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by

ELLIOT J. BERG

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STRUCTURAL TRANSFORMATION VERSUS GRADUALISM: RECENT ECONOMIC DEVELOPMENT IN GHANA AND THE IVORY COAST

Elliot J. Berg

Even if Nkrumah had not launched his famous challenge to Houphouet-Boigny in 1957, the temptation to compare economic performance in the Ivory Coast and Ghana during the past decade would be irresistible. When two neighboring countries are so similar in social structure, stage of development, and general environmental conditions and opt for markedly different development strategies with very different results, they invite comparison.

The recent economic experience of these two countries has particular interest inasmuch as it raises in clear form certain central issues of general development strategy. Most prescriptions for development policy tend toward one of two polar strategies. One can be called "structural transformation," the other "gradualism." The transformationists tend to emphasize industrial development more than agriculture. Within agriculture they emphasize capital-intensive, often large-scale schemes aimed at fundamentally changing the technology and organization of peasant life. They see little hope in the export sector as an engine of growth and emphasize reduction of dependence on the outside world. Distrust of the market mechanism, a large role for the state in mobilizing and managing resources, and a low tolerance for inequalities in income distribution tend to be typical of their world view.

The gradualists tend toward the opposite position in all these respects. They emphasize outward-looking growth and the potentials of the export sector, focus on peasant agriculture, the importance of individual incentives and the use of the market. They are more kindly disposed toward private capital, both foreign and domestic, and give a smaller role to the state in the development process. They are rather more concerned with efficiency and growth than with equity in income distribution.

This classification, of course, involves some oversimplification. Few writers are unalloyed transformationists or gradualists, and few countries pursue wholly consistent sets of policies of one or the other polar types. What makes Ghana and the Ivory Coast so nice a comparison is that the recent development strategies of the two countries fall so much into the two categories—Ghana's economic policies under Nkrumah being very much transformationist in orientation, the Ivory Coast's being very much gradualist. In Nkrumah's Ghana, at least after 1960, priority was given to import-substituting industrialization, capital-intensive, state-managed agricultural development, the reduction of external dependence, and the Ghanaianization of the economy. Socialism was proclaimed to be the guiding ideology, and the public sector was given the leading role in economic expansion. The Ivory Coast, on the other hand, has had policies focused on the development of agriculture, with much attention to peasant agriculture and the export sector has been regarded as the main source of growth. Policies of fiscal orthodoxy have prevailed, and the role of the state has been restrained. The Ivory Coast has kept and even intensified its ties with France and its dependence on foreign capital and skill.

There is not much question about the relative economic performance of the two countries during the recent past. From 1960 through 1965 gross output probably rose by six to seven percent a year in real terms in the Ivory Coast, while it rose by two to three percent in Ghana. Output per capita was about the same in Ghana at the beginning of 1966 as it had been in 1960, while it had risen by some four percent a year in the Ivory Coast. The Ivory Coast remained in internal and external equilibrium during these years; internal prices rose by about three percent a year; consumer prices were some seventeen percent higher in 1966 than they had been in 1960. Export earnings nearly doubled between 1960 and 1965, and the Ivory Coast enjoyed an easy balance of payments position throughout. In Ghana, consumer prices in the beginning of 1966 were seventy-five percent higher than in 1960, and this understates the extent of inflation since, among other reasons, most goods were unobtainable at any price. From 1961 on, there were foreign exchange shortages and exchange controls, with the extent of external imbalance growing larger over the period; by the beginning of 1966 the manufacturing, agricultural, and transport sectors of the economy were operating well below capacity because of scarcities of imported inputs. In the industrial sector, manufacturing value added in the Ivory Coast grew by over twenty percent annually between 1960 and 1965, a faster rate than in Ghana. Nonagricultural recorded employment grew between 1960 and 1967 at a compound rate of over seven percent annually in the Ivory Coast, more than twice as fast as in Ghana between 1960 and 1965.

By all the obvious measures, therefore, the Ivory Coast has been one of the truly star performers in the less-developed world, and Ghana one of the really catastrophic failures. A simple-minded observer looking at the numbers might be led to conclude that there was something wrong with the general strategy or particular policies pursued in Ghana under Nkrumah, and something very sound in Ivory Coast policies. So homely a conclusion seems to be unacceptable to many writers, however. This is no surprise, for the ideological stakes are very high. Writers of a structural transformationist persuasion, in particular, feel compelled to explain the Ghanaian failure without at the same time compromising the general validity of the transformationist diagnosis and strategy of development. The Ivory Coast performance also requires some explaining, since on the surface at least it appears to be an overwhelming validation of gradualist ideas.

This explains the peculiar tenor of much that has been written about the Ivory Coast and Ghana experiences. One finds in the two or three main published pieces a number of propositions:

It has been argued that different public policies had relatively little to do with the divergent performance of the two countries. This is the thrust of a recent article by Eshag and Richards.[1] These writers conclude that the fall in cocoa prices after 1958, the greater importance of cocoa in Ghana's economy and a tax structure which made public revenues peculiarly dependent on cocoa prices, are the major factors explaining Ghana's poor performance and the different rates of growth in the two countries.[2]

1. E. Eshag and J. Richards, "A Comparison of Economic Developments in Ghana and the Ivory Coast since 1960," *Bulletin of the Oxford University Institute of Statistics* (December 1967), pp. 353–71.

2. This is the general tone of their article. Their language is guarded throughout: "It may be argued with some justification, that what initiated the divergence in the paths of economic development of Ghana and the Ivory Coast was the difference in the impact of changes in external demand, notably the fall in the cocoa price, on their economies. Given the important differences in the pattern of production and export of the two countries and their dissimilar structures of taxation, over which neither of the two Governments had control at the time of independence, and given the developments in export prices, which were similarly beyond their control, the Ivory Coast could not but enjoy more favorable conditions for growth and stability than Ghana" [ibid., p. 356].

"This argument, although valid in itself, is rather incomplete. The unfavorable course of external demand for Ghanaian exports could reasonably account for the slowing down of the rate of growth of production and income in that country. But it cannot *fully* account for the economic and political instability. . . . For this the Gov-

In the opinion of a number of commentators, the Ghanaian strategy between 1960 and 1966 was essentially correct, though its execution was bad and certain "errors" were made. Reginald Green, for example, mentions in an earlier version of his contribution to this volume, "gross underestimation of the time span between fixed investment and GDP growth, . . . overdependence on supplier credit, . . . overestimation of GDP growth in the early years of the plan," the wrong assumption that civil servants understood and had accepted the need for discipline, and excessive negativism in the economic civil service.[3] As areas of "ineffective or irrational implementation," he mentions, "disastrous agricultural policy and programming," poorly coordinated industrialization, inefficient capital and manpower allocation, unsound external finance, loss of financial control, misuse of funds, and incompetence.[4] He, nonetheless, apparently does not believe that these were fundamental, for he states that "Ghana's deteriorating performance and to a significant extent the 'unsoundness' of her 1961–1965 international economic and financial policy stemmed directly from world market conditions for her exports" [ibid., p. 4], and elsewhere states that despite some weaknesses in the Ghanaian strategy, "these would not have been fatal if either the export proceeds had remained buoyant or implementation had been less woefully inept in critical areas" [ibid., p. 6].

There is a systematic pooh-poohing of the Ivory Coast achievement and a downgrading of the role of sound policy in accounting for that achievement. Thus the Eshag-Richards article and the Green paper contain oblique statements, generally without specific evidence, that after all, Ivory Coast policies have not been all that much better than were Ghanaian policies. Eshag and Richards, for example, in discussing capital expenditures, say that "information on capital investments is rather incomplete in both countries, but particularly in the Ivory Coast" ["A Comparison," p. 366]. So they say nothing further about Ivory Coast investment programs ex-

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ernment's economic policy, in particular its budgetary measures, must be held largely responsible. The main criticism of government policy in Ghana concerns the rapid expansion of public outlay in a period of deteriorating terms of trade and of stagnating production" [ibid., p. 371].

What this seems to say is that external factors beyond Ghana's control largely explain its poor growth performance, while government policy partly accounts for the economic and political instability of the 1960s.

3. R. H. Green, "Ghana and the Ivory Coast, 1957–1967: Reflections on Economic Strategy, Structure, Implementation and Necessity," paper presented to 1967 meeting of African Studies Association, pp. 29–30.

4. Ibid., p. 40.

cept to comment in passing that "as in Ghana, part of this expenditure could not be justified on rational social and economic grounds" [ibid., p. 372], leaving the impression that resource misallocation was probably not on a much different scale in the two countries. Reginald Green mentions "hap-hazard industrialization" in the Ivory Coast ("Ghana and the Ivory Coast," p. 33), but his criticisms (ibid., p. 32) turn out to be directed at the Ivory Coast strategy itself, on the a-priori grounds that growth based on exports and foreign capital inflow cannot last but a few years more, so that "rapid strategy alterations are needed" in the Ivory Coast (ibid., p. 41).

A related common attitude toward the Ivory Coast is rather more amusing: this is the view that it was easy to do what has been done in the Ivory Coast. Thus, Green says: "Export centered, neo-laissez faire, substantially foreign financed, and dominantly foreign technically staffed and managed economic growth is certainly the simplest for a government to oversee. If fiscal orthodoxy and pragmatic caution are added the likelihood is that what is attempted will be largely accomplished but that a good deal less than what would have been possible will be attempted" [ibid., p. 32]. The tone of the Eshag-Richards article is that the robustness of the Ivory Coast economy is due to the fact that government in the Ivory Coast did not have to do all the unpleasant things that the Ghanaian government was forced to do, such as impose higher taxes and exchange controls. Samir Amin, in a recent volume on the Ivory Coast, asserts that the Ivory Coast "miracle" is not really so miraculous; other countries in Africa did the same in the past (he cites the ex–Belgian Congo, Ghana, and Nigeria), and seems to attribute it to the existence of unused land.[5] Green takes a similar position. The biggest difference between the Ivory Coast and Ghana, he argues, was that the Ivory Coast has unused land and underutilized labor, as well as assured high-price markets for its output in France, while none of this was so for Ghana by 1957. The Ivory Coast in 1957 was in these crucial respects more like the Ghana of 1900 than the Ghana of 1957.[6]

A slightly different "explanation" of differences, related to all of the above, is much simpler; it has all been a matter of "luck." The Ivory Coast has been in good export crops, while Ghana was in a bad one.[7]

5. Samir Amin, *Le développement du capitalisme en Côte d'Ivoire* (Paris: Les Editions de Minuit, 1967).

6. Green, "Ghana and the Ivory Coast," pp. 9–10.

7. See, for a crisp expression of this widely held view, "The Ivory Coast Picture," *West Africa* (14 December 1968), pp. 1480–82.

Finally, there is in much of the writing about the Ivory Coast a strong emphasis on what are regarded as the "unhealthy" aspects of Ivory Coast growth; continued and even deepening dependence on the outside world for capital and skill, inadequate attention to manpower development and an unequal distribution of income. Samir Amin even concludes his book by stating that the Ivory Coast is really a case of "growth without development," apparently because the proportion of "urban income" going to foreigners has not changed over a decade or more of rapid growth.

Not all of these propositions can be appraised in this chapter, though some of them will be specifically considered, and I hope to show that most of them are wrong, irrelevant, or unconvincing. The main point argued here is that Ghana's failure is the failure of a development strategy, the structural transformation strategy, while the Ivory Coast success is genuine and confirms the appropriateness of a gradualist strategy for small countries at early stages of development.

WHAT HAPPENED IN GHANA?

THE DIMENSIONS OF ECONOMIC FAILURE

The impact of the Nkrumah years on Ghana's economic development was little short of catastrophic. Only some aspects of the catastrophe can be considered here.

The rate of growth of aggregate real output first slowed down, then fell to less than one percent in 1965, as can be seen in table 1.

TABLE 1
GHANA GROSS NATIONAL PRODUCT, 1957–66

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
GNP, millions of G£										
current prices	368	389	443	473	504	542	595	673	795	890
constant (1960) prices	392	388	443	473	488	514	528	543	547	555
Rate of increase		−1	+14	+7	+3.2	+5.3	+2.7	+2.8	+.7	+1.5

If a rate of growth of population of 2.5 percent annually is assumed (as Ghana's Central Bureau of Statistics assumes), then per capita GNP in 1965 and 1966 was about the same as it had been in 1960.[8]

8. Some observers claim that the population is increasing by as much as 3.5 percent per annum, in which case, of course, per capita growth would have been comparatively less. See J. C. Caldwell, "Population Change," in W. Birmingham, S. Neustadt, and

These figures do not look particularly shocking. But by themselves they give only the gentlest hint of Ghana's performance. To get their true meaning it is necessary to note the tremendous effort that was made during these years. Between 1960 and 1965, investment as a proportion of GNP was very high by less-developed-country standards. In 1965 it reached twenty-two percent of GNP. The result of all this "investment," however, was the meager increase in total output shown in table 1[9]. This investment effort, moreover, was by itself enough to explain growth of the order shown in the national aggregates. That is, heavy and rising budget expenditures in conjunction with public investment that was being financed through short-term contractor or supplier credits provided injections of income which, with their consequent multiplier effects, was bound to have some effect on rates of growth of GNP. This is not "real" growth in the sense of a permanent increase in the income stream or productive capacity of the economy. It is a peculiar kind of growth, inherently temporary, unless the investment expenditure in question creates additional capacity to produce.[10] Investment in Ghana during this period was not, for the most part, of this output-generating type. Although development expenditures and supplier credit financed projects continued to grow after 1963, their effects on output were slight; output growth was being restrained by other developments in the economy associated with the high level of public expenditure such as the acute balance of payments disequilibrium, with the attendant shortages of consumer goods, imported raw materials, spare parts, and farm inputs. The main point is that aggregate output rose only by some fourteen percent between 1960 and 1965, and per capita output was stagnant, and that this modest increase is explainable in large part as the short-term income rising effects of the high rate of heavy public expenditure and externally financed investment which occurred during this period.

E. N. Omaboe, eds., *A Study of Contemporary Ghana: Vol. II, Some Aspects of Social Structure* (Evanston, Ill.: Northwestern University Press, 1967), p. 109.

9. To give some idea of orders of magnitude involved, between 1960 and 1965, it can be inferred that somewhere in the neighborhood of G£ 700 million were invested in fixed capital formation. This is the sum of current price gross fixed capital formation estimates in the latest version of the national accounts, plus an estim[illegible] G£ 100 million in supplier credit financed capital investment installed during the period but not paid for (and hence not included in the budget or in the national accounts). Output in real terms (constant 1960 prices) increased by some G£ 70 million between 1960 and 1965. The capital-output ratio implicit in these figures is extraordinarily high.

10. This is a point that has been frequently stressed by Wolfgang Stolper, in informal discussions with the author.

The real income of large sections of the population, and particularly the economically relevant portion (those most fully in the money economy) declined drastically. Private consumption expenditure apparently rose by only four percent in aggregate, between 1960 and 1965, whereas population (assuming a minimal 2.5 percent annual increase) increased by 13 percent—implying a nine percent drop in average per capita real consumption during these five years. Specific income-earning groups suffered even sharper falls. Urban wage earners, for example, received little in the way of increases in wage rates; between 1958 and 1966 there was only one change in the minimum starting rate of unskilled government labor in Accra, which is the key wage rate in the wage structure; this was a rise of some five percent in 1960. Base rates then remained unchanged until 1967. Consumer prices, meanwhile, approximately doubled between 1960 and 1965. This means a day's unskilled labor brought in slightly more than half the real income in 1965 than it had yielded in 1960. Other indicators of wage changes give a rather less precipitous, but still substantial fall in real wages. The index of average earnings of African employees in the private sector (which covers employees in firms with more than ten workers, and includes only straight-time pay) shows a rise of twenty-six percent in average money earnings between 1960 and 1965, which means a fall of about thirty-three percent in general real earnings. Real incomes of cocoa farmers also fell substantially as producer prices declined throughout the period.[11] Since so many cocoa growers also grow their own foodstuffs (which make up more than half of the weight of the urban consumer price indices) the real income decline experienced by cocoa growers cannot be easily measured. That their terms of trade (ratio of unit prices paid to cocoa farmers to prices of consumer goods bought by cocoa farmers) declined by at least twenty-five percent between 1960 and 1965 seems a reasonable guess.[12]

There occurred during these years an extraordinary rapid dispersal of national liquidity and a heavy mortgaging of future income. At independence Ghana's external assets totalled over G£ 160 million, or about

11. The effective price paid to cocoa growers fell from 80s. a load in 1955–57, to 72s. in 1957–59, 60s. in 1959–61, 54s. in 1961–63, 50s. from 1963–65, and 40s. in September 1965.

12. It should be noted however, that aggregate cocoa farmer revenues were higher throughout the 1960s than they had ever been, due to larger crops. Also, the Cocoa Marketing Board cushioned the fall of prices throughout the period of declining world prices, and the farmers as a group were probably beneficiaries of transfers from the board throughout these years. The Marketing Board ran deficits in every year after 1960, these amounting to over G£ 35 million, or almost 20 percent of the total payments to cocoa farmers during the years 1960–65.

$450 million. These were largely gone by 1963, and were virtually at zero by 1965. In addition, and of much greater consequence, heavy borrowing, mainly of the relatively short-term supplier credit type, left the country in 1965 with foreign obligations of some G£ 190 million in external debts, of which G£ 150 million was the result of supplier credits. In nine years the Ghana government thus spent almost $900 million in foreign exchange. The debt service requirements which would have been required in 1966 and 1967 had there been no coup and no debt rescheduling, would have amounted to twenty-five percent of foreign exchange earnings—an unsupportable proportion. As the *Economic Survey* of 1966 notes: "It was evident that Ghana would have defaulted on her external payments."[13]

Another way to measure the achievements, or lack of achievements of the Nkrumah years is to measure them against the goals of the regime. One version of some of those goals can be found in the "Seven Year Development Plan (1963–1969)." It is hard to know what to make of this document. On the surface, it is not credible; too many of its targets are clearly impossible, the product of unfettered imagination. So the cynic's natural assumption about it is that nobody knowledgeable, either inside or outside of Ghana, took it seriously. Yet there appear to be some observers who did, in fact, take it at face value. Reginald Green, for example, in an article which was written in 1965,[14] argues that Ghana's plan reflects a correct transformationist strategy and was essentially a sound and realistic document.

> The plan is unusual. It is virtually a text of applied economic analysis and policy . . . as well as a detailed blueprint of policies, projects and their implementation.
>
> The clear expression of economic programs as a function of national aspirations is matched by a sober—if perhaps optimistic—calculation of what can be achieved and what are the real resource constraints on development. As a result the plan *is* a serious force both in the political drive behind its implementation and the fact that its fulfillment—at least to, say, 80% of output and 80–90% of input targets—is attainable, barring radically unfavorable foreign sector influences.[15]

In fact, many of the targets of the "Second Development Plan" were practically impossible, the policies and projects required to attain them were most sketchily indicated, and the actual decisions taken on investment

13. Ghana, Economic Survey (Accra: Government Printer, 1966), p. 26.
14. R. H. Green, "Four African Development Plans," *Journal of Modern African Studies* 3, no. 2 (August 1965) : 249–79.
15. Ibid., p. 253.

and other development expenditure had, in any event, little to do with what was in the plan. Agriculture, for example, was one of the key sectors in the plan; it was allotted G£ 68 million, or almost twenty percent of total planned public investment during the period 1963–69. One indication of the lack of connection between what the plan said and what actually happened is the fact that the state agricultural sector during the first two years of the plan spent at a rate far exceeding its allocation in the plan, and development expenditure in activities affecting private small holders was far below plan allocations.[16] With respect to output targets in the plan, those fixed for public sector agriculture turned out to be five or ten times greater than output probably attained in 1965–66. In the State Farms Corporation, only in rubber, rice, and oil palm were as much as half of the 1965 acreage targets met; for the other crops, achievement was ten to fifteen percent of the targets fixed by SFC to meet the development plan targets. And this is to say nothing of the costs involved.[17]

Reduction in "dependence" on the outside world was another objective of Ghanaian policy under Nkrumah. The concept of dependency is ambiguous; its extent is difficult to measure, and it is of limited meaning if considered apart from other factors, such as rates of growth of output or income. By some possible indicators Ghana did reduce its dependency during the Nkrumah years. The geographical concentration of its foreign trade was diminished, a larger share taking place with the communist countries.[18] Also, as a result of nationalization and public sector investment in directly productive activities, a rather larger proportion of total economic activity came under direct Ghanaian control, and less private foreign control. The trend toward Ghanaianization of personnel, which was marked before 1960, accelerated, particularly in the public sector.

These indicators of reduced dependency, however, should not be exaggerated. Ghana remained tied to its export sector and even more dependent on cocoa than before, since most of its minor exports either stagnated or diminished. Most of its exports still went to the noncommunist countries. The shift in ownership of the means of production to the state was minor;

16. See below, p. 208.

17. See H. Miracle and A. Seidman, "State Farms in Ghana" (Land Tenure Center, University of Wisconsin, 1968), for a relatively sympathetic discussion. An example related to agriculture is to be found in the cattle targets of the plan. The public sector target for beef and mutton in the plan was 4,000 tons annually by 1969–70. This implied an annual slaughter of 32,000 head of cattle, and a public sector cattle operation amounting to 150,000 head. This is approximately one-third of the total cattle population of the country in 1964, as estimated in the 1964 Agricultural Census. In 1964, the state livestock herds actually totalled under 2,000 head.

18. Cf. Green, "Ghana and the Ivory Coast," pp. 16–17.

over eighty percent of the manufacturing sector in 1965 was still in foreign private hands. Ghanaianization did not mean, nor could it mean, self-sufficiency in skills and experience; expatriates remained plentiful and continued to dominate the managerial and technical heights of the economy.[19]

Moreover, by at least two possibly meaningful indicators it can be argued that Ghana in 1965 was more dependent than she had been in 1960. First, import dependency was greater than before. In the 1963–65 period imports were roughly twenty-four percent of GDP (measured in constant prices), as against twenty-two percent in 1957–59. The composition of imports had changed, with more investment goods and raw materials and less consumer goods. But this, as Latin American experience has abundantly demonstrated, and the 1965 Ghana experience confirms, only makes the economy more vulnerable to balance of payments difficulties, since there is no longer any "fat" to be cut out of the import bill, while domestic manufacturing is heavily import-dependent.

Second, Ghana was becoming more, not less, reliant on external financing for its development expenditure. Gross domestic savings in 1957–59 exceeded gross public investment; by 1963–65 very little of gross investment was being covered by domestic resources. In the public sector, less than fifteen percent of budgeted investment expenditure in 1963–65 was financed out of government savings.

The legacy of the Nkrumah policies had been such that much of the period since the coup has been taken up with simply picking up the pieces. The rescheduling of the debt alone dominated most of the first year, and inquiry into the affairs of the state enterprises went on for longer. The general administrative disorder characterizing the last years of Nkrumah's rule could not be improved quickly; the first postcoup years showed that stronger budgetary discipline and expenditure control would not be imposed overnight.

Any calculation of the costs of Nkrumah's missteps should take these factors into account: part of the price of failure, and a substantial part, is the future growth because of the need to deal with the errors of the past. Not many new fences can be built when so many old ones must be mended.

19. In 1965 there were an estimated 800 expatriates at work in the civil service, over 500 of them teachers. Another 600 were in state enterprises. There were also some 500 technical assistance experts in the country. The secondary schools depended heavily on foreigners for their more qualified staff, most of the university graduates teaching in the secondary schools were foreigners.

WHY DID IT HAPPEN?

Measured by its objective achievements, the Ghanaian economic effort since independence and especially between 1962 and 1965, was clearly unsuccessful. About most of this there is no dispute. There are differences of opinion, however, about how to explain what happened. It was noted earlier that some commentators have stressed external factors—notably the decline in cocoa prices during the first half of the 1960s—as a central factor accounting for the evolution of the Ghanaian economy between 1960 and 1965.[20]

The decline in the price of cocoa on world markets is not altogether without relevance. Average realized prices in 1959–61 were less than eighty percent of the average price in 1954–56, and in 1962–65, only sixty-three percent. Since cocoa provides some sixty percent of Ghana's export earnings, these price movements had adverse effects on the level of export earnings and the terms of trade (the ratio of average prices per ton of exports to average price per ton of imports).[21] The problem was aggravated, as has been emphasized elsewhere, by the fact that Ghana in 1969 was not only highly dependent on cocoa export duties (which provided thirty-seven percent of total revenues), but that the revenues were highly elastic with respect to changing prices of cocoa.

The external factors made growth more difficult in the period 1960–65 than it might otherwise have been. But the impact was not very great, and they can in any event hardly be made the strategic factor in an explanation of Ghana's economic evolution. First of all, export earnings from cocoa were actually on a slightly rising trend throughout the period 1957–65; in the 1960s increases in volume balanced the declines in price. Nor did overall foreign exchange earnings decline significantly—they rather stagnated.[22]

20. Eshag and Richards, "A Comparison," pp. 4–5.

21. With 1954–56 taken as 100, Ghana's terms of trade averaged 81 in 1959–61 and 61 in 1962–65.

22. Average earnings from export of cocoa beans was G£ 67 million in 1958–60 and G£ 68 million in 1963–65. Total merchandise exports averaged G£ 112 million in 1959–60 and G£ 113 million in 1963–65. It's hard to know how Eshag and Richards could write of a "drastic decline" in export earnings after 1958 (p. 310). With respect to the trend of cocoa prices, it is worth mentioning that while prices in the 1960s were lower than in the 1950s, they were still relatively high by longer-term standards; compared with their 1948–50 level, for example, cocoa prices were relatively high in the 1960s. The overall terms of trade were better throughout the 1960s (with the exception of 1965), than they had been in the late 1940s.

Second, the behavior of exports cannot be viewed—as it so often tends to be viewed—as entirely exogenous, evolving independently of domestic policies. No country can maintain an overvalued exchange rate, price and tax policies which discourage exports, and generally neglect its export sector and then expect to perform well anyway. Ghana's policies were not so obviously antiexport sector in these respects as some other countries.[23] The export sector however had low priority, and government policies affected it adversely in a variety of ways. Government's emphasis on the state agricultural sector reduced the availability of labor in cocoa and in other lines of production, for example.[24] Allocation of import licenses seems to have given low priority to the smallholder agriculture. Cutlasses, for example, were scarce in 1964 and 1965, insecticides were in short supply, and capsidicides were completely unavailable in 1965. The general restrictions on consumer imports stimulated smuggling of cocoa and other agricultural output to neighboring countries.[25] Most significant perhaps is the neglect of minor exports and the absence of signs of any real effort in diversification of agricultural exports. In fact, government policy was a major factor explaining the reduction in timber exports.[26]

Finally, there are few countries that do not experience shifting fortunes in their external accounts, and this is true of rich as well as poor, industrial as well as agricultural countries. These changing fortunes require adaptations in economic policy, including sometimes, temporary reductions in desired rates of economic expansion. Ghana is no exception to this rule. She had access neither to the foreign exchange nor to the domestic resources to initiate the kind of development spending under-

23. The volume of cocoa exports in fact doubled over the period. But this was mainly the result of the past planting and, in the bumper year 1964–65, marvelous weather.

24. Cf. M. Miracle and A. Seidman, *Agricultural Cooperative in Ghana* (Land Tenure Center, University of Wisconsin, 1968) for comments on labor scarcity.

25. Between ten and thirty thousand tons of cocoa each year are said to have been smuggled out of Ghana during the period 1960–65.

26. In 1960 the Ghana Timber Marketing Board was created, with a monopoly in the buying and export of logs. Its operations were disastrous to the industry, resulting in failures to deliver abroad, frequent marketing breakdowns, difficulties in quality control and long-term damage to Ghana's position in the world timber market. The board was disbanded in 1962. But the industry remained very heavily taxed, and its costs were further affected by transport regulations and costs. Moreover, faced with depletion of Ghana's traditional export species, government nonetheless retained an old law prohibiting the export of a good, well-known species (Odum), despite the recommendation of the forestry technicians; the repeal of this law would have helped maintain Ghana's timber exports.

taken after 1961.[27] To say that adverse developments in the export sector "explain" the course of Ghana's economic development is therefore an extremely misleading way of looking at the problem.

It suggests a parable. Suppose that one summer a man's house burns down. He decides he will not build a new house like the old one, but a geodesic dome instead. He does not know much about geodesic domes, which turn out to be more complicated and expensive than he thought. He therefore does not finish the dome, and that winter he freezes to death for lack of shelter.

Now if a stranger were to be told upon inquiry at the funeral, that the man froze to death because his house burned down the summer before, he might think it a queer kind of answer. Yet this is in effect the answer we are given about Ghana by those who stress cocoa price and export earnings as the source of Ghana's poor performance between 1960 and 1965. Very little of what happened was due to "structural forces" beyond Ghana's control. Ghana was no more "forced" to undertake the policies she did undertake than the man in the story was "forced" to build a geodesic dome instead of a house. In the face of given resources and other environmental constraints, the Ghana government adopted a development program and economic policies which led to disaster.

The first and most general error of strategy was to attempt too much and, particularly, to throw on the state too much of the responsibility for organizing the development effort. Government economic activity and the size of the development effort increased sharply after independence. As compared with an average annual rate of increase of government expenditures of three percent in the five years preceding 1957, government expenditures more than tripled (in current prices) between 1958 and 1965 —an annual rate of increase of about seventeen percent. While all categories of expenditure reflected the growing public sector role, development expenditures rose most rapidly. Government annual capital expenditures increased from G£ 13 million to G£ 71 million during these years, or at an annual rate of about twenty-four percent. Recurrent expenditures rose more slowly—by fifteen percent annually. But as we have seen, gross domestic product was rising at an appreciably slower rate—ten percent annually in current prices. An increasing share of total national expenditure was therefore being channelled through the public sector. Public consumption expenditure as a proportion of GDP rose from eighteen percent in 1957–58 to twenty-five percent in 1965; budgeted capital invest-

27. Nor did she have information or knowledge of what specifically was to be done, but this it not the point here.

ment as a proportion of GDP increased from 3.4 percent to about 9 percent; government employees as a proportion of the recorded wage-labor force rose from about half to about three-quarters.

The true rate of expansion of public sector activity is even greater than is suggested by these figures. The budgeted expenditures exclude expenditures of statutory corporation, foreign public-aid, and—most significantly—public investment undertaken through suppliers' credits. There exists no consolidated public sector budget or complete public sector accounts for three years, and ambiguities and inconsistencies in the generally poor data make it impossible to say with any precision just what the level of public investment was during these years.[28] Taking probable levels of completed supplier-credit financed programs into account, the proportion of total gross fixed capital formation which took place in the public sector was probably between seventy to eighty percent; in 1957–58 it had been about twenty-five percent, in 1960–61, about forty-five percent.

As a result of the expansionary government role, aggregate rates of "investment" were at extremely high levels relative to most other less developed countries and relative to Ghana's past performance, despite the fact that private investment fell off. Measured in constant prices (1960), gross domestic fixed capital formation averaged twenty percent of GDP during the six year period, 1960–65, reaching almost twenty-two percent of GDP in 1965. This compares with a 1955–57 average of about sixteen percent.[29]

Government revenues also rose very substantially during these years—from G£ 60 million in 1957–58 to G£ 142 million in 1965, or an annual rate of increase of about thirteen percent. Revenues grew faster than GDP between 1957–58 and 1965, and were eighteen percent of GDP in 1965 as

28. To give some idea of the relative importance of supplier-credit-financed programs in total public-sector activity, according to informal and unofficial estimates made in Ghana the value of supplier-credit projects installed during the year 1965 amounted to some G£ 28 million, while budgeted capital expenditure was G£ 71 million.

29. Use of constant prices here reveals one of the major difficulties of analyzing the Ghanaian data for this period. If current prices are used for the same measures, quite a different picture emerges; the ratio of gross capital formation to GDP, for example, is in constant prices about the same as it was in the latter half of the 1960s (16 percent). This is due to the differential movement of prices in an inflationary open economy. Prices of consumer goods rose much more than prices of investment goods, which were mostly imported. (The import content of investment in Ghana is about 50 percent). Between the mid-1950s and 1965 consumer goods prices appear to have risen by less than 20 percent. Because of these differences, the constant price GDP data gives a more meaningful idea of the way resources were used than does the current price series.

compared to sixteen percent in 1957–58. The major increase occurred after 1962, as government sought additional revenues to match its soaring expenditures; between 1960 and 1962, the ratio of government revenues to GDP was only about fourteen percent.

This tax collecting achievement was remarkable, especially since the government at the time made fundamental changes in the structure of the tax system, reducing the importance of export duties and increasing import duties and direct taxes.[30]

Despite the strong revenue-raising effort, however, expenditures continued to increase at a faster rate, and budget deficits persisted and widened. The fiscal years 1957–58 and 1958–59 were the only years after independence in which surpluses were registered. After a small deficit in 1959–60 (G£ 6 million, or about eight percent of budgeted expenditure) the deficits rapidly became more sizeable, growing to G£ 25 million in 1960–61, or about twenty-three percent of budgeted expenditure, G£ 50 million in 1962–63 (thirty-seven percent of expenditure), and G£ 39 million in 1965 (twenty-four percent of budgeted expenditure).

Until 1965 government revenues grew rapidly enough to cover increases in current expenditure. But they could not provide the savings necessary to finance the even more rapidly growing development expenditure. Government savings fell in absolute terms from highs of G£ 20 million in 1957 and 1958 to an average of under G£ 6 million in 1960–64. (They rose to over G£ 25 million in 1965, following the introduction of new taxes.) Government savings as a proportion of government development expenditures fell from over 140 percent in 1957 and 1958 (i.e., government savings exceeded development spending), to an average of only 13 percent in the five years 1960–1965.[31]

The acceleration of development spending begun after independence clearly could not be sustained with the level of financial and physical resources at the disposal of the Ghana government. Until 1961 the government covered gaps in its financial resources by drawing on the considerable foreign assèt position it had built up in earlier years. After 1961–62, how-

30. Cf. Eshag and Richards, "A Comparison." The cocoa export duty was the biggest revenue earner in 1957–58 accounting for about 37 percent of total revenues; by 1965 it yielded only 7 percent of total revenues. Import duties brought in one-third of total revenues in 1956, as against about 25 percent in 1957–58. A sales tax introduced in 1965 fell mainly on imports, raising to 47 percent the approximate yield from import duties. Given the fact that changes of this order of importance were introduced in a short period, it is hard to see how the tax structure can be called a "structural" element, as Eshag and Richards suggest it to be.

31. In 1963 and 1964 only 6 and 9 percent of budgeted investment expenditures was covered by government savings. In 1965 it was 45 percent.

ever, this was no longer possible—the reserves were almost gone—and the main source of resources became budget deficits financed through the Central Bank. Internal debt of the government grew from G£ 39 million in 1960 to G£ 204 million in 1965. Massive deficit financing of this magnitude had relatively limited effects on domestic prices at first. Between 1957 and 1960 consumer price index rose hardly at all; between 1960 and 1963 it rose only by five percent annually. But the pace picked up in 1964 and 1965, when the annual rises were seventeen percent and forty percent, respectively. Between 1957 and 1965 the consumer price level approximately doubled, but the the major part of the increase occurred in the last two years.

The behavior of prices is clearly related to what was happening in the balance of payments. Until 1961 deficit financing had little impact on prices, in part because the deficits were not large relative to total expenditures, money supply grew relatively slowly, and real output was growing (at a rate of about five percent annually between 1958 and 1961) and, most important, because the run-down of foreign reserves allowed imports to siphon off inflationary pressures.[32] By the end of 1961 this was no longer possible and import controls were imposed, consumer imports in particular being particularly curtailed.[33]

Without external reserves, with export earnings not rising at a rate sufficient to provide foreign exchange for the investment program planned by the government and with government determined to go ahead nonetheless, it was necessary to resort to foreign lending. In part because there was a mutual lack of interest between "legitimate" foreign capitalists and the Ghanaian government (except for the Volta Project) and in part because government had few well-developed programs and projects for submission to conventional aid-giving institutions (i.e., outside of the East European countries), supplier credit arrangements became the major form of foreign borrowing. By 1965, and mostly between 1962 and 1965, credits amounting to at least G£ 150 million had been established in this way; supplier credits financed most public sector investment expenditure after 1962.

What these aggregate figures boil down to is this: in the early 1960s, when government's external assets were disappearing and export earnings were rising very slowly and foreign private investment was shrinking, the

32. Imports rose by 47 percent between 1957 and 1961, to a level of G£ 145 million. They then remained constant at an average of about G£ 126 million annually between 1962 and 1965, rising again (by 28 percent) in 1965.

33. In 1961–62 alone, external assets were drawn down by G£ 24 million.

Ghanaian government undertook a massive investment program designed to "transform" the economy. The program was financed by large and growing budget deficits and heavy foreign borrowing. In terms of real resources, government mobilized a growing share of output for its program by heavy taxation, by compression of real consumption through deficit financing, and by mortgaging future income through foreign borrowing.

The excessive size of Ghana's development program affected—one might even say predetermined—the outcome in various ways. It could not be done first of all, without shutting off the economy, without exposing it, that is to say, to permanent crisis in the balance of payments. While this is in some quarters regarded as necessary and desirable even where it is not inevitable, it creates profound difficulties, and in the Ghana case was one of the main factors in the disorganization of the economy after 1962.

While export earnings increased slowly after 1957, imports grew tremendously; they averaged forty-three percent more in 1963–65 than in the late 1950s, and at the same time, invisibles grew rapidly. The current account deficit in the balance of payments soared—from an average of G£ 12 million in the late 1950s to an average of G£ 50 million in 1963–65. As already noted, the deficit was financed mainly by run-down of foreign assets and utilization of suppliers' credits. Despite this massive foreign exchange expenditure of about $900 million in nine years (excluding private capital movements and conventional foreign aid), the balance of payments remained under steady pressure after 1961, when exchange controls were imposed. This had far-reaching consequences. It exposed a highly open and fairly complex economy to the uncertainties and inconveniences of exchange controls, particularly import licensing. Exchange controls in most less-developed countries seem to bring in their wake certain almost inescapable results: irrational allocation of import licenses, particularly the tendency to award too few licenses for raw materials and spare parts; favoring of the public as against the private sector; and the opening up of rich possibilities for corruption. All of this happened in Ghana. The economy suffered periodic scarcities of raw material inputs and spare parts, particularly in 1965. According to some observers in Ghana at the time, something like seventy percent of the total manufacturing capacity of the country was unutilized in 1965 because of lack of inputs and spares. A similar informal estimate is that in early 1966 over one-third of the trucks in the country were out of operation for the lack of parts.[34]

34. Between 1960 and 1964 the number of registered trucks actually declined from 13,500 to 13,000. New truck registration also declined, from 2,871 in 1960 to 2,209 in

Export licensing did seem to favor public sector activities, whatever their share in output in a particular sector. It appears, for example, that the state-owned portion of the manufacturing sector, which accounted for only seventeen percent of gross manufacturing output, received half the foreign exchange allocated in 1965 for raw materials and spare parts used in manufacturing.[35] This would help explain the extraordinarily high degree of unused capacity in manufacturing in 1965.

Finally, that much hanky-panky accompanied import licensing has been suggested by official inquiries conducted during the Nkrumah years.[36] Its extent was probably greater than indicated in the Abraham Report, given the high rates of profit, the extreme politicization of decision-making in general, and the limited control capacity of the government.

There is a second sense in which the size of Ghana's program was excessive; it put impossible strains on the country's limited stock of administrative and organizational capacity. It created in the civil service, demands for wholly new abilities, especially in the areas of project selection and evaluation, and the management or supervision of state productive activities. It led to extremely long lags in the completion of projects.[37] It made the tasks of coordination and control infinitely more difficult and created a general environment conducive to disorderly decision-making.

The point is simple but basic and deserves to be underscored. A large increase in the size and character of the tasks imposed on a weak administrative system does not simply mean that capacity to perform declines marginally. Rather it tends to set into motion forces that erode the whole decision-making machinery and destroy the capacity to execute and control.

Finally, the Ghana program was too big for the existing state of knowledge about the economy, where specifically it should go and how it should get there. Accumulated research on subsoil and soil resources, on crop suitability, on raw material potentials for local processing, on suitable tech-

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1964. The total of new trucks registered during this five year period was 11,000. Ghana, *Economic Survey* (Accra: Government Printer, 1964). This should be compared with the Ivory Coast, which had about the same number of new truck registrations between 1960 and 1964 (10,200), but whose total truck population was 21,600, almost twice as large as Ghana's.

35. John Esseks, "Economic Decolonization in a New State of Africa: Ghana, 1957–1966," unpublished paper. This author cited an interview with Bank of Ghana officials for this estimate.

36. Cf. Ghana, *Report of the Commission of Enquiry into Trade Malpractices in Ghana*, Abraham Commission (Accra, 1966).

37. Between the signing and completion of projects during these years, lags of four years were normal, five years common.

nologies and scale—very little of this kind of information existed. But these are precisely the kinds of information needed to generate sensible projects and programs and give any public sector development program of a directly productive kind a chance for success.

Ghana had virtually no closely studied projects for public sector execution, nor was much done to develop them. Even in the best of administrative circumstances the proportion of unstudied projects and programs in the total development effort would have risen sharply as the size of the program increased. In Ghanaian circumstances of the early 1960s, where the shelf of projects was so bare, the capacity to fill it so limited, and the degree of administrative control so tenuous, a rapid deterioration of the quality of investment as the size of the investment program increased was a near certainty.

In addition to trying too much too fast and hence creating external imbalance, overloading the state far beyond its administrative capacity and extending the range of state activity far beyond the limits of detailed knowledge of what was to be done, there were specific errors related to priorities. Industry was given too much emphasis, and agricultural policy centered too much on large scale, state-run schemes. This contributed to misallocation of resources on a massive scale.

The government's determination to push industrial development and to do so through the public sector is symbolized by the share of total investment allocated to industrial development in the "Seven Year Development Plan." Out of a total planned investment of G£ 475 million between 1963–64 and 1969–70, twenty-three percent was given to industry and mining, mostly to industry.[38] Even more to the point is the behavior of actual budgeted expenditures. In the 1950s government development energies were oriented toward provision of infrastructure and social services. In 1957–58, for example, roughly forty percent of central government development expenditure was devoted to the transport and communications sectors. After 1962 these accounted for only about fifteen percent of the total. The biggest increases took place in industry and agriculture, and in both sectors it was direct participation in production that was mainly involved. Development expenditure on industry and mining was about six percent of total development spending in 1957–59, and close to twenty percent in 1963–65; this, it should be recalled, is exclusive of the externally financed portion of supplier credit projects.

A book could (and should) be written about the industrial development

38. Ghana, *Seven Year Plan*, p. 34.

effort. It is enough to note here that a considerable share of the total resources spent on industrial development resulted in white elephants of an unhappily pure type, and much of the rest was of doubtful viability. The outstanding examples of white elephants are the well-known cocoa silos, which probably cost G£ 10 million, and the cocoa processing mills (at Tema and Takoradi) of the state Cocoa Products Corporation (another G£ 10 million) cannot yield a net return over cost or even net gain in foreign exchange, except under exceptional and unlikely conditions in the world cocoa market.[39]

There is not enough information available to determine what proportion of the total industrial investment made between 1960 and 1965 has the potential to produce a reasonable rate of return. There are enough examples of doubtfully viable projects to suggest, however, that it is not high.[40] It is probable that something in the neighborhood of G£ 50 million was put into industrial investments which will either be shut down, operate with subsidies for long periods, or show very small rates of return, even were the most charitable shadow prices put on inputs and foreign exchange.

39. The profitability of processing cocoa depends on finding markets for cocoa butter and the relative prices of cocoa beans, cocoa butter, and (to a lesser extent) cocoa cake. In neither respect is there much hope for the Ghana industry World supply of cocoa butter is abundant so marketing prospects are not bright. But more important, the price relationships between beans and butter would have to evolve in a most unlikely way for the substitution of butter for bean exports to be profitable. A quick example should make this clear.

A ton of cocoa beans is processed into approximately 40 percent butter, 40 percent cake, and 20 percent waste. The average price ratio between beans and butter has been about 1:2.4 in recent years. If this ratio falls to about 1:2.2 it does not pay to export butter; the value of the processed product is less than the value of the raw beans. Now the bean-butter price ratio is particularly sensitive to the price of beans; at a low bean price it is relatively high, since processing costs are a greater proportion of total costs. Even with bean prices at low levels, as in the early 1960s, the bean-butter price ratio was unfavorable to Ghana; in 1963–65, Ghana cocoa butter sold at a price giving a ratio below or near the 1:2 2 level. Ghana would have been better off in terms of export earnings and value of output if during these years the beans had been exported unprocessed. Since cocoa prices have been rising, the bean-butter price ratio has become increasingly unfavorable to cocoa processing.

These unfavorable conditions would create difficulties even if Ghana's plants were low-cost and well managed. In fact, the average capital cost per ton of capacity in the two recently built plants is more than ten times greater than the plant of the preexisting West African Mills, Ltd.; and their management does not seem distinguished. Yet the West African Mill has required heavy government subsidies and operated much below capacity in most years before 1962.

40. Some of these are a pharmaceutical plan (G£ 7 million), a tannery (G£ 1.5 million), a dry dock (perhaps G£ 7 million), a good storage scheme (perhaps G£ 3 million), assorted food processing and construction materials, plants (marble, furniture, boatyard, glass, and other unprofitable and problem-ridden industries) representing an undetermined investment.

Similar and even more costly policy errors and misallocation of resources occurred in the agricultural sector. The smallholder sector was ignored, harassed, disfavored in agricultural policy, while the state farming sector was given (or took) an increasingly large role in the effort to expand and diversify agricultural output. According to the plan the private farming sector which was responsible for virtually all agricultural output, was to receive some attention. Out of a total planned agricultural investment of G£ 68 million for 1963–64 to 1969–70, almost half (G£ 32 million) was to be spent "on central services and other activities on behalf of the private farmer" [Seven Year Plan, p. 75]. By 1965, however, it was clear that the actual allocation of expenditure would be very different than what was in the plan. It appears from the budget, for example, that services for private farmers were being expanded very slowly, far slower than the rate implied in the plan; by the end of 1965 only G£ 2 million had been spent on these services, out of the G£ 32 million allotted for the whole plan period. The State Farms Corporation, meanwhile, had spent during the first two years of the plan G£ 7.5 million, or most of its total seven-year-plan allotment of G£ 9.2 million. The Workers' Brigade was allotted G£ 4.5 million in the plan, but had managed to get G£ 3.3 million by 1965. The United Ghana Farmers Cooperative was allotted G£ 2.9 million; its actual allotment in the budget is not known, but it is known that the UGFC had contracted for more than G£ 5 million in supplier credits up to 1965. The State Fisheries Corporation spent in the first two years, G£ 2.6 million, while its total allocation in the plan for seven years had been G£ 3.6 million.

While the state farming sector got most of the money, it produced very little in the way of output. As indicated earlier, the State Farms made derisory progress toward meeting most of the output targets set for it in the plan. The Workers' Brigade apparently did not do much better.[41] Though their time was short, there was very little in their performance to indicate much potential for improvement. Both organizations fell prey to the policy pitfalls so common in state agricultural efforts. They could not resist fancy machinery, and so imported (mainly under supplier credits) a consider-

41. For example, the public-sector output target in the plan for 1966–67 was 41,000 tons for maize, 14,000 tons for rice, 48,000 tons for yams, and 21,000 tons for plantains. Actual outputs in 1965 of the State Farm Corporation were 800 tons of maize, 1,200 tons of rice, 800 tons of yams, and 400 tons of plantain. The Workers' Brigade claimed to have produced in 1965, 2,000 tons of maize, 1,000 tons of yams, and 3,000 tons of plantains. These figures may be imaginary, but even if not, they still mean that virtually no progress had been made toward meeting public-sector food crop targets in the plan.

able number of tractors and other equipment. Nor could they resist political pressures to employ workers who had friends in the right places. As a result, their payrolls soared. These factors, combined with a host of particular technical problems, and the scarcity of good management, meant that the state farming experiences with the possible exception of tree crop plantations, were largely a waste of money and manpower.

At the same time that resources were going to the state farming sector the private farmer was neglected or discouraged. The extension service, never particularly strong, languished. Credit facilities were made available through the UGFC, and the politicized allocation of credit undoubtedly caused grievances in some farming quarters. Difficulties and scarcity of truck transport created problems. The disappearance of imported consumer goods reduced farmer incentives to market output. There was apparently some reallocation of farm labor to state farming operations, which paid better than the traditional farming sector.

Cocoa farmers saw the subsidies on sprayers and insecticides diminish to nearly nothing in 1965. They also had to deal with the UGFC buying monopoly, which apparently had especially wide effects in creating grievances.[42] Encouragement (subsidy) for replanting in cocoa ceased.

These policies go a long way toward explaining the failure of Ghana's agriculture during these years. Food output lagged; this is the general view in Ghana, and tends to be confirmed by the fact that locally produced foodstuff prices rose faster than any other component of the consumer price index. By 1965 local food prices had risen 100 percent as compared to 1960; in 1965 alone the rise was 13 percent.

The true reasons for Ghana's poor performance under Nkrumah, then, are that the wrong policies were adopted, which is to say the wrong strategy, since the policies involved are for the most part an inherent part of a transformationist strategy. The analysis could stop here. Or it could be pushed a step further, and the question raised: why were these unsuitable policies and programs adopted? One could, after all, conclude that it was wicked or incompetent men, not policies, that led Ghana down the primrose path. In my view, this would be an incorrect conclusion. It was not Nkrumah's vanity or folly that was Ghana's sorrow. It was rather a matter of wrong ideas about how to develop a small, open, plural economy at a relatively early phase of its evolution, and in particular a lack of understanding of the kinds of constraints that are imposed on development strategies by size, politics, administrative capacity, and many other factors. I will

42. Cf. Miracle and A. Seidman, *Agricultural Cooperatives and Quasi-Cooperatives in Ghana, 1951–1965* (Land Tenure Center, University of Wisconsin), pp. 35–36.

focus here only on one of these constraints—the administrative, partly because Ghana provides such a storybook case of a general phenomenon in this area.

Given a short-handed, competent, and professionalized civil service on the one hand, and a political leadership anxious to push development faster on the other, certain inevitable problems can be anticipated in any less developed country. The technicians and civil servants tend to take a long time studying proposals, and to be unenthusiastic about most of them on technical or economic grounds—as they normally have good reason to be. For this reason, and perhaps also because of the incompetence of existing administrative agencies, political leadership responds by administrative short-cuts, and by setting up new and hopefully more responsive administrative units. One result is that administrative coordination, never very well developed to begin with, becomes immensely more difficult. Procedures for decision-making take on an increasingly ad hoc character. Available trained and experienced people are spread over more administrative units, increasing the need for coordination while the capacity to coordinate declines. The incentive to coordinate also declines. When the system loosens to the point where ministries and a large variety of state corporations and agencies are able to make budget and foreign aid commitments without much screening and control at the center, everything goes up for grabs. Any ministry which doesn't do as its less finicky public sector counterparts are doing will fall behind in budget allocations, in personnel, in status. Under the worst assumption about motivation, there are pockets to be lined by these activities. Under more benign assumptions, each minister or statutory corporation head identifies his task with the forward progress and welfare of the country.

Along with a proliferation of agencies, administrative shortcutting, the decline of coordination and communication within the public sector, and a growing disorderliness of decision-making there occurs a deterioration of budget capacity and expenditure control. Many of the new functions and programs of administrative units have not been properly budgeted for; there are new activities for which the usual "incremental" type budget submissions are inadequate. The ministries and other agencies do not in fact know how much new programs will cost. Many often guess wrong. If as in the French and British tradition the Ministry of Finance keeps a tight rein, there will be gross confusion at the operating level and little will get done. In response to pressure for action, the Finance Ministry tends to relax its control, and the operating ministries are free to run. The loss of control at the center is aggravated when statutory bodies and ministries are given authority to make aid agreements, credit commitments, and technical assistance arrangements. At this stage the treasury is presented with faits accomplis.

In these dynamics of administrative breakdown, outside forces come to play a crucial role, in particular the promoters, wheeler-dealers and machinery salesmen who offer "supplier credits," and for whom the most appropriate name is "carpetbaggers." These are usually peculiarly gifted men, highly resourceful, unscrupulous, persuasive. When necessary, they grease local palms. Often it is not necessary. They point to the development plan and tell the local people: "We can do that for you, and finance it as well." The economic or technical suitability of the projects they peddle is not their concern.

Now if the local administrative structures were such that these proposals could be carefully and properly evaluated, the damage from supplier credit deals might be limited. But in fact few less-developed-country administrations are capable of this kind of screening. Weakly staffed, uncoordinated, short of well-prepared projects, and unwilling or unable to go through the hard, often long work necessary to get conventional financing, most responsible officials leap at the chance to get something through supplier credit arrangements. Each proposal gathers powerful allies as it matures, until, having reached a certain stage it becomes terribly hard to stop, even when the planning organization or the treasury tries to stop it.

All of this means that any substantial development effort anywhere in the less-developed world runs the risk of falling out of control, and this is especially likely when the ideological focus underlying the effort is strongly disposed toward industrial development, for then almost any proposal of an industrial type falls on receptive ears.

Ghana's experience fits nicely into this general schema. One of the symptoms of the kinds of conflict just outlined was administrative proliferation. By 1965 Ghana was an administrative jungle. There were thirty-one ministries. Statutory corporations were scattered all over the place. It is not certain that at any one time anyone knew just how many there were. Key operating ministries were cut up periodically, their functions divided, then shuttled back and forth. Agriculture was the best example; between the old ministry, tne State Farms Corporation, the United Ghana Farmers Council, the Agricultural Wing of the Workers' Brigade, and twenty-five other agencies, lines of authority were hopelessly tangled, coordination inexistent, and personal access to political figures more important in decisions than technical or economic issues.

Now the absorption of these new administrative units and the coordination of all the new functions of the public sector would have been a Herculean job even if there were lots of trained people available, little politicization of decision-making and firmly established institutions for making considered economic decisions. But though Ghana was much better endowed with manpower and with a good civil-service tradition than most African countries, these demands were too heavy. Nor were there in fact that many trained people to be called upon. To take the example of agriculture again, the total output of post-secondary-level professionals in agriculture was twenty people in 1960; throughout 1960 65 the total outflow of graduates with agriculturally-oriented training was in the neighborhood of 100. Yet of a total of 287 approved professional posts (agronomists, engineers, economists, etc.) in public-sector agriculture in 1965, only 67 were filled: and even more striking, 900 out of 1.500 subprofessional posts were empty.[43]

That the administrative machinery in Ghana could not absorb a massive increase in state activity should have been evident to anyone who spent any time in the country. The history of pre-1962 planning exercises, for example, was not reassuring. As early as the 1957–58 "Consolidation Plan" the difficulties of holding to any rationally considered expenditure plans became apparent.[44] Evidence of the buoyant spending propensities of the ministries and the limited control at the center became much clearer during the "Second Development Plan" (1959–64). Planned expenditures were set at G£ 26 million annually. By 1961, actual expenditures reached G£ 43 million, and the direction of expenditure bore little relation to the plan.[45]

Even more ominous and obvious was the evidence of looser budgeting. Supplementary estimates, indicating inadequacies in expenditure plans at

43. Ghana, Ministry of Agriculture, *Training Schools for Staff, Workers and Farmers* (1965).

44. The 1957–58 Consolidation Plan, for example, allocated G£ 500,000 for air transport and G£ 600,000 for water transport between 1959 and 1961; actual expenditures were about five times as much—G£ 3.9 million for air and G£ 3.1 million for water. (D. Scott, "Growth and Crisis: Economic Policy in Ghana, 1946–65," Ph.D. Dissertation, Harvard University, 1967, p. 88).

45. Ibid., p. 92. The transport and communications sector investment, for example, was set in the plan at G£ 29 million for five years. In less than two years G£ 39 million had been spent. The plan had G£ 1 million in it for ships, 0.5 million for aircraft; 3.5 for airport improvement. Actual investments committed (including supplier credits) were G£ 7.5 million in the first year of the plan (1959-60) and G£ 17 million in the second year. Only a few months after the plan was issued (in January 1960) a supplier credit arrangement was signed for purchase of eight merchant ships at a cost of G£ 7 million against a plan allocation of G£ 1 million.

the ministerial level, became increasingly important. In 1961–62 and again in 1963–64 budgetary affairs became sufficiently muddled that it was necessary to extend the fiscal year. The supplementary votes became a bigger proportion of total spending—about twenty percent in 1961–62 and 1962–63. Development expenditure supplementaries in 1959–60 and 1960–61 were fifty percent of those years' development budgets.

All of these were straws in the wind, strongly suggesting that budgeting procedures were weakening, expenditure controls loosening, with ad hoc commitments becoming more frequent. And all this was before the big push of the transformationist "Seven Year Plan of 1963–64."

In truth, it seems that after 1962 the lid had come off. Even such screening and evaluation procedures such as had existed, withered. Coordination between ministries and within the public sector virtually disappeared. Some of the indications of these developments have already been mentioned—notably the heavy overspending of the state agricultural sector. But they were not alone. Education, which is almost always a runaway ministry, was overspending at a rate of about thirty percent on capital budget, and had hopelessly underestimated recurrent costs.[46] The Ministry of Industries had in two years probably surpassed the seven year total of G£ 109 million allotted in the plan for industry and mining.

The loss of control over economic decisions, in combination with the presence of supplier-credit peddlers and an ideological receptivity in government to any kind of industrial project or any project which might reduce dependence, explain why so many wasteful investment decisions were made during these years. These decisions were almost all made without proper analysis or evaluation, and in many cases with no evaluation at all.[47]

By 1965 there was clearly an accelerating rate of deterioration in administrative control, and an increased degree of disorderliness in decision-making.[48] The pressure of supplier credit salesmen and other promoters

46. The plan said recurrent education costs would rise to about G£ 33 million (in 1962 prices) by 1970 from their 1963 level of G£ 15 million. They hit G£ 28 million by 1965. (Since teachers' salaries, the biggest element of recurrent costs, had not risen except for incremental increases, the rise in 1962 prices was probably not much different from the current price increase.)

47. It is common knowledge in Ghana, for example, that the Cocoa Marketing Board and other relevant agencies never knew the details of the cocoa silo project until after it was approved. Nor is it clear that they knew about the cocoa processing factories.

48. It is not easy to give a systematic picture of how much things had fallen apart in Ghana. Some examples (culled from various issues of *West Africa*) give some of the

was growing, and the Ghanaian capacity to resist was weakening. This can be seen in the rash of irrational commitments made in 1965 and the fact that nobody in government knew exactly what commitments were being made. According to some informal estimates in Ghana there were at the end of 1965 some G£ 50 million in industrial projects which were then at a stage of near-completion. But new agreements had been approved for about G£ 40 million more, and another G£ 75 million were in the works. Very few, if any, of these new projects had been analyzed for technical or economic feasibility.

At the same time most of the state enterprises were operating in free-wheeling fashion. Accounting information was very rare; in 1966 many of the state enterprises could provide records only up to mid-1963, and those records were often unreliable. While commitments were being made at every turn, and prices rising at an accelerated rate, and while effective controls over public resources slipped, and balance of payments restraints were dislocating the economy—at this time the government insisted on submitting an even bigger budget for 1966 than the year before. Another year of Nkrumah's rule and policies might have inflicted shattering damage on the Ghanaian economy—far worse even than the years 1962–65. It may after all have been a secret recognition that the Ghana economy

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flavor of the situation. The State Farms took land by force in parts of the Eastern and Central regions. They were obliged to hire 10,000 workers after the reorganization of the agriculture ministry. Decision making was highly centralized, with enormously long delays in answering requests from the field. There was evidence that taxis used State Farms as filling stations and tractors were frequently used for shopping trips. There are even reports of individuals buying tractors with loans from the development bank, and using these as taxis. According to some officials 80 percent of the tractors were inoperable in very short periods (580 crawler tractors had been ordered from Yugoslavia and 1,500 wheeled tractors from Czechoslovakia). There were no cranes to lift abandoned tractors onto trailers, and only a few trailers were available anyway. The Asutsuare sugar scheme involved location in an area whose soils seem unsuitable for cane, and which is in any event without water. Between project recommendations from technicians (where they existed) and actual projects there was little relationship. For example, a UN-WHO team recommended a water and sewage scheme for Accra costing a maximum of G£ 6.5 million. The actual project signed with a West German firm was for G£ 9.5 million. The civil service had recommended a G£ 1.9 million road between Accra and Tema; this was changed to the G£ 4 million Accra-Tema Motorway. The Bolgatanga airport is believed to have cost G£ 6.5 million, though nobody seems to know, since it was a secret Defence Ministry Project built with Russian technicians and supplies; it has a swimming pool and lavish barracks. The tannery is located in Bolgatanga, the meat processing plant in the Volta Regime; it is unclear whether transport costs will make hides from the meat plant too expensive for profitable use.

had run the string out which led the president to Peking and a quiet life in Conakry.

THE IVORY COAST RECORD

To turn from Ghana to the Ivory Coast is, in terms of the aggregate figures on economic performance, a move into another world, a world of dazzling economic expansion. Some of the numbers are in fact staggering. In the eight years 1958–65, total GDP (including subsistence agriculture) in the Ivory Coast increased by 125 percent in money terms, or an annual rate of increase of almost fifteen percent. Monetized GDP rose even more dramatically, from 87 billion C.F.A. francs to 201 billion. These are current price figures. There are no official constant price GDP data for the Ivory Coast, so the rate of expansion of real output must be guessed at. Samir Amin, in his recent study, estimates that real output grew seven to eight percent annually between 1950 and 1960, and eleven to twelve percent between 1960 and 1965. His estimates are twice as high for the 1960–65 period at a semiofficial figure of six to seven percent.[49]

Table 2 lists a number of indicators which suggests the magnitude and character of the Ivory Coast's recent growth. They are magnificent numbers, matched by few countries in the world during the past decade. There is certainly no African country that has had growth of such speed and breadth. A few points deserve emphasis:

Growth has been largely export-propelled. Between 1958 and 1967 export earnings grew at a compound rate of eleven percent annually. Current account surpluses have allowed growth of external reserves and ease in the balance of payments.

Industrial development has also been rapid. Value added in manufacturing has grown by twenty percent a year since 1958; the volume of turnover in manufacturing has grown by about forty percent a year between 1960 and 1967. Manufacturing value added as a percentage of money GDP grew from about 6.5 percent to 9 percent between 1960 and 1965. Although part of this manufacturing growth derives from replacement of Senegal in local and neighboring markets, this is probably a minor part.

49. Amin cites a lecture given at the IBRD in 1964 by Father J. L. Fyot, *La Planification du développement en Côte d'Ivoire* (Amin, pp. 108–266). The basic problem aside from the large range of error possible in the underlying data, is the variability of prices of agricultural output, which makes the behavior of any real GDP series in an agricultural economy highly dependent on the choice of the year. Eshag and Richards (table 7) gives an estimate of about 10 percent annual growth of real GDP in the Ivory Coast between 1960 and 1965, but the origin of their deflator is not indicated.

TABLE 2

IVORY COAST ECONOMIC INDICATORS, 1958–67

	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967
GDP at market prices (billions of current C.F.A. francs)	127	...	155	173	183	208	250	248		
Money GDP (billions of current C.F.A. francs)	101	...	114	132	136	163	204	201		
Per capita	28,000	...	30,000	35,000	34,000	40,000	48,000	46,000		
Exports (billions of current C.F.A. francs)	32	35	39	47	48	57	75	74	77	80
Gross fixed capital formation										
Private	5.7	...	9.9	14.1	15.5	19.0	24.2	25.8	23.0	
Public	5.2	...	10.3	11.5	11.2	11.3	18.2	18.1	17.0	
Gross investment as percent of GDP	11.3	...	13.9	16.8	11.9	15.6	19.3	17.5		
Gross investment as percent of money GDP	14.3	...	19.1	21.9	16.0	20.0	23.9	21.6		
Gross domestic savings total	24.5	...	30.3	31.4	27.5	44.5	63.1	54.3		
Percent of GDP	21.8	...	19.5	18.3	15.0	21.4	25.2	21.9		
Percent of money GDP	24.3	...	26.8	23.8	20.2	27.3	30.9	27.0		
Central government										
Revenues	...	...	23	28	31	33	43	47	45[a]	
Savings as percent of revenues	...	...	28	28	22	21	34	34		
Industrial production (mfg.)	5.2	...	7.8	9.2	10.2	12.5	15.1	18.8		
Turnover	...	...	12.7	16.7	19.7	25.6	31.6	40.5	51.4	60.6
Consumer price index (Abidjan; February 1960 = 100)	...	...	102.8	114.1	112.4	112.4	113.9	117.0	122.0	124.0
Electric power consumption (thousands kwh)	35	...	57	77	102	131	158	189	242	280
Road mileages (km)										
All-weather	...	...	8,700	10,700	18,600					
Other	...	...	8,000	15,000	15,000					
Number of licensed vehicles (thousands)	14.9	19.7	23.7	34.4	36.9	44.5	52.8	61.9	70.5	80.2
Private autos (thousands)	7.3	9.9	11.5	15.5	19.0	23.8	28.1	33.3	38.0	43.5
Trucks (thousands)	6.6	8.4	10.3	12.8	14.3	16.2	19.1	21.6	24.4	27.0

a. Estimate

Most of it comes instead from the increased size of the Ivory Coast market and the fact that a relatively large share of Ivory Coast manufactures are exported to industrial countries.[50]

Government revenues have grown faster than GDP; government's share of total GDP in 1965 was almost twenty percent, and of money GDP about twenty-three percent. At the same time government consumption (not shown in the table) has grown comparatively slowly, so that saving as a proportion of total revenue has grown from twenty-eight percent to thirty-four percent between 1960 and 1965. Budget surpluses out of current revenues have provided an extraordinarily high proportion of total investment —about two-thirds between 1960 and 1965.

The physical indicators in the table give a picture of an economy undergoing extensive change. Paid employment in the nonagricultural modern-sector occupations has grown from 92,000 to 129,000 (by forty percent) in six years, and the overall increase in employment opportunities throughout the economy has been far greater; there are no usable figures on the growth of paid employment in peasant agriculture, the biggest sector of the economy, which has expanded fast during these years. Electricity consumption has increased at a rate of about twenty-five percent a year. Something like a minor transport and mobility revolution is suggested by the fast expansion of road mileage and the number of vehicles.

Because there is not much argument about the fact that judging from the aggregates, the Ivory Coast record is brilliant, the most useful way to proceed here is to consider the criticisms which have been raised about the Ivory Coast.

As noted earlier, there is a strong tendency to downgrade the Ivory Coast's performance on the grounds that it has been "easy." Thus Amin says that it has been a matter of simply applying a known and simple technology through "extensive plantation agriculture" in the presence of unutilized land and labor from outside the country. Other countries have done the same; he cites in various places Senegal, Southwestern Nigeria, Ghana, the Belgian Congo. Reginald Green equates the Ivory Coast in 1957 with Ghana in 1900, on roughly similar grounds.[51]

It should be said, with respect to this argument, that the fact that other countries have had comparable growth, even if true, hardly detracts from the Ivory Coast record. It shows that if the right things are done, early-

50. About one-third of manufacturing output is exported, of which most (about three-quarters) consists of processed foodstuffs (tuna, pineapple, soluble coffee, etc.) to industrial countries.

51. See above, n. 6.

stage economies can grow very fast. In fact, however, there are distinctive aspects of the Ivory Coast growth. As Amin himself notes, it has occurred a good deal faster than the other countries he cites, and along a broader front; only the early expansion of the Ghana cocoa industry is comparable, but here too the pace was slower and more specialized. The Congo is not relevant because it was not a peasant producer economy, as the Ivory Coast essentially is.

It is worth recalling the physical quantities involved in Ivory Coast agricultural expansion. In 1950–51, an average of about 60,000 tons of cocoa and the same amount of coffee were marketed. For the period 1962–63 to 1966–67, little more than a decade later, coffee purchases averaged 212,000 tons and cocoa 122,000. Moreover, some five percent of the cocoa crop was produced by expatriate plantations in the early period; these have since disappeared (the expatriates turning to bananas and pineapples). The Ivory Coast in 1968 has the potential to produce close to 300,000 tons of coffee and 150,000 tons of cocoa. This is in a country of four million people. In Western Nigeria, less than a decade ago, only about 175,000 tons of cocoa was produced, in an area containing about ten million people, and cocoa was the only export crop of significance. Ghana, with a population of eight million, produced some 250,000 tons of cocoa annually in the 1950s, and virtually no other export crop. The Ivory Coast, therefore, in a much smaller country, has in only a few years built up a cocoa and coffee base larger than the most advanced economies of West Africa had a decade ago. And in addition it has a big timber and banana industry, and is diversifying into pineapples, rubber, oil palm, and other crops, as well as into light manufacturing.

It may be "easy" to expand peasant production of three crops when the technological knowledge, the land, and the labor are there to do so. But it does not seem to happen everywhere, even where conditions seem particularly appropriate; Guinea is one clear case. One of the main reasons it does not happen is that policies are unsuitable, as is so obviously the case in Guinea.

The unutilized land and labor issue is not altogether relevant. With respect to labor, both Ghana and the Ivory Coast have for a long time relied on foreign migrants from the savanna countries of the north (Upper Volta and Mali, mainly) for a substantial proportion of their agricultural labor force. Ghana historically was the first to use these workers, and in the 1950s competed well with the Ivory Coast for them. Since then, the Ivory Coast may have bid away part of Ghana's migrant work force, but this was due to its rate of expansion and hence opportunities. Ghana had a highly elastic labor supply at its disposal, just as the Ivory Coast did.

The land issue is more complicated. It is probably true that the forest areas suitable for tree crops were by the mid-1950s more fully occupied in Ghana than in the Ivory Coast. But "land" is not the absolute constraint implied in this argument. The Ghana government, had it been so disposed, could have expanded its program for replanting with high yielding Amazon seedlings (a program it had dropped by 1965) and there are other ways to substitute other inputs for land in cocoa production—capsid control, for example—another program which received declining attention by the Nkrumah government. Presumably suitable areas might have been freed for other crops. The Ghana government chose not to take this line of approach.

It is sometimes suggested that the quality of investment in the Ivory Coast has not been much better than in Ghana.[52] The first thing to be said about this is that if it were true, then something odd is going on which can explain all that growth. The unsuitability of Ghana's investment program quickly showed up—in declining rates of growth of GDP, balance of payments problems, unutilized capacity, and demands for subsidization by state enterprises and corporations. There are few comparable signals in the Ivory Coast. If in fact the ratio of investment inputs is compared, the orders of magnitude indicate the sharp difference involved.[53] Ghana was "investing" a larger share of gross output than the Ivory Coast during this period, but getting far smaller increases in output from it.

But there is more to it than this. The Ivory Coast, by virtue of the strategy option it has chosen, has certain built-in safeguards against massive resource misallocation. It has first of all maintained a strong technical assistance contingent in its civil service, which has presumably allowed for a relatively high level of effectiveness in that respect. But more important, it has reduced the possible areas of error and the costs of errors when made, in a variety of ways. One way is by leaving directly productive activity to the private sector. The proportion of private to total investment in the Ivory Coast was much higher than in Ghana throughout the 1960s,

52. Cf., Green, "Ghana and the Ivory Coast"; Eshag and Richards, "A Comparison."

53. No attempt is made here to use capital-output ratios in a systematic way because the data are too bad and the concept itself so dubious. With deflation procedures favorable to Ghana, and using total 1960–65 gross fixed capital formation as the input and the change in GDP between 1960 and 1965 and the output, the Ghanaian capital output ratio is in the neighborhood of 6–8, the Ivory Coast ratio about 2.

despite the Volta project.[54] Although investment inducements do introduce misallocation in the industrial sector everywhere, including the Ivory Coast, these are minor compared to what can and often does happen in state productive projects. Moreover, the place of the carpetbagger, though growing, has been distinctly smaller in the Ivory Coast than in Ghana. Of the total public sector investments in the Ivory Coast between 1960 and 1965 which amounted to about 100 billion C.F.A., only about 12 billion were supplier-credit financed. This can be assumed to mean that overall investments were of lower cost and higher quality, by definition.

Finally, a significant share of investment in manufacturing has been in export-oriented industries, and this creates some presumption that they do not involve serious resource misallocation. It is when import substituting industry is involved that all bets on efficiency are off."[55]

There have, of course, been some mistakes involving misallocation. Supplier credit obligations have grown; while a total of 12 billion C.F.A. was paid for such projects in 1960–65, another 7 billion was obligated in 1967, though at that time the government was aware of the problem, and announced its intention to resort to them only for emergency projects for which conventional financing could not be found.

Legitimate doubts can also be raised about some major expenditures recently committed. The big San Pedro project, involving a major port and road development in the undeveloped southwestern part of the country does not seem to have been adequately studied. The cost will probably be close to 6 billion C.F.A., almost 4 billion of it to be provided through supplier credits. The big hydroelectric project on the Bandama River (probably costing 20 billion C.F.A. francs) appears to be of even more doubtful priority; there appear to be much cheaper alternatives for production of power, both in terms of foreign exchange and total cost, gradual expansion of thermal capacity, for example, or use of power from the Volta grid in Ghana. Nor is any substantial agricultural impact foreseeable. That project is nonetheless going ahead, with a recent United States EX-IM loan of $35 million.

While all of this indicates the existence of probable resource misallocation, it also indicates the limits placed on it by the Ivory Coast general

54. Out of total investment, roughly two-fifths was public in the Ivory Coast, three-fifths in Ghana.

55. According to Ivory Coast Ministry of Planning estimates, out of a total of 18 billion C.F.A. invested in manufacturing by 1966, one-third was in export industries, and another 4 billion C.F.A. in industries which produce partially for export.

development orientation. There are important differences between a dubious hydroelectric project and a bad investment in a directly productive state enterprise; the latter will probably make continuing claims on the future flow of recurrent revenues far in excess of the original investment. By avoiding direct state involvement in productive activities, the Ivory Coast has eliminated the greatest source of possible misallocation. Also, the Ivory Coast is able to finance its "mistakes," if mistakes they are, on relatively more favorable terms, presumably for political reasons. It is better, after all, to waste grant money, or even six percent money, than it is to waste twelve percent money, if wasteful decisions cannot be avoided. (With grant money or low interest money, of course, investments of low yield become worthwhile.) It is not irrelevant that the Ivory Coast received, in the 1960–65 period, some 15 billion C.F.A. in grants from the French and EEC aid agencies, or fifteen percent of its total public sector investment; it received another 9 billion in long term loans under favorable conditions, and some 10 billion in other transfers including technical assistance. There were in addition some 12 billion C.F.A. in committed but unspent grants in the pipeline in 1967.

Another general criticism of the Ivory Coast pattern of development is the great dependence on foreigners and foreign resources which it entails.[56] It is certainly the case that there is a much stronger foreign presence (especially French) in the Ivory Coast than in Ghana. The number of foreign residents has grown rapidly since independence; there are now said to be more than 30,000, and their influence is pervasive in the private sector and strong in the civil service. There are even elements of white settler atmosphere in the country, as there have always been.

While the foreign presence is particularly visible in the Ivory Coast, and may have peculiar social aspects, the simple and basic question is: can any country as small, as undeveloped, and as short of capital and skill as African countries generally are, have much development without heavy

56. See the letter from a Nigerian in *West Africa* (4 November 1967), p. 421: "How has the Ivory Coast's prosperity benefited the common man? Are the French not the very life and wire of most of its industries? How rapidly are nationals being trained to take over? Is the true foundation of the economy really Ivoirian? Admirers of the 'miracle' should answer these questions. Economic prosperity more beneficial to foreigners than to nationals is more to be feared than admired. Liberal capitalism is not African, and will not thrive in Africa unless nurtured by Western capitalists. The N'Krumah style has been sabotaged, and saboteurs are busy in Guinea and Tanzania, which are seeking a truly African economic system. . . . The Ivoirian 'miracle' is a sham."

use of foreign factors of production? There is no way out of this problem, except to sacrifice growth for greater national "control."[57]

It is not self-evident, moreover, that dependence is greater in the Ivory Coast than in Ghana. The Ivory Coast has a sounder, more diversified, more solidly based economy, one precondition for independence. It is less dependent on external resources for its public development expenditure, most of which it finances out of current revenues.[58] Its public finances, including its external debt position are relatively healthy. Foreign creditors, including the IMF, are far from the door. France has great influence, but must also tread lightly as French stakes there are now large.

The main point, however, is that there is no escape from dependency. Industrialization based on import substitution leads to an even more acute form of reliance on the outside (the industrial structure becoming dependent on continuing flows of imported inputs), and completely inward looking growth is not feasible (even if its desirability should be granted) for small countries at beginning phases of modernization. What the Ivory Coast has done is openly embrace its economic reliance on the outside, and exacted a price for it: preferences in Europe, aid flows, technical assistance on relatively good terms, private investment and the export market that often accompanies it.

The distribution of income in the Ivory Coast is another source of speculation and suspicion. It is said to be highly unequal both geographically and socially. Amin has tried to study this in some detail, and his results are worth attention. He says that regional income differences are "extremely great," within the southern half of the country as well as between North and South. The North had in 1965, twenty-seven percent of the rural population, according to his figures, and an average money income of 2,400 C.F.A. per capita. The South, with the rest of the rural population, had average income of 11,000 C.F.A.[59] Whether these are "extremely great" or not, depends upon the measuring rod used. It would

57. Amin raises this point, presumably to destroy it, but he never really comes back to it, restricting his discussion to pointing out the "limits" of this type of growth (pp. 270 ff.).

58. Total central government investment was 78 billion C.F.A. between 1960 and 1965, and total investment, including public corporations and supplier credits, was about 100 billion. Of this, 59 billion came from recurrent budget surpluses, and 7 billion was self-financed out of current revenues of public corporations. This means that two-thirds of total investment during these years came from budget surpluses or current earnings of corporations—a remarkable achievement in a poor country with a high rate of investment.

59. With respect to these figures as to most others in this book, it is not easy to know how they were derived, since Amin refers the reader to his thesis for details.

be a peculiar place where there were no differences in regional levels of development as measured by income levels.[60]

It is not obvious that these differences are bigger than in the rest of West Africa, for example. Moreover, the differences here are exaggerated, since they exclude nonagricultural income, and the North has probably benefited most from growth through the emergence of greater wage earning opportunities in the South. The fact that the relative size of population in the North has declined from thirty-four to twenty-seven percent of the total in fifteen years, and that absolute numbers of people there have, according to Amin, declined by ten percent in these years, suggested that this has been important.[61]

The most significant thing about regional income differences, as portrayed in Amin's book, is how much change they show in the rural areas. Only one-third of the rural population is now in "isolated and stagnant" zones, as compared to sixty percent in 1950, and the real cash income of the northern villager has, according to Amin's figures, doubled in fifteen years. Nor do Amin's figures even show such enormous inequality leaving out the isolated zones, which are shrinking fast, the differences seem rather modest for a country whose growth is recent and whose regions are very unevenly endowed. In the "ordinary plantation zone," half the rural population receives about twenty-five percent of the total rural income, and a "privileged" region around Abidjan, with ten percent of the population gets eight percent of the income. His data also show that ordinary planters in the South and cereal growers in the North have had faster growing incomes since 1950 than farmers in the better-located privileged regions of the country. The conclusion on the regional distribution of income that emerges from this study is that growth has affected a

60. There is considerable misunderstanding about regional inequalities in development in general, signified by a frequent implicit assumption that they are "bad" and ought to be done away with. This is obvious nonsense. The Mojave Desert can be made to bloom, perhaps nearly as the San Bernardino Valley blooms, but it would probably be at considerable cost in real income to the economy as a whole. There are two main economic questions to ask about regional differentials in development: is there any reason to think the poorer region is lagging because of lack of attention or discrimination in the allocation of development efforts; and if income differences are big, why don't people move? If the answer to the first question is negative, then there is no a priori economic reason to regard regional inequality as "bad"; to the extent that it induces migration of people, it is "good." It may be necessary for social or political reasons to attach weight to regional equality. And if people can't or won't move there are social reasons to give the region special attention. But from the point of view of economic development, the best answer to regional inequality is usually for people to move from poor to rich regions.

61. The question of how these figures were generated, however, is troublesome.

large proportion of the rural population, and has narrowed income differences appreciably.

With respect to class or "social" income distribution, Amin asserts that profound social differentiation has appeared, and he refers to the "20,000 rich planters who exploit almost one-fourth of the land, employ almost one-third of the laborers and enjoy incomes of about 400,000 CFA francs a year."[62] On close examination of the data presumably underlying this statement, however, it turns out that there is really little hard information on size of holdings or average incomes, and that all the estimates are derived by making heroic "assumptions" (such as about the number of laborers available). More important, the procedure by which he reaches his conclusions render the figures highly suspect.[63] Finally, his data do not show quite what his statement says they show.[64] They show only what is given in table 3, which is reproduced from his book. When the pro-

TABLE 3
IVORY COAST ACREAGE AND INCOME, PLANTATION ZONES, 1965

	Original Residents			
	Small	Medium	Large	Foreign Communities
Total acreage (thousands of hectares)	120	230	230	230
Acreage per community (hectares)	3.0	5.7	11.5	2.2
Wages paid (billions of francs)	...	0.8	1.6	...
Income of planters (billions of francs)	4.8	8.4	7.6	9.3
Income per holding (thousands of francs)	120	210	380	85

SOURCE: Samir Amin, *Le Développement du capitalisme en Côte d'Ivoire* (Paris: Editions de Minuit, 1967), p. 293

62. P. 277.

63. He assumes, first of all, that size of holding is related to labor available, and since his bigger farmers have bigger families (presumably by assumption) they have bigger farms. He further assumes that laborers receive a fixed salary (2,000 francs a month), which makes income level clearly depend on farm size more than it should, since the majority of migrants are probably paid in shares (one third or one-half the crop). To top it off, he assumes that all income from holdings should be counted as belonging to the head of family, even though he acknowledges that income distribution within the family is egalitarian. Since the larger income earners have larger families, this is an especially questionable procedure.

64. For example, it is one-quarter of the land in plantation production in 1965 which is presumably held by the "big" planters, not one-quarter of cultivable land. The two-thirds of the laborers refer only to 35,000 laborers; there are surely many more than this employed on African (*originaire*) farms. And the 400,000 franc average income turns out to come from a "linear extrapolation" of his income distribution categories, which do not in fact show any very big holdings or big incomes.

cedures used to reach these figures are taken into account, it is extraordinary how little skewness there is in the income distribution among planters. The famous 20,000 rich planters turn out to be 20,000 (larger than average) families (or "communities"), who are not actually shown in his data and who in any event are said to have an average income per holding of 400,000 C.F.A., or $1,600 a year, and an average holding of about 125–250 acres at most. If the figures in the table are supposed to show inequality of income distribution, they are not very convincing.

There remains a final issue to be considered—the contention that the Ivory Coast's recent growth must soon run out of steam. This is a proposition central not only to criticisms of the Ivory Coast pattern of development but to the whole fabric of structural transformationist ideas.

Amin summarizes the argument admirably. Growth based on extensive export agriculture and light import substituting industry, he says, in the framework of a smaller market, must slow down for three main reasons: (1) the possibilities for continuous and rapid growth of exports of tropical products is limited, both on the production side, which without "intensification" of production methods quickly reaches a ceiling "which is now near," and on the demand side, since export prospects are poor; (2) import substituting industrialization saves little foreign exchange and in fact creates continuing demands for imported raw materials; (3) debt service and repatriation of profits takes a growing share of foreign exchange earnings. He concludes that these are fundamental contradictions in the present strategy, which "if it continues as in the past fifteen years, will result without any doubt [in] . . . first, a slowing down of the rate of growth of exports; second, the maintenance of the rate of growth of imports at a high level; and third, an increase in the relative weight of profit and savings remittances."[65]

Two questions are involved here. First, if it is true, are there more attractive and feasible alternative strategies? And second, is it in fact true?

On the first question, it seems fair to say that Amin presents no satisfactory alternatives. His main specific criticism of Ivory Coast agricultural policy, for example, is that it has not focused enough on foodstuff production, so that food imports have risen almost as fast as GDP. This is the kind of thing that troubles politicians, but why an economist should worry so much about it is certainly not clear. In any event, there is not much possibility for food production to serve as a real growth propellant; evidence elsewhere, for example, indicates that the expansion of produc-

65. Amin, *Le Développement*, p. 272.

tion of protein-rich high-value foodstuffs such as meat, poultry, and dairy products quickly runs into a market constraint.[66] Moreover, a monetized and changing economy can be counted on, with proper encouragement, to respond to rising demands for local foodstuffs. The Ivory Coast experience with rice is revealing in this respect.[67]

Aside from recommendations on turning toward foodstuff production, Amin, like most transformationists, suggests that the only answer is to concentrate on basic industries with large linkage effects. But he recognizes that market size prevents any small country from taking this route, so he ends up with a plea for the creation of "larger economic space"—that is, the formation of larger economic units. Given the fact that few statesmen in West Africa seem to have any genuine interest in the formation of such larger economic units, either West African or larger in scope, Amin's suggested policy turns out to be no policy at all. Whether the Ivory Coast or other countries would at this stage be wise to devote more energy to bringing about economic integration is another issue, which need not be gone into here.

What about the second question—whether export-oriented growth must "soon" run down? One of the reasons given by Amin—the production constraint under existing technology—is clearly not important, given the possibilities of opening new land, a possibility which he admits and which is in fact being realized. Second, even with "extensive plantation" methods, small technological changes can bring large increases in output—pest control, replanting with high-yielding varieties, and so on. So the production constraint is not serious.

Whether exports prospects are "poor" or not is now known. As most economists tirelessly and apparently fruitlessly emphasize, there is no empirical or theoretical support for the widely believed assertion that relative prices of primary product exports have declined steadily in the past

66. Cf., Carl Eicher.

67. A big push is now on in rice production. The effort has been given over to an autonomous body, the Société d'assistance technique pour la modernisation agricole (SATMACI), which is in charge of extension work and personnel. By the end of 1966 SATMACI had almost 1,100 extension workers on the job, spreading information on irrigation techniques, fertilizer use, insecticides, etc. About 100 small irrigation dams have apparently been built already, allowing irrigation of about 21,000 acres of irrigated rice. By 1970 some 50,000 acres are planned, which would bring rice output to 460,000 tons, and presumably self-sufficiency. Government plans to spend 4.4 billion C.F.A. on rice production, mainly in the North, and is getting technical assistance (160 people) for this effort. A relatively high price has also been set for rice. That results may already be coming is suggested by the sharp drop in rice imports in 1967, when only 35,000 tons (paddy) were imported, as against 129,000 tons in 1966. (*Afrique nouvelle*, no. 1083 [9–15 May 1968].)

or will do so in the future. Projections of future market conditions are notoriously unreliable.[68] The issue is largely irrelevant anyway. Even if the price outlook for a given commodity is not optimistic, it will still pay a country to produce it, and expand output, if there are no better alternative uses of resources available to it. It is worth noting that the view that the Ivory Coast's export-propelled strategy must fail because of dim market prospects could have been made at any time since 1950, and probably would have been made by most transformationists.

Recently, it has looked as though the prospective decline was at hand in the Ivory Coast. The rate of growth of exports and GDP markedly slowed during the years from 1965 through 1967. But the economy has surged forward again in 1968, fed largely by good crops and prices for cocoa and coffee, but also by rising outputs of other agricultural commodities.[69]

World markets may not always treat the Ivory Coast so kindly. Export earnings may in fact slow down and then stagnate. What is noteworthy about Ivory Coast policy, and so unusual about it, is that they have not let future uncertainties hinder their diversification efforts, and they have not drawn back from the export sector. They continue to display considerable ingenuity and effectiveness in seeking new alternatives. While oil palm, for example, has been talked about for some years as a likely crop for expansion, most efforts in West Africa have been rather modest. The Ivory Coast to the contrary, has launched a tremendous program of oil palm expansion, which is moving ahead approximately on schedule. This was based on long experimentation by the famous French research organization, I.R.H.O. In fruit production, similarly they have maintained, through the French, the best research operation in West Africa,[70] which has stimulated the development of fruit production and particularly pineapples.[71]

Competition in export markets for primary products may be something

68. Who would have guessed that in 1959 there would be talk of possible future underproduction of coffee on the world market? See *Bulletin de la Banque centrale des états de l'Afrique de l'ouest*, no. 155 (October 1968), p. 17.

69. Banque centrale des états de l'Afrique de l'ouest, "Indicateurs économiques ivoiriens," no. 154 (August-September 1968).

70. The Institut français de recherches fruitières outre-mer maintains about a dozen scientific researchers in two stations. They keep nursery stock and give technical assistance to planters, circulate a journal to all interested agencies and individuals, containing latest research findings around the world, and explore new crop possibilities for the Ivory Coast.

71. In 1961 the Ivory Coast exported 200 tons of fresh pineapple, 4,000 tons of canned, and 3,600 tons of juice. By 1967 the respective exports were 7,700, 7,200, and 26,000.

like war, in which there are only the quick and the dead. The Ivory Coast has so far shown it is one of the quick. So long as it remains on its present path, there is no reason why it cannot continue this way. Meanwhile its economy is being monetized, its people are being educated, its network of social and economic services is growing, the state is extending its influence throughout the countryside, and knowledge about the economy and about what will and what will not work is accumulating. In short, a base is being built for a later stage of development into which the country can move with confidence and competence.

CONCLUSION

The striking differences in economic performance between the Ivory Coast and Ghana which have been outlined in this chapter are due mainly to the differences in economic policy adopted in the two countries. Ghana under Nkrumah adopted a set of policies, a strategy of development, which fits well into the transformationist category: a rapid increase in rates of investment, a greatly enlarged role for state in mobilizing, allocating and managing resources, emphasis on import-substituting industrialization and large-scale agricultural projects, reduction of dependence on foreign capital. Under these policies Ghana experienced a massive waste of resources, a continual balance of payments crisis and by 1965 economic paralysis due to scarcities of imported inputs, stagnant or declining per capita income. In the Ivory Coast, gradualist policies prevailed, involving a limited role for the state in directly productive activities, export orientation, continued reliance on foreign capital and skill. Under these policies, the Ivory Coast has enjoyed one of the highest economic growth rates in the world, a rapid rate of monetization of the economy; substantial shifts of people out of less productive regions and employments into more productive ones with a consequent rise in average incomes and declines in regional and personal income differentials. The Ivory Coast economy is vastly more productive and flexible now than it was a decade ago. It has made giant steps forward in the establishment of social overheads and private services. It has experienced relative political stability; the decade of survival and economic expansion has almost certainly increased the legitimacy of the state. Foreigners, to be sure continue to dominate the economy outside of agriculture, but this is changing and will change faster in the future; it is, in any event, part of the price paid, from a nationalist point of view, for the rapid change that has occurred. Gradualism in the Ivory Coast has thus been associated with genuine economic transformation. Transformationism in Ghana was accompanied by false steps, misdirected effort, waste, reduced personal income, and a heavily mortgaged future.

As noted earlier, many of the commentators on the Ghana experience emphasize external, accidental, political, or structural factors in explaining what went wrong. They allow the transformationist strategy itself to escape unscathed. Bad luck on cocoa prices, faulty implementation of basically sound programs, incidental errors of judgment or execution, defects of character in the people concerned (foot-dragging civil servants and corrupt politicians), lack of political will—these are given the main explanatory weight.

These kinds of factors may have played some role in determining the speed with which economic dislocation came, and they gave the Ghana experience some of its special flavor. Free spending on inter-African and international political ventures, for example, did come to represent a sizeable drain on public resources and foreign exchange, and incidents such as the massive import of consumer goods for display during the 1965 Organization for African Unity meeting in Accra dealt the economy some sharp blows. But these were hardly fundamental. The basic elements were the disintegration of the economic decision-making system, the loss of control over expenditures, the generalized administrative muddle and pervasive politicization that made rational screening, evaluation and control of programs and projects next to impossible. Public sector decision-making simply fell out of control. This occurred within an ideological framework which shaped specific policies—that growth via the export sector was no longer possible for Ghana, nor desirable even if possible; that industry is the true modernizing force and deserving of high priority; that significant industrial development was possible through import substitution; that large-scale mechanized farming, financed, organized, and managed by the state was not only feasible, but was the preferred path for agricultural modernization. And it occurred in part because there was among Ghanaian politicians, and many of the advisors and others who urged them on from the sidelines, a nearly total lack of appreciation of the extraordinary complexity of effectively implementing even a modest development program. Except for a few civil servants who were soon discredited as "obstructionist" or counter-revolutionary, few voices were raised pointing out the thousand pitfalls awaiting every new venture, even those which seemed plausible, and the extremely feeble capacity of the government to deal with these kinds of problems.

Ghana's failure, then, had little or nothing to do with Nkrumah's personality, or the nature of the Ghanaian political elite, except in a remote sense. Any political leadership imposing a development program of the size and kind that emerged in Ghana, would have faced much the same results. Import-substituting industrialization quickly runs out of steam in a small country, whatever the political complexion of its leadership. And a big public sector development program cannot be effectively administered by government organizations short of trained people, short of experience, short of organizational or bureaucratic competence, short of knowledge about the environment, operating in a heavily politicized atmosphere and an ideological setting rich in half-baked ideas, and all the while exposed to unhappy influences emanating from aid-givers and machinery salesmen of all description.

Nor did cocoa have much to do with the outcome. Even if cocoa prices and earnings had soared, the results would have been little different. In fact, it would probably have been worse. By 1965 the capacity to resist bad programs and projects was weaker than ever; dozens of costly projects of extremely doubtful feasibility had been "approved," most of them under carpetbagger initiative. At the same time the state enterprises and operating ministries were making increasing demands on the recurrent budget. Had more revenues been available as a result of better cocoa earnings, they would most likely have encouraged deeper commitments of an uneconomic kind.

What this analysis implies is that for small countries at early stages of development, there is no viable or feasible alternative to the kinds of policies we have called "gradualist." The formation of larger economic units might open additional options, but there is little evidence of any willingness to move very far in this direction in most of the world. The gradualist strategy involves risks and uncertainties—risks of shifting world market conditions, and risks inherent in close dealings between small, poor countries and powerful foreign interests. It involves a larger, more openly admitted dependence on foreign factors of production, as well as on foreign markets, a condition not especially appealing to most political leaders. But in the historical period in which African (and many other) countries find themselves, where the overwhelming priorities are national consolidation, the development of administrative and social overheads, and the expansion of knowledge about the environment and how to deal with it, gradualist policies have many positive advantages. They cannot everywhere be counted on to produce results so brilliant as those in the Ivory Coast. But they will almost certainly produce better results than any alternative policies, and this may be the most persuasive point in their favor.

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