Keeping up with the Ghanaians: A Comparative Study of Ghana and Côte d'Ivoire on Economic Development

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Abstract
Two decades after the democratic transition in 1992, Ghana surpassed its neighboring country Côte d'Ivoire to be the second largest economy in West Africa. What contributed to Ghana’s development story or economic development in West African countries in general? This study compares the economic development of Ghana and Côte d'Ivoire, two similar West African countries with contrasting outcomes. The findings indicate that well established democratic political parties and long-term focused macroeconomic management are the essential factors driving healthy and sustained economic development in West African countries.
A decade ago, *The Economist* labeled Africa as “the hopeless continent.” Profound changes have taken place since then. Africa’s economies are consistently growing faster than those of almost any other regions of the world. The “lion economies,” just like the Asian tigers in the 1980s, are on the brink of an economic take-off with a rising middle class (*The Economist*, 2011). Ghana is one shining example of these Africa’s hopeful economies. Since the military strongman Jerry Rawlings returned the country to its people in 1992, the Ghanaian economy maintained stable growth for the following twenty years. In 2011, Ghana was the fastest growing economy in the world with an annual GDP growth rate of 14 percent. Economic development has not only shifted Ghana from a low-income country to a lower-middle income one, but has also made Ghana a shining example of economic development in West Africa (IMF: Ghana Article IV 2011).

Ghana now has the second largest economy in West Africa after Nigeria. Yet for years, Côte d'Ivoire was at this very spot. After gaining independence in 1960, Côte d'Ivoire soon became West Africa’s most promising economy, known as the “Ivorian miracle.” The exports of coffee, cocoa, and timber drove its economy to grow at a remarkable pace. In the decade leading to 1975, Côte d'Ivoire’s GDP grew at an average rate of 7.9 percent annually (IMF: WEO Database, 2012). However, entering the late 1980s, the economy deteriorated. As shown in Figure 1, while Ghana maintained a stable economic growth in both the size of its GDP and per-capita GDP, Côte d'Ivoire experienced volatility in GDP growth rate with little increase in GDP per capita. The contrast between Ghana and Côte d'Ivoire leads to a question: why did Ghana outperform Côte d'Ivoire? What factors drive the economic development of a West African country?
The Determinants of Development in West Africa

Many scholars from different disciplines have engaged in discourses trying to explain the great divergence in economic development. Political scientists, economists, and historians have proposed various factors that contributed to or against the economic development of West African countries. Since all the countries were colonized by European imperial powers before gaining independence, many scholars focused on the institutions the colonizers established, the policies they carried out, and their persisting influence.

Jared Diamond introduced his famous environmental determinism theory in his book *Guns, Germs, and Steel*. Using empirical evidence, Diamond argued that the gaps in power and level of development between human societies originate in environmental differences. Geography favored certain societies and led to their cultural and generic advances (Diamond, 1997). Diamond’s theory is influential and applicable in explaining differences in technological and economic developments among different regions in the world. Yet environmental and geographical factors may not be deterministic factors in explaining the differences in economic development in countries within a particular region like West Africa since many of these countries share similar geographic and environment conditions.

Acemoglu, Johnson, and Robinson’s famous study correlated the colonies’ natural conditions with the types of policies and institutions established by the colonizers. Their data analysis suggests that in places where colonizers could not settle permanently due to high mortality rates, colonial authorities were more liable to establish extractive institutions. By using differences in settlers’ mortality rates as an instrument to analyze the present income level, the authors found a
significant correlation between the two variables (Acemoglu, Johnson, and Robinson, 2001). The authors’ approach was unique and statistically significant. Nevertheless, in theory, it is questionable whether settlers’ acclimation to the local climate would determine the level of extractive activities. As Naomi Chazin points out, resource extraction and market penetration are fundamentally why the settlers arrived at Africa in the first place. Moreover, all the colonial institutions were the vehicles of capitalism and imperialism (Chazin, 1993).

Other scholars focused on the pattern of institutions that each colonizer tends to establish in colonies. Rafael La Porta and his colleagues show that the common-law countries and former British colonies tend to have better property rights and more developed market economy (La Porta et al, 1999). Scholars such as Frederick Hayek argued that the British common law tradition was superior to the French civil law system, which ultimately explains why former British colonies are more prosperous relative to former French colonies (Hayek, 1960). On the contrary, a study by Blanton, Mason, and Athow found that former British colonies in Africa are more likely to encounter ethnic conflict than former French colonies in the region due to different colonial administration structure (Blanton et al. 2001). In response to the mixed views, as all these scholars pointed out, colonial legal tradition is an instrument that may shape post-independence governance in West African countries. Yet this instrument relies on the operation of agents, political parties in particular, to influence the political scenes of post-independent West African countries. As many scholars have pointed out, in the emerging post-Third Wave democracies, political parties and elites play a crucial role in political stability and development (Bratton and Van de Walle, 1997; Lindberg, 2004).
Aside from factors related to African countries’ colonial history, scholars also focus on a number of other factors related to economic development in Africa. The cooperation between African countries and the IMF have aroused heated discussion. Those who favor the IMF’s intervention consider the terms of the organization’s credit facility a promotion of democracy by accelerating authoritarian withdrawal in times of economic crisis (Haggard and Kaufman, 1995; Bates, 2009). However, skeptics argue that the deflationary policies under the structural adjustment policies recommended by the IMF “maladjusted” Africa and placed African economies on a low growth path (Mkandawire, 2005). Yet economic growth of large margin does not necessarily explain the level of economic development. On the one hand, in most cases, West African countries were forced into cooperation with the IMF due to domestic economic crisis and the need for financial support. Therefore, countries were already trapped on a low-growth path before turning to the IMF. On the other hand, the IMF’s goal is to promote sustainable economic growth and global macroeconomic stability (IMF: About the IMF, 2012). Conservative economic policies will hold back growth to some extent at early stages of economic reforms. Yet most macroeconomic and development theories suggest that the establishment of good macroeconomic fundamentals is essential for growth and development in the medium and long term.

State management is one variable that many scholars believe to be vital to social and economic development in Africa. Augustin Fosu, in his 2009 comparative African case studies, listed four anti-growth syndromes: state control, adverse redistribution, intertemporally unsustainable spending, and state breakdown. State control refers to the state’s interventions in
the market through measures such as price controls and trade licensing. Adverse redistribution refers to the government officials’ uses of redistribution as a mechanism to reward certain regions or groups. Intertemporally unsustainable spending refers to the government’s mal-intentioned excessive spending with revenue from resource exports. State breakdown refers to the government’s inability to fulfill its basic functions (Fosu, 2009).

Among Fosu’s four proposed syndromes, state breakdown and adverse redistribution directly challenge African political parties’ capability and willingness to contribute to the process of democratization. Similar to Fosu, other scholars have also raised doubts on African political parties. Carothers points out that political parties in Africa tend to lack ideological coherence, yet are heavily personality-driven and dependent on tribal or ethnic support bases (Carothers, 2006). Incorporating Fosu’s syndromes with other scholars’ arguments mentioned above, it can be concluded that the type and democratic norms of African political parties are essential in determining a country’s political environment for economic development.

The other two of Fosu’s proposed syndromes, states’ (capital) control and unsustainable spending emphasize on the government’s macroeconomic management. Despite the ongoing debates on whether small economies should engage in capital control measures, Fosu’s argument unveils the importance of macroeconomic management for stable and sustainable economic development.

The Argument: Political Party Development and Macroeconomic Management

In this paper, I intend to answer the following question: what drives the economic development of countries in West Africa? I argue that political parties and the country’s
macroeconomic management are determining factors to economic development in West African countries. The first proposed explanatory variable is party type. As Van de Walle pointed out in his research, parties are arguably the single most important organizations in electoral politics (Van de Walle, 2003). Give the three types of political parties in Africa: clientelistic, ethnic, and programmatic, theories and most studies indicate that programmatic political parties are most favorable for democratic state building, which leads to a stable political and social environment which is essential to economic development (Joseph, 1987).

My second explanatory variable is the government’s economic management. Based upon conventional macroeconomics and growth theories, I consider good macroeconomic policies as policies that are framed in a long-term perspective instead of a short-term perspective. I make this policy choice based on a number of reasons: First, many West African countries are resource-rich countries with export of prominent resources and cash crops as fundamentals of their economies. Yet as the “resource curse” in Nigeria, short-sighted macroeconomic policy would lead to volatility in the long term and make the economies vulnerable to exogenous shocks, which undermines long-term economic development. Secondly, given the political context of many West African countries, short-sighted macroeconomic policy would also lead to macroeconomic problems such as unsustainable debt levels and political business cycle, which also harms the long-term economic development in the country. Therefore, I argue that stringent macroeconomic policies with long-term focuses are the second essential variable that will lead to economic development in West African countries.

I chose Ghana and Côte d'Ivoire as cases for this analysis for a number of reasons. Firstly,
Ghana and Côte d'Ivoire are neighboring countries with very similar natural, geographical, and demographic characteristics. As Table 1 shows, Ghana and Cote d’Ivoire are similar in all the included variables with the exception of the pre-independence colonizer. The similarities make the two countries favorable choices for case comparison. Secondly, in recent decades, the two countries experienced substantial divergence in terms of economic development. Cote d’Ivoire used to be termed one of the most successful post-colonial West African economies with a GDP per capita almost twice as much as Ghana’s. Going into the 90s, the growth and development of the Ivorian economy stalled while Ghana experienced stable economic development. Eventually Ghana surpassed Cote d’Ivoire to be West Africa’s second largest economy. All these characteristics make Ghana and Côte d'Ivoire ideal case comparisons in this research.

The Study

In the explanatory framework, the dependent variable is economic development in West African countries. Throughout the paper, Ghana and Côte d'Ivoire will be analyzed in the framework to compare and contrast the proposed explanatory variables present in the two West African states. To measure economic development, I focus on two aspects. To measure the overall performance of the economy, I examine the annual growth rate of GDP. To measure the distribution of the nations’ wealth, I analyze GDP per capita based on purchasing power parity (PPP). With the assessment of data of the two approaches, I will present the big picture of Ghana’s economic development at both the macro and micro level.

The proposed explanatory variables are the following: quality of current political parties, and governments’ macroeconomic management. The first explanatory variable is the quality of the
country’s political parties. Inspired by Fosu and other scholars, I consider political parties to be the link between society and political decision-makers and the most crucial role in democracies in West African countries. Using a framework developed by Elischer specifically for African political parties, this research will focus on the type (See Table 2) and democratic norms (See Table 3) of the parties.

In order to compare the major political parties in a systematic manner, I will use a systematic framework compiled by Sebastian Elischer from his comparative analysis of African parties. Different from most of the existing case-based studies on African political parties, Elischer’s framework compares each political party with the focuses on the types and democratic norms of each party at intra and inter-party levels. Regarding party type, the framework categorizes African political parties into three groups: ethnic party, clientelistic party, and programmatic parties. Ethnic parties, due to its nature of ethnic division, are frequently associated with political and social destabilizations. With the presence of ethnic parties, elections may turn into ethnic consensus, as shown in Table 2, which is detrimental to political stability (Chandra, 2005; Horowitz, 2000). Clientelistic parties are also considered unfavorable to democracy for the promotion of power centration and the reliance on government patronage (Van de Walle, 2003). Programmatic parties are widely considered to impact positively on democratization for the stable social and political environment it creates (Elischer, 2008).

Regarding parties’ acceptance of democratic norms, Elischer’s framework employs Diamond and Gunther’s distinction between pluralistic and proto-hegemonic parties (Diamond and Gunther, 2001). Countries’ presidential election process, from parties’ candidate nomination
process to their reaction and acceptance to electoral defeat, will be used as important indicators to illustrate the rhetoric and democratic quality of a party.

The second explanatory variable is the country’s macroeconomic management. In my analysis, I will focus on governments’ response to economic shocks and crisis which are important indicators to reflect its capability in political economic management. For Ghana, I will look into the government’s policy reaction to the 2009 fiscal crisis triggered by unfavorable external environment and election year spending. For Côte d'Ivoire, I will examine the government’s response to the fiscal downturn which resulted from a negative external price shock.

Democratic Political Parties

Since the 1990s, regular multiparty elections have become the norm in West African states. The core actors in these elections are political parties of those countries. Given the socio-economic conditions and the multi-ethnic makeup in many of these West African countries, parties are operating in a challenging environment. As shown in Table 2, African political parties can be categorized into three different types: ethnic, clientelistic, and programmatic. I use Richard Joseph’s definition from comprehensive study of party politics in Nigeria. Joseph defines ethnic parties as parties in which clientelistic clusters correspond to ethnic-linguistic groups. He considers clientelistic parties as parties that transcend ethnic boundaries and kept together by clientelistic exchanges such as patronage and allocation of wealth and resources. In the end, he defines programmatic parties as parties driven by programmatic ideas and modeled around party ideologies instead of individuals (Joseph, 1987).
Following Joseph’s definition and the conventional views from a number of scholars, I consider programmatic parties as the more advanced form of democratic party and beneficial to long term economic development in West Africa. Ethnic or clientistic parties are internally unstable in nature and therefore would lead to greater volatility in the social and political context of the embedded country, which is harmful for sustained economic development. In the following analysis, besides using Elischer’s framework mentioned earlier, I will also include empirical evidence to support my party analysis.

Ghana

Since Jerry Rawlings returned the country to the people in 1992, Ghana’s political scene has been structured around two major political parties, the National Democratic Congress (NDC) and the New Patriotic Party (NPP). The NDC is a social democratic political party founded by Rawlings as a continuation of the previous military administration, the People’s National Democratic Congress (PNDC). The NDC believes in the equality and the egalitarian treatment of all persons with respect to their social, cultural, educational, political, religious, and economic relations in a multi-party environment (Constitution of the National Democratic Congress). On the political spectrum, the NDC is a center-left party with egalitarian ideas. The NPP is a liberal democratic and liberal conservative party in Ghana. On the political spectrum, the NPP is a center-right party that stands for values such as market liberation and respect to individual properties (NPP: Party Values, 1992).

Table 4 shows the detailed party type analysis of Ghana’s two major political parties using Elischer’s framework. For the NDC, the party managed to bridge the key cleavages in the
country through its organization and manifestation. The national executive committee, NDC’s
core executive branch, demonstrated diversity in ethnicity, origin, and gender (NDC: National
Executive Committee, 2012). Since the NDC started as a continuation of Rawlings’ PNDC, the
power structure of the early NDC was of character of a hegemonic and clientelistic party as
Rawlings was the sole strongman and a leader who determined all the major party appointments.
After finishing two terms of presidency, Rawlings followed the Ghanaian Constitution and
stepped down from power. With the rise of new prominent party elites within the NDC, the party
developed into two moderate factions with one pro-Rawlings faction and the other pro-new
leader faction. With a stable party structure, Rawlings’ stepping down in 2001 marked the
transition of NDC’s power structure from a hegemonic clientilistic party to a stable multi-faction
programmatic party. Regarding party goals and objectives, besides the pledge of defending
democracy, the NDC’s emphasis is on equality and social democratic agendas, which fits the
party’s center-left character. The assessment, ith Elischer’s framework in mind, indicates that the
NDC is a programmatic party.

The NPP also managed to bridge the regional and ethnic cleavages by including people with
different background into the party’s central committee. Since the first election in 1992, the vice
presidential candidates of the NPP have always been Northerners (African Election Database:
Ghana, 2012). After winning the presidential slot in 2000, the NPP cabinet demonstrated
balances in ethnicity, origin, and religion. Aliu Mahama, NPP’s presidential candidate and then
vice president, was not only a Northerner, but also the first Muslim vice-president in the history
of Ghana. Since the NPP did not have a Rawlings-like figure, similar to the post-Rawlings NDC,
the power faction of the party has been centered on prominent party figures. John Kufuor, the first NPP presidential candidate who won the 2000 election, was supported by delegates and votes nationwide including some regions that the NPP traditionally underperformed in. Kufuor’s example demonstrates that ethnicity and origin are not deterministic factors in winning elections in Ghana. Regarding NPP’s party objectives, similar to the NDC, the party pledges to defend Ghana’s democracy and the citizens’ fundamental human rights. In addition, the NPP is also devoted to liberal democracy and property-owning democracy, which also fits the party’s center-right and liberal democratic characters. Based on the assessment, the NPP is categorized as a programmatic party.

Table 5 summarizes the democratic norms of the NDC and NPP. As the table shows, with the exception of the NDC during the party’s first eight years under Rawlings, the two parties appear to be democratic at both intra-party and inter-party levels. For the NDC, Rawlings’ stepping down after two terms of presidency according to the Constitution marks a leap forward of the democratic norms within the party. Since then, all the party leadership and election candidates are determined by delegates. A prime example of NDC’s internal democratic norm would be the nomination process of the recent 2012 election. In March, Rawlings’ wife, Nana Agyeman Rawlings challenged the President and fellow NDC member, John Atta Mills, in the party’s primary. The NDC executive committee left the issue for the national delegates to decide. Though being the former first lady and wife to the charismatic Jerry Rawlings, Agyeman ended up losing the primary with only 3 percent of the total electorate while Mills won the other 97 percent. Such intra-party challenge demonstrated the stability and democratic norms of today’s
Regarding democratic norms at the inter-party level, Table 6 shows the results of the six general presidential elections conducted thus far. As the table demonstrates, after the two terms of Rawlings’ presidency, the election competition escalated to a high level. In both 2000 and 2008, the election had to be extended to a second round because none of the parties achieved over 50 percent of the total votes. In the recent 2012 election, the winning party, NDC, barely achieved over 50 percent of the total votes. Given these close results, the defeated party would accept the result or pursue legal means if questioning the transparency of the election. Based on the analysis presented above, both political parties in Ghana appear to be democratic.

Cote d’Ivoire

Since Cote d’Ivoire’s independence in 1965, Ivorian politics went through three different phases. From the original single party democracy to the stage of multi-party with heavy play on ethnic politics, and to the current multi-party democracy, the political parties in Cote d’Ivoire went through critical times and the democratic norms within the parties deteriorated along with all these challenges.

Table 7 shows the assessment of major political parties in Cote d’Ivoire. Since the independence of Cote d’Ivoire, the Democratic Party of Cote d’Ivoire (PDCI) remained to be the single legitimate party in the country. Félix Houphouët-Boigny was the sole strongman and absolute leader of the party and the country. As Jean-Paul Azam pointed out, the importance of redistribution between different identity groups is the primary role of the state to avoid conflicts, and the system of redistribution is essential to maintain stability and avoid conflict and instability.
(Azam, 2001). As Joseph pointed out in his definition, such redistribution mechanism is also an essential character of clientalist parties (Joseph, 1987). Houphouët-Boigny institutionalized such mechanisms to distribute state patronage among different ethnic groups for the purpose of maintaining social cohesion under his single party democracy regime. Throughout the majority of Félix Houphouët-Boigny’s ruling period, the FDCI possessed the classic character of a hegemonic clientelist party: sole party strongman and redistribution mechanism in exchange of stability. However, after the death of Houphouët-Boigny, his successor Henri Konan Bédié was forced into political liberalization due to external pressures. Witnessing the rise of new political parties and Alassane Ouattara of the Rally of the Republics (RDR) slowly gaining ground and becoming a competitive potential candidate for the presidential bid, Bédié popularized the interpretation of ivoirité under the context of multi-party democracy. Associated with this division is the law to ban all “circumstantial Ivorians” from running for political office. The introduction of the notion not only shifted PDCI from the original clientelist party to an ethnic party, but also pushed all the other parties to the end of being an ethnic party.

PDCI’s new ethnic-colored legislation planted the seed of ethnic politics that haunted the Ivorian politics for the next decades and gradually shifted both the RDR and the FPI from the original clientelistic parties to ethnic parties. Regarding the FPI, the party did not manage to create any significant support outside its “home bases,” so PDCI portrayed the FPI as an ethno regional party that agitates over particular local grievances. In return, the FPI also attacked the ruling PDCI as a “triblist” party for unfair domination by certain ethnic groups (Crook, 1997). Regarding the RDR, since the founding of the party, the PDCI portrayed the RDR as a northern
regionalist party with sinister “Muslim” agenda. As a result, the RDR leadership therefore
dedicated itself to portraying the PDCI’s accusation as a systematic discrimination against the
north, thousands of northern voters, and Muslim voters (Crook, 1997). The idea of “Ivorian” and
the ruling party’s ill-minded accusation of the new parties soon turned the original clientelistic
parties to ethnic parties.

Table 8 summarizes the democratic norms of the PDCI, the FPI, and the RDR. For the PDCI,
during the Félix Houphouët-Boigny era, the party was hegemonic with Houphouët-Boigny
determining the entire cabinet and policy. His hand-picked successor Henri Konan Bédié then
inherited the party tradition and became the sole strongman of the organization. Yet Bédié’s
actions led to a split within the PDCI Party. At the intra-party level, the PDCI used means such as
passing biased legislation and institutionalizing ethnic policies and tensions to prevent opposition
party leaders from elections or rising to power (Nordas, 2008). The FPI was to a certain extent a
“one-man party” with Laurent Gbagbo determining the power structure of the party. At the
inter-party level, Gbagbo’s rejection of the election outcome led to a series of post-election
violence. Gbagbo was eventually captured by French Special Forces and forced to be loyal to
Ouatara (Polity IV Country Report – Cote d’Ivoire 2010). The RDR is the more democratic party
of the three. After becoming eligible for presidential election, Alassane Ouattara won the
presidential bid in 2010.

Differences Between the Cases

The comprehensive party analysis has shown that the development of political parties in
Ghana and Cote d’Ivoire are two stories with similar origins yet vastly different endings. For
Ghana, J.J. Rawlings would follow the constitution to step down after two terms of presidency. The major parties, the NDC and the NPP, also agreed to pursue different political ideologies while defending democracy and the ethnic-neutrality of the country. For Cote d’Ivoire, Félix Houphouët-Boigny’s thirty years in power greatly limited the growth of other political parties. The ethnic policies institutionalized by Bédié’ pushed Cote d’Ivoire and its newly established parties to the dead end of ethnic politics, which led to political violence and military coups.

The main dependent variable that this paper tries to explain is economic development. Political parties link the population to the decision-making body and shape the social and political environment of the country. Social and political stability are essential to economic development. During the Houphouët-Boigny era, the PDCI did manage to maintain a stable political environment through patronage to different communities and individuals. Yet the stability created under this circumstance was weak as it relied heavily on economic development and the cohesion of the dominant political party. Consequentially, with the outbreak of the economic crisis due to falling commodity prices and the death of Houphouët-Boigny, the dominant party failed to maintain such stability and economic development eroded.

For Ghana, political stability does not come from one single dominant party or political leader, but from the development of parties and democratic norms. Such stability is flexible as politicians solve potential shocks via democratic means. Flexible stability resulted from capable and democratic political parties in Ghana and created a firm foundation for long-term economic development.
Macroeconomic Management

To evaluate the macroeconomic management of Ghana and Cote d’Ivoire, I will choose two similar economic crises in the countries’ recent history and compare the policy responses and their effects on the two economies. For Cote d’Ivoire, I examine the cocoa crisis started from the late 1970s when the unexpected drop of cocoa prices tanked the Ivorian economy and later on led to a fiscal crisis. For Ghana, I analyze a similar fiscal crisis that took place recently triggered by the global financial crisis and election year spending. By comparing and contrasting the policy prescription from the two governments and the effects of those policies, I will assess the macroeconomic managements of both Ghana and Cote d’Ivoire.

Cote d’Ivoire - The PDCI Government’s Economic Rescue Effort

The two decades after independence were the golden age of Cote d'Ivoire’s economic development. After emerging from French colonialism, Cote d’Ivoire became the fastest-growing economy in the world. The country’s economic expansion was fueled by two main pillars: cash crop production and government spending (Crook, 1990). Among the cash crops, cocoa is the major contributor of export revenue. In order to raise revenue from export, the government provided generous subsidies to the agriculture sector. Besides agriculture, the government also invested heavily in social projects such as education and healthcare programs, partly as patronage to different constituencies for PDCI’s own political gain. Before the outbreak of the economic crisis, the public sector employed 40 percent of the labor force (Crook 1990). Such high levels of employment in the public sector are hard to sustain even in the most developed countries and Cote d’Ivoire managed to sustain it via borrowing and foreign investments. The
government’s close relationship with the French government and its strong growth prospects due to rising cocoa prices also made Cote d’Ivoire the investment hub of West Africa.

Just as one should never put all one’s eggs in a single basket: depending so much on cocoa production made the Ivorian economy extremely susceptible to shifts in global prices. As the cocoa price dropped from $7,090 per ton in 1977 to $3,416 per ton in 1980, the exogenous price shock was powerful enough to tank the entire Ivorian economy (World Bank, Agriculture and Rural development database, 2012). With the dramatic decrease in revenue and rising borrowing costs, the Ivorian debt-to-GDP ratio rose from 15.6 percent in 1977 to 82.1 percent in 1982.

Due to external pressure from creditors, the PDCI government adopted contractionary fiscal policy by cutting government spending and public sector employment. For an economy whose growth heavily relies on public sector and state spending, the contractionary fiscal policy drove Cote d’Ivoire to a deeper economic crisis. Meanwhile, the government allocated most of the country’s limited resources to heavier investment in cocoa production, hoping to regain financial ground if prices were to rise again. Yet the price dropped below $2,000 per ton going into the 1990s. The decades of unsustainable economy policies, harsh austerity measures, together with the continuous investments in cocoa production, led to a series of macroeconomic and social shocks. Figure 2 demonstrates Cote d’Ivoire’s debt level with global cocoa commodity price. As the table shows, with spikes and slumps of cocoa price, Cote d’Ivoire’s debt level rose from the previous level of 20 percent to as high as 170 percent and was above 100 percent for two decades. The unsustainable debt level and incapable macroeconomic management led to great social unrest, and collectively halted the country’s economic development. The Ivorian Miracle
crumbled.

Ghana - The NDC Government’s Fiscal Rebalance

Similarly to the fiscal crisis in Cote d’Ivoire mentioned above, when taking office in 2009, the NDC Administration inherited a deteriorated fiscal scheme from its predecessor. In the government’s 2009 Mid-year Budget Review, the Finance Minister Kwabena Duffuor said that the NDC Government inherited a run-down economy characterized by severe imbalances that resulted in a massive public debt and a budget deficit (commitment basis) that ballooned to 14.5 percent of GDP. Arrears and commitments were estimated at an amount of GH¢ 1.8 billion, equivalent to 9.7 percent of GDP of 2008. The erosion of fiscal indicators after 2008 exerted substantial budgetary pressure on the current administration.

To reconsolidate Ghana’s fiscal scheme, the government consulted the IMF for the budgetary support and recovery plan. The two parties agreed to start fiscal housekeeping to clear arrears. Figure 3 summarizes the government’s payments from 2007 to present. As the figure shows, in 2007 and 2008, the government paid below 0.5 percent of GDP, a level consistent with the previous years. However, after inheriting the high level of outstanding arrears due to the expansionary policies and irresponsible fiscal spending in 2008, the current administration paid more than 2 percent of GDP to clear the its debts (Ghana: Budget Statements: 2009 – 2011).

In order to restore fiscal stability while clearing debt, the government put forward a number of revenue enhancing measures in 2009. In the 2009 Mid-year Budget Review, the finance minister announced the removal of exemptions and reductions that were granted under special permits and general concessions in previous years. The government also announced budget cuts
on the government’s non-developmental capital expenditure, including the purchases of official
vehicles and office appliances. In addition, the parliament passed the National Fiscal
Stabilization Levy Act to raise revenue for fiscal stabilization. The Act imposed a 5 percent tax
on the profits of banks, insurance companies, non-bank financial institutions, breweries, and
mining, tobacco and communication companies. By mid-2009, the audit authority audited the
total amount of debt. In the year 2009, the government paid a total of GH¢626.6 million to clear
arrears (Ghana: 2009 Mid-Year Budget Review).

In 2010, the government and the IMF reached an agreement on the government’s financing
of liabilities owed by a few state-owned enterprises (SOEs). Both the IMF and the government
acknowledged that the SOEs’ arrears had led to a sharp increase in non-performing loans (NPLs)
in the financial sector as well as sizable burdens on domestic suppliers and contractors. Based on
the agreement, the government announced in the 2010 Mid-Year Budget Review the inclusion of
the SOEs’ debts into the arrear management scheme. The major SOEs financed include Tema Oil
Refinery (TOR), Volta River Authority (VRA) and Bulk Oil Storage and Transportation
Company Ltd. (BOST). As a result, the government paid a total of GH¢996.2 million to clear
arrears in 2010, and GH¢445 million of it was paid to Ghana Commercial Bank to clear part of
the arrears owed by TOR. At the end of the year, the total debt stood at GH¢3.8 billion. In 2010,
the government also released the Ghana Shared Growth and Development Agenda (GSGDA), a
medium-term national development policy framework. In the framework, the government
addressed its stance on the fiscal balance, monetary stabilization and the clearance of arrears. As
stated in the GSGDA, one of the objectives for the fiscal rebalance and monetary stabilization is
to prepare for the oil era through effective sector management and regulation.

The release of the GSGDA and the current administration’s consistent efforts in clearing arrears since taking office were acknowledged by the World Bank. In March 2011, the World Bank approved a $215 million poverty reduction support credit to the government of Ghana to support efforts to consolidate ongoing fiscal stabilization and promote the development objectives set in the GSGDA (Ghana: 2012 Budget Statement). The government continued its efforts to broaden the revenue base through tax code reform and to extend the National Fiscal Stabilization Levy Act for another year. The payment in arrears peaked in 2011 with a total amount of GH¢1505.2 million and GH¢572 million of it was paid to Ghana Commercial Bank to clear the remaining debts owed by TOR. While the economy grew at an annual rate of 14.4 percent, the total payment in arrears still amounted to 2.54 percent of the GDP. Figure 4 shows the government’s fiscal stance from 2008 to 2011. The fiscal deficit broke out in 2008, driven by lack of prudence in public spending and misplaced priorities of the previous government. Since taking office in 2009, the current administration has managed to balance the budget while paying back the majority of its arrears from 2008 and the SOEs via spending cuts and broadening revenue base.

Figure 5 shows the overall asset quality of Ghana’s financial sector from September 2008 to April 2012. Since the end of 2008, the NPL ratio increased from the previous single-digit level and topped at 20 percent in early 2010. The government, SOEs, and various domestic contractors and suppliers directly and indirectly contributed to the worsening of asset quality. After the government’s intervention with budgetary payments in SOEs’ arrears, the NPL ratio has been
decreasing at a steady pace, which not only outlines the improvement of the overall asset quality in the financial sector, but also indicates the gradual restoration of economic activities in different sectors of the economy.

Conclusion

In this paper, I propose two essential variables to explain economic development in West African states. The first one is capable democratic political parties. The logic is that democratic political parties bridge the existing social and political cleavages in Africa and follow existing democratic institutions which will lead to stable social and political environments for economic development. The second variable is long-term-focused macroeconomic management. The rationale is that balanced and stringent macroeconomic policies create stable monetary and fiscal environment for long-term and sustainable economic growth in West African countries. Short-sighted economic policies, on the contrary, lead to ill-intentioned spending and political business cycles, which plant the seeds for economic crises.

With the established framework, I analyzed the economic development of Ghana and Cote d’Ivoire. The two selected countries are similar in many aspects including geography, climate, natural resources, ethnic formation, etc. Using Elischer’s party assessment framework, I analyzed the major parties in Ghana and Cote d’Ivoire. The findings indicate that both the NDC and the NPP are programmatic parties and have been demonstrating appealing democratic norms at both intra- and inter-party levels. The major political parties in Cote d’Ivoire, on the other hand, did not appear to be more clientelistic in nature. All three parties, the PDCI, FPI, and RDR, have demonstrated characteristics of ethnic or regional party at some point. The recent postelection
crisis regarding the FPI and RDR also led to further deterioration of Cote d’Ivoire’s political scene. The analysis drew upon substantial differences between the parties of the two countries, which greatly contributed to the differences in economic development in recent decades.

When the two governments’ macroeconomic management in reaction to economic crisis are being explored, they demonstrated different capabilities and mentalities. For Cote d’Ivoire, years of political patronage through government financed social programs and the sole revenue generator of cocoa exports made the Ivorian economy extremely vulnerable and susceptible to shifts in cocoa prices. Consequentially, the slump of cocoa prices drove the economy into deep recession. Facing the crisis, the government carried out austerity measures, yet increased investments in cocoa production betting on all remaining resources. The continuous erosion of cocoa prices eventually broke the government’s fantasy of a comeback. The series of mistakes halted the economic development in Cote d’Ivoire in the following decades. In Ghana’s case, facing similar fiscal pressures, the NDC administration started by cutting government spending and broadening the revenue base through a series of reforms in tax regulation and a halt on new government projects. The government released a medium-term national development policy framework that addressed its stance on the fiscal balance, monetary stabilization and the clearance of arrears. With the newly discovered oil, the government laid down comprehensive rules regarding the investment in oil-related projects to prevent “Dutch Disease.” The Ghanaian government’s macroeconomic management was much more responsive and progressive compared to that of Ivorian authorities. Such differences led to Ghana’s replacing of Cote d’Ivoire as West Africa’s second largest economy.
Ghana and Cote d’Ivoire are two examples of West African countries facing development challenges. Further research may use this framework to analyze all other countries in West Africa. Such studies may be better able to examine systematic factors that might be responsible for economic development in West Africa.
Appendix 1 – Figures

Figure 1. General Growth Account: Ghana vs. Côte d'Ivoire

Source: 2012 IMF World Economic Outlook Database

Figure 2. Côte d'Ivoire Debt Level vs. Global Cocoa Price

Source:
“Debt to GDP Level”: Data by Reinhart and Rogoff  (URL: http://www.reinhartandrogoff.com/data/browse-by-topic/topics/9/)
“World Cocoa Price in real 2005 dollar”: Data from World Bank Agriculture and Rural Development Database)
Figure 3. Government Payments on Arrears in Million Cedi

Source: Data taken from Ghana government budget statements: 09-12

Figure 4. Ghana Fiscals: 2008 - 2011

Source: 2012 IMF World Economic Outlook Database

Figure 5. Ghana - Asset Quality: NPL

Source: Data Taken From Ghana Government Budget Statements: 09-12)
## Appendix 2 - Tables

### Table 1. Ghana and Cote d’Ivoire at a Glance

<table>
<thead>
<tr>
<th></th>
<th>Area Size</th>
<th>Climate</th>
<th>Terrain</th>
<th>Natural Resources</th>
<th>Population</th>
<th>Main Ethnic Groups</th>
<th>Main Religion</th>
<th>Pre-Independence</th>
<th>Colonizer</th>
<th>Years of Independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>238,533 sq. km</td>
<td>Tropical, warm and comparatively dry</td>
<td>Mostly low plains with dissected plateau in south central area</td>
<td>Cocoa, gold, diamond, bauxite, manganese, petroleum</td>
<td>24,652,402</td>
<td>Akan 47.5% Ewe 12.7% Fante 9.9% Boron 4.6% Dagomba 4.3% Dangme 4.3% Akyem 3.4%</td>
<td>Christian 71.2% Muslim 17.6% Traditional 5.2% Others 0.8% None 5.2%</td>
<td>United Kingdom</td>
<td>1957</td>
<td></td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
<td>322,463 sq. km</td>
<td>Tropical along coast, semiarid in far north, three seasons</td>
<td>Mostly flat to undulating plains, mountains in northwest</td>
<td>Cocoa, coffee, palm oil, petroleum, iron ore, bauxite, copper, gold, nickel, etc.</td>
<td>21,952,093</td>
<td>Akan 42.1% Gur 17.6% N. Mandes 16.5% Krous 11% S. Mandes 10% Others 2.8%</td>
<td>Muslim 38.6% Christian 32.8% Indigenous 11.9% None 16.7%</td>
<td>France</td>
<td>1960</td>
<td></td>
</tr>
</tbody>
</table>
### Table 2. Party Types and Indicators by Sebastian Elischer

<table>
<thead>
<tr>
<th>Type/Indicators</th>
<th>Leadership &amp; Cabinet Composition</th>
<th>Fractions &amp; Internal Cohesion</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic</td>
<td>Reflect ethnic cleavage lines</td>
<td>Ethnic and opposed leading to break ups</td>
<td>In favor of group interests</td>
</tr>
<tr>
<td>Clientelistic</td>
<td>Bridging dominant cleavage lines</td>
<td>Non-ethnic; internally stable</td>
<td>“catch-all” rhetoric</td>
</tr>
<tr>
<td>Programmatic</td>
<td>Bridging dominant cleavage lines</td>
<td>Non-ethnic or programmatic internally stable</td>
<td>Programmatic</td>
</tr>
</tbody>
</table>

### Table 3. Parties’ Acceptance of Democratic Norms by Sebastian Elischer

<table>
<thead>
<tr>
<th>Intra-Party Level</th>
<th>Democratic/Pluralistic</th>
<th>Undemocratic/hegemonic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alteration of leadership</td>
<td>Democratic Alteration</td>
<td>None/undemocratic</td>
</tr>
<tr>
<td>Leadership Election</td>
<td>Elections by delegates</td>
<td>Appointments by leader</td>
</tr>
<tr>
<td>Peacefulness</td>
<td>Internal Stable</td>
<td>Threatened by splits/non-accepting of election outcome</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inter-Party Level</th>
<th>Democratic/Pluralistic</th>
<th>Undemocratic/hegemonic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepting of defeat</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Electoral Conduct</td>
<td>Fair/tolerant</td>
<td>Use of intimidation and threats</td>
</tr>
<tr>
<td>Rhetoric</td>
<td>Issue-based/accepting of other views</td>
<td>Aggressive</td>
</tr>
<tr>
<td>Party Name</td>
<td>Leadership &amp; Cabinet Composition</td>
<td>Faction &amp; Internal Cohesion</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>National Democratic Congress (NDC)</td>
<td>- Among the 29 - member national executive committee, there are 22 male members and 7 female members. Although traditionally popular among the Northerners, the NDC leadership has been cross-cutting along ethnic lines before and after being in power.</td>
<td>- Rawlings was the sole strongman in the party in the years after 1992. - After Rawlings’ two terms of presidency, the party broke into two moderate factions: pro and anti Rawlings. - Stable party structure</td>
</tr>
<tr>
<td>New Patriotic Party (NPP)</td>
<td>- The leadership composition of the NPP has been dominated by personalities from various Akan communities, yet the Party managed to bridge cleavage lines between Akan and Ewe as well as North and South. - Since the first election in 1992, it became the norm of NPP to have candidates from both North and South for elections.</td>
<td>- The internal party factors are largely circled around prominent party members. - Stable party structure</td>
</tr>
</tbody>
</table>
Table 5. Ghana Party Assessment – Democratic Norms

<table>
<thead>
<tr>
<th></th>
<th>National Democratic Congress (NDC)</th>
<th>New Patriotic Party (NPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intra-Party Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alteration of leadership</td>
<td>Democratic alternation</td>
<td>Democratic alternation</td>
</tr>
<tr>
<td>Peacefulness</td>
<td>Internally Stable</td>
<td>Internally Stable</td>
</tr>
<tr>
<td><strong>Inter-Party Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accepting of defeat</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Electoral Conduct</td>
<td>Fair / Tolerant</td>
<td>Fair / Tolerant</td>
</tr>
<tr>
<td>Rhetoric</td>
<td>Issue-based / accepting of other views</td>
<td>Issue-based / accepting of other views</td>
</tr>
<tr>
<td>Assessment</td>
<td>Democratic / pluralistic</td>
<td>Democratic / pluralistic</td>
</tr>
</tbody>
</table>

Table 6. Ghana General Election Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>National Democratic Congress( NDC)</th>
<th>New Patriotic Party (NPP)</th>
<th>Voting Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Voting Turnout</td>
<td>Total Valid Votes</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>58.40%</td>
<td>30.29%</td>
<td>50.2%</td>
</tr>
<tr>
<td>1996</td>
<td>57.37%</td>
<td>39.67%</td>
<td>78.3%</td>
</tr>
<tr>
<td>2000 – R1</td>
<td>44.54%</td>
<td>48.17%</td>
<td>61.7%</td>
</tr>
<tr>
<td>2000 – R2</td>
<td>43.10%</td>
<td>56.90%</td>
<td>60.4%</td>
</tr>
<tr>
<td>2004</td>
<td>44.64%</td>
<td>52.45%</td>
<td>85.1%</td>
</tr>
<tr>
<td>2008 – R1</td>
<td>47.92%</td>
<td>49.13%</td>
<td>69.5%</td>
</tr>
<tr>
<td>2008 – R2</td>
<td>50.23%</td>
<td>49.77%</td>
<td>72.9%</td>
</tr>
<tr>
<td>2012</td>
<td>50.70%</td>
<td>47.74%</td>
<td>79.4%</td>
</tr>
</tbody>
</table>

Source: African Election Database, 2012
<table>
<thead>
<tr>
<th>Party Name</th>
<th>Leadership &amp; Cabinet Composition</th>
<th>Faction &amp; Internal Cohesion</th>
<th>Goals</th>
<th>Party Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic Party of Cote d’Ivoire (PDCI)</td>
<td>Félix Houphouët-Boigny appointed all the important personnel in the cabinet. Yet none of the specific group was targeted.</td>
<td>Félix Houphouët-Boigny was the absolute power of the party. During his lifetime, the party remained internally stable. Henri Konan Bédié became the power center after predecessor’s death.</td>
<td>As a center right party, the party started with a developmentalist mentality. Besides the economic development, one of the most explicit goals of the party is to remain in power.</td>
<td>Clientilistic To Ethnic</td>
</tr>
<tr>
<td>Ivorian Popular Front (FPI)</td>
<td>The FPI is recognized as the party representing the interests of immigrants workers, technocrats.</td>
<td>Laurent Gbabgo is the leader and sole strongman of the FPI.</td>
<td>Social Democracy. Mostly favor Muslim and the Northern region.</td>
<td>Clientalistic</td>
</tr>
<tr>
<td>Rally of the Republicans (RDR)</td>
<td>The RDR is composed of a splinter group of PDCI deputies of pro-Ouattara reformist factions</td>
<td>Alassane Ouattara is the leader and sole strongman of the RDR.</td>
<td>Centrist, democratic liberalist party</td>
<td>Clientalistic</td>
</tr>
</tbody>
</table>
Table 8. Cote d’Ivoire Party Assessment – Democratic Norms

<table>
<thead>
<tr>
<th></th>
<th>Democratic Party of Cote d’Ivoire (PDCI)</th>
<th>Ivorian Popular Front (FPI)</th>
<th>Rally of the Republicans (RDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intra-Party Level</strong></td>
<td>Non democratic – Appoint by former leader</td>
<td>(Not Applicable)</td>
<td>(Not Applicable)</td>
</tr>
<tr>
<td>Alteration of leadership</td>
<td>Appointments by leader</td>
<td>Appointed by founder</td>
<td>Appointed by founder</td>
</tr>
<tr>
<td>Leadership Election</td>
<td>Internally stable during Félix Houphouët-Boigny’s era, afterwards threatened by splits</td>
<td>Internally stable due to absolute party strongman</td>
<td>Internally stable due to absolute party strongman</td>
</tr>
<tr>
<td>Peacefulness</td>
<td>did not experience election defeat due to single party democracy</td>
<td>No, Laurent Gbagbo refused to accept election defeat led to massive post-election violence. He is current on trial in ICC</td>
<td>Not Applicable – Ouattara was excluded in the election process until the 2010, in which he won</td>
</tr>
<tr>
<td><strong>Inter-Party Level</strong></td>
<td>Use of ethnic policies and mal-intentioned legislations to block competitors</td>
<td>Use of ethnic accusation to portrait the competitors</td>
<td></td>
</tr>
<tr>
<td>Accepting of defeat</td>
<td>did not experience election defeat due to single party democracy</td>
<td>No, Laurent Gbagbo refused to accept election defeat led to massive post-election violence. He is current on trial in ICC</td>
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<td></td>
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<td>Rhetoric</td>
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<td>Tolerant</td>
</tr>
<tr>
<td><strong>Assessment</strong></td>
<td>Undemocratic/Hegemonic</td>
<td>Undemocratic/Hegemonic</td>
<td>Toward democratic</td>
</tr>
</tbody>
</table>
Work Cited


