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GHANA INC.: FROM PERIPHERY TO SEMI-PERIPHERY

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GHANA INC.: FROM PERIPHERY TO SEMI-PERIPHERY

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ABSTRACT

The leading consensus is that periphery nations can develop and achieve sustained economic prosperity. Yet, economic policies that have been implemented have often not garnered the expected results. A prime example is Ghana, with its rich endowment that includes gold, cocoa, and now oil, yet struggles economically. Compare with Singapore, who emerged out of dire economic challenges after independence to become an industrialized country even though Singapore does not have the advantages that Ghana enjoys. Thus, this thesis examines how Ghana can create national wealth and alleviate poverty. After examining a plethora of management science, development economics, and history texts, as well as, current news events, I conclude that Ghana, like Singapore, can develop, and alleviate poverty by contending for skills, foreign investment, and technology in the global economy through a government-led strategy, and an effective organizational structure that is proactive in solving looming issues in Ghana’s unique context.
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Growing up in Ghana it was often said, “A person is a person through others.” That is to say, no person is self-made, and even more so with regard to myself.

To my adopted country the United States, thank you for receiving me as one of your very own.

I will not be at Georgetown if it were not for my parents’ courage to move to the US in search of a better life, and the innumerable sacrifices that came with that decision. To my parents, Mercy and John-Mark Gladstone Snr., thank you. To my siblings, nephew and nieces, thank you for all your love.

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CHAPTER 1
INTRODUCTION

*Once a Model for Africa, Ghana's Economy Loses its Shine,* was the title Reuters, the international news agency, gave to its June 2014 article describing Ghana’s economic growth and the country’s subsequent reversal of economic fortunes. The authors, Mathew Bigg and Kwasi Kpodo remarked on Ghana’s oil boom, fuelling 5 years of GDP growth above 8 percent.\(^1\) Ghana emerged as a market star, with a population steadily moving into middle-income status. Nonetheless, the trend of good news did not prevent analysts from predicting a reversal in economic fortunes,\(^2\) which resulted in Ghana’s need for a bailout from the International Monetary Fund (IMF). The gloomy prediction was caused by an inability of the government to reform key economic policies.\(^3\) A team from the IMF, led by Joel Toujas-Bernaté, arrived in Accra during February 2015 to discuss financial support to the government of Ghana.\(^4\) Following the press release by the IMF, many Ghanaians protested and took to social media to voice concerns regarding what seemed to be an enigma regarding the country’s abysmal achievements towards economic prosperity. The economic disparity was mind-boggling to many Ghanaian citizens, given their country’s vast natural resources in commodities such as gold, crude oil, bauxite, manganese, copper, rubber and cocoa.

\(^1\) Mathew Bigg and Kwasi Kpodo, “Once a Model for Africa, Ghana's Economy Loses its Shine,” Reuters


\(^3\) Ibid.,

Ghana’s inability to sustain its economic development, which was illustrated in the above vignette, is one symptom of a complex set of problems the country faces, which is yet to be adequately tackled. Although problems facing Ghana’s economy have garnered important but inadequate solutions, Singapore’s success illustrates a comprehensive model based on competition, as the panacea for Ghana’s sustained economic growth.

This thesis is divided into 7 chapters. The first chapter contains the anecdote on Ghana’s gloomy economic outlook, the thesis statement and structure of the thesis. Chapter 2 diagnoses and discusses the major problems that hinder Ghana’s economic growth. Chapter 3 examines two important, but inadequate contributions put forward as solutions for development economics. Chapter 4 details the government-led model Singapore used to achieve economic success. In Chapter 5, the thesis addresses the weak criticism of limited-government in the economy. Chapter 6, which is the crux of the thesis, shows the comprehensiveness of Singapore’s model when applied to Ghana, and proposes policy based on strategy, structure and context, which will enable Ghana to better contend for capital, technology, and skills in the world economy. The final chapter draws conclusions on the preceding chapters of the thesis.
CHAPTER 2
PROBLEMS FACING GHANA’S ECONOMY

To understand why the current Ghanaian economy has been unable to achieve sustained economic growth in the past or recent years, it is important to recognize that the main problems, and challenges facing Ghana’s economy are complex and two fold—internal and external.

The first school of thought regarding Ghana’s problem is the internalist, which African economist George Ayittey describes in his 1998 book, *Africa in Chaos*.\(^5\) Ayittey posits that the “internalist” school of thought holds the notion that Ghana’s economic condition has been made “immeasurably worse by internal factors” such as: misguided leadership, economic mismanagement, senseless coup d’états, and systemic corruption.\(^6\) Take for instance the misguided leadership of Dr. Kwame Nkrumah, the first president of Ghana from independence in 1957 to Nkrumah’s overthrow in 1966.

In a show of misguided leadership, Kwame Nkrumah rushed to gain independence from the British and set Ghana on a course that will forever haunt the country’s economic ambitions. The rush to independence and the sudden enormous responsibility to manage Ghana’s economy reveals what may be described as “zeal without knowledge.”\(^7\) The first show of the leader’s naivety was Nkrumah’s adoption of socialism and a purely command economy as the most viable way to create national wealth.\(^8\) Ayittey notes that Nkrumah’s adoption of socialism was


\(^{6}\) Ayittey, *Africa in Chaos*, 44.

\(^{7}\) Pro. 19:2

also a way of being spiteful towards capitalism and Western civilization.\textsuperscript{9} The second example was Ghana’s continuous use of national development plans that “set targets for government investment in various areas of the economy without showing how this would contribute to the overall growth of the economy.”\textsuperscript{10} Ghana’s economy slowed and became dependent on foreign debt, which, coupled with corruption and unstable commodity prices severely hampered economic growth from Ghana’s establishment.

Systemic corruption is another internalist factor that hampers economic prosperity, and pervades Ghanaian society even till this day. According to Transparency International’s 2015 Corruption Perception Index, Ghana ranked 56th out of 167 countries.\textsuperscript{11} Nevertheless, the corruption perception ranking does not do justice to the way corruption is characterized in Ghana. A more telling indication of the dire case of corruption in Ghana is the 2015 video released by Anas Aremeyaw Anas, after several years of investigative journalism into Ghana’s corrupt judicial system. Anas’ video implicated 12 Ghanaian high court judges for taking bribes in exchange for lesser sentencing or acquittal of accused persons.\textsuperscript{12} Corrupt judges are a serious concern as bribery destroys trust in the judicial system and government, dampens investor confidence, weakens protection of intellectual property and fails to ensure the enforcement of antitrust laws.

Another internalist factor that is much more complex and constrains Ghana’s national prosperity is the challenge of balancing the government’s budget deficit. A budget deficit is the

\textsuperscript{9} Ayittey, \textit{Africa Betrayed}, 104.


result of government spending exceeding revenue. To be clear, a budget deficit policy is not necessarily unsound because a deficit can be used as an effective tool for spurring economic growth, depending on the cost of capital and return on investment. In Ghana’s case, the evidence of continuous rising national debt since independence, without much evidence of long-term economic growth, suggests the country’s budget deficit policy is an issue of economic mismanagement and not an effective tool for economic growth.

Although Ayittey raises and describes arguments regarding Ghana’s internalist problems, he nonetheless takes the competitiveness of Ghana in the global economy for granted. A final internalist problem, which impedes Ghana’s economic prosperity, is the country’s lack of competitiveness. The World Economic Forum defines competitiveness as, “the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can earn.”\(^\text{13}\) The World Economic Forum’s Global Competitiveness Index, which assesses the competitive landscape of 140 economies and provides insight into the drivers of productivity and prosperity in its 2015-2016 report ranked Ghana 119,\(^\text{14}\) an 8 point drop from the previous year. The framework of the ranking is based on basic requirements: institutions, infrastructure, macro-economic environment health, and primary education, efficiency enhancers such as higher education and training, goods market efficiency, labor efficiency, final market development, technological readiness, market size, and innovation and sophistication which includes business sophistication and innovation.\(^\text{15}\)


\(^{15}\) Ibid.,
The externalist view, which is the second school of thought regarding the problems Ghana faces, attributes Ghana’s problems to external factors such as “Western colonialism and imperialism, the pernicious effects of the slave trade, racist conspiracy plots, exploitation by avaricious multinational corporations, an unjust international economic system and deteriorating terms of trade.”\textsuperscript{16} In fact, Ayittey rebukes this externalist school of thought. Georgetown University professor Craig O’Connor’s view on this externalist school of thought provides credence to Ayittey’s dissent. In an article titled, \textit{Anti-Globalization Revisited}, O’Connor debunks externalist views based on conspiracy and allegations\textsuperscript{17} of an unjust global economic system by illustrating the weakness of such arguments. O’Connor further highlights the important role of financial institutions like the World Bank and IMF in developing countries, while admitting that such efforts hold inherent challenges.\textsuperscript{18} One principal challenge international financial institutions face in helping countries such as Ghana stems from the quest to provide low-cost financing under dire constraints. Consider this challenge from a view of personal finance where individuals with bad credit history, or low-income have to take hard decisions to gain financial assistance from banks. Undoubtedly, this challenge of financing under serious constraints does not have any relation to conspiracy theories advanced by some proponents of the externalist school of thought.

Nonetheless, a more productive and intellectual view of the externalist school of thought impeding Ghana’s economic growth is globalization, the need for serious competition among countries and the dynamic nature of the international economy. Take for instance the

\textsuperscript{16} Ayittey, \textit{Africa in Chaos}, 37-44.


\textsuperscript{18} Ibid.,
proliferation of counterfeited Ghanaian textiles manufactured in China. The Ghanaian textiles industry, which has always been a vibrant and important aspect of Ghana’s economy, is being disrupted by counterfeited textiles from China, which are competitively priced.\(^\text{19}\) Due to the inability to compete, several textile-manufacturing factories in Ghana have been forced to shutdown, and lay off thousands of employees, which adds to unemployment, low productivity, and low revenue.\(^\text{20}\) Another example is the dynamic global economy, which saw the slowdown in China’s economy negatively affect the economies of many African countries including, Ghana.\(^\text{21}\)

With regard to competition, although economies are forced to compete for limited resources in the global economy, an inability to compete, which is a symptom of Ghana’s ailing economy, is caused by the country’s lack of strategy to contend for international markets.\(^\text{22}\)

Despite what may seem to be a gloomy profile of Ghana’s economy, it is important to note that Ghana is an emerging market. G. Andrew Karolyi, a Professor of Finance and Global Business at Cornell University, argues “emerging markets are distinctly different from developed markets in that they represent underfunded growth opportunities with problems.”\(^\text{23}\) While political stability in Ghana remains attractive to investors, other growth opportunities in Ghana’s


emerging market include: an increasing wave of young and ambitious entrepreneurs, a projected population boom across Africa, and the return of highly educated expatriates from countries like the United States, United Kingdom, Canada, China, and Ukraine. Other equally important investment opportunities in Ghana include the need for alternative forms of energy, and capital geared towards the enhancement and value creation of raw materials.

This chapter has outlined the complexity of the main problems impeding Ghana’s economic progress. These problems and challenges include: corruption, economic mismanagement and misguided leadership, unsound budget deficits, a lack of competitiveness in the global economy, globalization and a dynamic international economy. Undoubtedly, a large part of Ghana’s sustained economic development hinges on the country’s ability to tackle the identified problems and challenges.
CHAPTER 3
IMPORTANT BUT INADEQUATE CONTRIBUTIONS

Having described the major challenges facing Ghana’s economy in the preceding chapter, Ghana Inc. proceeds to examine two important, but inadequate proposals that have been put forward as development economic panaceas. The first is Why Nations Fail: The Origins of Power, Prosperity, and Poverty, while the second is Africa Unchained: The Blue Print for Africa Future. While Why Nations Fail deals with the importance of institutions in achieving economic growth, Africa Unchained illustrates the need and importance of developmental economic models tailored to each country’s uniqueness.

Massachusetts Institute of Technology economist Darron Acemoglu, and University of Chicago economist James A Robinson wrote Why Nations Fail. The authors conclude after examining a plethora of historical case studies that a country’s continued growth or economic stagnation is a direct result of its institutions, which are inclusive or extractive in nature. Inherent in inclusive societies are economically and politically inclusive institutions that “allow and encourage the mass participation of its people in economic activities,” pave the way for engines of prosperity like education and technology, and are adequately pluralistic for the citizens to participate in the democratic process while maintaining enough centralization. Extractive societies on the other hand have attributes that stifle and preclude economic and political participation of its citizens for that of a narrow elite few. Significant effects of both

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25 Acemoglu and Robinson, Why Nations Fail, 70-95.

26 Ibid.,
types of institutions are what the authors refer to as a virtuous cycle for inclusive institutions, and a vicious cycle for extractive institutions. Both cycles serve as reinforcement mechanisms for wealth or poverty creation.

*Why Nations Fail* is important because the book debunks false theories that have often been attributed to abysmal economic growth, reveals that Ghana’s resemblance of an inclusive society has elements of an extractive societies, and exposes the origin associated with extractive institutions in Ghanaian society.

The first false theory is the “geography hypothesis,” which attributes causes of poverty in developing countries to the hot weather. Supposedly hot climates promote laziness and intrinsically unproductive forms of agriculture. The second theory, which is the cultural hypothesis, relates economic prosperity to culture and other beliefs such as religion, superstition, ethics and values. The authors also argue against the third theory, which is the “ignorance hypothesis.” The “ignorance hypothesis” asserts that countries are poor because leaders do not know how to grow economies and create wealth.

Without a doubt, Ghana’s geographic location and hot temperatures throughout most of the year does not explain the country’s inability to achieve economic growth. In addition, such an argument does not account for the growth in GDP of 8 percent during the country’s oil boom. The “cultural hypothesis” also does not adequately explain Ghana’s inability to achieve

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28 Ibid., 335-68.

29 Ibid., 302-68.

30 Ibid., 48-49.

31 Ibid., 56-57.

32 Ibid., 63-64.
sustainable growth even though a very small but fervent group of Ghanaians argue that the country’s poor growth is God’s wrath for the government’s promotion of LGBTQ rights.\textsuperscript{33}

A related group also believes that the black star in Ghana’s flag represents a nation that has lost its vitality, and hence changing the color of the star will reverse the fortunes of Ghana’s economy. The arguments presented by cultural conservatives are equally dangerous because they fail to hold the government accountable for bad economic policies, they misdiagnosis problems facing the economy, and yield ineffective measures as solutions.

The “ignorance hypothesis” in Ghana’s case helps illuminate how bad policies directed by government officials are not done out of naivety, but motivated to benefit a small group of people at the expense of the entire country. An example of this phenomenon is the misappropriation and overpayment of energy turbines authorized by the former energy minister who was forced to resign, but was later reinstated into a different position in government.\textsuperscript{34}

\textit{Why Nations Fail} is important to Ghana’s development because it shows that Ghana’s resemblance of a politically inclusive society by virtue of its democratic system of governance is nonetheless politically extractive in nature with regard to its district assemblies. The district assembly is the second-level administrative subdivision in government below the level of region, charged to formulate and implement district development plans and strategies, and prepare medium to long-term budgets.\textsuperscript{35} One may assume that the district assembly’s authority, which


has been enshrined in the constitution, promotes decentralization and pluralism in the political and economic process of Ghana. However, the opposite is the case because the poor state of Ghana’s district assemblies do not receive adequate support from the federal government and are thus ineffective in carrying out their prescribed mandate. The end result of the district assembly’s poor performance is over-centralization of decision making in the federal government. The issue of an overly centralized government with broad purview results in excessive power in the hands of top government officials, creates a bureaucracy, which hinders efficient decision-making, and leads to the formulation of development plans by the federal that do not fit the context of each district assembly. In fact, Ghana’s over-centralized government can also promote corruption in public office due to the broad responsibilities assigned to officials.

Despite Acemoglu and Robinson’s important contributions towards development economics, *Why Nations Fail* is not comprehensive. First, although the book proposes institutional reform, a policy in this regard alone is not adequate and has to accompany a sound national strategy based on the domestic and international context of Ghana. Second, institutional reform does not solve the challenge of competition and other problems causing Ghana’s economic stagnation.

*Africa Unchained: The Blue Print for Africa’s Future* by American University economist George B.N. Ayittey, is the second important study that posits a model for Ghana’s development. Ayittey proposes a context-specific economic strategy known as the *Atinga Development Model*—a bottom-up approach that focuses on raising the standard of living of poor illiterate peasants who are largely responsible for Ghana’s agricultural sector. The *Atinga Development Model*—

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Model consists of 3 main steps: the establishment of a village development committee under the leadership of a traditional chief or ruler, the mobilization of capital for investment, and investment in cottage industries.\textsuperscript{38}

\textit{Africa Unchained} is important for Ghana’s economic developmental because inherent in Ayittey’s three-pronged \textit{Atinga} Model is a developmental economics solution that fits Ghana’s context. John Mensah Sarbah, a national political leader in pre-independence Ghana underscored the importance of solutions fitting the local context when he stated: “For any reform to be permanent and enduring, it must be based on and rooted in the principles of the aboriginal institutions.”\textsuperscript{39} The lack of an economic strategy that aligns with Ghana’s context partly explains why the country has not seen sustained economic growth via foreign aid\textsuperscript{40} and other purely foreign concepts.

Furthermore, \textit{Africa Unchained} is seminal to Ghana’s economic growth because Ayittey argues for investment in Ghana’s cottage industries that are vital parts of Ghana’s economy largely made up of indigenous women entrepreneurs. The women entrepreneurs in Ghana’s indigenous private markets are engaged in the economy as market traders, small-scale farmers, seamstresses, provisions storeowners, small-scale food vendors, soap making, arts and crafts, etcetera.

Although there is not enough evidence available on the economic contributions of women entrepreneurs in Ghana’s informal sector, Ghana’s political history shows that this group is a

\begin{itemize}
\item \textsuperscript{37} George Ayittey, \textit{Africa Unchained: The Blueprint for Africa's Future} (New York, NY: Palgrave Macmillan, 2005), 365.
\item \textsuperscript{38} Ayittey, \textit{Africa Unchained}, 368-369.
\item \textsuperscript{39} John Mensah Sarbah, \textit{Fanti Customary Laws} (London: Forgotten Books, 1904), 31.
\item \textsuperscript{40} Dambisa Moyo, \textit{Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa} (New York: Farrar, Straus and Giroux, 2009).
\end{itemize}
major stakeholder in Ghanaian politics and the economy. Emily Chamalee-Wright, an economist who focuses on the confluence of cultural and economic processes, recognizes the economic potential of Ghana’s women entrepreneurs in the informal sector. According to Dr. Chamlee-Wright, although women in the informal sector play a formidable role in the economy, these women entrepreneurs face serious challenges—chief among the challenges is limited access to capital and credit markets.\textsuperscript{41} In effect, Ayittey recognizes that adequate investment in the informal sector will spur economic growth beyond what Ghana has seen.

In spite of the important contributions provided, Ayittey’s \textit{Atinga} Development Model is inadequate. First, Ayittey’s proposal to establish a traditional ruler as a development committer authority is concerning because the traditional chiefs will be vested with power that is likely to be abused with little accountability. The mechanism that Ayittey proposes is in a way similar to the functions of the district chief executive (DCE), but distinct because the DCE is elected and accountable to the people in the district, while the traditional ruler is not. Second, the challenge of limited access to capital and credit markets is fuelled by factors such as the entrepreneurs’ lack of formal education, inability to provide collateral for business loans, and lack of sophistication in business practices.\textsuperscript{42} A solution to the challenge of obtaining credit will involve some form of a combination of measures to alleviate the causes of the problem. The \textit{Atinga} Model does not adequately address the challenges facing Ghana’s economy, mismanagement, corruption and the lack of competiveness in the global economy.

This chapter has shown the importance and weakness inherent in two scholarly works aimed at Ghana’s economic development. Ghana has to properly identify and focus its energy on


\textsuperscript{42} Emily Chamlee-Wright, \textit{The Cultural Foundations of Economic Development}, 89.
understanding and resolving real problems if the West African country is to grow. *Why Nations Fail* is important because it debunks false notions that have been attributed to Ghana’s abysmal growth and drives the effort towards understanding the country’s problems. Ghana is unique in its own right, and solutions for economic development must be cognizant of the Ghanaian context, and include important stakeholders in the informal economy who have largely been forgotten. *Africa Unchained* is important because Dr. Ayittey highlights raises the Ghanaian context and its informal sector as vital parts needed for economic growth. In the next chapter, the thesis discusses a framework based on Singapore’s competitiveness in the global economy, which enabled the Southeast Asian country to emerge from obscurity into a high-income and industrialized nation.
Despite the challenges and inadequate prescriptions put forward in the preceding chapters, Singapore’s economic achievement illustrates a panacea for Ghana’s economic growth. This panacea is based on government-led competition via a national strategy, and an effective organizational structure that fits the context of each country. Ultimately, like Singapore, this solution will raise Ghana’s competiveness in the global economy for markets, technology, skills and foreign investment to move Ghana from a periphery to a semi-periphery country.

Singapore, now an industrialized and high-income status country was not always a positive role model for developing nations. Several foreign news agencies, including the London Sunday Times and Sydney Morning Herald, predicted the Southeast Asia country’s doom shortly after independence in August 1965. The prediction of Singapore’s doom was well within reason. First, Singapore’s revenue base was not sophisticated like that of other countries, because it lacked natural resources. Second, Singapore’s economy, which benefitted heavily from the British bases in sums well over 100 million pounds sterling at the time, would lose this revenue due to Britain’s closure and withdrawal. The third challenge was 14 percent unemployment, which was still rising. Needless to say, there was also the threat of instability posed by Communist groups and Malay rioters opposed to Singapore’s independence from Malaysia. Subsequent challenges, which could have seriously debilitated Singapore’s economy, were the

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44 Yew, *From Third World to First*, 4.


46 Ibid., 6.
oil crises in 1970s, and fierce competition from China who normalized relations with the United States in 1972.

Despite the challenges, Singapore achieved sustained economic growth. Singapore’s generated a per capita gross domestic product (GDP) of $400.00 in 1959. By 1990, Singapore, with a population slightly higher than one million, attained a per capita GDP of US$12,200.00, twenty-five years after gaining independence from Malaysia. Currently, Singapore has a per capita GDP of US$83,100.00 and a population of over 5.6 million people. Dr. Henry Kissinger, former United States Secretary of State, remarked, Singapore did not “simply survive but prevail by excelling” in the face of myriad challenges in a part of the world deprived of natural resources.

First, Singapore implemented several strategic initiatives that included tax cuts and the creation of an “ecosystem strategy to foster innovation and improved technology in five industrial clusters.” Essentially, this strategy helped propel Singapore into a high-income status country because while tax cuts attracted foreign investors and stimulated the economy, the ecosystem contended against China, and India’s competitiveness. An additional development

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48 Yew, From Third World to First World, xv.


strategy was the implementation of a distinct mandatory savings program created by its Central Provident Fund,\textsuperscript{52} which resulted in high level of savings.

Without a doubt, the attraction of foreign investors led to investment in underfunded growth opportunities and job creation, while the high savings level provided the government with capital to build vital public infrastructure and invest heavily in what will become its knowledge based economy. For example, investment in biomedical sciences proved to be a crucial catalyst in the country’s development, because although the field of research and development was intellectually capital intensive, the industry did not require much labor and land, yet offered high-income employment.\textsuperscript{53} Clearly, Singapore’s economic growth shows that strategy is an important component of growth because it forces countries to formulate a unique competitive advantage and encourages hard decisions involving trade-offs regarding long-term rewards over short-term gains.

Second, with regard to an effective organizational structure, Singapore like many developing countries used a democratic system comprised of a parliament, and an executive who appoints the prime minister, and cabinet secretaries\textsuperscript{54} to lead in the formulation and implementation of strategy. The more notable element of Singapore’s structure is the country’s generous compensation awarded to the president, cabinet, and even junior cabinet secretaries.\textsuperscript{55} The bonuses of senior officials and many departmental budgets were tied to the country’s GDP performance,\textsuperscript{56} – a practice often found in private companies.

\textsuperscript{52} Vietor, \textit{How Countries Compete}, 43.

\textsuperscript{53} Ibid., 53.

\textsuperscript{54} Ibid., 47.

\textsuperscript{55} Ibid., 47-48.

\textsuperscript{56} Ibid., 48.
The advantages of Singapore’s pay and compensation packages for its government officials are numerous. First, Singapore was able to attract and retain the best talent for its government positions. Secondly, the linkage of pay and bonus to economic performance forces senior government officials to quickly react and find solutions to looming economic challenges. Most importantly, Singapore prevented issues of graft that often plagues government officials in periphery countries. It is not surprising that Singapore consistently scores high marks on Transparency International’s Corruption Perception Index.\textsuperscript{57} Essentially, the government’s ability to attract talented and proactive government officials while preventing corruption indicates an organizational structure effective in implementing policies. An effective organization also builds investor confidence due to perceptions of low risk and possibly a high return on investment.

Another important element of Singapore’s growth is the country’s effectiveness in reacting to impending developments that can cause socio-economic instability. Take for instance Lee Kuan Yew’s decision to create a cabinet seat for the general of Singapore’s worker’s union post independence when “labor unrest was uncommon”\textsuperscript{58} and Singapore’s quick reaction to China’s normalization with the United States from low-wage revenue industries to skilled and high wage industries.\textsuperscript{59} The cabinet position for the worker’s union boss was crucial because it created a policy of openness, which prevented future strikes and fostered cooperation between workers and state owned enterprises. The quick reaction to China’s normalization with the world was also important because Singapore understood it could not compete against China’s low-

\textsuperscript{57} Vietor, \textit{How Countries Compete}, 48.

\textsuperscript{58} Ibid., 43.

\textsuperscript{59} Ibid., 51.
wage economy. In essence, Singapore shows that strategy and effective organization has to be fluid enough to confronting looming challenges in a country’s domestic and international context.

To clarify, Harvard Business School professor, Richard Vietor, underscored the theoretical framework of Singapore’s competitive government-led strategy that resulted in the country’s economic success story. Vietor argues that countries must compete for markets, technology, skills, and investment to develop and raise their standards of living based on a government led strategy, an effective organizational structure with a cognizance on context.60

First, Singapore demonstrates the importance of competitiveness for sustained economic growth, which Ghana can no longer afford to take for granted. A 2008 Organization for Economic Cooperation and Development paper outlined the direct and indirect linkages between national competitiveness, growth, and poverty reduction. In its analysis, the paper attributed one positive effect of competition as the efficient use of national resources and a low cost of production.61 Michael Porter, a professor and economist at Harvard Business School underscored the importance of competition for economic development by refuting other meagre measures of growth. Porter stated: National prosperity is created, not inherited. It does not grow out of a country’s natural endowments, its labor pool, its interest rates, or its currency’s value as classical economist insists.62

Porter’s argument shows that natural resources and other factors are not the most essential elements for national prosperity and that countries must continuously compete in order

60 Vietor, How Countries Compete, 1.


to achieve growth. In addition Singapore serves as the epitome of a country that emerged from poverty to a major economy without natural resources. Even at its current level, Toh Mun Heng, a professor at the National University of Singapore Business School, and Tan Kong Yam, a professor at Lee Kuan Yew School of Public Policy argue that Singapore has to enhance and maintain its competitive edge if it is to continue to grow.\footnote{Mun Heng Toh, and Tan Kong Yam, \textit{Competitiveness of the Singapore Economy: A Strategic Perspective} (Singapore: Singapore University Press, 1998).} Former President George Bush made a similar call for continued competition in his 2006 State of the Union Address imploring the United States to prepare to compete against countries like India and China.\footnote{George Bush, \textit{State of the Union Address by the President} (speech, Washington, DC, January 31, 2006), The White House, http://georgewbushwhitehouse.archives.gov/stateoftheunion/2006.} In effect, competition is vital to the growth of any country regardless of status and cannot be overemphasized.

Second, it is important to note that government itself does not compete for economic development. Nonetheless, Vietor argues that government provides a “competitive advantage”\footnote{Porter, \textit{On Competition}, 308.} to the stakeholders of an economy when it provides security, ensures contract obligations, assumes risks, and manages the macro economy and industrial policy.\footnote{Vietor, \textit{How Countries Compete}, 2.} In like manner, Porter in \textit{The Competitive Advantage of Nations} outlined the role of government led competition as: as focus on specialized factor creation like education, setting safe environmental and product standards, creating strong anti-trust laws,\footnote{Porter, \textit{On Competition}, 200-205.} and in some instances like the United States, provide research funding leading to innovative breakthroughs that can be later commercialized. Like the
algorithm, funded by the National Science Foundation, which spurred Google’s success.\textsuperscript{68} All together, Singapore shows that the actions mentioned in this paragraph form the basis of a competitive and strategic environment for companies to thrive in, and as a result, attract foreign investment, technology, knowledge, and other factors needed for economic growth.

With regard to strategy, Michael Porter defines strategy as the creation of a unique and valuable position, involving a different set of activities.\textsuperscript{69} Although Porter often views strategy from a business standpoint, Porter’s insights regarding strategy can be applied to developing economies. For example, a general principle of strategy is that it requires trade-offs in competitive environments, and quick reactions to changes in a domestic and global environment. On a national level, strategy consists of a combination of actions such as fiscal, monetary, macro-economic, trade, foreign direct investment, microeconomic and competition policies.\textsuperscript{70}

Furthermore, a national strategy without an effective organizational structure to implement strategic plans will yield little to no success. According to Richard Vietor of Harvard Business School, an organizational structure from a national perspective consists of a variety of elements such as political, economic, and institutional structure.\textsuperscript{71} Political structure deals with the system of government, while economic structure involves trade with countries, consumption and investment. Institutional structure refers to a variance of elements such as banking system,

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\textsuperscript{70} Vietor, \textit{How Countries Compete}, 8-9.

\textsuperscript{71} Ibid., 10.
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court system and the rule of law, police, military and the separation of powers between the branches of government and its agencies.\textsuperscript{72}

Finally, Vietor argues that an effective structure for implementing a national strategy must fit “each country’s context—the national and international conditions in which the country operates.”\textsuperscript{73} While a domestic context includes, but is not limited to “culture, history, level of corruption, natural resources, education, income distribution,\textsuperscript{74} official language appetite for foreign goods, the international context consists of “international security,\textsuperscript{75} geographic region, international relations, and a dynamic global economy subject to the influence of major economies like that of the United States, India and China. Nevertheless, while certain elements of context remain fixed, other elements are dynamic. Hence, at any given point in time, strategy must be reformed to address changes in a country’s context.

By and large, this chapter has demonstrated the possibility of achieving sustained economic growth by elucidating the important measures Singapore undertook to become a model for developing countries. Richard Vietor outlined Singapore’s theoretical framework for economic growth as an effective organizational structure that is able to address changes in a country’s context based on a competitive government-led strategy. The next chapter addresses the criticism of limited-government, and shows that the notion of government-led competition is not new, even though it is often criticized.

\textsuperscript{72} Vietor, \textit{How Countries Compete}, 47-48.

\textsuperscript{73} Ibid., 7.

\textsuperscript{74} Ibid.,

\textsuperscript{75} Ibid.,
Despite the arguments raised in earlier chapters to support the need for government’s role in creating economic prosperity, critics argue against the state’s involvement in the economy. To be clear, these critics acknowledge the need, but limit government’s role to creating an environment conducive for business success such as deregulation, correcting market inefficiencies and maintaining law and order. One such argument was advanced by a series of articles by The Economist titled, Taming Leviathan.

The first article, The State Almost Everywhere is Big, Inefficient and Broke. It Needn’t Be, Says John Micklethwait, generalizes that government’s role in the economy is too big and inefficient, and as a result should be restrained.\(^\text{76}\) The article cites the case of Ms. Ma, a Chinese public official who created innovative measures to cut back the Chinese government’s involvement in the economy, as well as, reforms meant to trim the size of the British government,\(^\text{77}\) to imply that there is a growing global consensus, and trend in cutting back government’s role.

In the second article– How to Slim the State Will Become the Great Political Issue of Our Times, The Economist further asserts that there is an imminent rethink of big government based on “budget cuts in the euro zone, the battle between Wisconsin's governor and the public-sector


\(^{77}\) “Taming leviathan; special report: The future of the state,” web.
unions and David Cameron's “Big Society” rhetoric."\textsuperscript{78} In essence the article advocates for governments to “cut back on what [they] offer.”\textsuperscript{79}

Undoubtedly, the arguments put forward by The Economist to restrain government’s role in the economy is unsound. The articles are based on a generalization of limited government. The articles also take for granted the important role a state can play in funding research and development projects, which can produce essential innovative technologies and lead to wealth creation.

Consider the United States Government’s Defense Advanced Research Projects Agency (DARPA) and Small Business Innovation Research (SBIR). While DARPA’s achievements include “contributions to semiconductor research and support to human—computer interface research, and oversaw the early stages of the Internet,”\textsuperscript{80} SBIR’s includes “more than $20 billion per year in direct support to high-tech firms, [that] has fostered development of new enterprises, and has guided the commercialization of hundreds of new technologies from the laboratory to the market.”\textsuperscript{81}

The arguments raised against government participation fail to recognize that government’s role in the economy can also spur innovation, create wealth and generate economic growth, which the same critics aim for. As a result, The Economist’s argument against government’s participation in national wealth creation is weak.


\textsuperscript{79} “Leaders: Taming leviathan; the ever-growing state,” web.

\textsuperscript{80} Mariana Mazzucato, \textit{The Entrepreneurial State: Debunking Public vs. Private Sector Myths} (New York: Anthem Press, 2013), 74.

\textsuperscript{81} Mazzucato, \textit{The Entrepreneurial State}, 80.
Also consider the view of Harvard Business School economist Michael Porter, a global thought leader on national competition and strategy. Porter posits that government’s role is that of “a catalyst and challenger; it is to encourage—or even push—companies to raise their aspirations and move to higher levels of competitive performance, even though this process may be inherently unpleasant and difficult.”

To demonstrate Porter’s view, Ben Bernanke, former Chairman of the U.S. Federal Reserve who came under harsh criticism for taking serious measures, yet effectively averted consequences of the 2008 financial crises, which the European Central Bank later adopted after three years of disastrous outcomes. Without further doubt, Porter and Bernanke demonstrate that government has an important role to play in a competitive and globalized world even though such responsibilities may be unpopular. As such, Ghana’s government needs to lead its economy if the West African country will transform from a periphery to a semi-periphery country.

In essence, the arguments advanced by limited-government proponents are based on an unsound generalization. Proponents of limited-government take for granted the state’s ability to create national wealth its participation in the economy. As has been shown, economically successful countries like the United States and Singapore prosper because of the role their governments play in the economy. As such, Ghana’s government needs to play an important role for its economy to transform from a periphery to a semi-periphery nation.

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82 Porter, On Competition, 200.

CHAPTER 6

GHANA INC.

The important thing for Government is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all.


This chapter explains why Singapore’s model is adequate when applied to Ghana, and proposes policy changes with regard to Ghana strategy, structure and context.

In contrast to Singapore, Ghana, also a former British colony who gained independence in March 1957 with a per capita GDP of $400.00,\(^{84}\) has failed to achieve sustained economic growth despite the West African country’s endowments. By 1990, Ghana with a population of 14.63 million attained a per capita GDP of US$402.00,\(^ {85}\) 33 years after independence. Currently, Ghana has a per capita GDP of US$4,100.00 with a population of over 26 million people.\(^ {86}\) Ghana’s abysmal economic growth despite its endowments is a strong indication that national endowments do not create economic prosperity. To that end, Singapore’s model fits Ghana’s economic aspirations because Singapore achieved economic growth despite the Asian country’s lack of endowments.

Critics may however argue that Ghana’s inability to attain economic prosperity is an effect of a series of coup d’états the West African country endured. This argument seems valid

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because coup d’états destabilize security and disrupt economic activity. Nevertheless, the argument is not sound because it does not explain the periods of laudable economic performance from 1992-2016, which have been stable. To be clear, Ghana’s economy has achieved some notable progress since 1992, but has also seen a reversal in economic fortunes during this same period. Hence, the argument attributing meager economic performance to coup d’états is weak. Without doubt, Singapore’s emergence from a periphery to a high-income status country is a remarkable success story worth examining and applying to Ghana’s efforts toward achieving economic prosperity and alleviating poverty.

Undoubtedly, Singapore’s framework is the most comprehensive panacea for Ghana’s economic development because the three elements of the model—strategy, an effective organizational structure and cognizance of context, address the major problems facing Ghana’s economy.

First, a clearly defined competitive strategy that enhances the ease of doing business, provides tax cuts to investors, and invests in education that leads to high-skilled wages will raise Ghana’s low competitive ranking. In addition, a clearly defined strategy that enables government officials to purposely channel resources into areas of the economy that yield economic returns will solve the issue of resource mismanagement and abuse.

Second, an effective organizational structure will help alleviate the issue of corruption in Ghana’s government. Like Singapore, Ghana can create an effective organizational structure by attracting, and retaining experienced, bright individuals at home, and the diaspora through high civil service paying jobs. In addition, linking compensation packages of senior government officials to the country’s economic performance will promote the reactiveness of government officials to address changes in a dynamic and globalized world. Linking economic performance
with a long-term compensation package for senior government executives will encourage
officials to take long-term decisions that are necessary for economic growth but are unpopular.

Third, Ghana’s context is volatile, and government officials must be cognizant not to
over rely on revenues generated from the sale of commodities. The market prices of Ghana’s
commodities are unstable due to the dynamic effects of the global economy. As a result, Ghana’s
government should focus on creating new competitive advantages uniquely suited for its context
like organizing its informal sector, securing capital for its women entrepreneurs, and investing in
home grown technologies.

Next, the thesis offers policy changes and additions that will enable Ghana achieve
sustained economic growth based on the comprehensiveness of strategy, an effective
organizational structure and context.

With regard to strategy:
(a) formulate an agri-business and processing competitive strategy to contend for resources in the
global economy,
(b) create a mandatory savings program based on income,
(c) encourage the use of solar energy as an alternative to hydro-electric power by providing tax-
cuts to solar companies operating in Ghana,
(d) provide adequate funding to institutions that train information, communication and
technology professionals,
(e) offer tax exemptions on a renegotiable period of time to investors whose companies base
production in Ghana, and are focused on transforming the country’s raw materials into finished
products,
(f) Incentivize manufacturing companies like the Kantanka Group, who focus on producing suitable products for Africa’s context,

(g) organize Ghana’s informal sector and secure investment capital to women entrepreneurs,

(h) revamp Ghanaian polytechnics to world standards in an effort to provide vocational and technical skills that lead to high wages, and

(i) educate women entrepreneurs involved in Ghana’s informal sector on entrepreneurship, small business management, and internet-use to market and sell their products to an international market.

    With regard to structure:

(a) establish an independent national standards review board to assess the productivity levels of every aspect of the government, and offer proposals for improvement,

(b) make it a requirement for all aspiring parliamentarians and senior government officials to first serve for a period of time at the district assembly level and attain a certain level of success before aspiring for higher office,

(c) strictly democratize the appointment of district chief executives,

(d) strengthen the district assemblies with adequate resources to take on important policy formulation and implementation initiatives from the central government,

(e) attract and retain the most qualified candidates for senior government positions with good pay packages, and

(f) offer senior government officials long-term compensation packages based on the country’s long-term economic performance.

    With regard to context:
(a) create an open and transparent government by working with international organizations to pass the Right to Information Bill,

(b) maintain English as the official language,

(c) build strong bilateral and trade relations with the United States, India and China,

(d) build a sophisticated security apparatus to deter terrorism in West Africa from spreading to Ghana.

Undoubtedly, Ghana, like Singapore can achieve economic prosperity with a government-led competitive strategy, and an effective organizational structure, which proactively addresses changes in the country’s context. If Singapore achieved its economic feat without endowments, Ghana can do the same given its endowments. A shift towards the proposed policies will also increase Ghana’s competitiveness in the global economy, and attract foreign direct investors, technology and open up new markets for trade.
CHAPTER 7
CONCLUSION

By and large, this thesis has identified and discussed the complex problems restraining Ghana’s economic development. The main internal problems were identified as misguided leadership and economic mismanagement, systemic corruption, unsound budget deficits, and a lack of competitiveness in the global economy. The external problem is mainly attributed to globalization and a dynamic global economy influenced by major economies. Chapter 3 concluded that although *Why Nations Fail* and *Africa Unchained* make seminal contributions to Ghana’s development, the solutions put forward are inadequate for economic growth. In addition, the thesis argued that Singapore’s economic success was based on government-led strategy, and an effective organizational structure able to address challenges in a dynamic context. Despite the criticism of limited-government, Singapore and the United States demonstrate that governments have an important role to play in the economy by helping create national wealth. Finally, the thesis argues that Singapore’s model is a comprehensive solution for Ghana’s development because the framework addresses issues of corruption, low competitiveness, economic mismanagement, and budget deficits, as well as, incentivizing government officials to be proactive in responding to changes in the global economy. Consequently, resolving Ghana’s problems will enable the West African country to contend for technology, skills and capital in the global economy to achieve more growth.
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