UNDERSTANDING GROWTH IN SUB-SAHARAN AFRICA

(A Study of Ghana's Growth Trend through the lenses of Primary Commodity Dependence from 1980-2014).

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Ultimate gratitude to God.

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List of Acronyms

ADR	African Development Report
AEO	African Economic Outlook
EDA	Exploratory Data Analysis
ERP	Economic Recovery Program
GDP	Gross Domestic Product
GPRS I	Ghana Poverty Reduction Strategy 1
GPRS II	Ghana Poverty Reduction Strategy 2
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Services
HIPC	Highly Indebted Poor Countries Initiatives
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
LDC	Less Developed Countries
SNA	Standard National Accounts System
ToT	Terms of Trade
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank

Abstract

The main objective of this paper is to examine the trend of Ghana's growth, in order to determine what generally accounts for the trend of Ghana's growth and primarily the recent slowdown in growth experienced by the country. In this light, analysis was made through an examination of the impact of the economic and production structure on growth and how primary commodities which is the major exports of Ghana have influenced this trend from 1980-2014. The findings suggest that Ghana is a primary commodity dependent country whose growth trend has been informed by the transformation of its economic structure, and the ToT. Most importantly, the current slowdown in Ghana's growth is due to the recent decline in the prices of its major primary commodity exports and the growth of its exports. These findings support and affirm the radical structuralist argument of diversification based on the theory of dependence and dissents the neoclassical argument of specialization under the Doctrine of Comparative Advantage.

Relevance to Development Studies

Economic Growth in Africa, especially Sub-Saharan Africa has been an issue of paramount interest in development studies and economic discourse globally, after the 2nd World War. Hence, this study has created the gateway for an outpour of more updated in-depth country specific trend analysis of growth, which used to be the norm until the influx of the one size fits all approach (Cross Country Studies), which became the norm for studies on growth and primary commodities in developing countries especially African Countries.

Also, this study further affirms to the radical structuralist theory of dependence and in the process shows how the Doctrine of Comparative Advantage breaks down in the case of Ghana as a specimen for further one-country analysis of growth and primary commodities in other developing countries.

Keywords

Ghana's Economic Growth, Primary Commodities Dependence, Terms of Trade, Primary Commodity Prices, Exports.

CHAPTER 1

Introduction

1.1 Background

Most African countries are primary commodity and raw material exporters with these serving as the major source of foreign exchange earnings and income to finance development activities in their countries. Such exports include minerals and ore, crude oil and gas, cocoa, coffee, and staple foods, which are usually sold in the foreign market in their unprocessed state. Even though Africa is endowed heavily with all these precious minerals, crude oil and agricultural produce, this continent is said to be one of the continents with the largest number of less developed countries (LDCs). The continent has been through periods of stagnated and slow growth. In some cases, growth has been unsustainable, and the economies have not experienced significant development. From their study of slow growth in Africa, (Sachs and Warner 1997) found that slow growth in African countries has led them to be much poorer than the rest of the world. Their findings suggest that the growth rate average of Sub-Saharan Africa countries were 0.8 percent per annum, which is half the rate at which the rest of the world grew from 1965-1990. This has led to the Sub-Saharan African (SSA) countries' being labelled and referred to as a 'tragedy', 'mediocre', and 'dismal' in recent times (Fowowe 2008).

This necessitated the augmented attention given to issues related to economic growth, as a major driver of development in these regions and as an informative indicator of the progress being choked by these economies. It is also an indication of how the economy is faring and how its residents are living, their welfare, as well as their ability to afford the basic necessities and an appreciable standard of living. All these areas for which the growth indicator is used, in recent times, is seen not to be improving. This current phenomenon is captured by the (World Bank 2015a), which stated that global economic growth prospects have slowed down. Hence, anticipated or expected growth has not been achieved by most countries, (most especially the ones labelled as the fastest growing economies to be looked out for) including Ghana.

As the first African colony to attain independence in 1957, Ghana has gone through differing growth performances, which has been mostly attributed to political changes, and the strategy adopted by each government during its rule of the state. As a country, Ghana has been through various governmental changes, but chalked four peaceful presidential elections since 1992. The peaceful electoral processes which Ghana has demonstrated since 1992, saw the global community commending the country and increasing their investment flows into the country. The economy is mainly agricultural dominated where agriculture and the extractive industry employs more than 50% of its populace. The country exports most of its produce, mainly minerals in the form of gold, bauxite, manganese, and diamonds and agricultural produce such as cocoa, timber, and maize, and in most recent times, gas and crude oil.

However, some development reports from international development agencies have stated that Ghana's growth in recent times has been fostered by the services, industrial and manufacturing sector, though these are infant sectors in Ghana (Africa Economic Outlook 2014). Others have attributed the growth experience to political changes and how the government expenditure is used to finance growth in the sectors of the economy, in periods where the economy was seen to have experienced significant progress in its growth. However, when growth was not sustained, others have attributed it to the failed policies, which has repressed the economy at certain periods of time. After 2008, the growth in the economy began to slow down, and fluctuated after the discovery of large quantities of crude oil and gas in 2007. For which the initiation of production in 2010, was expected to enhance the growth performance and foster massive economic development.

Irrespective of the current issues faced by the county, Ghana is seen as a country with greater prospects than all the other countries in the Economic Community of West African States (ECOWAS), since the country has the 'industrial capabilities' to export and initiate 'regional value chains' in the West African Region (Africa Economic Outlook 2014).

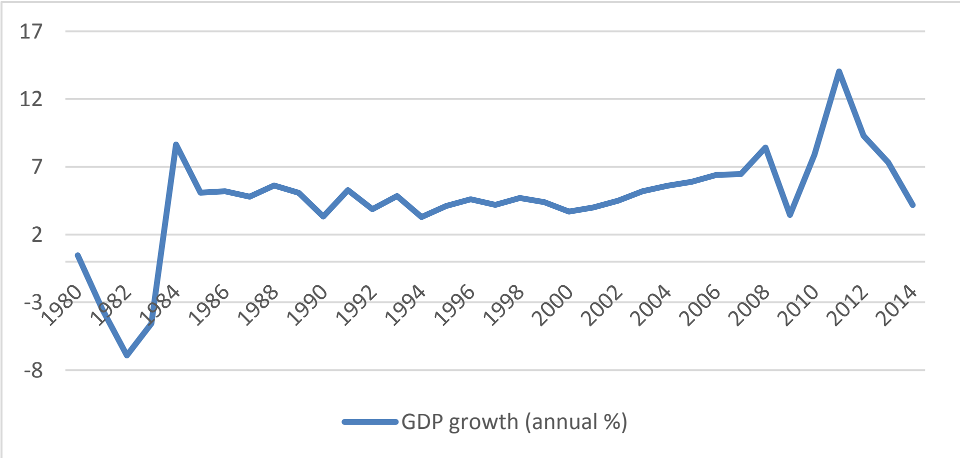
1.2 Justification/Problematization

As part of future expectations for the country, Ghana has set an agenda - Vision 2020, which aims to accelerate the growth of the economy and in so doing enhance the living standards of it residents. This vision, which was first mentioned in 1995, was aimed to sustain the growth that the economy was experiencing and also accelerate this growth process through Ghana's primary commodities (National Development Planning Commission, NDPC 1995). The success of this vision for an 8-year period led the (International Monetary Fund 2012) to pen Ghana as one of the fastest growing developing countries, which were predicted to have positive growth prospects and had to be looked out for.

According to the IMF Cross Country Macroeconomic statistics (2015), this accelerated and sustained growth was seen to be realized from 1995-2008. Where the trend of growth is seen to be increasing and the increase is seen to be sustained for the 8-year period. From the period following this sustained growth, Ghana's growth figures changed dramatically, and the trend began to fluctuate with a decline in the growth rate of the economy from

2012-2014. Which is similar to the situation which was evident in the years 1980-1994. After 2008, growth in the economy has been fluctuating going through periods of peak and plumage. During this period, Ghana saw an all-time acceleration of about 14.05% in 2011, hence the IMF commended the economy. However, after this period, growth has slowed down by almost 10% for a 3-year period recording a decline in the rate of growth by almost 200% in 2014 from the growth performance in 2011. As can be observed in the graph below, this trend is seen to be highly unstable that increases in growth are followed immediately by growth slowing down after the increase is sustained for an average of one (1) year ***(Figure 1-1).***

Figure 1- 1 Annual GDP Growth rate of Ghana at Constant US$ from



(1980-2014)

Source of Data: IMF Cross Country Macroeconomic Statistics through Quandl Chart: Prepared by Researcher using Microsoft Excel.

This data presented by the IMF is supported by the (Africa Economic Outlook 2014) on Ghana which stated that;

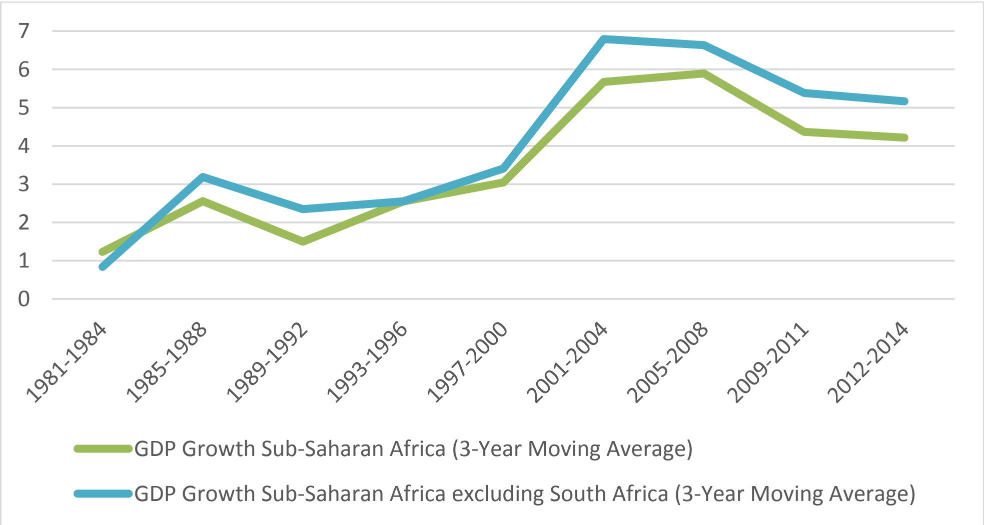
> The economy has maintained commendable growth trajectory with an average annual growth of about 6.0% over the past six years. In 2013 growth decelerated to 4.4%, considerably lower than the growth of 7.9% achieved in 2012.

This recent development is alarming to both government and the Central Bank of Ghana (BoG), who have tried different monetary and fiscal measures to reverse the impending crisis. A major cause for concern is that, the country was unable to sustain the growth drive, which had begun in 1995 until 2008. Also, there is insufficient information about how the economy may have sustained its growth during the 2008 financial crisis or whether the current trend is the impact of the crisis. Since the data suggests that the growth in the economy was sustained in 2008, even though growth plunged by 3.995% in 2009, which could be an aftermath of the crisis. This has drawn the attention of various development agencies in their reports[1] to comment on how the economy is progressing. Furthermore, the need to determine what is causing the economy to progress in that direction and what is being done to salvage it from foreseen failures and crisis.

Based on data from the (International Monetary Fund 2014), it can be asserted that the trend of growth in Ghana is a peculiar situation which is imminent in most of the large economies in Sub-Saharan Africa. As Ivory Coast, a country that exports most of the primary commodities that Ghana engages in, is relatively close to sustain an increasing growth rate of 8.6% in 2014. Even when saddled with the pings of political unrest and civil wars Ivory Coast was said to be one of the countries which significantly influenced the growth in Sub-Saharan Africa. From ***figure 1-1*** below, it can be observed that growth in Sub-Saharan Africa (SSA) is slowing down in recent times.

However, the slowdown in the average growth rate of the region is seen to be reduced when the GDP growth of South Africa is taken out of the calculation of the region's average growth rate (***figure 1-2***). In 2012-2014, average growth for the region was 4.09%, however, excluding South Africa, the average GDP growth in the region increased by approximately 0.90% in 2012-2014 and this is a similar growth average performance which can be observed from 2001 until 2014. According to the (World Bank 2015a), the growth experienced in the region, even though slowing down is much more impressive as compared to growth in other developing economies excluding of China.

Figure 1- 2 GDP Growth Rate, 3-yr Moving Average of SSA at constant US$ (1980-2014)



Source of Data: UNCTAD Database; Chart: Prepared by Researcher using Microsoft Excel.

[1] Including but not limited to The African Economic Outlook; the IMF World Economic Outlook; and the UNDP National Human Development Report.

Thus, ***figure 1-2*** is indicative of the fact that growth in the large economies of SSAs has been slowing down in much more recent times, whereas the steady growth of the region is being fostered by the small economies such as Ivory Coast, Mozambique, Tanzania and one of the region's largest economies Nigeria. These large economies include South Africa, Angola, Zambia, and most importantly for this research Ghana (International Monetary Fund 2014). Consequently, increasing discussion on SSAs, since they have depicted positive prospects of faster and steady growth 2001-2004. This graph has thus, heightened the need for this study to dissect the growth trend of one of the large economies (Ghana) which was seen to have very high growth prospects, to examine the cause of the drastic slowdown in the rate of growth in recent times. For Ghana, this slowdown has led the country to solicit for external loan in the form of bailout package from the Bretton Woods Institutions in April, 2015 to save the economy from the recent slowing down in growth which is saddled with other economic mishaps (Starr FM Online. 2015). This development has further, heightened the extent to which this research is important at this point in time to inform policy direction and also as an addition to literature on economics for development.

1.3 Research Objective, Questions and Arguments

The main objective of this research is thus, to probe into the growth trend of Ghana, to determine why the country's growth is slowing down and how has the dependence on primary commodity contributed to the recent trend of growth.

The argument for this research is based on the premise that growth in Ghana has seen significant trend changes. The assumption is that growth in Ghana is stimulated by primary commodity exports and the terms of trade, which the country faces in international trade. It is worth stating, however that the growth trend faced by Ghana may also be influenced by the level of development which its institutions have attained.

This objective and the section on justification and problematizing is what influenced the statement of the main and sub research question, on the table below;

Main Research Question	Sub-Research Questions
What explains growth trends in Ghana and in particular the recent slowdown?	*In what way does the production and economic structure explain growth in Ghana?*
	How does dependence on primary commodities explain the growth trend of Ghana?

1.4 Methodology and Limitations of Research

The main point of call through which the researcher will effectively and efficiently draw analysis and evaluate data collected is by the use of descriptive and exploratory data analysis. The researcher will use tables, graphs, charts and picturesque techniques to undertake adequate analysis of the data in question.

This research will make use of secondary data which is collected by international bodies and Institutions[2], and Ghana's government institutions and Agencies[3]. To further enhance the relevance and efficiency of the research, expert discussion and knowledge acquisition sessions will be undertaken by the researcher in Ghana. This session is to learn how the national accounts and the growth indicator is calculated and what variables, software's and processes are used and undertaken in the exercise. The session will help the researcher to adequately analyse the growth trend and also bring to bear information which was hitherto not available. Including components of the growth indicator, the mode of calculation and the period or variables, and sectors that are given priority in the process. In this case, the researcher will be required to go on a field visit to Ghana to undertake this knowledge acquisition session and also solicit for other required official statistics which are inaccessible online.

The risks faced by the researcher are those related mainly to the availability and adequacy of data on the relevant variables being analysed in this research. Also, growth is a broad indicator which is usually determined by a variety of factors and this is a limitation of this research, since the paper is focused on looking at one determinant and dimension as it relates to growth in Ghana and draw efficient conclusions. Furthermore, bureaucracies in institutions were data and knowledge will be solicited for in Ghana, led to delays in effectively collating the relevant secondary data. To mitigate this risk however, the researcher had to use her previous alliance with the Ministry of Finance and Economic Planning (MoFEP) as an intern to reduce the rate of the delay.

Additionally, the moral issue of paying, and tipping relevant officials in order to get access to important and key information was not encountered as a challenge during the course of this study. However, the insufficient and delayed release of research funding for undertaking this study by the Institute, which has been a challenge in previous years was encountered this year too. However, with the help of the Institute Council Student Representatives,

[2] ***World Bank, International Monetary Fund, African Development Bank, Penn World Tables, UNCTAD.***

[3] ***Central Bank of Ghana, Ghana Statistical Service.***

though delayed, the money was released before the scheduled break for field work.

1.5 Chapter Outline

The Introductory chapter will give a broad overview of the research, focusing mainly on the background and justification, the relevance of the research, and the method of analysis to be employed. Following from this, chapter 2 will be the literature review section, mainly focusing on discussing the thoughts of the Neoclassicals and New institutionalists, and the radical structuralist on economic growth in relation to primary commodity producing countries. Then, chapter 3 will plunge into discussions on the economic structure of Ghana by initiating an in-depth analysis of the structure of the Ghanaian economy. Mainly focusing on the economic outlook of Ghana, the production structure, and the various sectors which make up the economy, and then move into discussions of the origination and implementation of Ghana's economic growth policies and strategies.

Then, based on the theoretical background of the schools of thought as discussed in Chapter 2, Chapter 4 is the section where the analysis, examination and findings of the research will be documented. Specifically, this session will analyse how the economic growth performance in Ghana is influenced or determined by Terms of Trade, export volume and quantities, primary commodity prices, and institutional development, more importantly in the current period. Finally, the last chapter will be an overall conclusion of the research and highlight the key findings. Further, this chapter will evaluate the hypothesis formulated for this study and in the process seek to answer the main research question posed at the initial stage of the study.

CHAPTER 2

Theoretical Background and Literature Review

2.1 Introduction

Economic growth in most developing countries including Ghana, from the previous chapter is seen to be centred on the revenue from their exports which are usually primary commodities and natural resources. The question of whether they should keep on relying on these commodities or diversify is a topic and an issue which has been discussed and modelled differently by different schools of thought and economists. The alignment of this section will be towards the ideas and arguments of two main schools of thought – the neoclassical view of comparative advantage as brought forward by David Ricardo and the Structualist view of commodity dependence as modelled in the Prebisch-Singer 1950 Theory. Further discussion in this chapter will be focused on empirical studies which are founded on the two theories, relating to commodity dependence and economic growth. In the end the chapter aims to understand how the relationship between growth and primary commodities have been modelled and discussed in previous years and how this discussion and theories have informed studies and research in the developing countries in SSA, especially Ghana.

2.2 Review of the positions of two schools of thought (Theoretical Background)

The fundamental ideas behind the argument for this research can be linked to the thought of two main schools – the Neoclassicals on Doctrine of Comparative Advantage (DCA) and the Structualist on dependency and economic growth. This section will explore and examine the fundamental ideas of the two schools and also the critiques of those ideas by other economists in previous or more recent times.

a. Neoclassical on DCA

The idea of the DCA, founded on the long run equilibrium conditions was formulated and founded by David Ricardo in 1817 to understand why countries engage in trade relations. As cited by (Maneschi 1998), it is the deepest and most beautiful results in all of economics (Findlay 1987:514). Hence, the broad idea of the theory argues that in the long run, if a country specializes in the production of commodities in which it incurs the lowest cost and the shortest production time, such an economy would experience economic growth through this form of production. The Heckscher-Ohlin explanation of this theory is founded on the premise that if a country focuses on production using the resources that is abundant or cheap in their country, then such a country will benefit greatly from trading in the commodities it has produced using the abundant resources (Chenery 1961: 20). Thus forming the basis of the neoclassical argument that for a country to create the needed foreign exchange which will propel growth in the initial stages of development in their economy and be able to service their external debts, they should depend solely on natural resources (Auty 2001).

Which may be the factor in which they are highly endowed as emphasized by the Heckscher–Ohlin model, and the idea which underpins the DCA as put forward by David Ricardo. Hence, the encouragement of less developed primary commodity exporting countries to specialize in the production of a primary commodity using their abundant resources that they incur the least cost and use less resources to produce optimum output. In principle, this theory postulates that specialization in production using their factor endowment will bring the foreign exchange needed to stimulate growth through more specialization. Thus, laying emphasis on the idea of dependence on factor endowment (which is primary commodities and natural resources for SSAs) and for developed countries, manufactured good which are inherently capital intensive.

Since first and foremost, ToT and the price of these products are not determined by the exchange between demand and supply, but by the developed countries who are the importers of their products. Thus, the dominant developed countries are the determiners of the ToT, prices, and export earnings that faces the primary commodity and natural resources exports of the developing economies. That in the long run, increasing exports may not necessarily lead to economic growth, but rather slow down their growth or lead to lower growth which is the case of SSAs in recent times. This analysis of the theory places the idea of comparative advantage and market interactions leading to an equilibrium which is a strong assumption of this school of thought on a shaky ground and questions the foundations on which this theory is founded.

Notwithstanding these criticisms, the theory was the basis on which varied number of seminal works were undertaken. Yet, when some economists identified loopholes in the theory, the school attributed it to poor institutional development. (Dong and Yan 2009), stated that it is better for a region not to specialize in the commodity in which it has comparative advantage, but rather diversify as this will harm their economy in the long run, when compared with a diversified economy. This was the birth of the New Institutionalist Economics (NIE) which is part of the neoclassical dimension of economic thought who agree with the idea of specialization in the case whereby it is backed by quality, effective and efficient institutions. It is also worth stating that the new institutionalist does not entirely disagree with the beneficial impacts of natural resource exportation to an economy, but some countries can be said to be losers whiles others can be said to be winners.

The new institutionalists have attributed the differences in the beneficial effects realized by countries to the level of institutional development which the country faces. This is measured by the index of ‘corruption perception’, which is a measure used to indicate the level and quality of institutions in countries. Thus, for a resource to be a ‘curse’ or a ‘blessing’, better institutions should be present in the economies in order to better manage the sector and realize its full beneficial effect (Mehlum et al. 2006a). Similarly, (Gylfason 2001) attributes the adverse impact of primary commodities on the growth of economies to low quality of institutions in their economies which gives way to governments becoming rent seekers and running corrupt offices. In his writings, (Gylfason 2001) supports (Krueger 1974), that the rent seeking attitude of governments in primary commodity rich countries breeds corruption when they make all available efforts to exempt local producers from paying tariffs and removing barriers that hinders their production. Similarly, (Lane and Tornell 1996, Tornell and Lane 1999) agree that countries with poor governance and resilient rent seeking bodies and agencies, overburden the revenue from the sector and encourage the ‘voracity effect’.

However, (Robinson et al. 2006) argues that if there are state institutions that foster and uphold accountability and answerability who are competent, then natural resource booms will turn to be blessings rather than curses where the benefits and incentives will be fully realized.

b. Structuralist on Dependency

Based on the shortfalls of the theory of comparative advantage, and the development situation that Latin America faced in the early 1900s, with the dominance and slowing and deterioration in growth, Raul Prebisch (1950) developed the idea which has come to be known as radical structuralism or dependence theory. This theory is a direct critique of the concept of specialization in primary commodities as put forward by the theory of comparative advantage. The school’s idea is founded on the basis of explaining the growth which is faced by developing countries using their economic and production structure, blockages and imbalances. In his paper, (Love 2005: 101) stated that;

> Prebisch introduced the notion of an industrial, hegemonic Centre and an agrarian, dependent Periphery as a framework for understanding the international division of labour. He hypothesized that the two elements were related by a process of unequal exchange.

He also stated that manufactured products are the source of increased earnings of the developed countries through their nature of value addition, whereas the source of increased earnings is through favourable ToT for the primary commodity exporting countries. Thus, in his seminal writing, (Prebisch 1950) grouped the developing countries as commodity exporters and the developed countries as manufacturers who engage in trade relations.

This relationship, according to Prebisch is detrimental to the growth experience of the periphery since the ToT that faces these agriculture dependent countries is sure to deteriorate or decline in the long run. Therefore, the fundamental idea behind the position of the Structualist in relation to the issue of dependency is predominantly related to the position of the exporters of primary commodities and the ToT that those countries face through their trade relations with the developed countries. In addition, the school's thought on the negative effect of specialization is based on its argument that in the long run, the ToT that face developing countries whose main source of income is export of primary commodity will decline.

Thus, the core of this school's argument is that the source of slow or decelerated growth in developing countries is due to the decline in the ToT due to the production of synthetic products by the developed countries which can be easily substituted with the authentic commodities from the developing countries. It is also worth stating that these raw materials or agricultural primary commodities are inelastic in nature. In that, a greater percentage increase in its quantity, leads to a smaller percentage change in the price and the income earned from its export. That as primary commodity exporters increase the volume of their exports, the ToT that they face declines and the prices for those commodities decreases and fluctuate. In the end this affects their earnings or income and since this is the source of their major revenue, economic growth will be slow and low in most cases as is the case of most developing countries and SSAs.

This launches into the secondary argument of the School, which pertains to the price that these primary commodities exporting countries face and how it affects the earnings of the exporting countries. They argue that fluctuations in the price of primary commodity exports will lead to a fall in their export earnings, which is their main source of income and this ultimately translates to slow or low growth in those countries (Love 2005). This argument is empathized by (Blattman et al. 2007), primary commodity exporters whose economy are pinned to the earnings of their primary commodities suffer when the price of these commodities which is set by the advanced countries turn to fluctuate. Thus, causing unstable incomes for the exporters, discouraging investments and ardently reducing the magnitude of economic growth faced by the exporters.

This argument is supported by (Sindzingre 2009) in a different dimension where she highlighted that "poverty traps" are worsened by the variations in commodity prices. This instability which is not in favour of the commodity produced makes it difficult for them to stay above the poverty line, where long run economic growth can be fostered. But this rather distorts all efforts made to use industrialization as the means to break commodity dependence through the resistance of manufacturing produce to this price volatility, and take these commodity dependent countries out of the poverty trap. Another dimension of the argument as brought forward by (Swaray 2005) accentuated that, the reason behind the inability of primary commodity exporters to service their ever increasing external debt is due to the instability in the prices of primary commodities. When faced with a boom, the primary commodity exporters borrow from external sources to finance this event. In the instance where the prices of the commodities fall, the exporting countries will be faced with debts which cannot be serviced with the low revenue realized from the boom period.

In summary, the radical structuralist supports the ideology that declining ToT, fluctuation in primary commodity prices and specialization in the sector hinders economic growth in the exporting countries. Additionally, the discovery and dependence on these commodities has been the source of slow and in certain instances decelerated economic growth faced by the exporting countries. Especially those in developing countries as compared to those countries who do not specialize in the production and export of primary commodities, but also engage highly in manufacturing and industrial activities. Since those commodities do not face fluctuations in their prices compared to primary commodities. This is the basis for the idea of diversification of primary commodity exporting economies instead of specialization by the developing countries.

2.3 Major Critiques of the Theories

The main differences between theories are the inherent assumptions on which they are formulated, these are the places where loopholes can be found and the logic of the theories questioned.

The argument of the DCA as discussed in the previous section has faced quite a number of critiques, topping this list is the critique on the assumption that every country has comparative advantage in the production of only one commodity. An assumption that makes the DCA paradoxical, in that, it ignores the real situation where all developing countries have two or more major primary commodities in which they have comparative advantage in their production. This criticism is reiterated by (Chenery 1961: 18), where he stated that "The chief criticism is that comparative advantage is essentially a static concept which ignores a variety of dynamic elements".

This theory enforces the dominance by developed countries because they set the prices in trade relations and the developing countries are price takers. Additionally, the existence of these primary commodities, especially the natural resources are depleted overtime, and thus may result in declining ToT, and commodity prices which these countries face even if they manage to increase their export volumes. Also, this theory assumes that the prices of these commodities are not subject to change, whether increasing or decreasing, thus, the theory does not acknowledge the existence of trends in commodity prices which is not the case. These critiques strengthen the assertion made by (Love 2005) that the theory of comparative advantage is paradoxical and may not be applicable in any economy.

The assumptions on which the supporting arguments of the NIE is based is not sufficient grounds on which one can adequately say that specialization does not lead to growth due to inherent corruption in LDCs. This assumption means that corruption is not something that institutions adopt, but rather it is something that they inherit, that is, it is naturally transmitted (North 1995: 20). Hence, once you are born in an LDC, you have the ability to be corrupt since it is in your nature and that is the way in which you were also brought up. This is totally not true since corruption is not natural, but a way of life adopted by people, hence not all officials and institutions in LDCs are corrupt.

Finally, a major critique of the radical school is its assumption and argument that declining ToT for all primary commodity exports in the long run is detrimental for the growth of developing countries. This criticism stems from the idea that this generalization of negativity might not be the case for all primary commodities and natural resources. Hence, according to (Bleaney and Greenaway 2001), declining ToT on primary commodities in certain instances generate growth, since these primary commodities have varied levels of importance and relevance in the global market, thus giving then the potential to hedge against the detrimental impact of declining ToT on growth in the long run. However, (Mendoza 1997: 323) argues that the impact of declining ToT on growth may be linked to the level of antagonism of the developing economy to risk. Thus, if they are more susceptible to risk, then declining ToT will slow down or decelerate their growth. Regardless of all these critiques, the major contribution of the theory that makes its arguments resilient is its "… powerful description of the consequences within dependent regions of dynamics within the world system" (Friedmann and Wayne 1977) and how these dynamics has and still impacts on the growth situation of the regions.

2.4 Literature Review and Empirics of Primary Commodity Dependence and Economic Growth

Various commodities are important for different countries, because all developing countries do not have similar endowments, though the quantity, quality and combination of such endowments are a dominant factor that sets the countries apart from each other. Hence, primary commodity endowments are different for different countries and the rate of importance depends mainly on the quantity produced, earning obtained from them and the share of contribution of these commodities to the growth and development of the exporting countries. This section will focus on review of the empirical literature on the impact of primary commodities and natural resources on economic growth as has been studied by various economists. This section would be based on the theories which are discussed, but then more emphasis will be laid on the dependence theory which emphasize that declining ToT is detrimental to economic growth faced by the exporting countries.

Based on the structuralist primary line of argument, (Cavalcanti et al. 2014) used the standard system Generalized Methods of Moments (GMM) approach and the dynamic Common Correlated Effects Pooled Mean Group (CCEPMG) to study the effect of fluctuating terms of trade in primary commodity exports on economic growth in exporting countries. Data used for their research was from the period 1970-2007 from 118 countries out of which 62 were traditional primary commodity exporters and 56 were primary commodity exporters who have diversified. Their findings is similar to that of (Jawaid and Waheed 2011, Mendoza 1997, Zaouali and Zaouali 2015) in that declining ToT affects economic growth negatively even though it does not have any significant impact on the productivity of the countries studied. Also, they found that growth in the diversified economies studied did not experience a substantial slowdown in their growth due to declining ToT against those countries. That if the country specializes in the primary commodity production, then the impact of ToT on the country's growth will be detrimental (Blattman et al. 2003).

Conversely, the growth situation and type of primary commodity and natural resource endowment, ToT and subsequently commodity price in SSAs and other developing countries are different, that analysing their growth under the same umbrella might not produce concise and precise results. Thus, the need for regional specific analysis as is undertaken by (Bleaney and Greenaway 2001) using regression analysis to examine the effect of ToT and exchange rate on economic growth in 14 Sub-Saharan African Countries (SSA), from the period of 1980-95. Their findings suggest that fluctuations of ToT for primary commodities does not directly affect economic growth. Rather, these fluctuations affect the real exchange rate faced by the country which ultimately affected the economic growth that the country faces. However, if ToT is in favour of the commodity exporters, and the exchange rate is undervalued, thus the currency of the exporting country appreciates, investments may increase and this will be good for economic growth (Zaouali and Zaouali 2015).

Though the ToT decline is the primary argument of the Prebisch-Singer (1950) they also have a secondary argument which pertains to long run fluctuation in the prices of primary commodities which is similarly detrimental to the growth of the exporter as it leads to decrease in their export earnings. A more critical look at the secondary argument of the structuralist is found in (Collier and Goderis 2007) study where they analysed the impact of commodity price instability on economic growth in 130 countries which exported about 58 commodity types using data for four decades starting from 1963. The methodology they employed was a panel cointegration form of data analysis. From their studies, they found that in the short run, an increase in the world commodity prices as a result of a resource boom has positive impacts on growth in African countries. However, (Blattman et al. 2007) in their research, of 35 countries over the period 1870-1939, they employed regression analysis for primary commodity export countries other than US and Europe over eight decades. And their findings suggest that deceleration and slow growth in the exporting countries (Peripheries) are caused mainly by the fluctuation in the commodity prices.

This is a long run phenomenon that has contributed to the poor performance of these regions over the period under examination. They also found that some of the exporting countries who specialized in the production of the primary commodities, which they have comparative advantage but diversified towards industrial development, did not experience negative effect on their growth due to fluctuations in their commodity prices. The growth they enjoyed then led to an increase in government expenditure, less undervaluing of the exchange rate, general consumption and the diversion of the country's attention from the primary commodity production to non- productive activities such as 'rent seeking, lobbying' and over employment in civil service institutions (Bleaney and Greenaway 2001).

This diversion of the state's attention, as argued by the NIE, is the reason why specialization in primary commodity production and export may not lead to economic growth in the exporting countries. This was also the key findings in (Baland and Francois 2000) and also (Mehlum et al. 2006b) studies, where they found that the presence of corruption has dampen or decelerate growth in most African countries, especially those heavily endowed with primary commodities. Conversely, (Zaouali and Zaouali 2015) cited in his study that;

> … Good institutions in a country may encourage investors by creating incentives to adopt investment and technological innovation. They give the opportunity to accumulate human capital for its workers and generating economic growth. Otherwise, the bad institutions discourage such activities leading to stagnation. In addition, good institutions can motivate politicians to work better and create an environment enhancing economic growth (Acemoglu 2008).

Additionally, bad institutional development has increased the involvement of institutions in rent seeking activities, thus instead of being producer friendly, they have turned into grabbers since the quality of institutions are low in these developing countries, especially in Africa. Correspondingly, (Grier and Tullock 1989) empirical analysis of cross national economic growth, between the period 1951-80, of 113 countries part of which are OECD and non OECD countries. In their analysis, they estimated separate equations for Africa, Asia and America and found that institutional development has a positive impact on growth for mainly countries in the African region.

These results are built on by the work of (Lee and Kim 2009), in that political authoritarianism and instability in governance and government consumption negatively correlates with growth in these regions. Similarly, (Savvides 1995), examined the determinants of economic growth across 28 African countries and the reason for diverse growth in this region from 1960-1987. In the end, the results indicated that various economic and non-economic factors affect economic growth across African countries. However, chief amongst these factors is the growth of the government sectors and the extent of political freedom enjoyed by the residents. However, (Glaeser et al. 2004) have argued in their paper that it is not institutional development that stimulates economic growth, but rather economic growth leads to institutional development. Contrary to the findings of (Grier and Tullock 1989), (Glaeser et al. 2004) found that good policies instigated by authoritarian governments push poor countries out of poverty and stimulates economic growth in those countries. Which in the end may lead to political stability in those regions, since human capital will have increased during the process of economic growth.

2.5 Criticisms of Empirical Literature

From all the empirical literature reviewed in this study, mainly on the primary argument of the structuralist, (Cavalcanti et al. 2014) had one of the most comprehensive analysis in that they used data for a period in which data collection had been improved significantly that the data used for sufficient enough to draw inferences and produce more credible results. Also, the period of their study was in an era where most developing economies were free from the pings of colonialism and thus were independent. They did not only look at one aspect of the argument of the structuralist, they looked at both the primary and secondary arguments and also the commodity curse side of the new argument of the school of thought. As compared to the others, their research took into consideration the difference in the ToT that face commodity exporters and manufacturing exports and in their study seek to separate them through their methodology as well as their analysis.

However, most of the literature reviewed in this section did not consider the fact that these countries and even regions being studied are endowed with different types of primary commodities and natural resources. So that, the ToT or even price that they face differ substantially and thus can distort the analysis and the results that they achieved from their analysis. In their study, (Bleaney and Greenaway 2001) constructed their own cumulative ToT from 32 commodities prices, without paying attention to the fact that these countries already have ToT which may differ from the prices of their commodities. To give much more comprehensive results, it might have been better it use the average of ToT to calculate the cumulative ToT for the countries being studied rather than using the prices of the commodities.

Moving on, analysis in their research on the countries and categorization of these countries in most of the literature reviewed has fragile orientations. This is because they consider commodity exporting countries as those with more than 50% of their exports being primary commodities forgetting that some of these primary commodities are processed and consumed locally as is the case of cocoa used for chocolates and other beverages in Ghana. Whereas analysis of the exports of the countries in most of the literature reviewed (Cavalcanti et al. 2014, Zaouali and Zaouali 2015) were based mainly on the export share of GDP in most literature reviewed which is the value of exports rather than the volume of exports. According to (South Centre 2005) commodity dependence should be based on the contribution of at least the top three primary commodities exports to the total volume of merchandised exports of the country and not the export share to GDP. This means that even though these studies produced results which are in support of the arguments of the structuralist, their variable selection and categorization may not have been concise enough.

Finally, on the methodology, all the studies reviewed employed the use of regression analysis in which they showed correlation as causal effects, even though this may not be the case. Using a different type of methodology such as Exploratory Data Analysis may give much more comprehensive findings, which will diffuse the lines of correlation and causality which is blurred in the cases of all the literature reviewed.

In relation to Ghana, there is insufficient literature which delves into the debates raised by the two schools and theories reviews about the negative impact of primary commodities, on economic growth. Country level analysis for Ghana are usually based on reports which only draws analysis of the year in question and does not compare with previous years to draw up a better picture of the situation at hand. Generally, there is insufficient empirical literature on Ghana as a country, since most empirical research is based on groups of countries using regression as the main means of analysis. This does not give attention to the peculiar and special analysis of Ghana as a distinct country, but rather treat African countries as all having the same problem and the same types of commodities, hence the one method and solution fits all approach to the study of these countries.

CHAPTER 3

Structure of Ghana's Economy

3.1 Introduction

Ghana is an economy which has been agriculture driven since its independence in 1957 until in 2013 when the agriculture sector lost its lead to the services sector. On the Political front, Ghana has seen massive political stability since the last military rule which turned into a democratic rule in the 1980s. This chapter is meant to explore mainly the structure of the Ghanaian economy by first and foremost giving a brief overview of the economy and political situation of the country. This discussion will begin from changes which has ensued the production structure of the economy from 1957-2014. The period of independence 1957, through the successive coops, until the first democratic election in 2000 and to the fourth republic will also be discussed in this session. Moving on, the final section will examine economic policies, reform programs, and initiatives that have been instituted to stimulate growth through primary commodity production in Ghana.

3.2 Structure of Ghana's Economy

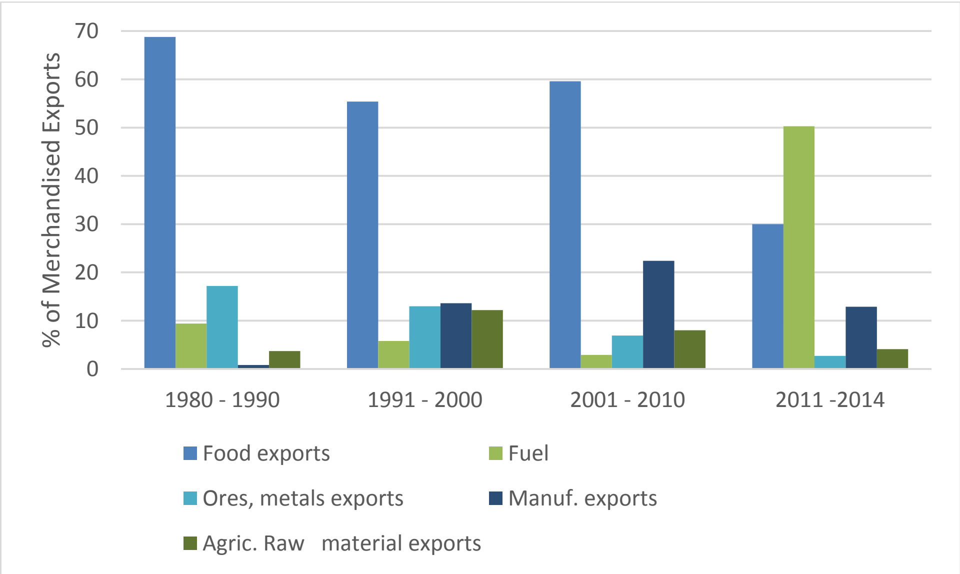
The major exports of the country are Cocoa, Gold, Crude oil and Gas, which are the most important primary commodities and have the highest share in the global arena of primary commodities. The structure of Ghana's economy has been changing that the dependence on agricultural sector - Cocoa as the main primary commodity is waning away as the economy is being taken over by the industrial and services sector. Meanwhile, the main policies and economic reforms of government have targeted economic growth stimulation with not much focus given to the main driver of the country which is the Agriculture sector, hence the decline in the volume of exports of cocoa as times goes on and an increase in the services sector and Ghana's fuel exports substantially.

3.3 Economic and Production Structure

Ghana's economy, in the 15th century, even before its independence had been dominated by agriculture and farming activities (including maize, cassava, and banana). Even though there were natural resources such as mineral deposits (including gold, diamonds, and manganese), the people did not know the value and importance of these resources until the first European colonial master identified them when they colonized the country. It was after this that the country got its name the Gold Coast, an indication that the land was rich in gold deposits. Thus, the country was well noted for its mineral endowment well until after the late 1880s and 1890s when Tetteh Quashie introduced the cocoa crop to the country when he returned from Fernando Po. Since then, the production of this crop has been a major backbone in the growth that the country faces, well until the early 1990s, when crude oil and gas was discovered (Ghana Cocoa Board. 2015). Since they were in small quantities, they did not contribute much to the income and subsequent growth of the country until 2009-10 when they were discovered crude oil and Gas in very large quantities at the Cape 3 point now known as the Jubilee Oil Fields. However, “supply of Ghana's agricultural commodities is restricted by the low price and income elasticities of foreign markets, factors which contribute to the decline in export performance” (Fosu 1992).

The production structure of Ghana has thus, witnessed much evolution over time, from a traditional farming dominated economy, in the 15th Century, to the immersing of the mineral and ore production and in more recent times the economy is dominated by the exports of Crude oil and gas and the services sector as shown in ***Figure 3-1***. In the aftermath of Ghana’s independence from the British government in 1957, policies were instituted to increase the production of primary commodities, such as the Cocoa Policy. These policies and other economic policies may not have yielded much since the country went through a series of failed economic policies, adverse ToT, exchange rate depreciation, coup d’états, and continuous political unrest (Leith and Söderling 2003). However, in 1980 when the country recovered, and the country had sufficiently eliminated currency over valuation, food exports (***majority being cocoa***) was the major foreign currency earner of Ghana and this constituted more than half of Ghana’s merchandised exports, up until 2010 (***Figure 3-1***).

Figure 3- 1 Ghana’s Primary Commodity Export Composition in Volumes, as a Percentage of Merchandise Exports (1980-2014)



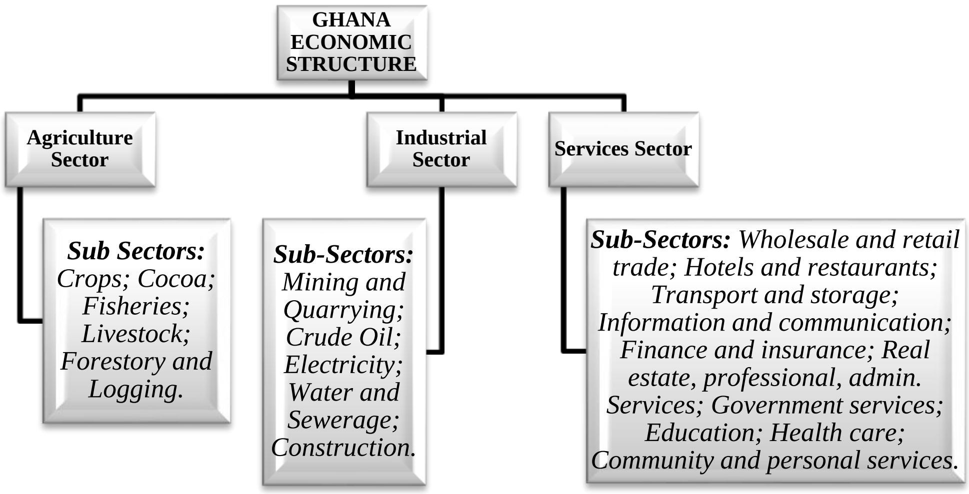
Source: ***Chart Created by Author Using Data from World Bank Database (World Development Indicators and Global Development Finance).***

Conversely, Ghana's exports of fuel, ores and metals were reduced during the same period where food exports were the leading merchandise exports of the country. This data from the World Bank (***Figure 3-1)*** indicates that the country was profoundly dependent on food exports, heavily endowed in the production of cocoa and a major exporter in the global arena. Similarly, from 1980 until 2014, the country depended mostly on primary commodities and natural resources, as its major exports and earner of foreign currency since it contributed 87.52% of Ghana's merchandise exports. However, even though Ghana's exports was dominated by Food (majority being Cocoa), still in 2001-2010, manufactures was gaining ground and it increased by approximately 8.8% as all other exports were declining. This is associated with the policies to enhance industrial drive which was instituted by the then government under the presidency of H.E. John Agyekum Kuffour. Thus, the period saw an increase in industrial activities, which mainly increased expenditure in manufacturing sector and an increase in manufacturing exports of the country. This changed the production and export structure of the country, but it did affect cocoa (food exports) much as its share of merchandised exports increased in the same period (Yusof 2010).

After this period, the discovery of large quantities of oil and gas in the Jubilee Field saw a complete change in the production structure of the Ghanaian economy, where fuel exports majority being crude oil and gas constituted half of Ghana's exports, and a decline in the food exports. Since the fuel export is part of the industrial sector ***Figure 3-1***, its increase led to an increase in the sector contribution to the growth of the economy and also a further increase in the services sector since the influx of foreigners led to an increased in the service provision in the country to meet the service demands. This decline can be likened to the effect of a commodity boom since productive activity for all the other exports of Ghana reduced and the sectors which were directly related to this economic activity increased drastically.

In sum, Ghana's economy is dominated by 3 main sectors, the Agriculture Sector, the Industrial Sector, and the Services Sector. According to (Killick 2010), "The most obvious characteristic of its colonial past was the pervasively dualistic structure of the economy, which is the coexistence of the traditional labour-intensive techniques with the modern, capital-intensive ones in all the sectors of the economy. Under these sectors are subdivisions which accounts for the Ghana's 21 sub-sectors as shown on ***Figure 3-2***. It can also be observed that though most of the sub-sectorial activities in Ghana's economy are based in the Services Sector, the main export earners of Ghana are in the Agricultural and Industrial Sectors. However, all these sectors are the basis on which economic growth of the country is determined and GDP calculated through the expenditure approach under the approved international standards as laid down in the 2008 Standard National Accounts (SNA) Manual.

Figure 3- 2 Economic and Sectorial Structure of Ghana's Economy



Source: ***Chart Prepared with information from Informative Session with Director of Economic Statistics, GSS (2015).***

With respect to economic growth in medieval times, GDP between the time when Ghana gained independence (1966) and the period before that (1951) showed no substantial difference. This was attributed to the destructive economic policies instituted by the first President of Ghana, Dr. Kwame Nkrumah during his term in office. As stated in their study, (Leith and Söderling 2003) found that the main reason for this failure was due to the "overly ambitious government expenditure program that pushed the budget deficit to over 6% of GDP". However, the Ghanaian economy since 1996-2008 has witnessed increasing and sustained rate of growth as compared to the times after this period (2009-2014), where the rate of the economy's growth is seen to be slowing down and the times before 1996 where the rate of growth in the economy was low and instable ***Figure 3-1***.

3.4 Governance, Strategies, and Policy Directions

When Ghana gained its independence in 1957, the government could not take over most of the foreign enterprises, and didn't have much technological know-how and capital to manage the development of the economy. Hence, Dr. Kwame Nkrumah, the then President of Ghana opened up the economy for more foreign investment in order to engineer growth and development of the country. However, he also set up state owned enterprises and encouraged the development of local private enterprises which were small scale in nature and very efficient, well until the late 80s, after which the state owned institutions become desolate, staff were laid off and finally they were shut down. In the time since the 90s, leading to the 2000s, government reverbed some of these institutions by giving them off to foreign investors such as the Ghana Telecommunication which is now Vodafone Ghana. However, for primary commodities, the franchise for cocoa production has always been with the average Ghanaian whiles purchase from the farmers’ remains with the government, since it was the major dominant export of the country since the 1960s (Killick 2010). Whereas that of Gold, Crude oil and gas remains with foreign investors with government having not more than 10% equity in each of these commodities as well as receiving royalties from the foreign investors.

To successfully manage these commodities, successive governments has put together policies with the sole aim of optimizing the production in order to engineer, increase, and sustaining growth in Ghana. These policies were particularly set to protect and increase the primary commodities exports of the country and directly impact on the growth which the country faced. Coming back to constitutional rule in 1993, successive governments drew up development frameworks to guide the overall economic and social development of the country which was based on Article 36 (5) of the 1992 Constitution (National Development Planning Commission, NDPC 2010). These include, “Ghana Vision 2020 (1996-2020), Ghana Poverty Reduction Strategy (GPRS I) 2003-2005, Growth and Poverty Reduction Strategy (GPRS II) 2006-2009, Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013”.

Enshrined in these frameworks, are policies that are geared to positively impact on the produce from the key primary commodity exports of the country. To increase and sustain the production of these commodities so that they can fuel economic growth and also encourage foreign partnerships, government since 1957-2014 have instituted and implemented policy directions which will directly impact on the three major commodities and also economic growth since Ghana is heavily dependent on primary commodities. The discussions of policies that follow will be based on the three main primary commodity exports of Ghana and will be from the selected period of this study (1980-2014).

3.3.1 Cocoa Industry and Policy Initiatives

The low prices, which the country faced from its European buyers in 1937 saw the government setting up the West African Produce Control Board (WAPCB) in 1940 which dealt with purchasing cocoa from the West African farmers in order to hedge against low prices from its foreign buyers who usually set the price. This Board in 1947 metamorphosed into the present day Ghana Cocoa Board (Cocobod), which was tasked to oversee all activities that pertains to the development of this industry since it was seen to foster the growth process of Ghana. This body engages in overall oversight and implementation of all policies and activities that relate to and seeks to increase the efficient production of cocoa beans for export and also see to the welfare of the producers, who are small scale farmer (Ghana Cocoa Board 1987).

In Ghana agricultural policies on cocoa since the mid-1980s has focused mainly on a national economic reforms such as subsidies given to the farmers; in the form of farm tools, hybrid cocoa seeds, pesticides and mass spraying of farms and export tax reduction strategy. Also, Cocobod in 2000s from the policy direction of government has engaged in technical assistance, research and seed enhancement, education of the farmers on good farming practices, where education has been undertaken through radio shows, television broadcasts in the national television, and road shows organized by Cocobod. Similarly, the government through Cocobod has set up scholarship funds for the dependents of the farmers in order to reduce child labour in the industry and also to serve as an incentive to the farmers (Cocoa Marketing Company Limited, CMC. 2012). Also, from 2001-2008 government undertook major infrastructural works in the rural areas, the main aim was to create access for farm extension officers from the Cocobod and easy access for the farmers to transport their produce to the purchasing centres set up by the buying agents of the Cocobod (Asante-Poku and Angelucci 2013).

On average, these policy initiatives increased the yield of farmers for most of the period of this study, except for 1980-1990, where the yield of farmers decreased by 144,584 metric tons as compared to previous period 1970-1980. This was attributed to bad policy practices, corruption and unfavourable weather conditions. However the industry's produce picked up substantively in the next two decades increasing by 259,211.4 metric tons (Ghana Cocoa Board. 2015), so that the performance of the agriculture sector is always attributed to the expansion of total outputs in the cocoa industry (Ewusi 2013). Even though Ghana on average has been increasing its yield of cocoa beans, low and decrease in the ToT, the prices and changes in the production structure of the economy forces to be reckoned with when it comes to cocoa exports and its earnings on economic growth in Ghana.

3.3.2 Mining Industry and Policies on Gold Mining

Prior to the Economic Recovery Program (ERS) in 1983, all the mines, except for those owned by Ashanti Gold fields, and minerals under the earth were owned solely by the government. Nonetheless, during the ERP, the industry was opened to large foreign investment and ownership to the extent that Ghana has only 10% carried interest in the large scale mines and this marked the beginning of the industry's recovery from 1986 (Tsikata 1997). According to the National Mineral Policy, "from a little over a quarter of a million ounces (287,124oz) in 1986, gold production had increased to 3.12 million ounces by 2009". This made Ghana the leading gold exporter in West Africa, accounting for ¾ of the region's export of the mineral in 2002, from the towns of Prestea, Obuasi, Tarkwa and Abirim along the major river banks after South Africa (Utter 1993). Regardless of this openness in the industry, small scale mining activities are by law still the reserve of Ghanaian local miners who undertake traditional mining methods which is known as “Galamsey” in recent times.

For Ghana, Gold have been an important resource in the country’s merchandise exports as also are other mineral resources such as Diamonds, Manganese and Bauxite even in the colonial days. This phenomenon is expressed better in (Hilson 2002); in which is stated that ***“In the country of Ghana gold grows in the sand as carrots do, and is plucked at sunrise”*** **Ibn al-Faqih, C. 900**. This affirms a story told by my mother that in their days, in the 40s, they were picking nuggets of gold and diamonds from the ground and using them as stones to hunt birds and pluck the fruits from trees. The abundance of gold and other minerals and its importance to the growth and development of Ghana necessitated the development of the first mineral policy and regulatory frameworks by the government of Ghana in the 1980s. In 2006, more reformed were undertaken in the industry where the mineral law as amended and other regulatory frameworks developed and adopted by the government and the operators of both the large scale and the small-scale miners.

These amendments and policies were focused on increasing the productivity of the sector and also protect the environment from the hazards of illegal mining by foreigners, especially the Chinese. Under this policy, the government resolved land disputes between miners and the chiefs, increased infrastructure such as lands in mining communities, nationwide education for the small scale miners in safety, efficient operations, and environmental protection, make the industry attractive to increase the foreign investment, create efficiency in the demand and supply of gold locally (National Mineral Policy of Ghana) through the Precious Minerals Marketing Company. These policy directions saw the industry increasing its production and an influx of more foreign investments, as well as illegal Chinese miners since the conditions were favourable enough for the small scale miners in this industry. Regardless of the problems posed by the Chinese to the local miners, Ghana still remains the second highest gold exporter after South Africa and according to (Amponsah-Tawiah and Dartey-Baah 2011), “Gold production recorded an increase of 63% with its export revenue increasing from 731.2 million dollars to 903.9 million dollars in 2005”.

3.3.3 Oil Boom and Petroleum Policies

Ghana had been drilling crude oil in small quantities and about 21 shallow basins since the late 1890s, but this did not make much impact on the global economy, or make the country a force to be reckoned with when it comes to the drilling of this fuel. Then, when the first offshore drilling was initiated in the late 1970s, the government deemed it necessary to set up a legal framework for this industry in the form of the "Ghana National Petroleum Corporation Law, 1983 P.N.D.C. Law 64 and the Petroleum (Exploration and Production) Law, 1984, PNDC Law 84". These frameworks required the formation of the Ghana National Petroleum Corporation (GNPC) which began operations in 1985, to oversee the commercial functions in all activities that pertain to energy and Petroleum in Ghana. The body was made less functional and to some extent redundant since the only main offshore production in Saltpond shut down the same year in which the body was established (Ghana National Petroleum Corporation. 2014).

Nonetheless, when crude oil and gas was discovered in large quantities and of high quality in 2007/08, at the Cape 3 point, the commodity gained renewed importance in Ghana and highly increased the attention of the global economy given to the country. This sudden discovery prompted the government to re-vitalize their policies and bodies and also formed the basis for them drafting the Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013. (Ewusi 2013) wrote that;

> "The policy proposals in the GSGDA were made in the context of the discovery of crude oil and natural gas in commercial quantities. The exploitation of these natural resources, which was to commence in the last quarter of 2010, was expected to significantly change the trajectory of economic growth. Therefore, oil and gas, together with cocoa and gold, would be the main drivers of economic growth over the medium term" (National Development Planning Commission, NDPC 2010).

Thus, government's policies emphasized an increased in the training and employment of Ghanaians, as skilled personnel through scholarships from the government and Tullow the major equity partner for the Jubilee Fields. The government further initiated intensive industrialization in the natural resources sector, especially the oil and gas industry, provision of adequate geological information and also research and education, community and rural infrastructure development in the oil rich communities. The implementation of these policies and the oil boom which stared the country in the face saw a growth increase in 2011 by approximately 100% from 7.7% in 2010. This growth was attributed to the oil exports of the country which began in the same period, hence the industrial sector saw growth of about 7%, whereas the growth in the agricultural sector and services sector reduced substantially (Ewusi 2013).

In summary, the production and economic structure of Ghana has witnessed considerable changes and improvement over the past three (3) decades understudy which heightens the importance of this study. Ghana's over reliance on primary commodities has not worn off even though the government in their policy directions has tried to find a way to diversify the country's exports, it has not been an easy task. The government considers the country's continued reliance on the primary commodities will not auger well for its growth and development, even though it may have contributed enormously to growth in previous times. In the face of these issues raised by government and the changes in the production and economic structure, it is very important to study the direction of the country and how primary commodities and the changes in the production and economic structure may have influenced the current direction Ghana is towing.

CHAPTER 4

Analysis of Ghana's Growth Trend

4.1 Introduction

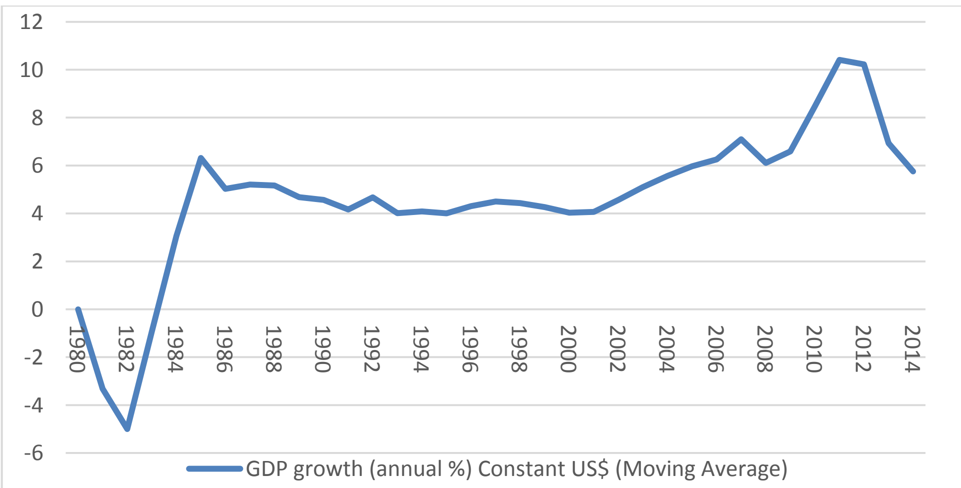
This Chapter is of utmost importance to this research and it will engage in analysis of Ghana's GDP growth rate trend analysis (1980-2014), Economic Structure (Sectorial Analysis), Production Structure (Growth in Exports), ToT, and prices of Ghana's Primary commodities exports. Basically, the analysis will be based on examining how the trend of Ghana's growth has changed and to what extent has the economic and production structure has influenced this trend. Subsequently, analysis of net barter ToT and primary commodity prices of Ghana's major exports, to examine its impact on the economic growth trend of Ghana. This analysis will be based mainly on the arguments of radical structuralist which pertains to commodity dependence and is a critique of the DCA.

The data chosen for this is from the period 1980-2014, this marks the period when Ghana was exposed to the first foreign economic intervention through the ERP in 1983 to save the economy from its impending doom, and the period for which comprehensive and sufficient data on economic activities is available. This period also marks the beginning of political and governance stability in Ghana as the last coup which turned into democratic rule was undertaken in 1980.

The Data used in this chapter are collected from both local and foreign sources, the local source being Ghana Statistical Services and the foreign sources being UNCTAD Statistics, and World Bank Database.

4.2 Examining of Ghana's GDP Growth Trend

Figure 4- 1 (3-Yr Moving Average of Annual GDP Growth Trend of Ghana 1980-2014)



Source: Chart Created by Author Using Data from World Bank Database (World Development Indicators)

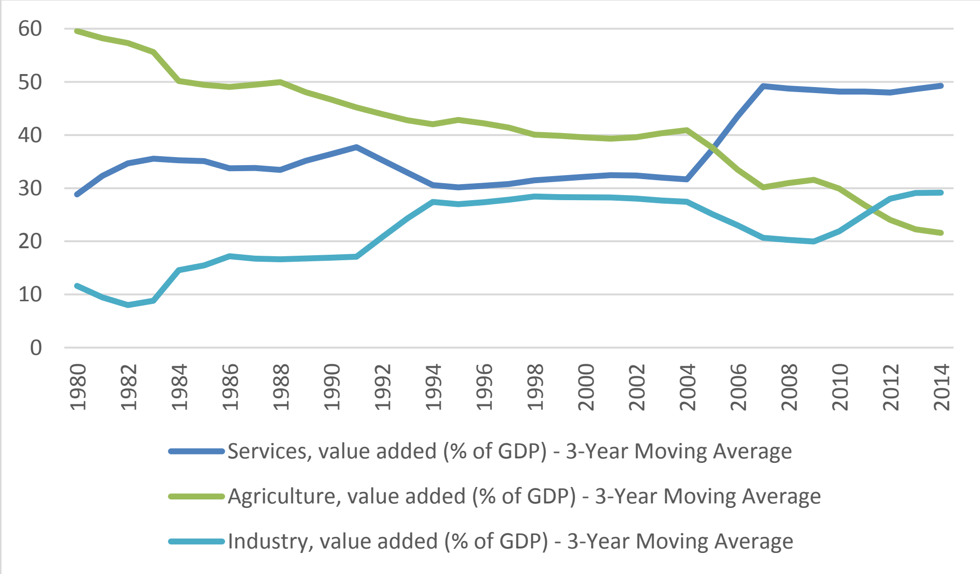
The trend of Ghana's growth at independence was low and in most cases negative, which is similar to the case of growth in 1980-1983. This trend was associated with failed and bad policy formulation and implementation by the successive governments after the colonial masters (British) were overthrown. Additionally, successive coups and military take overs were the norm after any democratic election well until 1980 when the last military regime began. This regime sought to undertake policies which will change the growth the country was experiencing at that time, hence, the adoption of the ERP in 1983, which led to a change in the growth trajectory. Two years after its adoption and implementation, Ghana saw a tremendous increase in its growth that de-growth of -5% in 1982 turned into 6.31% in 1984, thus growth increased by 11.31% (Figure 4-1).

Ever since the attainment of this growth, Ghana has managed to increase and sustain this achievement with very minor fluctuations from 1986-2007, as observed on the chart (figure 4-1). However, the major transformation that propelled the economy to be labelled as a large economy in SSA began in 2008. After growth slowed down from 7.10% in 2007 to 6.11% in 2008, it began to increase tremendously registering an all-time high of 10.41%, in 2011. This was fostered mainly by the discovery and drilling of large quantities of crude oil at the Jubilee field. However, Ghana could not maintain the growth it achieved thus, resulting in the slowing of growth from 2012-2014. Consequently implying reduction in economic activities and productivity to the point where the growth attained is similar to that which was achieved in 2004 and far below the growth achieved from 2005-2013. This is a major course of concern since the economy could not sustain the 2011 growth, hence, the slowdown of approximately 5% which the country experienced in 2014.

4.3 Analysis of Sectorial Contribution to GDP Growth in Ghana

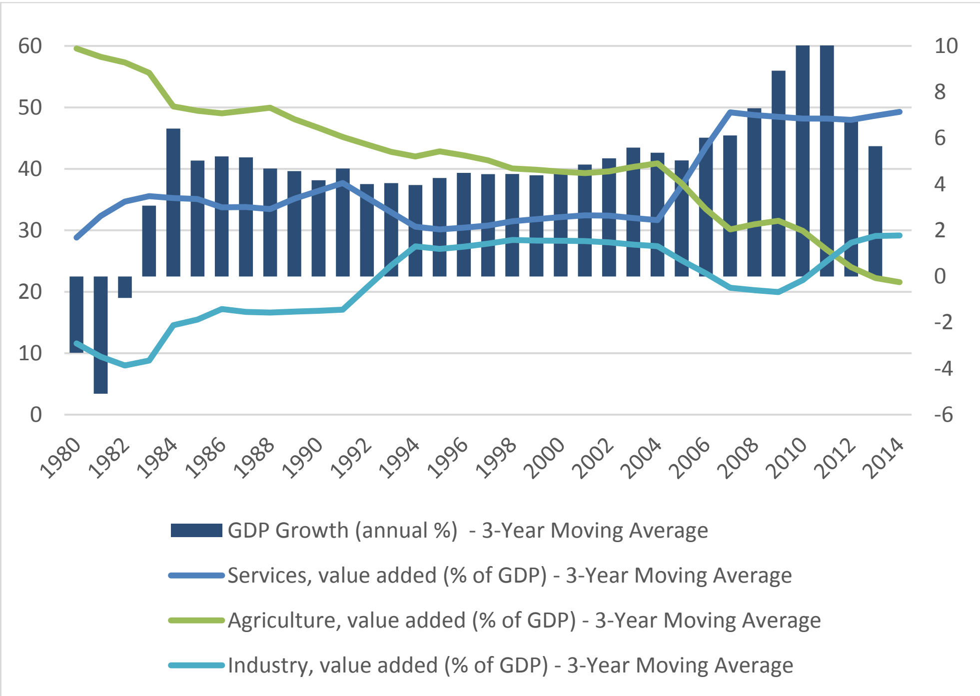
Following from Section 4.2, this section aims to examine the sectoral composition of Ghana's GDP and how these sectors have contributed to and explain the growth trajectory of Ghana from 1980-2014. Subsequently, the analysis will show how the economic structure of the country has changed and the various stages of transformation it has undergone.

Figure 4- 2 3-Yr Moving Average of Annual Value Added Sectorial Contribution to GDP in Ghana (1980-2014)



Source: Authors Illustrations with Data World Bank Database (Africa, and World Development Indicators)

Figure 4- 3 Comparison of the relationship between GDP Growth Trend with Value Added Sectorial Contribution in Ghana (1980-2014)



Source: Chart Created by Author Using Data from World Bank Database (Global Economic Monitor) and Ghana Statistical Services (GSS).

The leading sector in Ghana's growth during the 1980s and 1990s was the agriculture sector, which contributed 0.995 which is 46.96% of growth performance experienced in the country during the period. Since manufacturing and industrial sector was an infant sector during the period under analysis, it contributed the least of about 13.92% to the growth of the country which was 2.119% (figure 4-5 and Table 4-3). This is the same phenomenon which is observed in the data for merchandised exports of Ghana (Table 4-2), where most of Ghana's exports during the period under study was dominated by food and agriculture products. The second highest contributing sector to economic growth in the 80s and 90s was the services sector, which followed closely the agriculture which contributed 41.81% to the growth that Ghana faced in that period.

Moving further, into the next decade, 1991-2000, the economy saw a more than double of the growth which was realized in the previous decade. That growth for that period recorded 4.346% and from the sectors, this situation was fostered by growth in all the 3 main sectors of the economy. The leading sector in this period was still the agricultural sector, which contributed 38.01% of the growth experienced in the country over the decade (figure 4-5 and Table 4-3). The second highest contributor was the services sector, which chalked 1.388 of the total growth for the period and finally the industrial and manufacturing sector, which is the least contributor in the two decades which have been studied so far. This indicates that growth in all the sectors was sure to lead to growth in the economy and the agricultural sector was the lead since Ghana had just began the launch for the drive towards industrial and manufacturing growth.

However, in the next decade 2001 – 2010 the economy took to a different trend, where services sector turned to lead growth in the Ghanaian economy (figure 4-5 and Table 4-3). Even though the country grew during this period, as compared to the previous period, change in growth was about 1.344% which was far less than the growth which was observed in the previous period where agriculture was the main driver of the economy. In this case, the agriculture sector though increased, it was marginal, about 0.131 (figure 4-5 and Table 4-3) as compared to its growth of the previous decade. Thus its contribution to the growth of the country diminished and this might have been the reason why the country's growth was far less than what it experienced in 1991-2000.

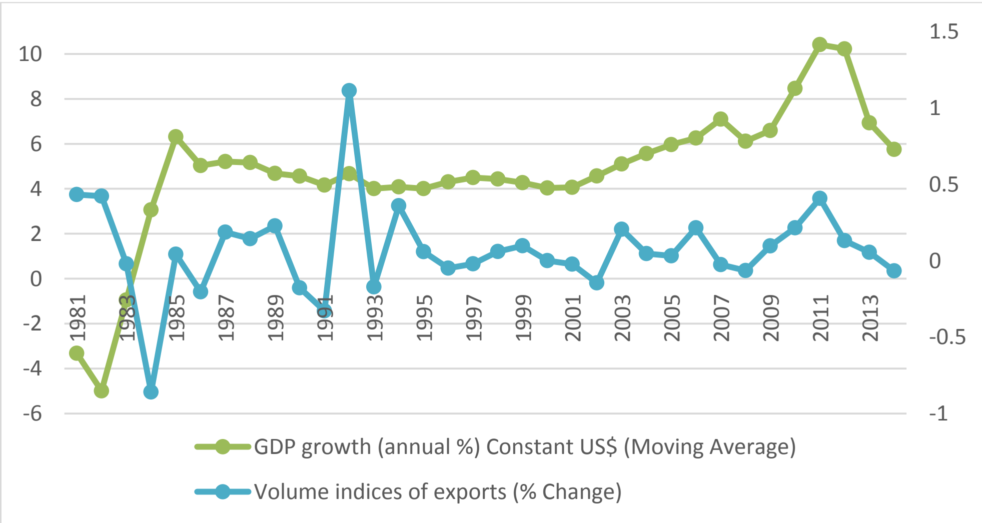
Following the same change in the pattern of growth in the previous decade, the last 4 years of the analysis saw the services sector again driving growth in Ghana and this sector was supported by a significant increase in the industrial and manufacturing sector of the economy. Even though the agriculture sector experienced some change, its contribution to the growth of Ghana was minimal as compared to the other two sectors. During this period, the country experienced an average growth of 8.66% and the services sector was the major contributor since this is a period where the country officially began its drilling of oil and gas in large quantities in the Jubilee Field. This period saw the influx of services which was to enhance the performance of the organizations which were engaged in the drilling process. During this period, expenditure in the services sector increased and this is what materialized into the growth which Ghana experienced, since GDP in Ghana is measured using the expenditure approach.

Also the diversification of the economy due to the oil and gas boom of 2011 saw the neglect and reduction in the expenditure and production of the agriculture sector and the manufacturing and industrial sector, hence the recent reduction in their contribution to growth in Ghana.

4.4 Impact of Export Growth on the GDP Growth of Ghana

Discussion on the export composition in the previous chapter revealed that Ghana is an export oriented country which is dependent mostly on primary commodities for its growth. On average, Ghana's dependence on primary commodities for the period of the study (1980-204) is more than 80%. These primary commodities are mainly from the agriculture, and industrial sector. From ***Section 4.3*** we observe that these sectors play a substantial role in explaining the growth performance of Ghana. In light of this discovery, this section seeks to analyse the relationship between exports and economic growth and how this relationship has informed the economic growth experience of Ghana.

Figure 4- 4 Volume of Export Growth and its relationship with 3-Year Moving Average GDP Growth Trend of Ghana (1980-2014)



Source: Chart Created by Author Using Data from World Bank Database (World Development Indicators) and UNCTAD Statistics.

A first-hand look at *figure 4-4* reveals that the trend growth of Ghana's GDP is similar to changes in the exports of the country, that is, in most cases, as the exports increase, GDP of the country should also increase and as exports decrease, GDP follows suit. This can be interpreted as a positive relationship between GDP growth and growth in export, hence export playing a major role in the GDP growth of Ghana. However, *figure 4-4* reveals that there are some outliers, that is, periods where this relationship breaks down that exports show a negative relationship with GDP Growth in Ghana.

From figure 4-4, as export growth was reducing during 1981-1982, growth in Ghana's GDP was reducing too, but as this relationship progressed, into 1983, it changed that as growth in exports declined enormously, growth in the country increased. This relationship continued into the next period, however from 1985, through until 1988, the positive relationship was restored, even though it soon changed back to negative in 1989.

Moving on, it can be observed that at one point in the trend, a very high increase in the volume of Ghana's export did not lead to much change in the growth experience of the country. This is very visible in 1992, when the growth in exports was 111%, the change in GDP was less than 0.50. This indicates that the increase in the exports of the country may not have materialized into growth, an indication that trade may not have been favourable to the country. This is the second major outlier on the graph being shown, needless to say that all the outliers showed a positive relationship with the economic growth that the country faced.

From the graph, the growth in exports from Ghana has been through minor fluctuations except for the two major outliers in late 1980 and the early 1990s. For 2001-2006, as the economy began to experience increasing and sustained growth, growth in the exports was fluctuating right until 2006 when a definite positive relationship was restored. From 2006 right until 2014, this positive trend continued

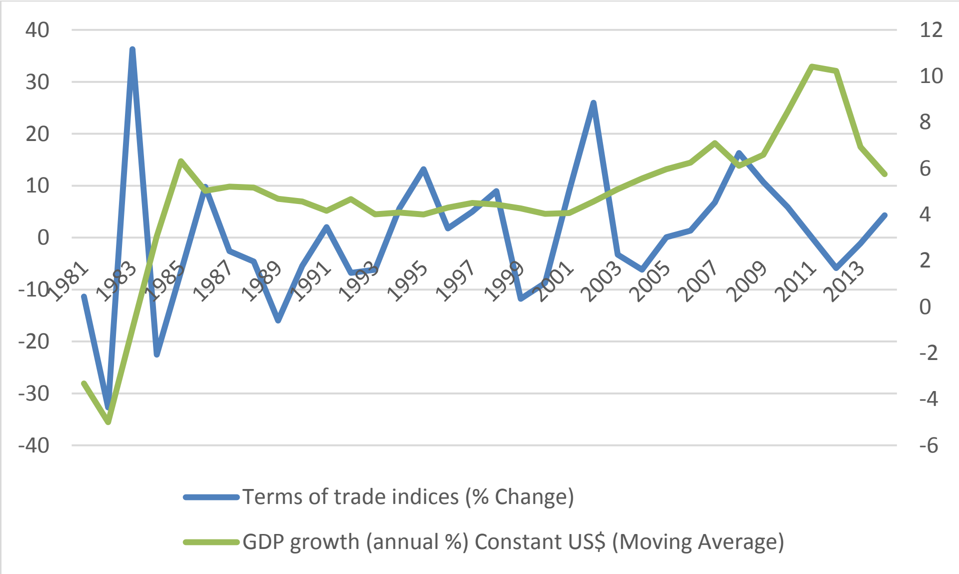
Thus, it is amenable that Ghana's growth experience has a positive relationship with exports, especially primary commodities since Ghana is heavily dependent on them. It may suffice to state that from figure 4-4, the recent trend of economic growth Ghana experienced can be associated with the growth in their exports. This makes it important to consider the relationship between economic growth and the ToT that faces the country when it comes to trade relations. This is important mainly because export growth may not have yielded the expected impact on economic growth in Ghana. This is mainly associated with the fact that Ghana's exports are primarily primary commodities and these commodities are affected much by unfavourable ToT, and fluctuations in the prices of primary commodities as argued by the radical structuralist.

To further the analysis, the next section will be based on examination of other elements that affects export earnings and consequently economic growth in a primary commodity and natural resource export depending county such as Ghana. The factors considered in this study are primarily Net Barter ToT, and the other supporting variable is the Primary commodities Price dimension.

4.5 Net Barter ToT and GDP Growth in Ghana

To further examine the determinants of growth in Ghana in the long term, the impact of the ToT that Ghana faces should be explored and understood. Thus, this session will analyse the relationship between GDP growth in Ghana and the ToT that faces the country to determine if there is a direct or indirect relationship between these two indicators.

Figure 4- 5 Evaluation of the relationship between Net Barter TOT Index and Annual GDP Growth for Ghana (1980-2014)



Source: Chart Created by Author Using Data from World Bank Database (World Development Indicators)

In the early 80s, ToT was unfavourable for most periods in the decade, that as ToT decreased, GDP growth faced by the country also decreased, this was the case in Ghana's growth in 1981 and 1982 as shown on figure 4-4 below. However, in 1983, ToT increased by 36.30% and in the same period, the country faced an increase in growth by almost 2% from the initial reduction of 6.92% in 1982 as shown in figure 4-4. This positive relationship between ToT and economic growth in Ghana runs through to 1984 and most of the years for this analysis. In 6 out of 10 years, from 1990-1999, economic growth in Ghana registered positive relationship with ToT.

However, in 1985, when ToT increased to -6.57 which is approximately 16% from the previous period where it was -22.52, growth in Ghana reduced further by almost 3%, registering a fall in growth from 8.65% to 5.09%. This situation is different from the fundamental positive relationship between ToT and GDP growth in Ghana. And this was the same phenomenon faced by the Ghanaian economy in 1990, 1994, 1996, and 1997. In 2000, 2003, 2004, 2010, and 2011, when manufacturing and industrial sector dominated the economy with an increased discovery of metals and ores, and fuel exports in large quantities, GDP growth portrayed a negative relationship with ToT, similar to that which was experienced between 1990 and

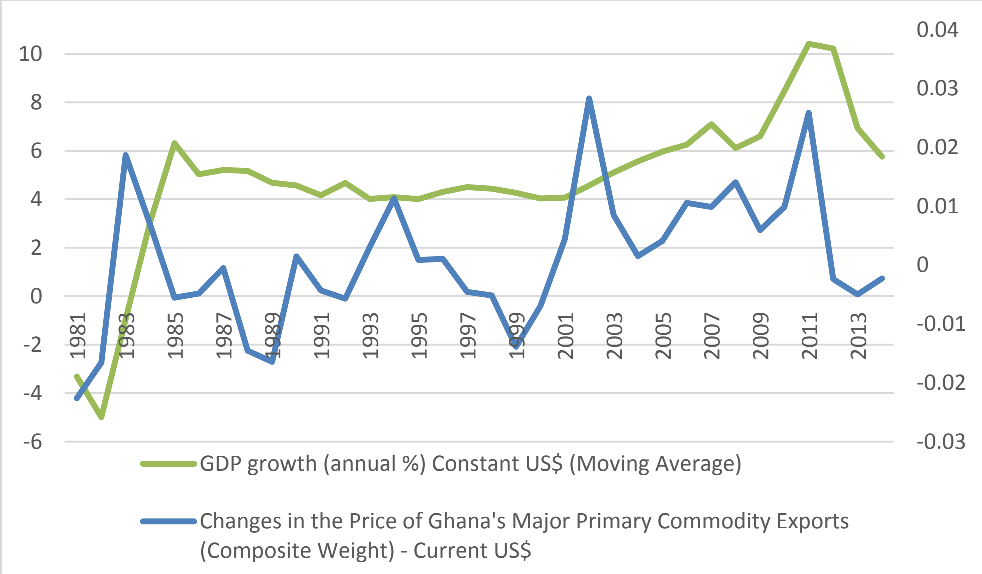
1997. Such that unfavourable ToT did not affect GDP as GDP was seen to be increasing during this period.

Though the positive relationship between GDP was restored in 2005-2007, it changed back into a negative relation thereafter. This may be associated with the fact that the manufacturing and services sectors were growing and they were the main contributors to the growth Ghana. Which is where the economic structure changed hands and agriculture was a minor contributor to the economy's growth performance. That in 2014, GDP growth fell by almost 3% from 7.33% in 2013 to 4.18% as the ToT faced by the economy increased, from an initial fall of about 1% in 2013, increasing to 4.32% in 2014.

In conclusion, as Ghana's economy becomes less dominated by primary commodity exports and rather by manufacturing and industrial activities, ToT began to portray a negative relationship with growth in the economy. That Ghana experienced growth even when faced with unfavourable ToT. However, when the economy was mainly dominated by agriculture exports, ToT showed a positive relationship. To the extent that, favourable ToT impacted in increasing growth marginally when primary commodity dependence was high. Whereas unfavourable ToT in periods of high primary commodity dependence led to a swift slowdown in growth in Ghana's economy, as argued by the Prebisch-Singer 1950 hypothesis. This indicates that diversification of exports and growth in merchandised exports is very imperative for the growth of the Ghanaian economy and this supports and reinforces the primary argument of the radical structuralist. Though agriculture raw materials exports are vital to the growth of the economy and should not be neglected in the process of diversifying, of maximum importance is the initiation and sustainability of a manufacturing and industrial drive in Ghana.

4.6 Primary Commodity Prices on Economic Growth in Ghana

Figure 4- 6 Assessment of the Relationship between Changes in Aggregated Prices of Ghana's major Primary Commodity Exports and GDP Growth in Ghana, 1980-2014



Source: Chart Created by Author Using Data from World Bank Database (Global Economic Monitor) and Ghana Statistical Services (GSS).

The fundamental observation that cuts across in the data presented on the graph (figure 4-6) is that, as the commodity prices of Ghana's major exports plumage, the growth of the Ghanaian economy also decreases and when it rises, growth increased as well. This supports the argument of the radical structuralist school, that fluctuations in commodity prices significantly impact on the growth faced by the exporting country, also supports the findings of (LABYS et al. 2000) in his research on the short term cycles in Primary commodity prices.

However, this relationship changed in 1982, as commodity prices increased, growth in the economy decelerated from 3.32% to 5.0%. The fact that the increase in the price of Ghana's major commodities didn't materialize into growth can be linked to export growth in the previous section. In that during the same period, the growth in exports of the country experienced a major decline, hence, Ghana did not gain much from the price increase during that period. Following from this, growth in the economy began to increase as the commodity price increased which implies that the negative growth was reduced since the global commodity prices was increasing. In the aftermath and during the 1983 famine, which plagued the economy and caused the economy to a certain level some instability and crisis, the economy grew when the commodity prices increased during that period.

In 1987, the prices of Ghana's major exports began to increase for gold and that of cocoa began to reduce drastically. Such that the price of cocoa on the world market reduced by 54% in 1987 and that of gold increased by 28% in the same year. Regardless of this major decrease in the price of cocoa, the global commodity price registered about 22% increase in 1987 since the beverage group has very low weights when it comes to the calculation of the global commodity price as compared to crude oil. During this period, growth in Ghana did not follow the same trend exhibited by the prices of its major commodities. This is an exception to the trend which GDP in Ghana shares with global commodity prices since on average, from figure 4-1, the GDP trend exhibit generally a long positive relationship with global commodity prices.

From 1991 up until 2007, fluctuations in prices of Ghana's major commodities did not have major impacts on Ghana's growth experience, since the country at this period plunged into the industrial and manufacturing drive. That even when the prices of Ghana's major primary commodity exports increased substantially in 2002, the economy grew marginally. Additionally, this increase was associated with crude oil, which was not one of Ghana's major primary commodity exports in that period, hence, it's failure to bring much change in the country's growth experience. Consequently, the discovery of large quantities of crude oil in 2007, where drilling commenced in the latter part of 2010, brought the country back to the mercy of primary commodity prices, since this is a highly demanded commodity globally. Thus, the increase in demand in 2010 and 2011 led to an increase in its price and this brought about a very high growth experience for Ghana in 2011.

However, after 2011, Ghana's exports of fuel have begun to decrease along with the decline in the global price of this commodity. On the local front, this decrease has been attributed to insufficient policies of the government and poor institutions to rectify these policies and strategies. Also, the corrupt practices of government and its officials in the management of this commodity is raised as key factor for the decrease in the efficiency of this sector, in line with the NIE argument. However, on the international market, the continuous fall in the price for this commodity is ascribed to excess supply of the commodity and a fall in its demand by the major imports – China and India.

In conclusion, it is important to state that the trend of Ghana's growth is mainly influenced mainly by changes in the economic structure, where the agriculture sector is losing its position as the major contributor of economic growth in Ghana to the other sectors. Also, ToT can be said to have influenced this trend, but it could not sufficiently explain the recent slowdown in the trend. This recent slowdown is explained by the growth in exports, and the primary commodity prices of Ghana's major exports. The growth in exports of these sectors in the course of the analysis showed a general positive relationship with economic growth which is much more eminent in recent times. Additionally, prices of Ghana's major commodities showed a parallel trend in most periods of the analysis in this chapter. Though this is much more outstanding in recent times as the dependence in primary commodities is restored due to the discovery of large quantities of crude oil, after its reduction in the 90s.

CHAPTER 5

Conclusion and Policy Implications

5.1 Summary and Conclusion

Ghana was one of the SSA countries which has been following an increasingly sustained growth trajectory since the 1990s-2011 and thus, it labelled as one of the fastest growing economies which had to be looked out for in SSA. The country was said to be one of the large economies in SSA who will push growth in the sub-region and through that sustain global growth which is slowing down in recent times. However, after the tremendous growth experienced by Ghana in 2011, the economy is seen to be slowing down, same as that which is happening to the other large economies in SSA. The worrying situation has necessitated the government to call for assistance from Bretton Woods to save the economy from the impending crisis that threatens its growth. The seriousness and importance of this issue is what necessitated the need to study the growth trend of the country to understand what informs the trend of Ghana's growth and what has influenced the recent slowdown in Growth.

Ghana is heavily endowed with different and numerous natural resources, which is the main source of revenue for developmental activities and expenditure of government. Hence, to sufficiently study this economy's growth trajectory, there was the need to find theories which base their arguments on primary commodity dependence in developing countries and how they affect the growth that they experience. Thus, the review of the Doctrine of Comparative Advantage (DCA) and its link to NIE argument of Corruption; and the Radical Structuralist theory. An examination of the shortfalls and practicality of the two main theoretical positions made it clear that the radical structuralist argument on commodity dependence will be a better option for which analysis for this paper should be based on. Primarily, their argument is a critique to the DCA, and their major argument is on declining ToT and a secondary argument is on fluctuations in primary commodity prices, the impact they have on economic growth in the exporting countries.

Ghana since independence has been heavily dependent on primary commodity exports as an engine to its growth and policies have been geared to support the three main primary commodity exports – Cocoa, Gold, and Crude Oil. The DCA assumes that a country is endowed in only one type of commodity, hence it breaks down in the case of Ghana, due to its endowment in numerous types of primary commodities that are major foreign currency earners for the country. In the 80s, Ghana was 99.1% dependent on primary commodities, nonetheless, as the country progressed and began the industrial and manufacturing drive in the 1990s, this dependence reduced to 77.4%. The discovery of crude oil increased Ghana's dependence on primary commodities by 10% from 2011-2014, thus, slowing the industrial and manufacturing drive which the country had initiated and was growing. This phenomenon changed the production structure of the economy in that Cocoa did not dominate the exports of the country, but rather crude oil, in the category of fuel exports.

In Ghana, there are 3 major sectors – Agriculture, Industry, and Services, which make up for the country's 21 sub-sectors. Moving on, the export growth, ToT and Primary commodity prices and its relationship with GDP growth in Ghana was also examined, based on the arguments of the radical structuralist (Prebisch-Singer hypothesis 1950). These analysis and variables were chosen based on the quest of the study, which was to understand the growth trend of Ghana and most importantly the reason for the recent slowdown. Hence, analysis was through the economic and production structure and the factor that affects a country that depends on primary commodity exports as a stimulator of economic growth.

The findings indicate that Ghana's growth has witnessed a tremendous trend change in that the country's growth in recent times is slowing down much faster every year. That from 2012-2014, the country slowed down in growth by almost 5%. This trend is influenced and understood in the 80s as fostered by the agriculture sector, whereas the trend in 1990s to 2004 was fostered by the industrial drive and in recent times, the trend is explained by the growth in the services sector and the resuscitation of the industrial drive due to the discovery of large quantities of crude oil.

Further examination of the production structure of Ghana showed that there is a positive relationship between growth in exports (volume) and the growth experience of Ghana. Thus, it is not too surprising that as the exports of the country increased, the economy grew, since Ghana is a country that is basically dependent on its primary commodity. This is much more outstanding from 2010-2014, such that decline in the growth of exports is a reasonable explanation for the recent slowdown in economic growth. This may not be a sufficient explanation since there are other external factors which determines the export earnings of a primary commodity exporting. Thus, Ghana is subject to ToT and the global prices of these commodities, and since primary commodities are income inelastic, it means that growth in exports may not achieve the targeted earnings.

Moving on, the study analysed the net barter ToT that Ghana faces and the findings assents and affirms the argument of the radical structuralist and supports the findings of (Cavalcanti et al. 2014), whereas dissenting the DCA argument pertaining to primary commodity exporting developing countries. In that, ToT and Ghana's growth performance have a positive relationship, to the extent that its decline is detrimental to the growth of Ghana in the early 80s, since it depended heavily on primary commodities. However, during the initiation of the industrial drive and the massive development in the Industrial and manufacturing sector, 1991-2004, ToT did not have substantial influence on economic growth. Following the discovery of large quantities of crude oil in 2000s, the dependence on primary commodity was increased and reinforced, thus, strengthened the influence of ToT in Ghana's growth experience. Ghana's growth and economy depict a resilient affirmation of the primary argument of the radical structuralist against primary commodity specialization.

In order to do a comprehensive analysis of a country that is dependent on primary commodities, it is highly imperative that the prices of those commodities are examined. This and the secondary argument of how primary commodity price fluctuations are detrimental to growth in developing countries was the basis on which the next analysis was founded. The analysis of Ghana's growth as it relates to the price of its major primary commodity exports showed a positive relationship, as suggested by the radical structuralist for a primary commodity dependent country. In that, any increase in the price of Ghana's major commodity exports led to an increase in the growth of the country and vice versa for the majority of the periods studied, with a few deviations. To the extent that the recent slowdown in growth can be attributed mainly to the continuous fall in the prices of Ghana's major commodities and the increasing decline in global commodity prices. This finding is echoed by the President of Ghana (2015) in his speech in Germany where he stated that;

> Ghana lost $1.5 billion in export revenue last year as a result of fall in prices of primary commodities on the world market (Starr FM Online. 2015).

This slowdown in the prices is due to increased supply of the primary commodities as a result of the decline in demand from China and India. Thus, the major factor which may be said to be affecting and causing the current slowdown in Ghana's growth and perhaps growth in other large SSA economies.

With regards to the supporting arguments of the NIE on how poor institutional development in developing countries has been detrimental to economic growth in LDCs, based on corruption, data insufficiency did not give this study the liberty to examine this argument. Also, this research focused on exports, especially primary commodity due to its intention to focus its analysis on the dependence of the country on its commodities. As well as the transformation of the economic and production structure, as the main agents stimulating growth in Ghana, though growth is multifaceted and can be analysed through different lenses.

5.2 Policy implication for Ghana

From this research and its analysis, it is crucial for Ghana to engage in policy directions that will lead to diversification of primary commodities exports in order to assuage the slowdown which the country is facing. Rather than using monetary policies and exchange rate targeting to reduce the rate of depreciation of the exchange rate, which the government has presumed to be the underlying cause of the slowdown of growth in Ghana. This means that Ghana's economy will grow and economic growth will be sustained based on the industrial sector through massive industrial and manufacturing drive, as was the case in 1990s up to 2004. Also, Ghana has to add value to its primary commodities instead of exporting them as raw materials, in this way, it will increase their potential to withstand global shocks in the commodities markets.

In so doing, the DCA argument of specialization in the production and export of primary commodities will be a paradox in the case of Ghana's economy. Since growth will not depend on primary commodities, but rather diversification, through the development of their manufacturing and industrial sector and value addition. This will be a hedge towards global commodity market decisions and activities, such as ToT and Primary Commodity prices, which had affected the performance of the country enormously due to its dependence on primary commodities.

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