Can Ghana's Economic Reform Survive the 1996 Elections?

by Todd J. Moss and David G. Williams

Ghana (comprising Britain's Gold Coast colony and the UN Trust Territory of [British] Togoland) became an independent state in 1957 under elected Prime Minister (later President) Kwame Nkrumah, who was ousted in 1966 in the first of a series of alternating military coups and short-lived civilian governments. (See “The Governments of Ghana, 1957-1985” by J. Coleman Kitchen, CSIS Africa Notes no. 42, May 1985.) The last of these coups occurred on December 31, 1981 under the leadership of Flight-Lieutenant Jerry Rawlings, who subsequently won a 1992 multiparty presidential election as part of the process that ushered in the civilian-ruled Fourth Republic. Under the terms of the new constitution, Rawlings is permitted to run for one more four-year term in the next (1996) presidential election.

Over its first quarter century of existence, a combination of governmental instability and statist economic management reduced Ghana from one of the most prosperous African nations—with a per capita income at independence roughly equal to South Korea's—to one of the poorest. In 1983, Ghana began a vigorous and relatively successful economic reform program. Many observers, particularly in the World Bank, see the Ghana of the 1990s as the model of reform in Africa.

Now, however, a real danger exists that political pluralism (the 1996 elections in particular) could derail the economic reform process. Even though the current consensus among most external donors is that political and economic liberalization are two parallel and complementary parts of the same process, pursuing both with equal fervor in the present Ghanaian context could ultimately be self-defeating.

The Economic/Political Reform Sequence

Numbers alone (for example, the 15 percent decline in gross domestic product and 44 percent fall in cocoa exports from 1974 to 1981) cannot convey the depth of the crisis that had built up in Ghana over the decades prior to the 1981 coup. Rising crime and rampant venality by politicians, along with the economic malaise, contributed to a sense of imminent social collapse.

Rawlings came to power on a platform of radical populist change,
including popular participation in decision making, a redistribution of wealth, and an end to “corrupt practices.” Despite his sometimes fiery rhetoric, however, he proved to be a pragmatist. (See “The Rawlings Revolution in Ghana: Pragmatism with Populist Rhetoric” by Donald Rothchild, CSIS Africa Notes no. 45, May 1985.) In 1983, he led Ghana into an Economic Recovery Program supported by the International Monetary Fund and the World Bank. The exchange rate was liberalized, trade controls were drastically reduced, and Ghana embarked on an ambitious program of privatization and encouraging private-sector growth. By 1991 real GDP growth was 5 percent, inflation was down to 18 percent (and would fall to 10 percent in 1992), exports were rising, government finances were in surplus, and Ghana had eliminated its debt arrears.

This turnaround is especially impressive when considered in the context of continent-wide economic stagnation and decline. From 1983 to 1993 Ghana experienced average annual GDP growth of 4.9 percent; the corresponding figure for the rest of sub-Saharan Africa was only 2.1 percent. Between 1980 and 1989 domestic investment rose by 6.9 percent per annum in Ghana, while it fell by 3.9 percent in sub-Saharan Africa. During the same period exports from Ghana rose by 5.6 percent per annum while they fell by 0.6 percent overall in sub-Saharan Africa. Ghana has consistently outperformed the rest of the subcontinent in manufacturing, industrial, and service sector growth.

Meanwhile, Ghana’s return to civilian rule has been relatively smooth. The junta-era Provisional National Defense Council was dissolved in January 1993, at which time Rawlings became president and the elected Parliament was inaugurated. The present constitution (approved in an April 1992 referendum) enshrines liberal democracy and the balance of powers as well as providing for the protection of human rights and civil liberties. Unlike the case in some other African countries, the new constitution seems to be more than a pro forma response to donor pressure. According to the latest U.S. State Department Human Rights Practices report (for 1994), the number and severity of human rights abuses has continued to fall.

There were various problems associated with the 1992 presidential election, including allegations that the electoral register was inaccurate (although Rawlings would almost certainly still have won even if the polling had been completely free of irregularities). The opposition accused the government of “election rigging of gigantic proportions” and subsequently boycotted the parliamentary election. In an effort to ensure that the November 1996 balloting runs smoothly and that all political parties participate, a new voter registration initiative is being undertaken with intensive donor involvement and support.

The Muddled “Washington Consensus”

Ghana appears to be the prime example of an African country pursuing the economic development strategy advocated by the “Washington consensus.” Virtually all donors involved in African development agree that African governments should pursue market-led economic development. With regard to politics, however, there are important differences among the key players.

The World Bank, which has set much of the economic development agenda in Africa and is prohibited by its charter from advocating particular political systems, champions “good governance” as essential to economic growth. To this end, the Bank has encouraged improved public-sector management, legal reforms to encourage private-sector growth, accountability, and increased transparency (see Governance and Development, World Bank, 1992).

On the other hand, the U.S. government, many nongovernmental organizations (NGOs), and (to a lesser degree) other Western governments attempt to export the values and institutions of liberal democracy as ends in themselves. Overtly demanding multiparty elections, they sometimes resort to threats, withdrawal of aid, and even limited sanctions. The U.S. Agency for International Development (USAID) has committed itself to developing “strong democratic values” abroad. Toward that end, it has allocated $10 million for 1994-1997 to a Supporting the Electoral Process (STEP) program in Ghana.

The emergence of democratization as a pillar of U.S. foreign policy has contributed to the creation of a new cottage industry of prodemocracy organizations and “electorocrats,” which unfortunately perceive democracy as simply a technical process. Indeed, in their effort to promote, design, and supervise elections, various groups such as the National Democratic Institute and the International Republican Institute (both funded by the National Endowment for Democracy) have developed a missionary zeal for liberal democracy rivaling that of any evangelical church.

Instituting multiparty democracy may be a laudable
goal, but some caution is advisable. In many African countries an election is only a small step toward “democratization,” and the entire process may amount to little more than a meaningless ritual if carried out solely to satisfy donor demands. African leaders are becoming increasingly adept at playing the election game; Kenya’s Daniel arap Moi and Gabon’s Omar Bongo are cases in point. (See “African Democratization: An Update” by Marina Ottaway, CSIS Africa Notes no. 171, April 1995.)

More important, the distinction between effective government and democracy seems to have been lost. Some academic studies suggest that democracy and economic growth are not necessarily correlated (see, for example, Stephan Haggard and Robert R. Kaufman, The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State, Princeton University Press, 1992). There are certainly governmental characteristics (some of which are being promoted by the World Bank) that contribute to a healthy economic climate, but it is not at all clear that a popularly elected government is necessarily a more effective economic manager. The economic vibrancy of Southeast Asia suggests that factors other than open political pluralism may be more significant.

The Clinton administration has repeatedly argued that economic growth (and the subsequent rise of a middle class) will lead to democratic reforms in Asia, and has pursued a policy reflecting this belief. In Africa, however, the policy has been reversed and the United States has pursued democratic elections either before or in tandem with economic liberalization.

How “Democratic” Is Ghana?

There is good reason to believe that the 1992 elections were held largely in response to external pressure. The donors are once again intimately involved in the preparation for the 1996 elections. This time, however, they have left little to chance and are deeply engaged in the minutiae of electoral and registration logistics. In addition to the numerous monitors who will descend on Ghana to give the elections an international seal of approval, foreign governments are providing transparent ballot boxes (funded by Denmark), security ballot bags and box seals (Switzerland), ballot papers (Canada), communications equipment (Belgium), registration forms and computer scanners (Britain), computer software (France), and multimedia CD-ROM computers to read the digital registry (United States). The Electoral Commission of Ghana and the National Commission for Civic Education (funded by USAID and its Danish counterpart DANIDA) are also training electoral workers and promoting a public awareness campaign to teach Ghanaians how and why to vote. In all, over $23 million (including $5.2 million from U.S. taxpayers) will be spent by outsiders, micromanaging the 1996 electoral process to ensure that it will be technically correct.

The very fact that such a massive international effort is considered necessary raises doubts about the penetration of democratic ideals in Ghana. There is little evidence that many of the foundations of liberal democracy—individualism, equality, consent by the governed—exist in the hearts and minds of most Ghanaians. Communal voting patterns and the persistent patrimonial nature of authority in rural areas (where a majority of the population lives) are signs that liberal conceptions of individual actors and interests may not correspond to the realities of political life in West Africa.

Lessons of the 1992 Elections

The 1992 elections destabilized an economy that some analysts believe might otherwise have been on the verge of a “takeoff” (see “A Slow Recovery in Danger of Relapse” by Michael Holman, Financial Times [London], August 4, 1995, p. 7). In that year growth slowed to under 4 percent, money supply growth was up from 27 percent in 1991 to 50 percent, tax revenue fell, and there was a governmental budget deficit amounting to some 5 percent of GDP compared to a 1.5 percent surplus in 1991. As a result, inflation rose to 25 percent in 1993 and per capita income fell dramatically. Although the economy has recovered somewhat since then, inflation is still high and per capita income remains below its 1991 level.

The main reasons for this debacle were (1) an across-the-board wage increase given to civil servants in the run-up to the elections after a series of major strikes (this was opposed by both the IMF and World Bank, but as Ghana’s Minister of Finance Kweisi Botchwey put it in an interview, “we were more or less obliged to award a substantial wage increase to buy the peace and enable the democratic transformation to go ahead” [Africa Report, March-April 1995, p. 38]); (2) increased expenditures on development projects in rural areas, again prior to the elections; and (3) the government’s unwillingness to raise petroleum prices and a consequent reduction in its tax receipts.

The above-listed decisions were clearly motivated more by political than by long-term economic considerations. One could argue that the government was to blame for the ensuing economic upset, but this ignores the logic of multiparty elections. Before an election, the incumbent political party is likely to manipulate the economy to its advantage. This happens in every democracy, but the impact is particularly serious in a fragile economy where many people hover at or below subsistence levels.

Potential Impact of the 1996 Elections

A similar situation may well arise in 1996. The World Bank asserts that high growth rates require increased revenues and reduced public expenditures. The Bank has issued specific warnings to Ghana not to raise public-sector pay, and has indicated that $300 million in future lending may be at risk if the spending-cut targets are not met.

Toward these ends, the government introduced in early 1995 a 17.5 percent value-added tax (VAT) on all items except food to replace the inefficient sales tax
In many ways, Ghana is a special case. Despite opposition claims, the leadership is relatively benign in political terms and substantially committed to sustained economic reform. The United States (along with the other Western donors) needs to ask itself if the benefits from a veneer of democratization outweigh the potentially disastrous consequences of abandoning economic reform. Given all the risks, are elections at this time really in the U.S. interest?

We are not suggesting that the promotion of democracy in Africa is a bad idea per se. Indeed, there may be cases where it represents the only hope of more beneficial rule. What we are suggesting is that donors think much more clearly about the benefits and costs of pursuing their strategies. If the economic reform program in Ghana is stalled, the financial support provided by the donor community (including $2.1 billion for 1994-1995 and $1.6 billion for 1996-1997) will have been wasted, the people of Ghana will suffer, and the country might even succumb to another round of reactionary authoritarian government. Moreover, collapse in Ghana (which, because of its status as the first European colony in West Africa to gain independence, holds a profound symbolic significance for its neighbors) could have dangerous regional consequences. Indeed, no less than the credibility of the market-led economic development model the West has advocated in Africa may be at stake. Failure in Ghana—the World Bank’s shining star and potential first “African Tiger”—could spell the end for similar reform packages across the continent.

Simultaneous demands for multipartyism and politically dangerous economic reforms put Rawlings in a difficult predicament. At the least, donors must recognize such constraints and should expect some degree of “slippage.” Ghana is going through a fundamental restructuring of its social, political, and economic order. To help Ghana through this painful process the West should offer Rawlings the political space to carry out reforms—not naive globetrotting optimists with transparent ballot boxes.

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