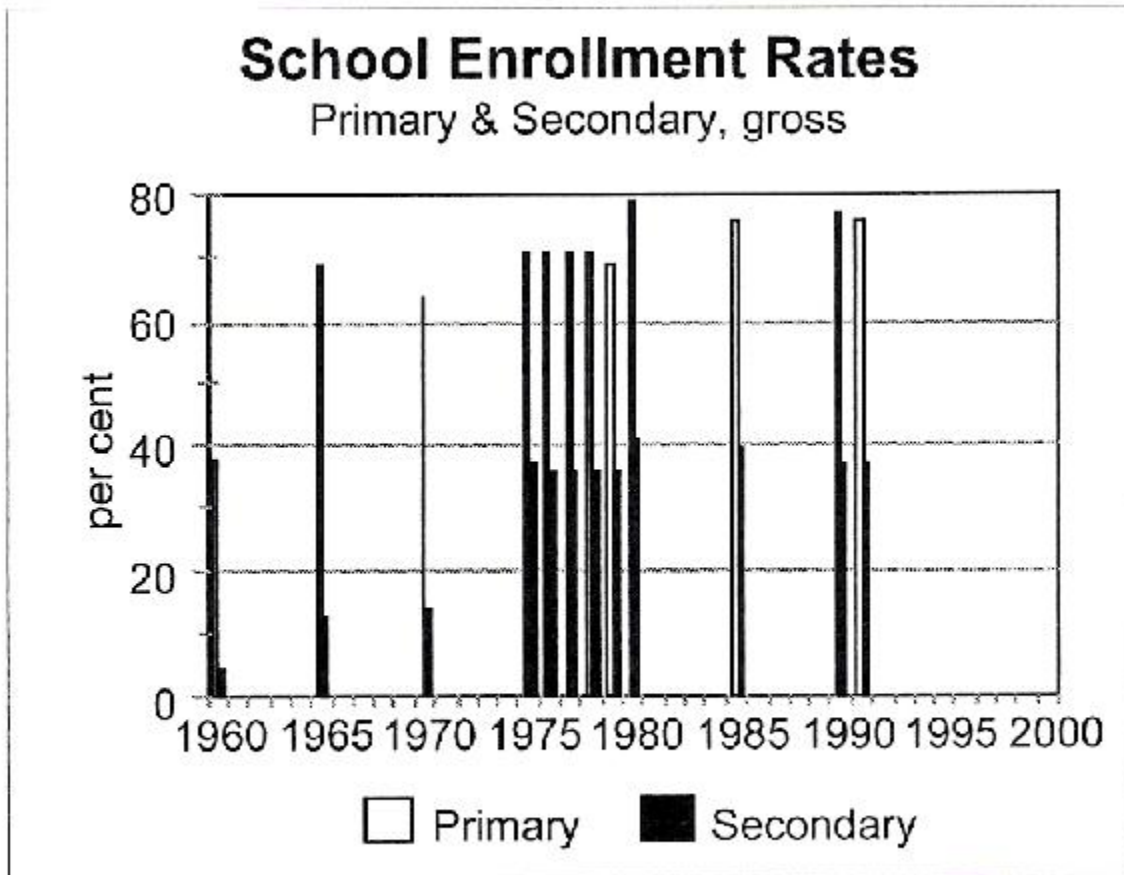


Figure 1: http://www.publicintegrity.org/ga/images/catrank_0.png



Source: World Development Indicators.

Figure 2: School Enrollment Rates (Leith, 70: International Financial Statistics)

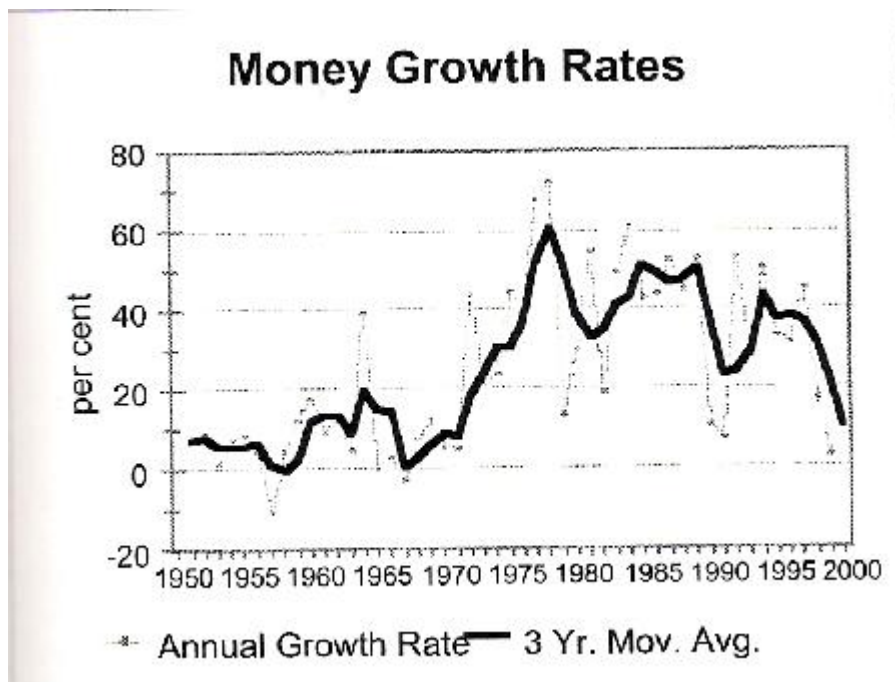
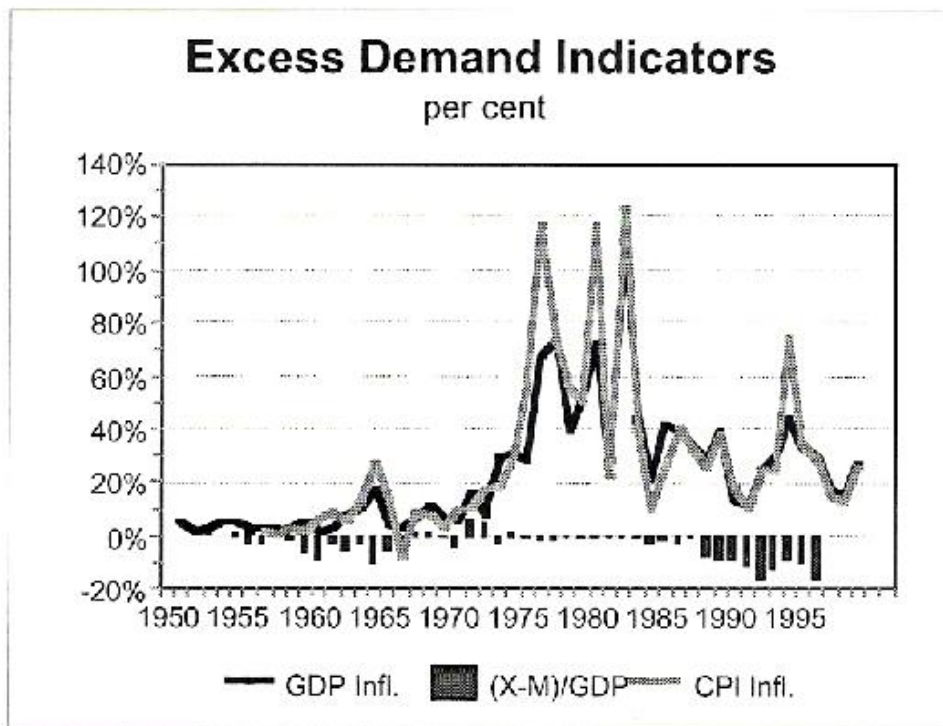
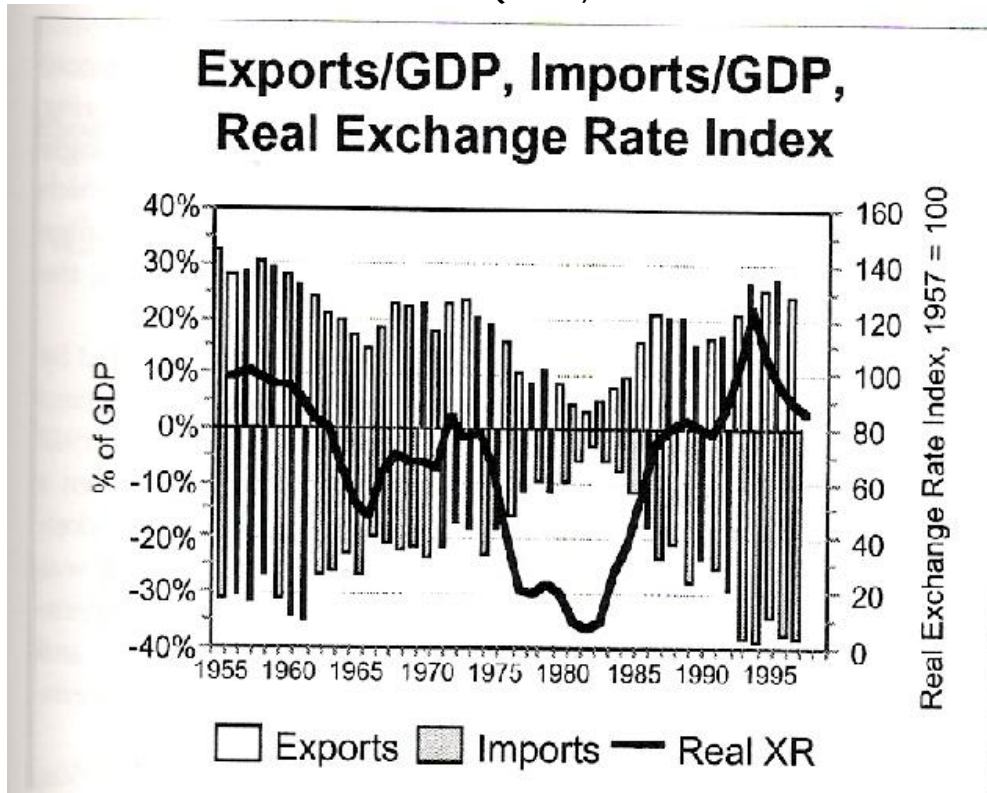


Figure 3: Money Growth Rates (Leith, 17: International Financial Statistics)



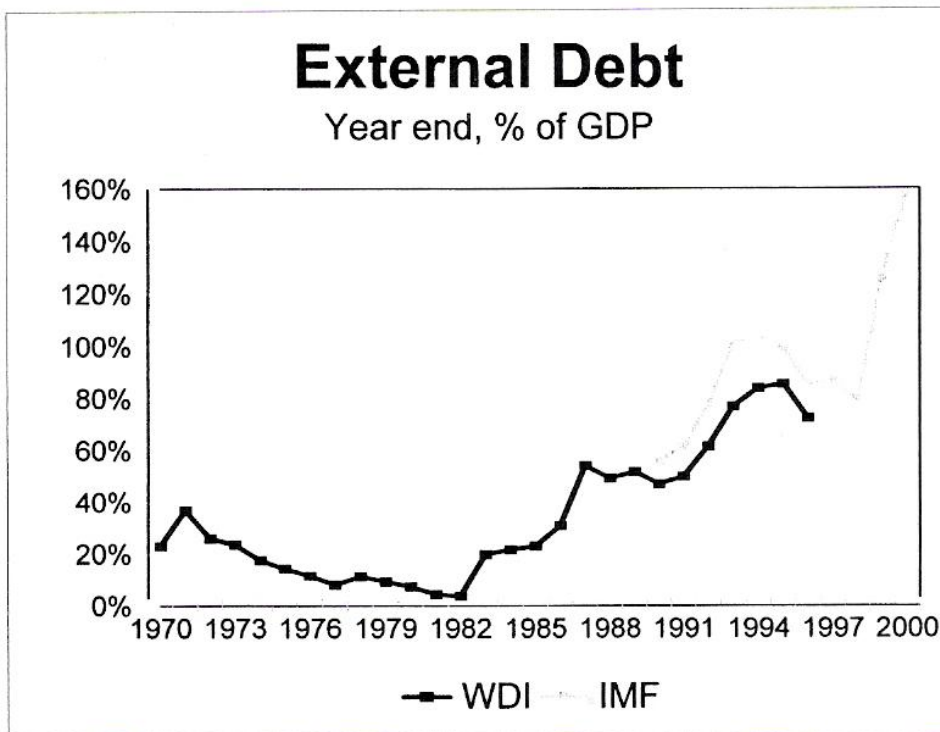
Source: International Financial Statistics.

Figure 4: Excessive Demand Indicators (Leith, 14: International Financial Statistics)



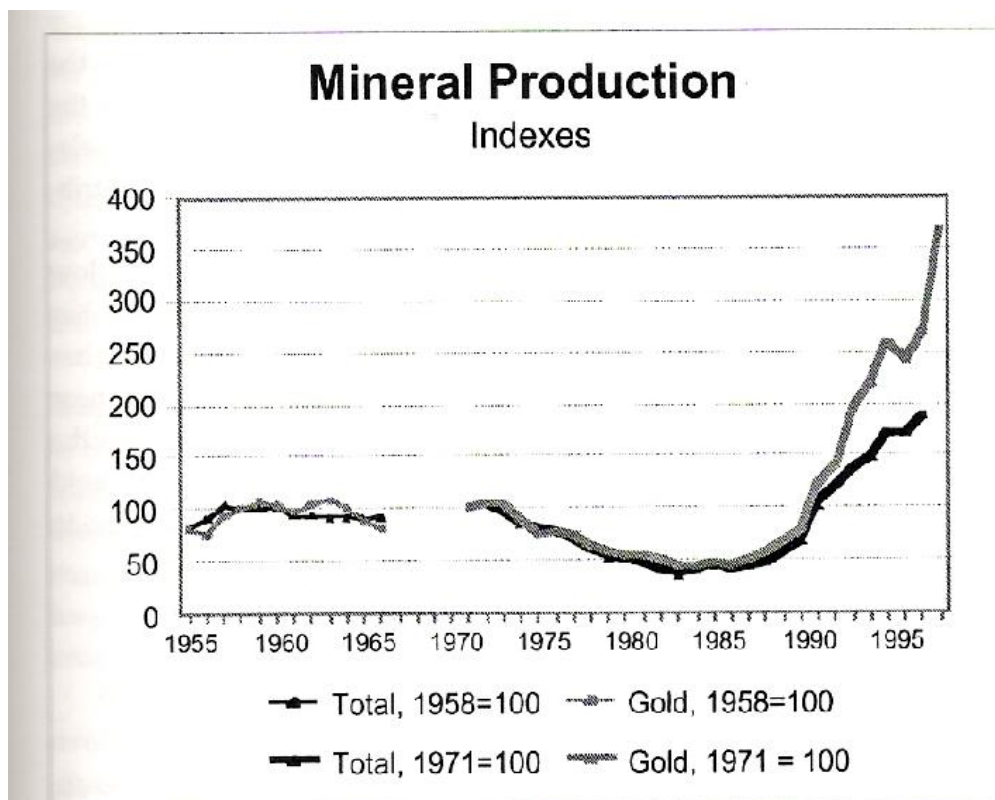
Source: International Financial Statistics.

Figure 5: Real Exchange Rate Index (Leith, 21: International Financial Statistics)



Sources: World Development Indicators; IMF, Ghana Country Report, various issues.

Figure 6: External Debt (Leith, 34: World Development Indicators; IMF)



Source: Ghana Statistical Service, Quarterly Digest of Statistics, various issues.

Figure 7: Mineral Production (Leith, 61: Ghana Statistical Service)

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