Resources Policy ∎ (∎∎∎∎) ∎∎∎–∎∎∎

Contents lists available at SciVerse ScienceDirect

Resources Policy

journal homepage: www.elsevier.com/locate/resourpol

Oil wealth and the well-being of the subaltern classes in Sub-Saharan Africa: A critical analysis of the resource curse in Ghana

Jasper Ayelazuno

Department of Anthropology and Development Studies, University of Johannesburg, Canada M1W 2N7
Department of Anthropology and Development Studies, University of Johannesburg, South Africa

A R T I C L E I N F O

Article history:
Received 9 March 2013
Received in revised form
26 June 2013
Accepted 26 June 2013

Keywords:
Oil
Resource curse
Enclave Industries
Capital
Uneven development
JEL classification: F21 F54 L71

A B S T R A C T

In 2007, Ghana joined the club of Gulf of Guinea oil-rich countries when transnational corporations discovered proven reserves in the Jubilee Field, off of the Cape Three Points along its Western coast. This has generated debate on whether Ghana would escape the resource curse. The orthodox resource curse approach (ORCA), dominant in most discussions on the issue to date, offers some valuable theoretical and policy insights but is also highly problematic: it is uncritical, ahistorical and reductionist. Fixated on internal political and economic factors, the ORCA ignores the longue durée of capitalist exploitation and its negative structural effects on the economy. This article formulates a critical political economy approach (PEA) which brings a fresh perspective on the oil-curse debate, focusing specifically on the case of Ghana. Using theoretical argumentation and empirical evidence, the paper explains why, in the context of ORCA, many would argue that a liberal democratic context, relatively good governance and long history of gold mining will help Ghana minimise the probability of a resource curse. But when analysed using a more dynamic PEA, it becomes clear that the danger of a resource curse 'epidemic' surfacing in Ghana is very real: the continuous exploitation by global capital, which has perpetuated the existence of enclave extractive industries and a dependence on the export of low-value commodities. A PEA brings into sharper focus the global political economy underpinnings of the resource curse in Sub-Saharan Africa by highlighting the way in which the dynamics of 'uneven and combined' capitalist development have conditioned the region, both resource-rich and poor, to become dependent on the production and export of raw commodities.

Introduction

In 2007, Ghana joined the club of the Gulf of Guinea oil-rich countries when transnational oil corporations discovered proven oil reserves in the Jubilee Field, off of the Cape Three Points along its Western coast. Ghana's oil reserves, estimated between 600 million and 1.8 billion barrels, are believed to be 'the largest discovery in West Africa in more than a decade' (Fortson, 2009; Gary, 2009, p. 13). Typical of oil from the Gulf of Guinea region, its reserves are of high quality:

[j]ubilee crude oil is light and sweet. Independent laboratory analysis indicates that the crude has API Gravity of 37.6° and sulphur content of 0.25 wt%, with no unusual characteristics. Crude oils of this type attract a wide range of refiners and can be expected to command competitive prices in the market. (Tullow PLC, 2010, p. 8).

The International Monetary Fund (IMF) estimates that Ghana will earn, over the period 2012–2030, US$20 billion from oil production (Gary, 2009, p. 2–3: World Bank, 2009, p. 1–2). Ordinary Ghanaians anticipate that oil rents will improve their wellbeing, and political leaders are hopeful about the prospects of using oil revenues to fund development projects. In the words of former president, John Kufuor, '[w]ith oil as a shot in the arm, we're going to fly…Oil is money, and we need money to do the schools, the roads, the hospitals' (Cited in Gary, 2009, p. 5).

This euphoria is typical of contemporary time. The pessimism about the development potential of natural resources in the 1950s —across left-right ideological/scholarly spectrum—has given way to sanguinity, also across left–right divide (Veltmeyer, 2013). But is the reality more complex, and are the misgivings of the 1950s still well-founded today? As noted by Nana Addo in the epigraph,[1] similar to timber, cocoa and gold, oil may not improve the wellbeing of the subaltern classes because of the neo-colonial orientation of the extractive industries (Nkrumah, 1965). Moreover, Ghana faces challenges of the age-old 'resource curse' that has affected most resource-rich countries in Africa, such as

E-mail address: abembia@yahoo.com

[1] Nana Akufo-Addo is not a Marxist by any stretch of interpretation. He is a liberal, the 2012 presidential candidate of the New Patriotic Party (NPP), a party that shares affinity, ideologically, with the Conservative party in Britain or the Republican party in USA.

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http://dx.doi.org/10.1016/j.resourpol.2013.06.009

neighbouring Nigeria. The common question most observers are now asking, therefore, is can Ghana escape the resource curse? Unsurprisingly (and legitimately), theoretical and policy discourses, both academic and popular, have been informed by the orthodox resource curse approach (henceforth, ORCA). A compelling and open-minded critique should acknowledge the strengths of the perspective that is criticised; hence, this paper does not deny the many valuable theoretical and political insights that ORCA provides.

The purpose of the paper is to contribute a critical political economy perspective (hereafter, PEA) to the resource curse debate in Ghana, a perspective that offers critical and stimulating insights into the historical and global dynamics of the resource curse problem in Ghana specifically and Sub-Saharan Africa in general. The crux of the argument is that ORCA is by definition an 'internalist' approach to the development crisis of Sub-Saharan Africa (Arrighi 2002). It fixates mainly on the internal political and economic causes of the problem, and how they impact negatively on the macroeconomic management of the economies of resource-rich countries. With its 'internalist' and ahistorical optic, most ORCA discourses do not sufficiently probe the historical and global dynamics of resource exploitation, and how they have historically made countries such as Ghana dependent on the export of commodities, created an enclave extractive sector in the country, and contributed very little to its GDP. These are the issues Akufo-Addo subtly points out in the epigraph. Adherents of ORCA are mainly concerned about the negative macroeconomic and political effects of oil rents if poorly managed by the state. The policy recommendations of proponents of ORCA, therefore, have focused chiefly on how—in this case—an active Ghanaian state can capture and manage oil rents well, a strategy believed to be the *sine qua non* for macroeconomic stability and the wellbeing of the subalterns (World Bank, 2009, 2010; Collier, 2012).

In contrast to ORCA, PEA does not uncritically accept the preposition that because Ghana is handicapped technologically and financially, it should concentrate its efforts capturing rents (after Collier, 2012). This preposition is problematic for two reasons. First, there is an implicit assumption that the technological and financial handicaps of Ghana are shaped by the logic of the free market and good institutions, and are normal. With a PEA optic, they are not normal and have more to do with the mechanisms of the capitalist global economy, specifically the dynamics of 'uneven and combined development' which have endowed the core capitalist countries with a monopoly over technology and finance (Amin, 1997). Inextricably related to this is their disproportionate share of the world's wealth.[2] The paper shall return to this point in its penultimate section.

Second, rents are just one aspect of the development promise of oil; and may not be a great one because evidence suggests that oil companies use dubious strategies (shell companies, transfer pricing, offshore companies, and tax havens) to undercut efforts by resource-rich states to capture more rents (United Nations Conference on Trade and Development (UNCTAD), 2012; Le Billon, 2011; Africa Progress Panel, 2013). As the experience of Norway illustrates, externalities or the spillover effects of the oil industry on the broader economy, particularly industrialisation, are more promising than mere rents (Cappelen and Mjøset, 2009; Campbell, 2013). The backward, forward, and horizontal linkages of the oil industry to various sectors of the economy—for example, factories supplying goods and services to it, factories adding value to its products, and factories in the same extractive industries sector which share knowledge and technology with it—are what contribute to the organic diversification of the economy and high productivity (UNCTAD, 2012, p. 12–13). Because of the 'enclave' nature of the extractive industries in Sub-Saharan Africa, these economic spillovers are often insignificant (Africa Progress Panel, 2013). The fixation on the capture and management of oil rents, with all the good intentions, elides not just the most promising aspect of the extractive industries, but also the powerful social forces of the global capitalist economy militating against realising it.

Four fundamental questions are usually posed in the resource curse literature

1. Why is resource-wealth a curse in developing countries?
2. Why do some of these countries (e.g., Botswana and Indonesia) perform better developmentally than others?
3. Why have resource-poor countries (e.g., South Korea and Taiwan) performed better developmentally than their resource-rich counterparts, such as Ghana?
4. How can resource-wealth be harnessed for the benefit of the subaltern classes?

In order to contribute to theory and prescribe more robust policy instruments, these questions must be addressed fully and rigorously.

To do this successfully, attention must be paid to the national, geopolitical,[3] and the global. ORCA has focused narrowly on the national. Though global level analysis was influential in traditional development economics and Marxian political economy in the Postwar era (Rosser, 2006a), it has since retreated to the margins, particularly since the neoliberal counterrevolution in the late 1970s. The PEA adopted here attempts to bring it back into the ongoing debate on Ghana's oil, in order to deepen understanding of the resource curse in Sub-Saharan Africa; and, in the case of Ghana, to demonstrate how complex the problem and solution is. The PEA is distinctive not only because of its historical thrust, but because it transcends the national–global divide, organically linking the capitalist mode of production and its social power relations within states to world order and the social forces of the global economy (Cox, 1987; Robinson, 2004, 2011). It demonstrates how the countries of Sub-Saharan Africa are integrated into a fiercely profit-making capitalist world economy in which they are subordinate partners, with the production and export of raw materials being part of both the cause and consequence of this subordination (Saul and Leys, 1999; Amin, 1997; Arrighi, 2002).

The orthodox resource curse approach (ORCA)

How can the paradox of grinding poverty in the midst of abundant resource-wealth in African countries such as Nigeria be explained? Proponents of ORCA offer an explanation. Its persuasiveness has made it the reigning theoretical framework for explaining the failure of development in resource-rich countries in Sub-Saharan Africa. Focusing mainly on internal politico-economic factors, it explains why this wealth has not catalysed economic growth and improved the wellbeing of citizens (Sachs and Warner, 1995). Resource-rich countries tend to be vulnerable to the 'Dutch Disease' because they rely heavily on the export of a natural resource such as oil for foreign exchange and tend not to pay attention to other industries such as manufacturing. This leads to de-industrialisation (Sachs and Warner, 1995). Moreover, the currencies of these countries appreciate in value relative to other

[2] Fifteen per cent of the world's population lives in the Western countries, but they account for 60 per cent or more of its wealth (Pritchett, 1997; Marfleet, 1998).

[3] Because of space constraints, the geopolitical level of analysis will be the subject of another article. Besides, it is presumed that the geopolitical is not widely different from the global, if the nuances and subtleties are underlined. It will suffice just to refer readers to Rosser's (2006a, 2006b) excellent work on this.