

Lund University
Department of Economic History

Growth in Ghana

Disproving the Myth of African Stagnation

Sofie Moberg
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Supervisor: Ellen Hillbom

Abstract

The aim of this thesis is to investigate two periods in the history of Ghana that have been characterised by strong growth, namely 1891-1919 and 1983-2013. The study is important as it will provide a better understanding of the current situation in Ghana and as it contributes to the attempt to disprove the myth of Africa as a stagnant continent. As this myth is so widespread, it is highly important to also report on processes of change and growth taking place in Africa. To understand the situation of this continent today we must stop seeing it a homogenous whole and study both the successes and the failures. This study is contributing by focusing on the main products of these two export-driven growth periods and why Ghana was such a successful producer of them. For the first period the products were rubber, palm produce, gold and cocoa while gold, cocoa and oil dominated in the second one. It will be shown that Ghana's exports to a large extent have been based on natural resources or cash crops dependent on the tropical climate and that foreign investments have been utilised to extract valuable resources such as gold and oil. The introduction of cocoa as a main crop over the course of about two decades and its huge impact on the livelihoods of small-scale farmers will be compared to how oil became a major export product immediately after extraction started, but is expected to only have indirect effects on most of the population. Processes that started during the first period, such as the commercialisation of land, have together with the changing relative scarcity of production factors transformed Ghana from the land-abundant, labour-scarce economy it once was. The result has been a country that still exports similar products but have service and manufacturing as important domestic sectors.

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1. Introduction

1.1. Background and Significance

Ghana¹ has had an uneven trajectory when it comes to economic growth, but since the 1980s a clear positive trend can be seen in its GDP and GDP/capita. Since 1984 the annual growth rate has been quite steady around five per cent until it suddenly increased and reached 14.4 per cent in 2011 (World Bank nd.). This is irrefutably good news, but contrary to what many seem to believe growth is nothing new in that part of the world. Hillbom and Green (2010:19, 83) demonstrate that Sub-Saharan Africa as a whole experienced economic expansion and increased export earnings in the period 1850-1920 and Jerven (2010a) has also written about African growth spurts. The purpose of my thesis is to investigate and compare two growth periods in Ghana: the one taking place 1891-1919 and the current one, which I have dated to 1983-2013. Both the economic structures and the mechanisms and processes of growth will be described and they will be discussed in relation to each other and theories of economic growth. The main focus will be on the most important export products in each period and why Ghana was a successful producer of these.

This research is important for several reasons. A general, but central, one is that since Africa is often pictured as a hopeless and stagnant continent it is essential to counter with reports looking at African growth and processes of change. An altered focus in the writing about Africa would give a more nuanced representation of it. Even literature by well-known and knowledgeable authors still transmits, perhaps unwittingly and as a result of the necessity to generalise, the picture of Africa as a stagnant and dark continent. Two quotes from well-written, interesting books can illustrate this: “Africa is in a situation similar to that of medieval Europe, that is, Europe before the emergence of the national state. Different groups and clans fight for the national supremacy, which, however, is very instable and lacks all sorts of legitimacy” (Gunnarsson & Rojas 2008: 37, my translation) and “In Africa there has been no advance in per capita income in the past quarter century” (Maddison 2001: 23). While wanting to counter prejudice about “Africa”, my area of interest is Ghana, not the whole continent. It is important to point this out as some researchers and authors treat Africa as a homogenous entity and generalise more than is appropriate. To give a more balanced picture of Africa is related to a second aim of doing the same with growth. Strong economic growth in a poor country is undoubtedly good news. However, seen against the background of the country being poor despite having experienced previous growth and even having been, as the Asante kingdom, a great power in the region greater caution is needed in inferring too much from too little. If Africa is seen as ever stagnant, periods of growth might be seen as more exceptional than they really are. Lastly, comparing previous and current growth processes will help us to learn from history. What happened previously can illuminate what we see before us

¹ The name Ghana will be used throughout the text despite this neither being a coherent entity nor a name that was used during the first period. For 1891-1919 it will also, sometimes, be referred to as the Gold Coast. The issue of changing borders and which areas my early data refers to will be discussed in the methods section and a map of present day Ghana can be found in Appendix II

now by showing what created the prerequisites and environment enabling it. Attempting to understand the present by looking at history lies at the heart of what economic history is about.

1.2. Research Questions and Structure of the Thesis

The two growth periods that are to be compared are 1891-1919 and 1983-2013. As the main aim in comparing these two periods is to understand the economic structures and the mechanisms behind the growth process focus will be on why Ghana has been successful in producing the products that have been especially significant during these periods. For 1891-1919 the most important products are cocoa and gold, followed by forest produce as rubber, palm oil and palm kernels. During the second period the products that seem to have the strongest influence on the economy are cocoa, gold and oil. So even if the general production patterns will be described these products will be the main focus points for the analysis. Thus, the research questions are:

- Why is/were Ghana good at producing the products that have been important for the growth periods?
- What are the differences and similarities between the two growth periods in terms of economic structures, main products and production patterns?

After this introduction and the presentation of the research questions a methods section will follow. As this is a desk study the main part of that chapter will be devoted to a discussion on the quality and usefulness of the data collected, especially the historical quantitative data. The next chapter is focused on theory and provides first an overview of theories of economic growth before the scope is narrowed down to the analytical framework used in this thesis. It will be shown how this framework both is well suited to the research questions and can include all the ideas described in the research overview. After this follows the main section, where the case of Ghana is discussed and the research questioned answered. Both growth periods will be described separately in terms of why they were special, what the main products were and how they were produced and why Ghana was good at producing them. The analysis will be guided by the theoretical framework and the theories in the research overview. Then the two periods will be compared and the differences and similarities discussed. The concluding remarks will summarise the main findings and the importance of this research.

2. Method

2.1 The Desk Study

My data collection has consisted of browsing studies and databases searching for information relating to my research questions. Thus it has been similar to a secondary analysis of already

existing data, although I have been drawing on the original authors' arguments, explanations and analyses in addition to their data. This has seemed to be the best way to obtain enough information to describe and compare the two periods in detail. That this can be the case is supported by Bryman (2012: 312-316) as he writes that using already collected data enables the researcher to access high quality data without spending time and money on collecting it, which leaves more time for the analysis. In addition, it offers opportunities for longitudinal analysis; a central aspect in this study. The problems mentioned concerning this approach include that the datasets might be large and complex and thus hard to handle. However, as it has been possible to extract the relevant data and no complex operations were to be carried out this has been overcome. My literature review has been helpful in the data collection as the theories on development and growth illuminate factors that could be important and indicate what data that should be collected. Another issue can be that one cannot control data quality, which is why the sources have been chosen with care and data quality is discussed at length in the next section. The dilemma of absence of variables, the last problem mentioned by Bryman, is an always present problem in historical studies. Due to the difficulty of finding exact numerical data and to get a broader picture I am interested in both qualitative studies and quantitative data. One benefit of this mixed methods approach is that if there is no exact data, vaguer estimations are still very useful. Not in the sense that any data can be trusted, but absolute figures that can be used in statistical calculations are not needed. Statements as 'most people' worked in agriculture' or 'practically nothing' was invested in industry' are valuable on their own. Using different types of data also serves as a triangulation whereby findings can be cross-checked (Bryman 2012: 717).

2.2 Critical Discussion on the Problems with Historical Data

As there is little to be discussed in terms of the method in a desk study this section of the methods chapter will be devoted to a critical discussion on the historical data used in this thesis. As little exact data exists most of it is either estimates or proxies.

One source of historical estimates is Szereszewski's (1965) book *Structural Changes in the Economy of Ghana*, focusing on the years 1891-1911. The author is well aware of the dangers of quantifying historical phenomena but finds it important to attempt it despite this and he offers both GDP estimates and other interesting data. Szereszewski is a well-known author on Ghana and even if his vent-for-surplus analysis of the economy might be criticised by others (as will be discussed in the main part) his estimates are more seldom questioned. A rigorous methods section, which unfortunately cannot be cited in any detail here, but can be found in Appendix C in his book, lends his data great reliability. So does also the fact that his data is used by Maddison (2001: 221, 223-226), one of the most respected researchers when it comes to historical GDP estimates. Maddison is generally regarded as a good source for historical data (Seligson & Passé-Smith 2008: 75), so what he uses can be expected to be the best there is.

Kay (1972) is, just as Szereszewski, focusing on Ghana, but he has chosen the time period 1900-1960. Instead of doing his own calculations he has used official publications by the Gold Coast government to compile statistical tables showing, for example, values and volumes

of exports. As it was in the government's interest to know what was exported so it could be taxed, the numbers given can be assumed to be of reasonable quality. One further indication that Kay is a good source is the fact that he is referred to by other authors on Ghana such as Austin (2012) and Gunnarsson (1978).

In the dissertation by Gunnarsson (1978) much information from Food and Agricultural Organisation (FAO) commodity series is also used. Such an organisation can be regarded as quite trustworthy in collecting data. As Gunnarsson is using information from several of the FAO reports and these are hard to locate I have chosen to use his book as my source, although credit should be given to FAO for collecting the statistics.

A further source of statistics, compiled from many sources, is Mitchell (2007). He provides highly useful figures on, for example, the output and exports of cocoa and gold, even in the 19th century. However, he has been criticised from some quarters for his data. Reviews of different editions on the book (as the greatest difference between different editions is that the time series are updated with data from the later years the evaluations of the historical data in one of the editions is applicable to all of them) illustrate the disagreement about the quality of his data. Hunter (nd.) states that despite all the problems with historical statistics that are pointed out by Mitchell himself his data is extremely valuable and historians of comparative economic development are indebted to him. A contrary meaning is that although the old data appeals the quality control has not been strict enough and therefore the material should not be used as the basis for analyses (Population and Development Review 1982). Where possible I have compared Mitchell's data with that found in my other sources and the results have fallen in his favour. A summary of the results can be found in Appendix I. It has not been possible, or even relevant, to double-check all of Mitchell's data sets, but the results have been sufficient to demonstrate that Mitchell's data is reliable enough. The fact that it does not form an exact match with other data is actually good as this indicates that the different versions come from different, independent calculations that have arrived at similar conclusions. Where I use Mitchell's data I will also point out if the time series in question have been supported by other authors. Of course, these triangulations serve to strengthen the data of all the authors involved as it is not only Mitchell's data that could potentially be questioned. The others, however, are better at clearly stating where their data originates.

Quite differently from the other authors cited so far, Moradi (2008) is writing on the subject of proxies. He suggests that the height of military recruits at the time of the First and Second World War reflects living standards, mainly the availability of food, when they grew up. This would then be a proxy of living standards and food availability, which is very valuable. Growth and improved living conditions are normally related and thus such data gives an extra indication of the direction of the general trends. Both Moradi and Szereszewski are used as sources in Jerven's (2010a: 136-137) description of Ghana's cocoa boom and Jerven is an author known for criticising mainstream statistics, including that of the World Bank (see Jerven 2010b, 2013a & 2013b). This is an additional reason why the data presented by those researchers can be considered to be good.

To move from the historical to the present it should be mentioned that the quantitative data for the second period has been collected from official public sources such as the World Bank, Ghana Statistical Services and Bank of Ghana. This data is not unproblematic and several sources of error can be pointed out even in the data collection operations of these institutions. Jerven (2013a) is using the 2010 revision of Ghana's income statistics to illustrate how wrong the GDP estimates published by Ghana Statistical Services and the World Bank were before. This is indeed troublesome as those are the sources I rely on for my present-day data. Nevertheless, I am avoiding the issue to some extent by focusing on the growth rates rather than absolute numbers. These will probably be slightly underestimated for the period between the previous base-year 1993 and the revision (Jerven 2013a: 145), but if the numbers were higher this rather strengthens my argument, an issue that will be further analysed when the periodization of the second period is discussed in section 4.2.1. The main problem is the overall shade of doubt this casts over my main sources for numerical data. However, the revision ought to ensure that the data presented for 2010 and forwards is up-to-date and more accurate than that available for those countries where no revision has been carried out and old base-years are used. In the time-series used in Figure 3 and 4 (picturing GDP and GDP/capita growth and exports as share of GDP) no upwards leap of GDP of about 100 %, which is the magnitude of the revision according to Jerven (2013a: 139), is visible which indicates that the time series have been corrected for this. It might be that the export share of GDP is lower than assumed here, but the arguments based on this graph concerns how it moves compared to overall growth, so most of this problem is side-stepped as well. To sum it up is the contemporary Ghanaian data unusually good in the African context and the specific information I use is not seriously weakened by the problems discussed here. Even despite the dilemmas mentioned is what I have used with all likelihood the best existing data. The World Bank data bank is in general highly regarded and national statistical data collected in Ghana seems to be of relatively high quality as it is frequently referred to by other authors (see for example World Bank 2007, Country Intelligence: Ghana 2012).

All estimates, including those presented here as comparatively reliable, can potentially be wrong. Nevertheless, using them, but with caution, is the most reasonable approach. Since data is seldom perfectly reliable and totally free of error most research would be impossible if we only used data we could be one hundred per cent sure of. Or, in the words of Maddison (2001: 18), even if we have to base estimates from earlier times on weaker evidence it is “a meaningful, useful and necessary exercise” to attempt to find as good numbers as possible.

2.3 Boundaries

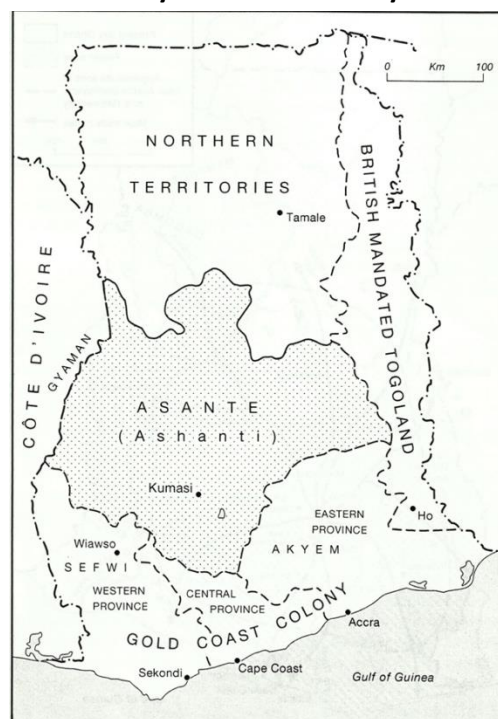
An overall data problem in this research is that of changing borders. Borders were drawn differently in the late 19th and early 20th centuries and as Ghana did not exist as a unit, no data was collected for it as such. Luckily, most authors have attempted to correct for this. Both Mitchell and Szereszewski use the area of the Gold Coast colony together with the protectorates/dependencies Ashanti and Northern Territories. In the statistics Mitchell does not include Ashanti until it was colonised in 1896, though, so I will not use his data for any years before that. That the Northern Territory statistics are not added until 1901 is of less significance as this area was not important economically, according to Szereszewski. This

means that the area discussed for most of the first period is equal to that of modern Ghana minus the part that belonged to the Togoland mandate (Szereszewski 1965: 1, 3, Mitchell 2007: XI). Gunnarsson states he uses the term Gold Coast rather than Ghana as the area back then was called Gold Coast or Gold Coast and Ashanti (Gunnarsson 1978: 3). By this I infer that the area he investigates includes Ashanti and as mentioned is the northern area less relevant in economic matters. Kay also seems to be discussing the area of present day Ghana as he writes that the name Ghana will be used in his book to signify the area despite not being in use back then. In addition, he specifies exactly for which years the kola nut exports from Northern Territories, including the northern parts of British Togoland, to French territory are not included in the data, which implies that when nothing is mentioned, numbers for those areas are included (Kay 1972: 3, 340). One further indication of this is that Mitchell and Kay ought to be referring to the same geographical area since their estimates are almost exactly identical. As Gunnarsson uses Kay's numbers he ought to be discussing the same area too.

Only one of my sources (Austin 2005) is focusing specifically on a subsection of the country, namely the Ashanti region, which covers about a third of present day Ghana. When this book is referred to it will be mentioned that it only concerns one specific part of Ghana. Nevertheless, since this was a very important region, studies of it are relevant.

It is good that most of my data relates to an area that is, at least to a great extent, comparable over time. This means I can exploit the benefits of comparing a specific unit with itself over time, namely that local-specific factors are not a problem. As I do not intend to compare exact numbers between the two periods, except for the case of population density, it is not a problem if data from the small part that used to be British Togoland is excluded in the first period but included in the second.

Map of Present-day Ghana in the early colonial period



Source: Austin (2005)

A further issue related to boundaries, namely the decision on the time boundaries for the periods will be discussed in the sections where the arguments for my periodization are put forward, namely in 5.1.1 and 5.2.1.

3. Theory

This part contains first a research overview, which focuses on the theoretical, rather than empirical, aspect of my research. As the literature concerning Ghana directly will be part of the secondary data used in describing and comparing the two time periods in question the general literature review has been assigned a different role. It reviews general development theories trying to explain growth and these will then be included in the analytical framework and be an extra help in guiding the analysis later on.

In the second section of this theory part theories of economic history and the framework used to conceptualise Ghanaian development are discussed. It will become clear that the emphasis is on dynamism instead of stagnation as the analysis is focusing on the interplay between internal factors as factor endowment and institutions and external ones as global demand and prices in shaping Ghana's economic structure and production system.

3.1. Research Overview

While containing many interesting arguments and ideas, hardly any of the common development theory literature discusses African growth. Most of it focuses exclusively on the lack of it, that is, on explaining why some regions have been successful while others, Africa among them, have not. Nevertheless, these theories hint at what might impact the growth process while they also illustrate the confusion about prerequisites and facilitators of growth. Thus, they can also serve as an overview of one of the big continuing debates in the field of development studies. The focus here will be on three of the main categories for explanations of growth: geography, institutions and culture. These have been chosen because they include many well-known theories of development and together give many different explanations to growth. My aim is to analyse the case of Ghana and not to test theories of growth, but in explaining why a country has been a successful producer of certain products, as is the focus of my first research question, or in describing the general structure of the economy, as in research question two, it is wise to be inspired by general theories on growth and see which of these that might be applicable. Exactly how each of these theories can help understanding the case at hand will become clear in the main part of the thesis and it would be premature to speculate on this now.

One of the categories of explanations for the differences in wealth between countries can be summed up as geography. Explanations that claim that European conquest and supremacy were due to geographical factors such as availability of suitable species for domestication and

an east-west continental axis (Diamond 1997) are, whether correct or not, of little interest to me. Those factors do not change enough over time to be a possible explanation of trends in the economy. Nevertheless, the initial geographical conditions might play an important role. Sachs (2003:87-89) argues that geographical factors such as illness proneness in an area, bad soil and lack of connections to markets have a negative effect and can seriously harm a country's economic opportunities. Extra effort is needed to overcome such obstacles. While this statement sounds quite negative it clearly implies that some countries have been given good preconditions for growth and development in the form of good soil, access to markets and absence of productivity-lowering diseases.

However, having abundant natural resources can be negative as well. Corden and Neary (1982: 825-827) describe the so-called Dutch Disease, which is characterised as a state of affairs where one booming sector, for example one based on a valuable natural resource, attracts resources from all other sectors while its exports lead to an appreciated exchange rate. The story, continued by Collier (2008: 38-40), goes on with decreased competitiveness of the non-booming sectors as the new exchange rate makes their exports relatively more expensive globally. As they are not as important for the national economy any more they risk being crowded out and the country might become fully reliant on volatile natural resource revenues. Although Collier uses the term natural resource curse to describe this, the more specific concept Dutch disease will be used here, as it will be discussed as a change in the structure of the economy rather than as a phenomenon where natural resources lead to lower growth, as described by Sachs and Werner (2001). As demonstrated, many authors point to the importance of natural resources and geographical factors in explaining a country's growth trajectory.

Another common explanation of the success of certain countries is that the institutions are what matters. Among those who have attempted to prove this are Rodrik et al (2004) and Olson (1996). What institutions that are important, and how, is harder to know. Przeworski and Limongi (1993) come to the conclusion that economic success is not dependent on the type of regime, that is, whether it is democratic or not. Acemoglu et al (2001) argue that when it comes to former colonies the type of institutions created by the colonialists still lives on and whether these are extractive or representative is what matters. Gunnarsson and Rojas (2008: 25-35) present the explanation that egalitarianism, an autonomous state and socio-cultural cohesion are necessary for an economy to be dynamic. De Soto (2000) points out the importance of having a property rights system that allows people to use their assets, like houses, as capital. Institutions is in itself a very vague word that can be used for everything from the so-called "international institutions" as the World Bank to the "rules, compliance procedures, and moral and ethical behavioural norms" of a society, as North (1981: 201-202) defines it. According to him is the structure of the economy an institutional framework. This latter meaning seem to be what most of the authors above refer to as they discuss the equality situation, the property rights system, the power of the state and whether the general structures are extractive or representative. This is also the how institutions will be regarded here, as the framework that controls human behaviour and structure the economy and the society. However, also certain governmental bodies that form a part of this structure, such as the

Cocoa Board, will be regarded as institutions. As I focus on economic factors, the autonomy of the state and the socio-cultural cohesion will be less discussed than the other factors mentioned.

A different but also often occurring explanation to growth is culture. Within this category it can for example be argued that if a high “need for achievement” is installed in the children in a society that society will experience growth due to its high-performing and goal-focused citizens (McClelland 2008 [1983]). Another view is that creative capacity, which is used in innovating and problem-solving, is a widespread trait in economically developed societies (Harrison 2000). Other versions of this argument are that different traits such as ambition, responsibility, skill, willingness to work hard, and loyalty to and identification with the group (Kahn 1979) or simply thrift and willingness to save money stem from the norms in the society and have a strong impact on growth (Granato et al 1996). Quite to the point McClelland points out that culture can determine whether people exploit the possibilities open to them (McClelland 2008 [1983]: 210), but it is not what steers if the opportunities exist. As these cultural traits are to a large extent based on the norms of the society it can be hard to distinguish between cultural and institutional factors. However, culture will be the main term used here for the norms, values and views in the society. This will be further discussed in the next section.

3.2. Analytical Framework

The previous section described how geography, institutions and culture have been hypothesised as impacting the economic fortunes of a country. They illuminate different aspects of the intricate system the national economy of a country is, but are often, however, seen as competing and mutually exclusive explanations. This must not be so and the framework used in this thesis can include and even integrate all of these factors. Differently from the works of many economists, this study does not attempt to find the one factor that has the greatest explanatory power. The most complete understanding of a phenomenon ought to be the one that demonstrates how several aspects contributed through their interaction with each other.

In my analysis I want to focus especially on the interplay between internal and external factors. By external factors I mean economic ones, so the demand on Ghanaian products and world market prices will be given more attention than the imposition of colonial rule. The economic signals of the world market are going to be treated as a wholly exogenous factor, or prompts, and neither their origin of price signals nor the dynamics of the world market will be further analysed. The focus of this study are the economic structures in Ghana and how they have, in different periods, reacted to world market signals and which internal factors that determined how they responded to such signals. There is a big debate on whether trade is good for developing countries or not, as is illustrated by the contributions on the subjects of dependency theory and globalisation in Seligson and Passé-Smith's (2008: 257-314, 373-401) reader on development theory. The views in this debate range from Frank's (1969: 9-11) statement that a country that has become underdeveloped through dependent relations with the rest of the world must cut all such ties to be free to develop to the argument put forward

by Frankel and Romer (1999) that free trade seems to be good for the economy and leads to improved growth. My focus on trade as a stimulus should not be interpreted as taking sides in this debate. Ghana's growth periods have been export-driven, as will be discussed later on, but this does not mean that trade is considered as purely beneficial; only that it has had an impact, for better or for worse. I do not intend to get into the normative discussion, but to study analytically the role of trade in shaping the Ghanaian economy.

After this clarification of the nature and role of the external factors the time has come to the internal. Here the factor endowment and institutional perspective used by Austin (2005) and Engerman and Sokoloff (2003) will be applied.

Engerman and Sokoloff's paper starts from the debate of why some countries are more successful than others and emphasises both geography and institutions. They argue that institutions, at least partly, are endogenous, which means that they adapt to the environment they are set in (Engerman and Sokoloff 2003: 1, 11). This is demonstrated by how settlers in the US arrived with similar cultures, but then developed them in different directions to be better adapted to new areas and by the fact that all the colonies in the West Indies had similar structures despite different colonial masters. The conclusion is that slaves were used where the climate favoured sugar cultivation since labour intensive production is very effective for this crop and its high value enabled those who grew it to purchase slaves. Where grain is better suited to the climate slaves do not increase effectiveness enough to make them worth their price. Thus none or few are imported and the society stays more equal. In this way factor endowments influence how production is organised, who benefits from the production and how political power is distributed. More equal distribution of wealth often indicates a more even distribution of political power. Elites might also be more willing to give up privileges if they need to attract scarce labour (Engerman and Sokoloff 2003: 18-19, 22, 25, 27). Just as institutions are affected by the geography they are shaped by their political and economic context and politically strong interest groups can gear the institutions to serve their needs and affect production in the way they like (Engerman and Sokoloff 2003: 4, 12, 14-15, 29-30). This describes a context where the geographical factors impact the society in terms of what is produced and how, which has a decisive impact on equality and power relations. Those with economic and political power can then further influence the institutions to their own liking.

Differently from the attempts at grand theories Austin focuses on a narrower area, the Asante region in Ghana, and he is using a similar framework. He shows how the relative scarcity, or the relative prices, of production factors and changes therein, moderated by other factors, as political struggles, exercise influence over institutions and thus the economic structures. If the actual price of a production factor is equal to its relative price the incentive structure will lead to resources being combined in a socially effective manner, that is, in the way that is best for society as a whole. However, powerful groups might extract rent by keeping actual prices at an artificially high or low level, which demonstrates that groups within a society might have divergent interests. It is sometimes hard to know which side will prevail in the struggles over institutions (Austin 2005: 27-33). This is clearly similar to Engerman and Sokoloff's ideas. Also here geography plays a role at the outset as land is an important production factor. The

availability of these is shaping the economy, but as in the previously presented theory can those who have gained power also influence the institutions directly.

From these summaries it should be obvious why two of the explanatory categories discussed above, namely geography and institutions are important in this framework and how they interact. Olson's (1996:4-5, 19-20) statement that not all countries have the best institutions possible supports this framework as it fits with the conceptualisation here that different groups have specific interests that might not go together with the common good. Culture is a vague term, but it is also included in the theory. As mentioned, Sokoloff and Engerman state that immigrant arrived with similar cultures that then diverged and developed into different institutional structures. Thus the institutional framework is tightly connected to the culture and values and norms are part of both of them. However, as "institution" as a term is used to signify larger structures as well culture will be the preferred term for the norms and values of the society.

Having the interplay between external and internal factors as my analytical framework means the main focus will be on answering my research questions. The focus of the first one is why Ghana was good at producing the export products that became the engines of its growth. For the first period this is cocoa, gold and to some extent also palm produce and rubber, for the second it is mainly cocoa, gold and oil. This question can also be interpreted as: "what internal factors enabled Ghana to react in such a profitable way to external demand?" and seen in that perspective my framework is well suited to answer it. The second question is about comparing the two periods in terms of economic structures, main products and production patterns. My framework connects the economic structures to what is being produced in the form of a two-way relationship. The institutional structure of the economy shapes production, but production can in turn change the structures by affecting the relative prices or the institutions.

4. The Case of Ghana

The first parts of this chapter, the sections 4.1 and 4.2 are mainly devoted to answering the first research question for both periods. Those sections are themselves divided into sub-parts, the first of which details why the periods are so distinct and thus motivates my choice of periods. The background-oriented description provides the information necessary for the analysis and also demonstrates that external demand has been an important catalyst in initiating these periods. Analysing why Ghana was a successful producer of rubber, palm products, cocoa, gold and oil is the focus of the third subsection of both 4.1 and 4.2. In the analysis of the second period the answer to the second research question will be hinted at as it will sometimes be pointed out how the second period is similar or different from the first one. However, this research question will mainly be answered in 4.3 where a proper comparison will be carried out and space will be devoted to discussing its implications.

4.1 Period One: 1891-1919

4.1.1 Arguments for the Periodization

Szereszewski (1965: 1-2) states that the speed and structural significance of the economic development in Ghana between 1891 and 1911 was unique in the African context. There was a massive change both in terms of the level of intensity in the economy and in the economic structures. From having been an area focused on traditional agriculture and collection of forest produce carrying out trade through centuries-old patterns Ghana was transformed into the world's biggest cocoa producer and an area with a more productive mining industry, access to railway transportation and with new sectors in the economy. Gunnarsson (1978:1, 4, 29) agrees with this overall picture, although his time frame is slightly different. He calls the expansion of cocoa growing taking place in Ghana between the introduction of the crop at the end of the 19th century and the peak in the late 1930s remarkable. After the expansion of cocoa production started around 1891 it took less than 25 years for the then Gold Coast to develop into the world leading cocoa producer. He argues that according to the FAO commodity series the growth rate was fastest the first 20 years.

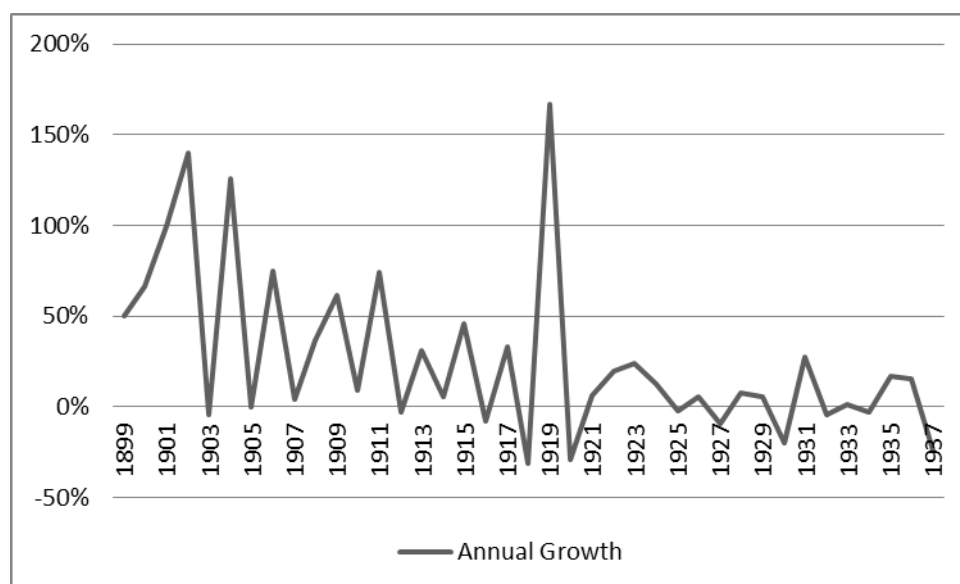
Austin is calling the development of the cocoa sector a “cash crop revolution” and describes its impressive growth rate (Austin 2012: 3). However, he does not seem entirely sure about how to define it time wise. In his 2005 book he dates the original cocoa take-off to from late 1890s/after 1900 (depending on if one starts with when the crop was introduced or when widespread planting started) to 1916 (Austin 2005: 50). Later, in a 2012 working paper, he writes that it ended in 1936/1937 (Austin 2012: 7). This is not so helpful in deciding exactly what years the period included, but still indicates that this was a specific period. A similar contribution is made by Jerven (2010a: 136-137) in his article where several African growth periods are described. The cocoa boom is regarded as a growth period, although one with an unclear starting date and a proposed ending in the 1960s.

Moradi's (2008: 1113, 1117-1119) study of the average height of military recruits at the time of the two World Wars shows that men born 1905-1920 were on average two centimetres taller than those born 1880-1893, and also taller than the birth cohorts immediately following them. This indicates an improvement in the quality of life at the beginning of the 20th century. It is suggested this might be due to the cocoa boom, the stability imposed by the British rulers, the end of slave trade and possibly also the trade expansion, transfer of technology and more commercial agriculture. This clearly supports the other evidence. Austin adds further weight by stating that consumption of food crops increased in colonial era, partly due to increased purchasing power of segments of the population (Austin 2005:54).

As there are no proper measurements of GDP for this period it is hard to use that to clearly prove that this was a growth period. Szereszewski gives estimates for the years 1891, 1901 and 1911. During this period GDP is estimated to have increased with over 74%, while GDP/capita increased by just above 42%. If the traditional consumption production is excluded the corresponding numbers are around 330 % and 250%. If growth remained the same every year the 330% change means a growth of 7.6 % per annum while the 74 % change

indicates an average annual growth rate of 2.8% (Calculations based on Szereszewski 1965: 149). The later number might not seem very high, but it should be remembered that as the production that is not for traditional consumption starts from such a very low level, the tremendous changes in that sector still cannot have a huge impact on national GDP. The amazing expansion of the cocoa sector is clearly seen when the traditional consumption sector is removed. This data strengthens the impression that this period was special, but as data is only provided for three years, with a decade between each, they are not helpful in deciding the exact years for period one. After demonstrating the special significance of this general period the next step is to prove that the exact selection of years makes sense. Luckily we have a good proxy for growth, namely cocoa production/export. World Bank (2012: 46) and Woods (2004: 225) argue that the evolution of the cocoa sector mirrors the overall growth trajectory of Ghana with its success and failure periods. Szereszewski (1965: 75) argues that traditional consumption and production remained the same throughout the period and this also indicates that the important changes in this period are likely to be found in the cocoa sector. In addition is cocoa emphasised by all the authors referred to in this section.

Figure 1: Annual Growth in the Volume of Ghana's Cocoa Exports 1899-1937



Source: Mitchell (2007: 351), supported by Kay's (1972:336-337) similar estimates

One can notice that there is no total agreement between these authors on the exact years included in this special period. 1891 has been chosen as the starting date here, following Szereszewski and Gunnarsson. As for the end date there are several options, for example 1911, 1913 (defining period as prior to World War One) or 1916. The decision has nevertheless been to pick 1919 as the end date since there was a peak in the growth of cocoa exports then. Szereszewski argues the foundations for this was laid previously and as can be calculated from data presented by Mitchell (2007: 247, 351, 674, 677) and supported by Kay (1972: 334-337) the average growth in cocoa exports per year becomes slightly lower when more years are included. However, as can be seen in Figure 1, the peak in 1919 motivates why I have extended my first period to include this year. Austin (2012:10) suggests that this

peak might be due to high cocoa prices in 1919 and that farmers anticipating this waited to sell beans ready in 1918 until 1919. While it is true that the prices in 1919 were much higher than in 1918 they were lower than or equal to the prices in 1900, 1907, 1913, 1915 and 1916 (Kay 1972: 338), so in general prices fluctuated a lot and these years show very different growth rates when compared to each other. As 1918 was an extremely bad year pricewise (Kay 1972: 338) this might still have enlarged the 1919 sales. Nevertheless, Figure 1 demonstrates that, despite the fluctuations, the average growth rates of the Ghanaian cocoa exports were much higher until 1919 than after that year. Also the value of cocoa exports, not included in the figure, increased with, on average, 43 % per year between 1987 and 1919, and had a growth peak in 1919, with a growth rate of above 350% (Calculated from Mitchell 2007: 674, 677, supported by numbers in Kay 1972: 334-335). However, the data on volumes are a better measurement of how much was exported as the prices fluctuates, as is demonstrated in Kay (1972: 338-339), and impacts the growth of values of exports.

Unfortunately, data from before 1897/1898 has not been available, however, the arguments behind the decision on the starting point are based on a judgement of when the cocoa take-off can be seen as starting rather than on extraordinary growth rates, so this is not a big problem. In addition, as cocoa needs time to mature it cannot be expected to be visible in statistics until a few years after planting. Obviously no economic period starts or ends exactly at New Year's Eve, so the division into periods is always slightly arbitrary, but that is what we have to work with.

4.1.2 Background/Main Production

The prohibition of slavery in the Gold Coast, the secession of tributary states, among them major gold producers, and the fact that the monopoly on the transit trade was threatened changed the economic situation for the Ashanti region² (Austin 2005:47-48). They had to start exporting new things, such as palm oil and kernels, to compensate for the shock of losing the main market for their most important export, which was the slaves (Szereszewski 1965: 6). Another new trade opportunity came from the demand on rubber from traders from the coastal regions and by 1884 increasing rubber exports were underway. Indigenous gold mining declined in late 19th century as rubber collection was growing. Mining was taken over by European companies instead. (Austin 2005: 48, 53) The only other export industry the Europeans were directly involved in was the timber industry (Szereszewski 1965: 30). In the beginning of the expansion period the main sectors were traditional agriculture growing food crops, traditional crafts and collection of forest produce. The exports were collected rather than produced and collecting it was a complimentary activity to the more important food or service production. The main export commodities sold to the coast were palm oil, rubber, palm kernels and gold. However, only about one third of the gold was “newly” extracted: much came from the existing stock. Some kola nuts were exported to along the northern trade routes, but that only represented about 2.7 % of total exports. 1891 cocoa was still on an experimental stage. There were investments in it, but not on a grand scale (Szereszewski

² I have chosen to use this name rather than “Asante” as it is the one used by most of the authors I am drawing on, although not by Austin

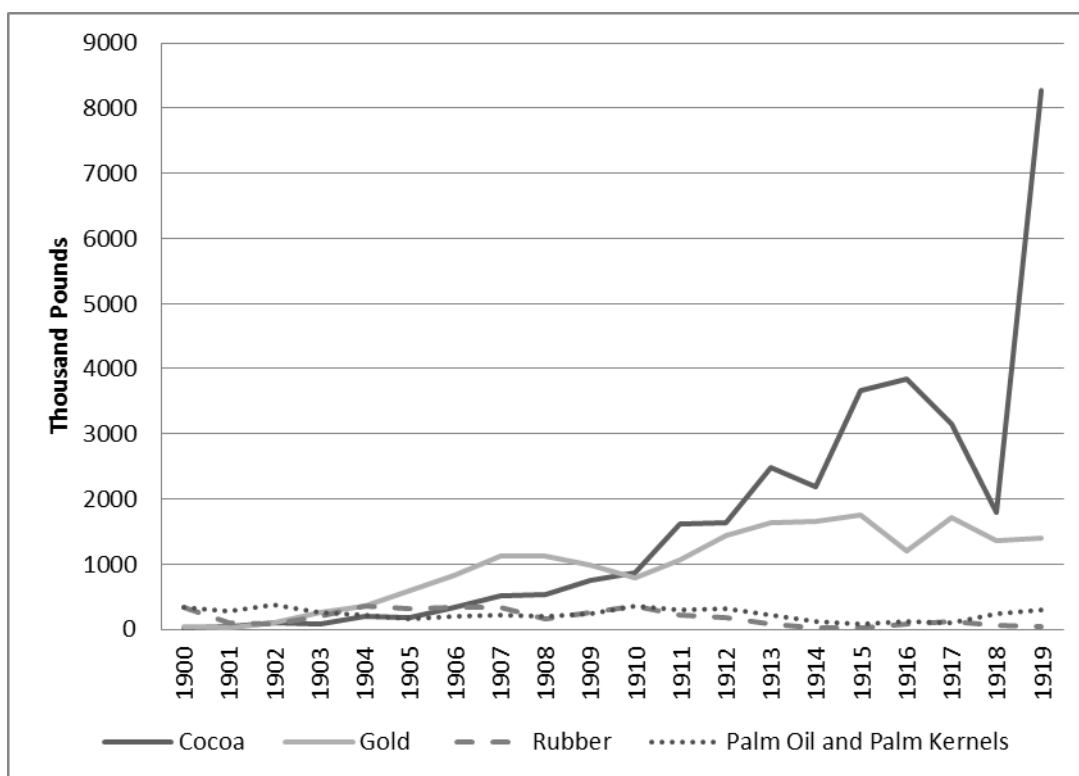
1965: 1, 5, 11, 29, 31-32). It had been brought into the Ashanti in the late 1890s and planting became more widespread first after the revolt in 1900 (Austin 2005: 49).

In the ten years following 1891 the main expansions were in the sectors of cocoa and gold mining. Ashanti and the Northern Territories became British colonies. Despite more government activity and some development of roads and railroads in those areas this had few direct economic effects by 1901. A large new sector in the Gold Coast overall was railway construction and this whole period was an era of intense capitalisation in the mining and the railway sector. The mining output was still low, but the industry was developing. The build-up of the cocoa industry had also started and the government worked on improving the infrastructure in the newly colonised areas. Machinery and construction stocks were increasing rapidly. The quickly growing cocoa sector also contributed to the capital stocks as the trees can be considered to be capital. In 1901 8% of exports consist of cocoa, but palm oil, rubber and palm kernels still dominate. The foreign trade orientation is evident and import and export together equalised 24% of GDP. (Szereszewski 1965: 37, 39, 41-43, 46-47, 49-50)

In the end of 1910 cocoa was the second biggest part of the non-traditional capital stock and in 1911 it was the main export with 46% of the total export value. Gold covered another 30% which meant the main exports were now results of investments rather than just collected goods (Szereszewski 1965: 64, 67). Gold production increased between 1902 and 1914 (Mitchell 2007:428-429) and in 1911 utilisation of gold depots increased markedly (Szereszewski 1965: 54). Rubber exports, on the other hand had declined since 1907 as natural supply had been exhausted and cultivated rubber was not profitable compared to cocoa. Kola, which was semi-cultivated, remained profitable even when cocoa was the main export crop and it was less affected by the market situation in Europe as it was exported to Nigeria (Austin 2005: 48-49). At this point in time, overall exports and imports form 38% of GDP and more than 40 % of GDP is outside the traditional sector. The foundation of the cocoa economy was in place and within it was the capacity for the breakthrough in output and capacity after the war (Szereszewski 1965: 66-67, 70). Ghana was the biggest producer globally from 1911 to the late 1970s and Ashanti was the main producer region (Austin 2005: 51, Szereszewski 1965:1). The cocoa industry was also the biggest absorber of labour in the country. Infrastructure was constantly improved and some manufacturing started, for example in the new sawmill. 1904 had been the dawn of Ghanaian manufacturing (Szereszewski 1965: 60, 63-64).

To move between two equilibriums take time as information about new opportunities must be spread, people need time to decide whether to invest and trees must mature, but by 1911 the economy seems to have moved into a new equilibrium. Despite population growth land is still the abundant factor and mobility solves local scarcity problems. There were new sectors in the economy that had not existed before (Szereszewski 1965: 1, 71-72, 81-82).

Figure 2: The Main Exports of Ghana, by value, 1900-1919



Source: Kay (1972: 334-335), cocoa values supported by Mitchell (2007: 674, 677)

As all the main products described here were export products obviously the world market situation was also very important for Ghana during these periods. Austin argues that the exports of kola nuts, rubber and cocoa were all a response to external demand and that the main motor of extra-subsistence production was export (Austin 2005: 55, 431-432). There seem to be a general agreement on this as many authors writing about this period focus on the export of cocoa. Gunnarsson (1978: 39) reviews the argument of those, for example Polly Hill, who state that cocoa production and trade was not initiated by Europeans but by capitalist local farmers. Even in this framework, though, is the link to the world market in the form of Europeans seen as important, which indicates that even those pointing to internal factors agrees that demand was external. As he also notes, almost all cocoa was consumed in Europe or North America, according to FAO (Gunnarsson 1978: 9) Gold was also exported in large quantities (Kay 1972: 334).

Cocoa prices declined more than the prices of any other commodity before 1920 and the fluctuations in price were also greater than that for, for example, tea or coffee. It was actually the mass production in Ghana that made cocoa cheap enough to be consumed by broad segments of the population in importing countries, resulting in increased consumption. Despite the price declines calculations of terms of trade show that farmers experienced rising real incomes until the First World War, which supports Szereszewski's idea that this period was characterised by expansion and structural change. Lowered real incomes after the war can explain why the cocoa industry eventually stagnated.

4.1.3 Why Ghana was Successful during this Period

Szereszewski (1965: 3, 15-17) argues that the natural resource endowments of Ghana were favourable. Although the savannah area in northern Ghana was quite infertile the forest belt had a good climate, very rich, fertile top-soil, a great variety of plants, many resources that could be extracted from it and also mineral deposits. The coastal strip provided fishing opportunities and, of course, access to the sea. The geography was favourable for production, organisation and communication and the south-flowing rivers facilitated exports to the coast. That traditional agriculture was based on land rotation and fallows of up to ten years demonstrates the great land abundance. There were no institutional barriers to access either and the export goods growing in the forest were freely available. Also Woods (2004: 227) emphasise the availability and easy access to the tropical forest as necessary for cocoa production. It seems clear that it was the natural resource endowments that enabled Ghana to be a successful producer of many commodities. They had gold deposits that were relatively accessible even with limited technology. The natural occurrence of rubber trees, palms and the fertile soil that made it easy to grow a foreign crop as cocoa were excellent preconditions. In addition, land was abundant and there were no barriers to accessing forest produce.

As the research overview indicated natural resources is not always a blessing. Austin states that the replacement of other activities with cocoa growing resembled Dutch Disease, but that the currency effects were removed as the British West African Pound was tied to the Pound Sterling. Nevertheless was this a positive process as it increased productivity. He admits that there were other reasons to for the decline in other sectors as well, but names reallocation of labour to the cocoa sector the main one (Austin 2012: 23, 25-26). However, in looking at Figure 2 his statement seems doubtful. It might be that there was a reallocation of labour, but the export value of palm produce is similar in the beginning and end of this period and while rubber exports almost came to an end, Austin himself (2005: 48) states this was due to exhaustion of natural supply. Gold exports were still doing well too, according to Figure 2, and as described in the previous section a few simple manufacturing industries had started (Szereszewski 1965: 63), so I can see no signs of serious Dutch Disease suffocating other sectors although there might have been some reallocation of labour. Szereszewski (1965: 83) states that the increasing prices of palm kernels and rubber worked together with decreasing cocoa prices to reduce the willingness to shift into cocoa. Kay (1972: 338-339) confirms the statement of rising prices for palm produce. For rubber his numbers could potentially be interpreted as an increase until 1911, when Szereszewski ends his study, but after that there is a clear decline in rubber prices. As for cocoa the price level is fluctuating, but on a constant overall level. Thus Szereszewski's argument is only supported halfway by Kay's numbers. However, Ghana was probably lucky in the sense that it had several commodities that could be profitably exported and perhaps the price signals gave incentives enough for a continued diversity in the economy.

However, natural resources were not the only important factor endowment. Labour was also central. Here, however, there seems to be a great disagreement among researchers on where the labour used in cocoa production came from. Austin and Szereszewski have different views here and this is probably what is behind their disagreement on to how great extent cocoa

crowded out other sectors in the previous paragraph. Szereszewski (1964: 74-84) argues that as the traditional food production, a sector in which there was no improvements in productivity, remained on the same level throughout the period labour cannot have been transferred from there to the cocoa sector. The said price increases for other products stopped producers of other cash crops from shifting into cocoa and population increase was not quick enough to provide the labour needed in the cocoa sector. The answer given to where the new labour came from is that there was a labour reserve that was spent as leisure before. However, high returns could be reaped from using that free time for cocoa growing, which led to more labour being invested in production. So it was mainly idle labour in previously non-export commodity producing households that moved into cocoa. Austin (2012: 5-6, 18-22), on the other hand, dismisses this vent-for-surplus oriented explanation and states that the central premise of it, that growth stems from idle labour being applied to unused land, is incorrect in the case of Ghana. He argues that though unused land was indeed abundant and traditional food production continued as before there was no idle labour in this area. It is pointed out that the population was engaged in such a multitude of commercial activities that big leisure reserves seem unlikely. In addition, Szereszewski did not, according to Austin, offer any proof that leisure time indeed existed. This was only assumed and it seems unlikely that reserves of leisure would coexist with the slave trade that existed during most of the 19th century, as it ought to have been cheaper to use one's own labour than to purchase a slave. Thus, the labour engaged in cocoa production came from other sorts of commercial production, which declined after the introduction of cocoa.

Although it is not easy to say for certain who is right here Austin's arguments seem most convincing. Partly this is because Szereszewski (1965: 75, 83) states that the labour used in cocoa production must have come either from the traditional food consumption or from leisure reserves and does not seem to consider the fact that it could have come from other commercial activities. He mentions that price trends checked the potential movement of labour from palm kernels and rubber, but as discussed in relation to Dutch disease this is only partly supported by independent numbers and there were other commercial activities labour could shift from. Something else that makes Austin's argument more convincing is actually what could best be described as a cultural trait. Szereszewski (1965: 4, 7, 20) describes the trading spirit and commercial mind-sets of most people in modern Ghana, who had traded with Europe for a long time. This does not sound like people having a preference for leisure and this opposition between propensity for consuming labour as leisure and the commercial mind-sets is a weakness in Szereszewski's argument.

What this discussion shows is that there does not seem to have been an abundance of labour in Ghana, so if it was to be added in one sector it had to be removed from somewhere else. The total size of the population is estimated to have been 1 650 000 in 1891 and about two millions in 1911 (Szereszewski 1965: 34, 55). There was a scarcity of labour, mainly unskilled labour in the form of wage labourers or carriers, jobs that were considered unattractive among the local population. Unskilled labourers were brought in from Liberia, but as labour scarcity intensified wages had to increase (Szereszewski 1965: 20-21, 39). According to Austin (2005: 165) it was only the fact that cocoa was so profitable that made it

possible with wage labour instead of coerced such. This might have been why migrant labour became important first in the 1910s (Austin 2012: 14). According to Woods (2004: 227) was migrant labour needed when more land was to be used in cocoa growing and family labour was not enough. So Ghana did not have much labour power, but the existing labour force seems to have been installed with a favourable culture in the form of the commercial attitudes mentioned. These could be seen as part of the human capital of labour. Concerning other forms of human capital the schooling level improved in the first period, but was still on a strikingly low level in 1911 in relation to the economic improvements of the time. However, there seems to have been no lack of skilled labour as there was even a stock of Gold Coast skilled people who had migrated due to lack of jobs (Szereszewski 1965: 59). So although the level of schooling was very low there was no scarcity of skilled labour. The production of cocoa and forest produce were land intensive rather than labour- or knowledge-intensive and most likely the skills learned in school were not important for farming.

The country was not well-equipped with man-made assets. What existed were dwellings, bush roads, simple tools, canoes and oil palms. There was also the government-owned capital, such as roads, water cisterns, harbours, light houses and a few hospitals and schools (Szereszewski 1965: 22-24). The main capital was probably, in many senses, the cocoa farms and this was a type of capital that had been accumulated by hard labour and time rather than provided by inflows from abroad. Different opinions exist on how long it takes to get beans from a cocoa tree, but it seems to be between four and nine years (Austin 2012: 8, 14; Szereszewski 1965: 137). There were no high-tech solutions in Ghanaian cocoa production, nor any specific scientific guidance. Nevertheless, the Gold Coast production was more productive than the one in Trinidad that was way more technical (Gunnarsson 1978: 49-50). This demonstrates how well cocoa was suited to the context of Ghana: abundant land, but little capital. Labour was not abundant, but could be made sufficient via imports and formally educated labour was not necessary.

The relationship between the production factors also influences an often mentioned factor in relation to institutions, namely equality (Gunnarsson and Rojas 2008). Referring to the FAO commodity report Gunnarsson argues that in Spanish, Portuguese and Belgian colonies cocoa was grown on large estates. However, in the four most successful producer countries the cocoa sector was dominated by African smallholders. In growing this specific crop economics of scale hardly exist and small-scale production demanded less cash. For estate production both a controlling elite and much labour power is needed. In Ghana the traditional elite was not involved in cocoa production (Gunnarsson 1978: 8, 28-29, 48-49, 78) and as Ghana was sparsely populated the estate mode of production was not suited to its resource endowments. Luckily, that mode of production turned out to be less efficient for cocoa. Like almost all countries Ghana had a political elite, but since land was abundant the poorer people were not forced to work on the land of the elite as landless labourers, but could stay more independent.

4.1.4 Main Findings

Here it has been demonstrated why production of different commodities, among them gold and cocoa, could be efficiently produced in Ghana. The relationship between the production

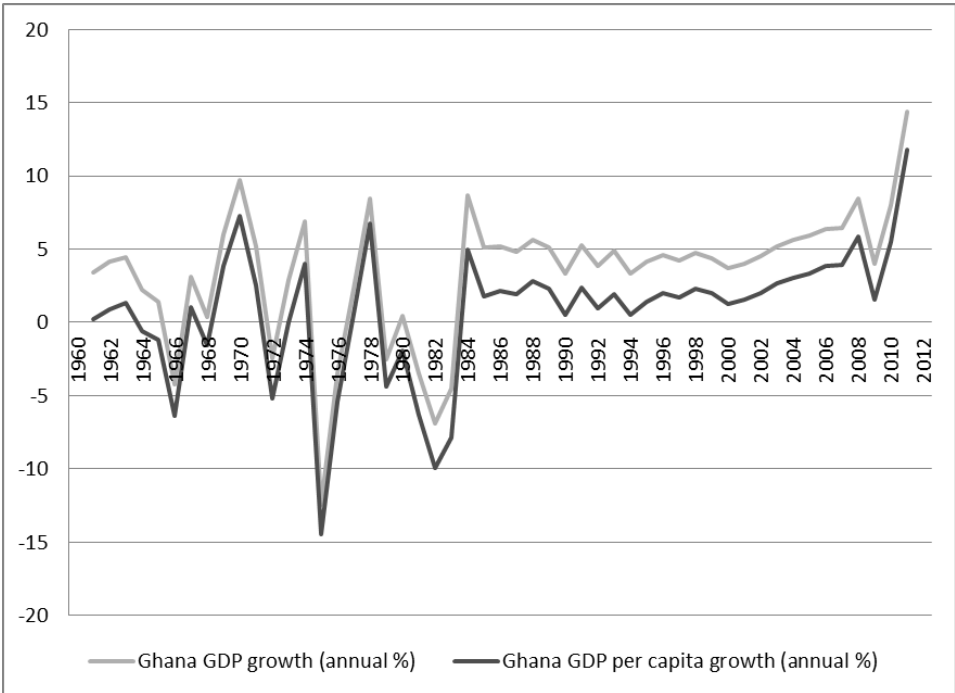
factors favoured smallholder production and collection of forest produce as land was abundant while the amounts of labour, the inequality structure and the capital needed for estate production was lacking. Having been created from the relative scarcity of natural resources, no institutions promoted estate production either, and small-scale production was efficient when it came to cocoa. Natural resources, such as gold, were relatively abundant and quite easy to find even with simple technology. Here the European capital that came in during the colonial era nevertheless developed the technology and capacity of the mining industry a lot. It could not have grown as fast without external capital, and due to colonialism and the willingness to invest in colonies such capital was available. The entrepreneurial spirit of the population and the willingness to trade and to try new products was also very important for success. This is hard to explain in other ways than culture or norms. However, the ability to produce something is not especially useful unless somebody wants it, which means that the world market situation was very important for Ghana. There was an external demand for exactly those products Ghana was well suited for producing and in addition was this demand and the price signals so diverse that the country seems to have been spared the Dutch disease.

4.2. Period Two: 1983-2013

4.2.1 Arguments for the Periodization

The decision on the exact years that were to be included in the present time period was, despite all data available, not easy. There are many different reports, with very different outlooks concerning Ghana’s future. It is always problematic to analyse a current period as the benefit of hindsight is lost. Nevertheless, comparing contemporary processes to historical ones, as is the aim of this essay, can be very illuminating.

Figure 3: Growth of GDP and GDP/Capita 1960-2011 (%)



Source: World Bank (nd.)

The reasons why we are considered to be in the second growth period at the moment ought to be obvious from Figure 3, as it shows the exceptional growth rate for 2011, which is the last year we have growth data for. Although the year 2012 is on the timeline, a closer examination shows that the line is not drawn far enough to the right to show values for that year. As indicated by the graph, which show the growth for all the years for which the World Bank provides data, there was some kind of structural break in 1983 or 1984 after which growth rates have remained much more stable than before, except for the recent increase. This indicates that those years could signal the start of an interesting period. As Jerven (2013a) describes, it is indicated by the recent upwards revision of Ghana's GDP that growth has been underestimated 1993-2010. If this is the case and the growth then has been higher than Figure 3 suggests, this rather strengthens the argument that this has been a growth period. Many researchers present views that fits well with this statement, namely that a new era for Ghana started with the structural adjustment in 1983. Dormon et al (2004: 237) dates the low point for Ghanaian cocoa export to 1983 and describes that after this production increased again. Addo and Marshall (2000: 355-356) mentions this year as an important starting point for the export-diversification strategy they analyse. In a World Bank (2012: 46) report focusing, among other things, on how to calculate oil revenues and what effects this new export might have on the cocoa sector, an overview of the history of cocoa production is given. It is argued that the recovery of the cocoa sector in the 1980s was due to structural adjustment and economic reforms that managed to break previously negative trends. Also Benneh Mensah and Nyadu-Addo (2012: 76-79) sees the start of the 1980s as the end of one era, that of state-led growth, and the beginning of a new one where the private sector is leading the way.

A further piece of evidence, not as helpful in periodization but nevertheless emphasising that this period has been very special for Ghana is the fact that the country has for quite some time now been considered a star performer in the sub-Saharan Africa context and has had one of the strongest growth rates on the continent for most years in the 1990s (World Bank 2007:1). Ghana was in 2010 was elevated to the status of a middle-income country. This was to a great extent due to a new way of calculating GDP that meant that new sectors were given the weight they deserved, as a new base year was decided upon (Jerven 2013a). Nevertheless, as the new method is a more accurate measurement of what is produced in the country the reclassification is well deserved. This upward revision has, however, nothing to do with the growth peak in 2011: if it was due to the revision, growth had been about 100% (Jerven 2013a: 139) instead of 14. The more detailed description of the period in the following sections will further strengthen the argument that 1983-2013 is a distinct period worthy of analysis.

A further benefit of choosing to analyse the period 1983-2013 is that the two periods will be of roughly the same length. This has not been a criterion in the decision on periods, but as I wish to compare the processes of growth and change during these periods with each other it is good if they are similar in terms of length as it would make less sense comparing a decade to a century.

4.2.2 Background/Main Production

The overall growth trend has already been demonstrated in the previous section and it could only be added that the forecast is for Ghana to grow with about 8% in 2012. Growth is supported by the gold and cocoa sectors and by crude oil production, all of which have a positive outlook, as well as by new infrastructure projects. GDP growth is expected to remain robust over the medium-term (Country Intelligence: Ghana 2012: 3, 16).

The cocoa sector has been very important for the economy of Ghana and it is mirroring its development trajectory. Production fell during the times of macro-economic mismanagement and economic crisis in the 1970s while the 1980s with its reforms and better incentives indicated a new start for the sector with new investments and expansion of production leading to increased yields (World Bank 2012: 46). In the 1970s Ghana only produced 17% of world output of cocoa, but since then production has increased and made Ghana the second largest producer globally, responsible for a quarter of world supply of cocoa. Both the higher cocoa prices and the increased volumes have contributed to the growth rates of 26% in 2010 and 14% in 2011 for the cocoa sector (World Bank 2012: 44, 46). However, despite the improved productivity since the low point in 1983 Ghana is in this respect still behind other countries (World Bank 2012: 47; Dormon et al 2004: 237). Dormon et al (2004: 237, 256) traces this to a mix of biological and socio-economic reasons, such as pests, diseases and lack of adaption of scientific methods, which can in turn be traced to low producer prices and lack of amenities, which are connected to a further cause, namely labour shortages. As reported by the World Bank, cocoa has been one of the commodities for which there has been a massive increase in prices since 2008. Producer prices in Ghana are controlled by the state, but farm incomes have still increased. The macroeconomic successes have consisted of the cocoa sector increasing its part of GDP and the successes with value adding in cocoa. Despite a more diversified economy cocoa will remain important for driving the economy and reducing poverty, as it is a primary livelihood for many people (World Bank 2012 47-51). Ghana is also dependent on that export for foreign exchange (Dormon et al 2004: 237). Still, Woods (2004: 235) argues that cocoa has not regained the strategic importance it once had for Ghana. She might be right in the sense that the economy is more diverse now than during the first cocoa boom, but one should be careful not to underestimate this still very important sector.

Mining also remains an important driver of the economy (World Bank 2012: 1) as the main exports produced in Ghana also include minerals such as gold, diamonds and manganese (Country Intelligence: Ghana 2012: 15). Not all mining in Ghana is carried out by big companies. In 1989 small-scale mining was legalised. It provides 60% of the employment, 53.3% of the diamond production, 6.4% of the gold production and 8.1% of the foreign exchange of the whole sector. Those engaged in this part of the mining sector mainly search for gold and they normally make more than wage labourers earn (Amegbey et al 1997: 135-137).

Due to worsening terms of trade for the traditional exports such as cocoa, gold and timber the non-traditional export sector has been given much attention and since 1983 Ghana is following an official export diversification strategy (Addo and Marshall 2000: 355-356).

Addo and Marshall (2000: 359, 364) gives a long list of non-traditional export products, including agricultural produce in the form of crops like pineapple, mango and cassava, seafood as shrimps, prawns and lobster, processed items ranging from furniture parts via aluminium utensils to canned fruit and chocolate and handicrafts as ceramics, carvings and jewellery. When looking at the increase of value of this export group 1984-1992 it is impressive since it is higher than for any other commodity. The average annual value increase was more than 142%, much due to one year of sensational growth, but even if this year is excluded growth was very high, above 20%. Still, the sectors share of the total value of all exports was despite this never more than 7%. In addition, since the Addo and Marshall article was published, the cocoa prices, like the prices of many other primary commodities, have increased.

In recent years Ghana has also discovered a new type of natural resource wealth, namely oil reserves, off its coast. McCaskie (2008: 323-326) has been going through news items, press releases and speeches and uses this to describe the process. The earliest explorations of the area took place in the 1970s, but not until 2007 was it confirmed that there really was oil. As reported in Country Intelligence: Ghana (2012: 5, 11, 15) oil production started in December 2010 and production is continuously scaled up and with investments output could double itself by 2013. The oil has already played a large part in the growth of the Ghanaian economy. It is argued that the sensational growth in 2011 is the result of a strong industrial expansion and it can be assumed that the new oil extraction is included here. In addition, when oil production was to be included Ghana Statistical Services had to revise the GDP growth figure for 2010 from 0.3 to 8%. In a World Bank report it is mentioned that Ghana was exporting oil for 2.7 billion US dollars already in 2011 and from 2015 there will probably be more petroleum fields. Oil revenue can, however, be volatile and this new trade can impact exchange rate and thus make it hard for other types of trade, such as that with cocoa (World Bank 2012: 1).

Figure 4: Exports of Goods and Services 1960-2010 in % of GDP

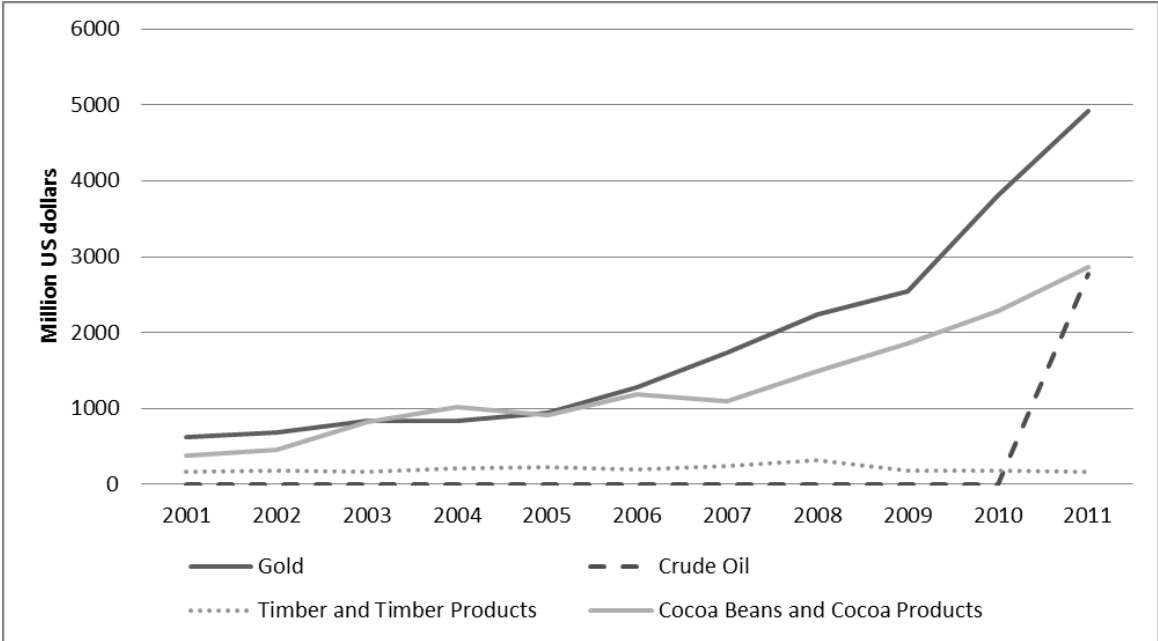


Source: World Bank (nd.)

It has been demonstrated, in the arguments for why the chosen periods were special, that exports have been important in driving the economy. A further proof of that can be seen in Figure 4 where exports are shown as a share of GDP over time. In the current growth period the share of exports has been almost constantly increasing and as a decrease of production for domestic consumption seems unlikely during growth periods it seems more likely that the increased share of exports indicates an increase of overall production and thus overall growth. This interpretation seems likely when Figure 4 and Figure 3 are compared. The decrease in exports 2002-2008 does, however, seem to indicate that this period of increased growth had nothing to do with exports. It could be an impact of the growth-furthering infrastructure projects mentioned in the Country Intelligence: Ghana’s report and referred to earlier. In contrast, the increase of the export share after 2008, probably due to the higher prices of certain commodities is reflected in overall higher growth of GDP, as is the case for most of this period.

To find long time series where the main commodities are separated has not been possible, but such statistics at least exist for the last ten years. Normally, trade statistics are according to sector, not products, and it is hard to say anything about cocoa if it is indistinguishable from all other crops and about oil if it is classified as either a “mining” or an “industrial” product. That is why longer trade-related time series are of little use. Mitchell (2007) only produces value oriented time series for cocoa, which means there would be no other products to compare it to and it is in GB pound instead of US dollars and finding a suitable conversion rate to make it comparable to the Bank of Ghana data would be very complicated and not add much to the overall picture. Kay’s (1972) time series include more products but end in the 1960s and are thus not of any use either.

Figure 5: The Main Exports of Ghana 2001-2011



Source: Bank of Ghana (2012: 32, 2011: 28, 2010: 27, 2008: 26, 2007: 27 and 30, 2006: 27)

In Figure 5 the four most important export products of Ghana are included. Apart from these manganese and electricity are the main exports, but when included in the graph they were so unimportant in relation to the others that they were almost hard to tell apart from the X-axis and as they remained stagnant they grow less and less important in relation to the main exports. These are gold, cocoa and crude oil. While gold and cocoa have more gradual growth trajectories the development of oil exports is fascinating. Within a year it had almost caught up with the century-old cocoa sector in terms of export value.

A suitable way to conclude this description is to mention that despite all the focus on exports as the driver of growth Ghana has a domestic economy as well, which is proven by the fact that the dominance of mining/industry and agriculture is not as marked in production/overall GDP as it is in exports. Services is in fact the sector that produces over 50% of the GDP while agriculture contributes with 30% and industry with 19% (Ghana Statistical Services 2011: 6). The manufacturing is worth as much as the oil production in terms of GDP (Ghana Statistical Services 2013: 4).

4.2.3 Why Ghana was Successful during this Period

Already for the first period we discussed Ghana's natural resource endowments and how important these were for the main exports: cocoa and gold. Mineral deposits, at best easily accessible, are necessary for the latter and fertile soil and suitable climate facilitate the production of the former. These benefits remain and are still pointed out as important, for example in a report on Ghana's economic prospects where it is stated that cash crops as cocoa, coffee, pineapples, coconuts and cashew, thanks to the agricultural conditions, can be harvested throughout the country (Country intelligence: Ghana 2012: 15). However, despite Ghana still being suited for the production of tropical cash crops, the preconditions might not be as favourable as they were during the first period. Woods (2004: 226-227) is using the concept of natural rent and draws on different researchers to show that the quality and quantity of cocoa is greatest when planted on virgin land since the benefits of such land quickly disappears. When they are gone the production costs increase as inputs such as extra labour and fertilisers are needed to achieve a similar output. This is what Austin (2005: 10-12) refers to as "forest rent", a concept for which he gives credit to Francoise Ruf. He develops it further into "broad forest rent" which refers to all the rents obtained from using the forest instead of planting things on already used land, including collection of natural resources from wild or semi-cultivated trees as rubber and kola. The concept is meant to stress the depletable nature of these resources. Certain authors, as Gyampoh et al (2008), claim that the benefits Ghana has had in agriculture are in great risk of getting totally lost. This is because climate change, and especially less rainfall, threatens to destroy the rain-fed agriculture and water supply the population of Ghana is dependent on. With the favourable development of cocoa exports mentioned previously, the great improvements towards fulfilling the Millennium Development Goals (Country Intelligence: Ghana 2012: 13,16) and the overall growth of agriculture (Ghana Statistical Services 2011: 7) this does not seem a great problem at the moment, but it should be kept in mind that much of Ghana's growth might be built on depletable resources or at least crops grown with the assistance of depletable benefits.

The natural resources still provide favourable conditions, although perhaps not as beneficial as during the previous period. The availability of the production factor land has nevertheless changed. From two million in 1911(excluding the part of present day Ghana that then belonged to Togoland) (Szereszewski 1965: 97-98) the population had grown to 24,97 million by 2011 (Country Intelligence: Ghana 2012: 13). The average population density can be estimated to have been about 25 people/square mile in 1911(Szereszewski 1965: 98), which equals approximately 10 people/square kilometre. Modern population data gives a population density of 110 people/square kilometre for 2011 (World Bank nd.). This is a large increase in the production factor labour and a decrease in the abundance of land. This has been one of the reasons behind the changing tenure systems in Ghana. The customary system ensuring that all families get equal access to land is falling apart. In much of West Africa land is becoming scarcer and in certain areas, for example in northern Ghana, cash payments above a symbolical sum in exchange for land have become the norm and in urban and peri-urban areas formal purchase of land is common. The rising values of this production factor demonstrate a high demand. Urbanisation, globalisation, structural adjustment and population pressure are argued to be causes behind the change. It is unclear which system is best at providing security of tenure and thereby encouraging investments, but the new system has nevertheless made it hard for the poor who cannot afford to buy land and previously could access it through social networks (Yaro 2010: 199-203, 206-209, 212). Woods (2004: 227) mentions that Akan chiefs started to sell land already in the first period, when it started to become valuable for prospective cocoa farmers.

Despite this increased relative price of land cocoa production continues, as can be seen in export statistics. The shortage and high prices of labour has been changed into higher prices paid for land. It can be assumed this is no great problems for cocoa farmers of that type that could afford to hire wage labourers, the slightly more affluent. The poorer farmers, whether in cash crop or food crop production, who uses only family labour are the ones that cannot pay. That there has been a change in the size of the holdings where cocoa is grown is supported by Gunnarsson's (1978: 48) statement that although most cocoa farmers are still small-holders these produce only a small share of the total output. He also argues that the "commercialization and individualization of the land" together with the system where the large farmers were creditors of the small-holders led to increased stratification among the cocoa farmers in the 1930s (Gunnarsson 1978: 110). This clearly indicates how the changing relative prices of one production factor can lead to greater inequality. It is also interesting to consider whether this different context is connected to the relatively low productivity of the cocoa sector as a whole in Ghana today. However, it might also be that now, when the soil has lost some of its virgin qualities, more labour is needed to achieve good yields, as Woods (2004: 227) explain it.

The production factor labour exists in much greater abundance in modern Ghana than it did before. Out of the almost 25 million strong population, only 55.8 % is employed in agriculture (World Bank 2007: 39; Country Intelligence: Ghana 2012:13). This reconnects to what was mentioned in the last section about the increased concentration of land. Although it might seem a lot that half the population is employed in agriculture the number was certainly higher

for the first period. The education level in general is low, about one third of the work force has no formal schooling and slightly more than half of it has no higher education than middle school (Ghana Statistical Services 2008: 38, data collected 2005-2006). This means that in terms of formal education the human capital in Ghana is very low. However, as the main occupation still is agriculture this is not likely to be a problem. How to grow crops is not generally part of the school curriculum, but rather something that is learnt “by doing”. Also simple manufacturing and trading do not require high education although numeracy and literacy are necessary in trading. There seems to have been reserves of underutilised labour in the economy: according to a World Bank (2007: 50) report cocoa production doubled in 2002-2004 due to greater labour inputs per person, more fertilisers and the end of government monopoly on buying cocoa. The great amount of small businesses (Benneh Mensah and Nyadu-Addo 2012: 75-76) in Ghana, just as in many developed countries, could be an indicator of an entrepreneurial spirit, something we saw signs of already in the first period.

Despite Ghana becoming a middle-income country in 2010 28.5 % of population is still classified as poor. This is nevertheless an improvement and most socio-economic indicators indicate improvements, although from a very low level. There has also been great progress towards meeting the Millennium Development Goals (Country Intelligence: Ghana 2012: 13, 16). Cocoa producers seem to be, in general, less poor than the population as a whole (World Bank 2007: 50). The overall number nevertheless shows that for parts of the production the level of assets is still very low. As reported by Benneh Mensah and Nyadu-Addo (2012: 75, 79), Ghana’s private sector mainly consists of small businesses that need more government assistance, for example in improving access to credit. Also for the non-traditional export sector the lack of funds is cited as a problem (Addo and Marshall 2000: 360). That these sectors find it hard to access credit indicate that they either have low capital assets or that the assets they have, following de Soto’s ideas (2000, see research overview), cannot be utilised as capital. As will be described below Ghana has only experienced very low levels of foreign direct investments (FDI) before oil was found in the country (World Bank, nd.), which is a strong argument for the hypothesis that most of the FDI coming into the country afterwards have been directed to the oil sector. All taken together, the level of capital in most sectors of Ghana’s economy seem to be low. In cocoa production the trees are a form of capital, but not especially valuable such compared to the modern capital of machinery. Such can be expected to be found in the major mining operations and in the oil sector. In the mining sector production is either labour- or capital intensive. Most small-scale mining focuses on gold. Despite this it only produces about one twentieth of total gold output, while contributing with 60% of mining employment (Amegbey 1997: 135). The numbers are not up-to-date, but the ratio between employment and output is not likely to have changed. This make it seem as if capital-intensive mining is more efficient, which indicates that Ghana’s resource endowments might not be perfectly suited for it. Nevertheless, as gold is relatively easily available it seems worth it to produce it anyway, either with sub-optimal labour-intensive production or by using some of the scarce capital for it. Here it seems as if world market prices make production of gold attractive despite the relationship between the production factors not being perfect for mining.

The production factor capital is very important for the extraction of oil, especially for underwater oilfields. As discussed previously the general capital level in Ghana is low, but it seems as if there is enough to enable oil extraction. Much of this might come from the outside. Since the start of this period Ghana has gone through great efforts to restructure the economy in accordance with the instructions from the World Bank and IMF (Addo and Marshall 2000: 355). In the annual “Doing Business” publication, by the International Finance Corporation Ghana now remains among the highest ranking African countries. It is a clear government goal to attract more foreign investments and these are expected to rise (Country Intelligence:Ghana 2012: 3). The FDI of Ghana remained quite steadily below 1% of GDP from the first measures in the mid-1970s until the beginning of the 1990s, after which it mainly fluctuated between one and two per cent with occasional peaks reaching three or four. This trend was broken in 2007, with FDI inflows of 5.6%. After that the fluctuations have rather been between seven and ten per cent (World Bank, nd.). It seems as if some investor confidence returned gradually with the structural adjustments, but that investors were not particularly interested in Ghana until oil was found there 2007. As McCaskie (2008) writes, the USA is very interested in the Ghanaian oil and has been involved in exploring potential oil fields. Once again it is clear that foreign demand has been very important in initiating a new industry, and this time it has not only been foreign demand, but even clear foreign assistance. This has probably been meant to offset the lack of the production factor capital in the Ghanaian economy. Here it becomes clear that the only reason why Ghana is good at producing oil is that it has oil reserves, which is not very common, and that it, as McCaskie (2008) implies, is seen as a more dependable exporter than the Middle East by the US. The problem that Ghana lacks the important production factor capital is solved. The unusually large foreign interest and the high world market prices increase the risk of Dutch disease. Worries about this are present both in the major financial institutions (World Bank 2012: 1, 52) and in the discussions within the country (McCaskie 2008: 324).

The terms of trade of the traditional exports as cocoa, timber and minerals as gold, diamonds and manganese were described as having worsened constantly in an article published in 2000 (Addo and Marshall 2000:355). It was a correct description, between 1984/85 and 2000/2001 the cocoa price declined by two thirds. (World Bank 2007: 49, referring to ICCO market committee). However, as reported by the World Bank, cocoa has been one of the commodities for which there has been a massive increase in prices since 2008. In the decade after 2000 export prices tripled and prices are expected to remain high as demand grows, although the prices of the peak in 2007/2008 probably will not be reached again as it was due to specific factors. Producer prices in Ghana are controlled by the state, but farm incomes have still increased (World Bank 2012: 48-49). The state controlled producer prices have, all in all, protected the farmers from price swings. As long as production factors land and labour are available farmers continue to produce cocoa, even when the long-term trend of declining prices indicates resources might be better allocated elsewhere. Low prices are seen as a temporary problem that can be overcome with new plantings and it is not realised that greater production adds to oversupply (Woods 2004: 231). This demonstrates the importance of the world market prices and also introduces the cocoa board, which is an institution that keeps producer prices more stable. This may encourage investment but it also risks masking the

world market signals the Ghanaian population is so good at adapting to. An example is when the increase in taxing in the form of an increased gap between export prices and producer prices in 1992-1996 started to reverse the recovery in progress (World Bank 2012: 46-47). Affecting the world market signals is a powerful tool as economies adapt to them. It is also dangerous if such interference provides other incentives than the world economy, then the country's economy might adapt in the wrong way. This can perhaps explain why Ghana could experience a favourable growth and increased exports in the 1980s and 1990s despite the sharply declining prices for the main commodities and the problems facing the non-traditional export sector. Maybe the structural reform with its lessening of state control had the effect that Ghana started to listen to and follow the market signals again. It could also be that despite declining prices the cocoa was still profitable enough for exports to continue when the main macroeconomic problems had been solved.

4.2.4 Main Findings

The factors that made Ghana a good setting for cocoa and gold production during the second period were similar to those affecting the situation during the first one, namely the gold deposits and a favourable climate. The main differences were the increased scarcity and greater concentration of land, more inequality and a slightly different production pattern where most cocoa farmers were smallholders but these produced less of the total output. Simultaneously labour has become less scarce and is now used in more labour-intensive sectors, such as manufacturing and trading, as well as agriculture. The rise of those sectors might not have been possible without this labour supply. Most of the labour is unskilled, but the many small enterprises imply that a business-like mind-set might be part of the culture. Capital seems to be a production factor that is still scarce in many parts of the Ghanaian economy. However, just as foreign capital financed the mining sector in the first period it plays a role in the oil extraction now. Here the foreign demand is so strong that if a production factor needed to produce the good in question is lacking it is provided from abroad. With globalisation the lack of the production factor capital within a country is likely to become less important, as this is the most mobile production factor. The international price signals direct what is produced in Ghana. They are powerful incentives and as discussed in relation to the cocoa board, it is dangerous to distort them. Maybe that was one reason why the attempts at state-led development in the 1950s to 1980s, described in Benneh Mensah and Nyadu-Addo (2012: 76-77), failed.

Lastly one can ask oneself why Ghana has not been more severely affected by the financial crisis that has struck hard against many of the so-called developed countries. In Ghana there was a decline in growth 2009 but the recovery was quick. Benneh Mensah and Nyadu-Addo (2012: 78) state that Ghana was spared the worst as it is not so integrated into the world economy.

4.3 Comparison

It goes without saying that there are many differences between periods that lie 100 years apart. What is important in comparing them is finding the relevant similarities and differences that allow us to look at them from new angles and that enlarges our understanding of them and the processes occurring in them. As it does not exist, to my knowledge any similar comparisons of historical and modern growth periods, at least not in the case of Ghana, the analysis below will be my own, mainly supported by the facts and arguments presented in the previous sections. Most studies I have been drawing on focus on the change over one single period (Austin 2005; Gunnarsson 1978; Kay 1972; Szereszewski 1965). In some cases the periods have been very long, almost 150 years in the case of Austin, but there is still a distinct difference between analysing the path from point A to point B and comparing the development between C and D to that between E and F.

One of the first and most obvious similarities between the two periods is their length. The first period is 28 years long and the second could be considered to be 28-29 years as well as that is the amount of years in the period we have data for so far. Both periods also seem to have a massive growth peak at the end. This leads naturally to the question if these growth periods are only parts of an economic cycle that is constantly repeating itself. It has nothing to do with the short term economic swings that according to Schön (2007: 30-31) are about four years long. However, there are also the so-called long swings of 20-25 years and the structural cycles of 40-50 years. Between the starting points of my two periods there are 92 years. One could imagine that this could potentially form cycles of 46 years if an additional growth period was found between the two. Then this new period should be starting 1937. As this is the year Austin points to as the end of the first boom while stating that the next cocoa breakthrough and boom came at first a decade later (Austin 2012: 7, 24) this cyclical theory seems unlikely. According to this theory change and growth follows after a crisis. Both of my periods have been periods of change, but only the latter one was immediately preceded by a crisis, as was described in section 4.2.1. As the area had already recovered from the end of the Atlantic slave trade when the first cocoa boom started (Austin 2005: 47) it cannot be seen as directly following a crisis. As has been demonstrated earlier does external demand together with the geography, institutions and culture of Ghana explain the growth periods very well and such an explanation seems better than a cyclical one. However, it might be that the demand affecting Ghana's economy is subject to some long-term trends in the global economy, but as those prompts are to be seen as external factors discussing that is beyond the scope of this study.

Interestingly both periods also included the introduction of a new major export product that contributed a lot to economic growth. In the first period it was cocoa, in the second it is oil. They are similar in the sense that they both are based on natural resources, but there are, however, major differences in the pace with which these sectors have been developed. The cocoa economy developed into a major sector, making Ghana the leading producer, in about 20 years. Most authors consider this to be a very quick transformation, as can be seen from how exceptional this period is described as (Szereszewski 1965; Gunnarsson 1978; Austin 2012). Oil has during its first year as an export product almost caught up with the cocoa

sector, which may not have been growing constantly since the first period, but it is nevertheless an impressive feat by a new sector. This illustrates a main difference between these commodities. Cocoa is a cash crop, but compared to gold or oil it has a low value-to-volume ratio. This means that much larger quantities of it must be exported for it to have a great impact on export and that more people must be occupied with it than are needed in mining or gold extraction, especially as this sector has less capital to substitute labour with. Thus the transition into cocoa had a larger impact on more people and was more of a structural change for the whole economy. Oil extraction has a large impact on the GDP and export values, but not directly on most people's livelihoods. That effect is expected to be more indirect, for example through how oil revenues are used or through an appreciation of the cedi (the Ghanaian currency) induced by the valuable oil exports which makes it harder for other exports, as cocoa and gold, to remain competitive. The risk of such a Dutch disease could be lessened by increasing prices of commodities as cocoa as this might check the potential for all resources to be moved into oil, as the favourable price development of palm produced stopped palm farmers from shifting into cocoa, according to Szereszewski (1965: 83). The difference is, though, that there is no risks that farmers shift from cocoa to oil, that step is too big. The main threat does not come from farmers abandoning one crop for another but the risk that their livelihood becomes worthless as their cocoa becomes relatively more expensive globally. As the productivity is lower in Ghana's cocoa sector than elsewhere this is a real risk. Nevertheless, World Bank (2012: 49) forecasts point to increased cocoa demand that will result in high prices as production cannot keep up.

Not only the new products, but all the main export products from the two periods are based on natural resources. They are either based on climatic conditions and good soil as in the case of cocoa, palm produce (kernels and oil), rubber and timber or on naturally occurring deposits as for gold, oil and manganese. The geography of Ghana has clearly formed what products they are selling to the rest of the world. The coast, which lowers the transportation costs between Ghana and global markets, is also a geographical trait that has been very important. As demonstrated have the growth periods been export-driven and would not be possible if the transaction costs were too high. Although all the products mentioned here are based on the production factor land (and what lies under it) the requirements on other production factors differ.

The production based on crops, most important in the first period, was land-intensive rather than labour- or capital-intensive. Szereszewski (1965: 104-105) confirms this for cocoa and rubber was collected rather than grown so there was no labour involved in cultivating it. Although cocoa trees or palms can be seen as capital, it is, as has been discussed in 4.2.3, capital accumulated by labour. This means that little capital is required for starting up a cocoa farm, for example, and no expensive or complicated equipment is needed. Around 1891 gold production in the then Gold Coast Colony (both Ashanti and the Northern Territories were still independent) was the most capital intensive industry in the whole area, and the one using most machinery (Szereszewski 1965: 25-26). Perhaps more modern capital was also used in timber cutting, as Europeans were more directly involved there (Szereszewski 1965: 39). So in the sectors controlled by the British there was some modern capital, but not in the other

sectors. Most production then was not especially knowledge intensive either, so the lack of schooling was not a big problem.

Today cocoa still plays an important role. What resources are utilised might have changed slightly, though. Woods (2004: 227) points out that when the natural fertility has been depleted more resources such as labour inputs and fertilisers are needed. Land is not so abundant it is possible to keep moving to virgin land and in addition land has become expensive. However, as population has grown more labour is available. Even if the cocoa production uses slightly different production factors now the difference can be expected to be much bigger in other parts of the economy. Here I am mainly referring to the oil, for although a great part of the mining sector is surely very capital-intensive, low-tech small-scale mining still plays an important role, despite its more basic methods. To extract oil, however, especially when it is located under the sea, is capital-, technology- and knowledge-intensive. The knowledge part might not be a big problem, as relatively few people are needed in this sector. As was discussed in section 4.2.3, it seems as if Ghana has required much foreign help in finding and extracting oil, a clear testimony to the value of and demand on this resource. A parallel to the first period is unavoidable when foreign capital is assisting an important export sector while the rest of the economy is not as capital intensive.

This discussion on which products the factor endowments indicate a country should produce leads to a normative question which is at heart of the dependency/free trade debate, namely whether it is good for a country to follow the market signals and, as in Ghana's case, mainly export primary commodities. Ghana has managed to start with some value adding in for example the cocoa sector and according to theories of specialisation and comparative advantage it is good for countries to specialise in what they do best. This is, however, not highly regarded today as all countries want to industrialise. Clark (2007: 1-3) writes that industrialisation is the only way out of the Malthusian trap. This concept describes a situation in which there are practically no opportunities for growth and if any takes place it cannot be transformed into higher living standards as population growth removes all positive per capita effects. Nevertheless, Ghana has mainly grown economically when it has followed the incentives structure provided by external demand. To create an artificial incentive structure and hold on to it requires a lot of capital and risks, as ISI often did, to create industries that cannot survive without protection. It does not seem as if the trade policy in Ghana has destroyed domestic manufacturing, either, as it is sometimes feared it can in an open economy. In 2012 this sector contributed as much as oil to GDP and the value added has doubled between 2006 and 2010 for many agricultural products (Ghana Statistical Services 2011 and 2013).

In comparing two periods that are on different points on a time line it is also interesting to see how the first has affected the second. In my case a sector that was started during the first period continued to play a great role even in the second. It has become intertwined with the country's economic health overall and a large part of the population is engaged in it. But not only that, it initiated also the commoditisation of land, both by making it more valuable and by starting the new behaviour of buying land. This, together with population growth has totally changed the relationship between the production factors and it is interesting that the

sector that benefited from the original relative prices has managed so well even after they changed. It is interesting to consider if Ghana now is densely populated enough to attempt labour-intensive industrialisation. When groups grow strong due to a certain system it is in their interest to keep it. I will not be able to analyse political contests to any greater extent, but one could imagine that the group that has grown strong due to cocoa production and has its power base and much resources invested in cocoa production find it is in their interest to continue to export cocoa. As they are affluent enough to buy land they can control production. It might, however be, that the changing relative prices mean that the optimal combination of land and labour would be a more labour-intensive form of farming than that which is suited for cocoa which then would indicate that Ghana could produce something else more efficiently than cocoa as its factor endowments have changed. Here we would then see the importance of institutions that can be shaped by powerful groups to enable suboptimal resource allocation. One such institution could actually be the cocoa board. Woods (2004: 231) states that it protects farmers from price swings and adds that farmer seem to ignore the long-term decline of prices. Now cocoa prices are high again, but it is an interesting speculation that institutions as the cocoa board might encourage using resources in a less efficient manner.

5. Concluding Remarks

In this thesis it has been shown that both the growth periods discussed here, 1891-1911 and 1983-2013 have been dependent on external demand. This does not mean internal factors were unimportant, as they were what enabled Ghana to exploit the demand for and high prices on certain products. Geographical factors in the form of easy access to global markets, good climate for tropical cash crops and mineral and oil deposits have interacted with the small-holding production system stemming from the abundance of land and well suited to growing and collecting cash crops, the entrepreneurial culture of the population and the access to foreign capital for the extraction of gold and oil. The geography, the institutional structure in the form of free access to land and high degree of equality and the cultural norms concerning trade have all contributed to the growth periods. The mode of production and changes in the scarcity of production factors have changed between the periods making labour abundant enough to enable more manufacturing and land less abundant and more expensive, so the poor are denied access. This awakens questions of whether Ghana is still the optimal cocoa producer.

In addition to this being an interesting analysis of growth in a specific country with an unusual approach in the comparison of two periods it is also a story of wider significance. While not trying to prove that Africa overall is a successful continent or hiding existing problems, this thesis helps disproving the myth of Africa as a stagnant continent by illuminating growth and change. Jerven (2010a: 147) has also focused on demonstrating the existence of African growth spurts and he states that all research on why this continent has never grown is asking the wrong question. What we should be studying is how Africa has been shaped by periods of both growth and decline.

6. References

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Appendix I

A summary of the correspondence of Mitchell's data to that of other authors, where such other sources have been available.

Type of Data	<i>Mitchell</i>	<i>Szereszewski</i>	<i>FAO Commodity Series cited in Gunnarsson</i>	<i>Kay</i>
<i>Cocoa export 1901</i>	1000 metric tons = 2 204 622,6 lb	2 195 571 lb		
<i>Cocoa export 1911</i>	40 000 metric tons = 88 184 904 lb	<89 600 000 lb		
<i>Time Series on Cocoa Production</i>	Time series for 1896-2003		Time series for 1900-1940, corresponds to Mitchells, but with a one-year-lag (only for peak in 1936/37 are very different estimates given)	
<i>Time Series on Value of Cocoa Exports</i>	Time Series for 1897-2004			Time series for 1900-1960, almost perfect fit with Mitchell's numbers: few and small disagreements. This data also used by Gunnarsson (1978:64)
<i>Time Series on Volumes of Coca Exports</i>	Time Series for 1898-2004			Time series for 1900-1960, corresponding perfectly (despite one slightly different value) to Mitchell's data for 1900-1913 and corresponding well to data 1914-1960

(Numbers are from: Mitchell 2007: 247, 351, 974, 677, 682; Szereszewski 1965: 47, 60; Kay 1972: 334-337 and FAO Commodity Series, data reprinted in Gunnarsson 1978: 176)

Appendix II

Map of present-day Ghana and its location in Africa:



Source: Lönnö et al (2001: 121, 128)