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Can Ghana's Institutions Withstand the Resource Curse?

Workshop: *Living in an Extractive State*
Inge Amundsen, senior researcher, Chr. Michelsen Institute
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Can Ghana's Institutions Withstand the Resource Curse?

- **The Resource Curse**
 - Resource curse theory
 - Economic and political explanations
 - *Democracy first* theory
 - The institutions that matter
- **Ghana and Oil**
 - Current situation
- **The Statistics**
 - Comparing Ghana to resource cursed and blessed countries
- **Conclusions**
 - Democratic enough?



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The Resource Curse

- *The Dutch Disease*
- *The Paradox of Plenty*
- *The Rentier State model*
- **Oil rich countries can be worse off**
 - Rich in natural resources
 - Poor in economic development
- **Explanations**
 - Economic explanations
 - Political explanations
- **Democracy first theory**



- Norway
- Australia
- Canada
- Chile
- Brazil
- Malaysia
- Botswana
- ...
- Nigeria
- Angola
- DR Congo
- The Sudan
- Sierra Leone
- Liberia
- Zambia
- Colombia
- Azerbaijan
- Tajikistan
- ...

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Economic Explanations

- **Relative price effect**
 - Higher currency value
 - More imports (cheaper)
 - Competition difficult
- **The 'Dutch Disease'**
 - Over-investment in extractive industries
 - Under-investments in manufacture, agriculture
 - "Crowding out" other sectors
 - De-industrialisation
- **Volatility**
 - Uncertainty for businesses
 - Government waste and debt
 - Capital flight



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Political Explanations

- **The prize increases**
 - Higher government revenues
 - Large benefits of being the "state elite"
 - Consumption, enrichment, corruption
- **State autonomy increases**
 - Off-shore, foreign, High-Tech
 - "Un-earned", easy
 - Little taxation domestic economy
 - No "social contract"
 - Little influence business/middle class
 - Little influence of civil society
- **State power increases**
 - Means to manipulate institutions
 - Means to buy (off) rivals
 - Means to buy instruments of coercion
- **Conflict increases**
 - Uneven distribution
 - Increasing inequality
 - Increasing poverty
- **Authoritarianism increases**
 - Entrenched elites
 - Violent defence of privileges
 - Weak institutions



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Democracy First Theory

A country will be cursed when it becomes oil-export dependent *before* accountable and democratic state institutions are established and consolidated

Democratic consolidation

TWO regime shifts through elections



Exceptions?


