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Are natural resource windfalls a blessing or a curse in democratic settings? Globalised assemblages and the problematic impacts of oil on Ghana's development

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ABSTRACT

This paper analyses whether or not democracy insulates a country from the problematic impacts of oil or to what extent oil-based development challenges are produced and manifest differently in a democratic polity. Document analysis, descriptive statistics and interviews data are used to analyse the impact of oil on economic growth, currency movement, debt and governance in Ghana. Relying on actor network theory ideas on networks, enrolment and association, this paper argues that the problematic impacts of oil are conditioned and shaped by a 'globalised assemblage' – interactions between and among Ghanaian state institutions and local politics, external global political economy and transnational companies and technologies. Global initiatives and national competitive politics made the government responsive in using windfalls in providing social services. Deep-seated extant political and economic structural challenges and Ghana's political economy conditioned the problematic impacts of oil, but the challenges' directionality is not pre-determined and have spatial dimensions.

1. Introduction: oil windfalls – development paradox

The resource curse, a tendency for natural resource rich countries to perform poorly economically has been the focus of research, especially in Africa (Stevens, 2015, 2003; Boyce and Emery, 2011; Auty, 2001, 1998, 1997, 1993, 1990; Sachs and Warner, 2001, 1999, 1997, 1995; Gylfason 2001; Karl, 1997; Gelb, 1988; Corden and Neary, 1982). Other studies on the resource curse focused on how natural resources are implicated in development challenges such as poor governance, corruption, government borrowing, Dutch Disease (local currency appreciation due to natural resource windfall inflows), neglect and/or decline of manufacturing and agriculture, environmental degradation and conflicts (Watts, 2009, 2008, 2003; Brunnschweiler and Bulte, 2008; Collier and Goderis, 2007; Humphreys et al., 2007; Karl, 2003). Indeed, the economies of resource rich economies have been under scrutiny because except a few, most of them appeared to experience poor economic growth compared to the natural resource poor ones (Stevens, 2015; Ploeg van der, 2011; Ploeg van der and Venables, 2011; Collier, 2008). Some academic and development researchers described the inverse relationship between resource abundance and poor development as 'paradox of plenty' (Ploeg van der and Venables, 2011; Karl, 2007, 2004, 1997), since typically resource endowment has been regarded as an advantageous for development (Wright and Czelusta, 2004; Krueger, 1980; Higgins, 1968; Ginsburg, 1957).

Since the 1980s, it is suggested that large natural resource windfalls have been a curse instead of a blessing for the general populace, since these countries have an increased tendency of political instability, poverty and conflict (Ross, 2013, 2003; Collier, 2010). Other challenges experienced by these countries included declined terms of trade for natural resources to manufactured goods, limited diversification, rent-seeking and exorbitant expenditure by the political elites (Torres et al., 2013; Rosser, 2006; Bulte et al., 2005). Humphreys et al. (2007) and Heal (2007) posited that the experiences of countries like North Korea, Singapore and Taiwan showed that while they have little natural resources but experienced sustained growth, most people in oil rich-countries like Nigeria, Angola and Gabon live in poverty. It is estimated that Nigeria received US$350 billion dollars from oil revenue between 1965 and 2000, but its GDP grew by only 1.3% per annum during the same period, with most of its citizens living on less than US$1.5 per day (Sala-i-Martin and Subramanian, 2003). Most of the windfall was 'mismanaged' by elites, leading to poverty and conflict (Maass, 2009). Natural resource infused conflicts have ruined countries like Sierra Leone and Angola (Collier, 2010; Oliveira, 2010, 2007).

Despite an ostensible wide acceptance of the resource curse thesis, and its visibility in some countries such as Nigeria (Stevens, 2015; Chindo et al., 2014; Watts, 2010), it is also a subject of debate since countries like Norway and Australia which are natural resource

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endowed have not experienced it (NORAD, 2013; UNDP, 2011; Heum, 2008; Mehlum et al., 2006). Some studies argued that though the growth rate of resource rich economies has been erratic, it is parallel to the resource poor ones (Ross, 2012). Others noted that it is the over dependence on the resource rent, with it volatile price that is problematic (Alexeev and Conrad, 2009). Wright and Czelusta (2004) posited that countries like the US, Australia and Sweden because of advanced technologies exploited their resources to galvanise their industrialisation. Botswana also exploited its diamonds to promote development due to strong institutions and investments policies (Moss, 2011; Moss and Young, 2009). Thus, the curse thesis, even though provided a general picture, it is a tendency, not a law (Auty, 1993). It seems the existing explanations of the resource curse have not sufficiently accounted for the ways in which external political and economic environments interact with national political economies in a form of an assemblage to condition natural resource outcomes. Some of economies of these countries are governed through a transnational contract of extraversion (Carmody, 2009). A situation where the economies and political elites of the resource rich countries are outward looking through natural resource exploitation and exports with the help of transnational companies, while the companies also expatriate their profits (Phillips et al., 2015).

Ghana provides a case to scrutinize how a democratic polity interacts with external actors and structures to shape the impact of oil. There have been some studies that examined the impact of oil on Ghana's socio-economic development (Obeng-Odoom, 2015b, 2014a, 2014b, 2014c, 2014d, 2013). But these studies have not examined whether or not the country is experience a resource curse. Ghana is located in West Africa's Gulf of Guinea, a few degrees north of the Equator (Fig. 1).

The country is endowed with natural resources such as gold, diamond and timber. Oil production has however added additional resources to government revenue and the industry can have implications for other sectors of the national economy. Ghana received about US$1.8 billion dollars in oil revenue between 2011 and 2013 (ISODEC, 2014). As a developing country, it attained a lower middle income in 2010 due to a rebasing of the economy. Its economic growth is spatially uneven, with some regions and sectors growing faster than others and inequalities still persist between north-south and urban-rural (GSS, 2014). It is estimated that 24% of the population live in poverty (GSS, 2014, 2013; World Bank, 2010).

In Africa, Botswana is cited as one country that has managed its natural resources effectively for the benefit of its general populace because of its democracy, strong institutional, transparency and unity among the political elite (Mogalakwe, 2003; Samatar, 1999). Nigeria is however criticised for the poor management of oil windfalls to the detriment of majority of its citizens resulting in high poverty, environmental pollution and violent conflict due to its weak democratic polity (Watts, 2010, 2008; Stevens, 2003). Thus, Ghana being relatively democratic, with vibrant institutions and civil society organisations, competitive elections and alternation of power among political parties (Bratton, 2004; Crawford, 2004), offers an interesting case to examine whether democratic polity innoculates against the curse. Or how does the tendencies of the curse manifest differently. Ghana's political elites are fragmented along historical, ethnicity and personality cleavages (Whitfield, 2011). And its elections are partly based on competitive clientelism (Whitfield et al., 2015; Whitfield and Buur, 2014), hence sustaining such networks can be expensive and undermine the political elites ability to invest in structurally transforming ventures (Whitfield, 2011).

This paper analyses whether democracy insulates a country from the resource curse tendencies with regards to economic growth, currency movement, debt and governance or to what extent is it produced and manifest differently in a democratic polity. Does the impact of oil on Ghana confirm or confound the curse literature? In addition to this introduction that discusses the natural resources and development paradox, the paper is outlined into five segments. ANT and globalised assemblages which form the theoretical base of the paper is discussed in section two. Section three discusses the methods for data collection, analysis and presentation. The problematic impact of oil on Ghana economic growth, currency movement, debt and governance is discussed in section four respectively. The conclusion argues that the impact of oil on Ghana is conditioned and shaped by globalised actors and structures and their interaction with the national economy. It notes that oil is problematic for development in developing countries, even in a democratic setting. However, the directionality of the problematic impacts is not pre-determined, and they have spatial and temporal dimensions. Actor network theory provides an appropriate analytical framework for assessing the problematic impact of oil on Ghana since it shows how globalised actors and structures (assemblage) interact to shape and condition the impact of oil.

2. Actor network theory (ANT): network, associations and assemblages

Actor network theory (ANT) is not easily defined. It can however, be traced to science and technology studies and sociology of scientific knowledge in the works of Latour (1988), Callon's (1986) sociology of technology, and Law's, (2011, 1986) social engineering. The perspective has since been adopted and applied to organizational studies (Alcadipani and Hassard, 2010), natural resource governance (Bodin and Crona, 2009) and environmental justice (Holifield, 2009). One of its basic tenants is the recognition human and nonhuman actors in explaining socio-economic and political phenomena (Lorimer, 2009). With ANT, phenomena are examined in their networks, relations and associations. Doolin and Lowe (2002, p. 72) posited that societies should be explained 'as constituted by heterogeneous collectivities of people ... together with technology, machines and objects'. Thus, development outcomes are performed and shaped by an assemblage of actors and structures.

According to Law (1999), observing reality through an ANT's lens means social divisions such as local/global; agency/structure; human/non-human; materiality/sociality is problematic since these categories are intrinsically linked (Johannesson and Bærenholdt, 2009; Cressman, 2009). Such categorizations limit our understanding of the world, hence the need to focus on networks, associations and relations that connects events across space and time. Global, national and local are mutually constitutive. Phenomena are often caught up in webs that shape them (Law, 2009). Social realities are multi-layered and multi-faceted. They are not out there to be discovered by either social actors or natural laws, instead they are performed by multiple actors (Mol, 1999). Agency is distributed across humans and non-humans (Latour, 1999) but things by themselves do not act (Law, 1994). It is a feature that emerges through interactions among people and objects (Stein, 2001).

Actor network theory emphases how things are formed and shaped through networks, association, translation, enrolment and assemblages (Latour, 2005). To appreciate phenomena, it requires identifying the agents, actors, relations and structures that made up the assemblage. Analysing the assemblage however, should not only place emphasis on ideas or discourses, but the materiality as well. The networks consist heterogeneous actors and their relationships (Johannesson and Bærenholdt, 2009). The relative heterogeneity of the networked actors ensures their durability (Doolin and Lowe, 2002; Latour, 1991, 1988). ANT examines the actors in their associations to understand the function of each actor in the network (Cressman, 2009). Association explains 'how networks come to be larger and more influential than others, how they come to be more durable through enrolling both social and material actors, and where power comes from and how it is exerted' (Cressman, 2009, p. 4). Since ANT stresses association and network, it is also referred to as an enrolment theory. Enrolment is a process through which heterogeneous actors are recruited to form a