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1. Introduction

The recent histories of Ghana and Côte d'Ivoire are textbook examples of the turbulent development trajectories exhibited by much of the post-colonial world. Almost in coordinated fashion, the two alternated asymmetrically between signs of ambition and dashed hopes, clues of aspiration and displays of gloom. While Côte d'Ivoire's GDP grew at double-digit rates during the 1960s and 1970s, Ghana experienced a dozen regimes amid an extremely volatile economy (The World Bank, 2012). From the 1980s and until today, Ghana has been and is seen as a poster child of stability in Africa, while Côte d'Ivoire endured two civil wars and plummeting rates of development across the board.

Côte d'Ivoire began suffering episodes of civil strife and violence at the beginning of the 1990s after the demise of Felix Houphouët-Boigny. For many observers and perennial naysayers, the resulting instability underpinned their view that African countries needed a "strong man" to maintain at least an appearance of law and order. On the surface, the cycles of coups and instability Ghanaians suffered for more than three decades after independence lend themselves to the same conclusion. However, such a diagnosis would mistake symptoms for causes. In a way, both countries went through the same process, albeit at different times since their emergence as independent nations, which I will argue was not an accident but to a significant degree embedded in their historical institutional evolution.

Since their independence, there have been two major undercurrents in the development paths of Ghana, an ex-colony of the British and Côte d'Ivoire, an ex-colony of the French. As will be shown, they are quite related to each other. The French and British colonial systems were to a significant extent reflections of the institutional and structural composition of their originators (MacLean, 2002, 65). A high degree of central power and a rigid bureaucracy to support it defined French centrism. The British embraced more of a laissez-faire approach, giving the peripheries more leeway in terms of their institutional setups and exercising a lesser degree of strict top-down control. The second undercurrent pertains to the degree of inclusiveness the two societies generated at different stages. While Côte d'Ivoire boomed during the first decades after independence, the death of the charismatic Houphouët-Boigny in 1993, without a viable succession plan and amid a plethora of

economic troubles, uncovered social rifts that proved extremely destabilising. The poorer, northern part of the country lagged far behind the emerging south, as did minorities and non-nationals. In the long run, especially in absence of a meaningful degree of representation through which grievances and complaints could be channelled, the economic and social exclusiveness channelled by the institutional framework was an important contributor to overt civil disobedience and, eventually, violent conflict. Section 4, dealing with the differing legacies of French and English colonial systems, will explore the philosophies and reasoning behind each type of rule and how it affected the institutional and ideological arrangements post-independence.

The locus of my interest lies in the tumultuous period of the 1980s and early 1990s. It was then that the two nations figuratively swapped places, after both exogenous and endogenous shocks to their political systems and economies. After three decades of economic frailty and political instability, Ghana emerged as a source of African hope. Côte d'Ivoire never truly recovered from that time of crisis, occupying today the unenviable rank of number 12 on the Fund for Peace's Failed States Index. Perching on the 110th position, Ghana is much more comfortable (Fund for Peace, 2013). The interesting divergence the two countries experienced gives rise to the research question, which will be reiterated in more detail in section 5.

1.1 Research Question

Why did the crisis of the 1980s propel Ghana out of three decades of instability and negative development, but plunge Côte d'Ivoire into a period of political and economic turmoil it has yet to recover from?

The next sub-section offers a brief description of my interest in institutions, followed by an outline of the theoretical framework.

1.2 Why Institutions?

In the past, the distribution of world income was often associated with given broad factors such as the importance of culture and geography in development, along with more specific

ones such as initial resource endowment. The role of culture can be traced back to Max Weber's thesis on the protestant work ethic. The role of geography in predetermining developmental outcomes is emphasised in a body of literature largely clustered around the work of Jeffrey Sachs and Jared Diamond. Such explanations, however, have over the last twenty to thirty years increasingly been put to question by another group of scholars. Whereas geography does indeed play a role, a different school of research has argued that it does not do so by its own virtue, but through the channel of institutions. Daron Acemoglu, Simon Johnson and James A. Robinson (2001) (Henceforth AJR) postulate, for example, that European colonialists left inferior institutional legacies in places less suited for European settlement than in those accommodating of it. Thus, places with harsh disease environments, such as tropical Africa, were not developed but exploited for the economic benefit of a small elite, leaving behind a system whose purpose it was to take, not to build (AJR, 2001).

One of the advantages of this particular study is the fact that on a comparative level, we do not have to worry about geographical differences between Ghana and Côte d'Ivoire, given their relative similarity. They are about the same size, positioned on the same latitude and capable of growing the same kinds of crops. In terms of culture, the overlap between the two is likewise significant. Broader modern-day distributions of religions (a Muslim North and Christian South) are complemented by the pre-colonial ethnic boundaries that stretched over today's borders, with the result that significant portions of their populations have the same ethnic background. We thus have a case of exogenously imposed institutional structures over territories that are otherwise quite similar in terms of geography and culture.

This is not to say that resources, location and cultural background are unimportant. This paper is very much interested in the implications of geography, culture and resource endowment, albeit with regard to their interaction with institutions. These include the institutions imposed by the colonists as well as the post-independence arrangements of power and distribution.

The remainder of this paper is organised as follows: Section 2 below presents a theoretical overview of institutions as well as some state and state power theories. The section 3 will provide some insight into the literature on institutionalism, its interaction with colonial

legacies as well as selected works on Côte d'Ivoire and Ghana. Section 4 outlines the pre-colonial and colonial histories of the two countries. This is followed by a theoretical conception of institutional change suitable for this particular paper and the formal presentation of the research question. Sections 6 and 7 revisit the Ghanaian and Ivoirian histories and most important developments from the 1960s to the 1990s. Section 8 presents an analysis of these events in light of the theoretical framework. Finally, the conclusion and some thoughts on the future find their home in Section 9.

2. Theoretical overview

2.1 An Introduction to Institutionalism

“Institutions are the written and unwritten rules, norms and constraints that humans devise to reduce uncertainty and control their environment” (Ménard & Shirley, 2005, 1). Formal or informal, written or unwritten, they cover all types of governance, laws, rules, codes, norms of behaviour and beliefs that describes any particular type of societal arrangement. As such, choices and incentives are seen as being imbedded in institutions. Markets are not all decisive, but governed by institutional constraints. Institutions shape not only the rules of the game, but also the norms and beliefs held by the societies and actors they govern.

In contrast to neoclassicism with its assumptions of perfect rationality and information, new institutionalism is a strand of multi-disciplinary thought that expands the limited conception of the original fields of “old” institutionalism and neo-classic economics (Ménard & Shirley, 2012, 11). Efforts in new institutionalism, both in political science and in economics, deal with politics and conflict and with an attempt to come to terms with the problems of competition and efficiency. The point is to develop explanations of the ways in which institutions incorporate historical experiences into their rules and organizing structures, but also how they might undergo changes. (DiMaggio & Powell, 1991, 33)

One of the crucial differences with respect to other explanations of diverging rates of political and economic development among countries lies in the proposition that countries do not in fact develop or stay poor based solely on the supply of their resources or on other geographic qualities. Institutional explanations maintain that development occurs based not on how many resources a country has at hand, but how it uses them. This task is complicated by the fact that the determinants of institutional characteristics are not well identified: initial conditions, historical evolution, information and learning, belief systems, the stake that actors have in the status quo, are all important, frequently in an overlapping manner. On top of the multitude of determinants, and because of it, institutional change is incremental and gradual (Keefer & Shirley, 2000, 104). Although there is a consensus that “institutions matter”, the literary debate over the channels of causality through which they structure and define a nation’s political and economic development has led to a highly

diverse field of research, complementing existing hypotheses as often as undermining them.

How, then, might we begin analysing institutions? The late Nobel laureate Elinor Ostrom saw

the core analytical unit of institutional analysis [as] an ‘action arena’ in which participants (e.g. individuals, families, firms, voluntary associations, governmental units) interact in a structure of incentives generated by the characteristics of the goods involved, the rules-in-use, and the attributes of the community of participants involved (Ostrom, 2007, 245).

On a broader level, institutions are “distributional instruments laden with power implications. [...] They are fraught with tensions because they inevitably raise resource considerations and invariably have distributional consequences” (Mahoney & Thelen, 2009, 8). This is especially true for political and economic institutions, which are able to mobilise the greatest amounts of resources.

The action arena and the types of incentives the different actors faced in Ghana and the Côte d’Ivoire varied quite drastically. Any reductionist attempt at development theory exclusively emphasising factors such as culture, geography or resource endowment would be hard pressed to maintain a coherent argument about why these countries aren’t more similar. As with most strands of research, there are a number of different lenses through which institutions can be seen to have emerged, evolved and adapted. The question of which best suits this particular effort is what I turn to next.

2.1.1 Rational Choice or Historical Institutionalism?

The two main theoretical frameworks of institutional analysis are rational choice and historical institutionalism. Drawing from analytical frameworks from organisational economics, with an emphasis on transaction costs, property rights and rent-seeking, rational choice institutionalism uses a set of behavioural assumptions such as preference sets and utility maximising behaviour. The role of institutions lies in both enabling and limiting societal interactions by providing information as well as enforcement mechanisms.

They are important because they delineate a strategic context in which constraints are imposed on self-interested individuals. The creation and evolution of institutions is postulated to come from a voluntary agreement between the respective sets of actors. Subjected to competition, an institution survives and develops because it provides the relevant actors with more benefits (Hall & Taylor, 1996, 945; Thelen & Steinmo, 1992, 7). The rational choice framework is grounded in neo-classical assumptions of rationality, utility maximisation and the forward-looking, strategic thinking nature of actors.

On the other hand, a historical institutionalist approach focuses on actors in an uncertain environment, where primacy is accorded to temporality. As such, the timing and sequence of political events contribute greatly to their unpredictability, inflexibility and inefficiency. A suboptimal (inefficient) course of action may thus endure because too much time has elapsed to reverse it (inflexibility) or because of simple chance (unpredictability). The “when and how” of events thus shape constraints and opportunities for actors within institutional arrangements (Fioretos, 2011, 371). This is not to say that the strategic context institutions create, central to rational choice scholars, is unimportant. It is just seen as more complex and ambiguous than the other strand assumes. Rather than being primarily guided by utility maximisation and future expectations (such as rational choice would assert), historical institutionalism sees actors as more balanced, looking back on past achievements or setbacks as well as on prospective opportunities (ibid. 374). On the broadest level, efforts in historical institutionalism “attempt to illuminate how political struggles are mediated by the institutional setting in which they take place” (Thelen & Steinmo, 1992, 2). Whereas institutions are never the only causal mechanism in the political process, they do strongly shape and constrain politics and the policy process.

2.1.2 Path Dependency and Critical Junctures

In seeing institutions as both a strong influence in and the outcome of specific historical processes, historical institutionalism is strongly associated with the concepts of path dependence and critical junctures (Thelen, 1999, 382; Fioretos, 2011, 371). Path dependence describes the process of a particular institutional arrangement prevailing after a specific episode in time (or what is called a critical juncture) and subsequently shaping

events so as to make alternative arrangements unlikely to emerge, even if they are superior (Fioretos, 2011, 376). The notions of positive and negative feedback mechanisms provide tools for analysing path dependence, especially given how institutions are in most cases not neutral, but explicitly or implicitly serve to reinforce existing patterns of power distribution. (ibid. 394). Pierson (2011, 209) outlines a schematic version of the tenets of path dependence as follows:

1. *Unpredictability*: because early events have large effects and are partly random, many outcomes may be possible. We cannot predict ahead of time which of these will be reached.
2. *Inflexibility*: The farther into the process we are, the harder it becomes to shift from one path to another.
3. *Nonergodicity*: Accidental events early in a sequence do not cancel out. They cannot be ignored because they feed back into future choices. Small events matter.
4. *Potential Path Inefficiency*: In the long run, the outcome that becomes established may generate lower payoffs than a foregone alternative would have. The process may be path inefficient.

As Boettke et al. emphasise, “when path dependence locks institutional arrangements in, citizens cannot move to a superior institutional path *without an exogenous shock*” (2013, 292; my emphasis). This paper is interested in the currents underlying the strongly diverging paths of development of Ghana and Côte d’Ivoire, given on the one hand their similarities in geography, culture and resource endowments and on the other their different colonial pasts. Historical institutionalism is useful in that it takes more strongly into account that different parts of any institutional framework will have emerged and evolved at different times and for different reasons within a contested political arena (Hall & Taylor, 1996, 938-9). This is not to say it is perfect theoretical bedrock. Even though the notions of critical junctures and path dependency, as outlined above, are central, the literature finds it difficult to properly account for the manner in which the outcomes of junctures lead to lasting, entrenched legacies (Thelen, 1999, 390). As such, a great body of work has illustrated the dynamic processes that help explain how stability persists and reproduces itself in politics after endogenous or exogenous shocks. Yet, this emphasis on the reproduction of existing configurations in a changing environment has neglected the actual,

slow and gradual process of institutional change (Mahoney & Thelen, 2009, 5; Thelen, 1999, 396). In retrospect we are often able to identify a critical juncture at which substantial and sustained political change occurred. Realising we are in one at any particular time is another challenge entirely, given especially the proneness of historical chance or accident to play a crucial role.

Nonetheless, historical institutionalism represents a messier, more realistic framework than rational choice. It doesn't assume past mistakes can be corrected easily, or that actors possess great amounts of information about the future. It also leaves space for broad underlying political forces that may be at play, such as Marxism's class relations or pluralism's group dynamics. It focuses on how institutions structure and influence these struggles and their outcomes (Thelen & Steinmo, 1992, 3). Given the asymmetric development paths of the two countries in question here, the centrality of critical junctures and path dependence in historical institutionalism provides the main reason why it is chosen over rational choice. Section 5 introduces a more tailored theoretical framework of institutional change amid critical junctures relevant for the comparative analysis of Ghana and Côte d'Ivoire. The following sub-sections explore historical-institutionalist assumptions in more detail.

2.1.3 Historical Institutionalism and Preference Formation

Preference formation here refers to the process of social actors deciding what they desire and what to pursue. Actors, be they individuals, organisations or governments, are assumed to hold preferences, given they can act cohesively (Hall, 2005, 129). Unlike mainstream strands of new classical economics, historical institutionalism does not assume preferences to be constant over time. On top of changes of preferences on the level of individuals, institutions are seen to both shape and constrain the preferences on a broader social level (Frey, 2006, 12). Given our focus on development paths, the process of how state actors decide on policy objectives and implementation is one of the key objects of interest in this paper. As Peter Hall (2005, 136-7) puts it, and as we will see in the analysis part of this paper:

[...] Preference formations may have a narrative character in two senses of that term, especially important when governments are forming interpretations of the national interest. On the one hand, such interpretations display a forward flow: conceptions of national interest move as one event gives way to another in the nation's history. On the other, like the preferences of individuals, conceptions of national interest have a narrative quality in the sense that they must link present purposes or events to a larger story, in this case a story that ties the nation's past experiences and presumptive character to new purposes. These narratives do not have to be stories about manifest destiny but have to have something of that character: they make sense of current policy by linking it to a larger sense of the nation and its history.

The formation of government preferences and thus policy is bound to be a complex and oftentimes opaque process. However, historical institutionalism's focus on taking into account both the past and present socio-political context in analysing the preferences of actors over alternative courses of actions is a valuable tool, especially in the arena of comparative development.

2.1.4 Comparative Institutional Analysis

"When social scientists discuss empirical phenomena in political economy, they must always ask the question 'As compared to what?'" (Boettke et al. 2013, 294-5). Institutions permeate and mediate politics, but their impact is itself mediated by the broader political context. As such, different political contexts across different countries will lead to different institutional consequences. As Collier and Collier (1991, 29) note, the focus on critical junctures in comparative development is crucial since they "may be defined as periods of significant change, which typically occurs in distinct ways in different countries and which are hypothesised to produce distinct legacies". The very same institution can also produce very different outcomes over time, in what Kathleen Thelen and Sven Steinmo termed "institutional dynamism" (1992, 16). In their view, institutional change has three (oftentimes intertwined) sources:

1. Broad changes in the socioeconomic or political context can lead to situations in which previously unimportant institutions suddenly gain relevance.

2. Changes in the socioeconomic context or political balance of power can produce a situation in which old institutions are put in the service of different ends, as new actors come into play who pursue their new goals through existing institutions.
3. Exogenous changes can shift the goals or strategies being pursued within existing institutions. As such, outcomes change as old actors adopt new goals within the old institutions.

There are of course, other models of what leads to institutional transformation. Stephen Krasner's model of "punctuated equilibrium" is perhaps the most explicitly concerned with institutional change. He posits that long periods of institutional stability are periodically "punctured" by crises leading to relatively quick institutional change, which in turn reverts to equilibrium. These crises are usually exogenous and thus less foreseeable by the given institutional setups (Krasner, 1984). However, Thelen and Steinmo's abstraction presents a more sophisticated approach. Institutional change occurs not only in times of crisis and institutional breakdown, but also through the strategic manoeuvring of political actors, who can influence the institutional setting within which their interactions occur. External events are important, but groups and individuals are not just witnesses to events but strategic actors that react to the changes these events produce (Thelen & Steinmo, 1992, 17). A comparative perspective is especially interesting in that "specific institutional arrangements structure particular kinds of politics" (ibid. 27) across countries that are otherwise very similar.

2.2 Colonial Institutions and Development Politics

Colonialism transformed political and economic life in West Africa. Given that institutions shape and constrain action, colonial institutions channelled the access indigenous actors had to their colonists. Colonial governments often mirrored the ideologies of rule and historical experiences of their creators, who had a very limited understanding (if any) of the potential consequences of imposing domestically viable institutions on territories that had previously lived by completely different "rules of the game".

Jeffrey Herbst's "States and Power in Africa" (2000) deals with the popularised misconception that state structures did not exist in pre-colonial Africa. In his words:

“Assuming that states and systems of states did not exist in Africa simply because the European model was not followed demonstrates, at the minimum, a lack of imagination and, more importantly, a rather narrow conception of how power can be organised” (Herbst, 2000, 37). Pre-colonial Africa’s geographic and demographic environment was practically the opposite of what could be found in the West during the advent of modern state building. Because land was scarce and populations relatively plentiful in Europe, territory was the key political battle ground, which facilitated the establishment of secure property rights and the modern territorial state. In Africa, on the other hand, conceptions of power did not revolve around land, which was abundantly available, but people. He notes that property rights over *people* were indeed more systematically defined than anywhere else in the world, which in turn led to a completely different set of institutions.

Within a very short timespan, colonialism thus imposed a model of statehood on huge swaths of territories which pre-colonial power architectures were thoroughly unsuited for (Herbst, 2000, 38).

2.3 Defining the Reach of the State: Despotic and Infrastructural Powers

One further useful theoretical tool lies in Michael Mann’s (1984) conceptualisation of the state in relation to civil society. Breaking with reductionist state theory *à la* Poulantzas, he calls the state “merely and essentially an arena, a place, and yet this is the very source of its autonomy”. His definition of the state goes further than delimiting it in Weberian fashion as a centralised institutional organism that exercises a monopoly of violence over a territorially demarcated area. Adding nuance, he distinguishes between a state’s infrastructural power and its despotic power. Infrastructural power relates to the physical and symbolic “reach” of the state, despotic power to the extent it is able to force its will upon civil society. He thus classified states into four broad types according to their strengths in despotic and infrastructural power, as illustrated below:

	INFRASTRUCTURAL CO-ORDINATION	
	<i>Low</i>	<i>High</i>
DESPOTIC POWER	<i>Low</i> Feudal	<i>High</i> Bureaucratic
	<i>High</i> Imperial	<i>High</i> Authoritarian

Figure 3 - Two Dimensions of State Power. Mann, 1984, 115. My Adaption.

Mann was a historical state theorist, his characterisations pertaining to the evolution of primarily Western autonomous states. Medieval European *feudal* states were the weakest with both low despotic and low infrastructural power. *Imperial* states, such as the Roman Empire, had central governing actors but lacked the infrastructural reach to penetrate civil society without the help of other power groups. Contemporary industrialised democracies can be classified as *bureaucratic* states, with a high level of bureaucratic co-ordination but little despotic control over civil society. Finally, *authoritarian* states have despotic power over their civil society and have the infrastructural reach to enforce that power (Mann, 1984, 115-116).

2.4 In Summary

We will come back to some of these concepts in Section 5, with the introduction of a theoretical framework tailored to our comparative effort. Mann's abstraction of state power will provide one of these building blocks, along with other theories that can help uncover underlying currents and developments. For now, the upcoming section will provide a literature overview.

3. The Literature

This section will provide a brief overview of the existing literature on the importance of institutions, as well as of relevant institutionalist perspectives on Ghana and Côte d'Ivoire.

3.1 Origins

The foundation of institutional economics lies in the endeavours of the late Ronald Coase, especially in his two papers "The Nature of the Firm" (1937) and "The Theory of Social Cost" (1960). Asking the question "why do firms exist?" Coase introduces the minimisation of transaction costs as the reason why actors choose to organise under a governing hierarchy rather than pursuing all activities in the market place and bear the costs of searching, monitoring, negotiating and enforcing contracts on their own. The most important factor affecting transaction costs nationally and internationally takes the shape of political institutions, which in turn determine economic institutions (Menard & Shirley, 2005, 4). The comparative study of why certain countries choose certain sets of economic institutions is a crucial component of institutional analysis. Typically grounded in rational choice theory or one of its derivatives, the study of the role institutional arrangements play in shaping public and private incentives and enabling or constraining the political and economic arenas has turned political economy into a wide and heterogeneous field.

The aim of the field is to develop explanations of the ways institutions incorporate historical experiences into their rules and organizing structures and the consequences thereof (DiMaggio & Powell, 33). Of course, the determinants of institutional characteristics are never well identified: initial conditions, historical evolution, information and learning, belief systems, the stake that actors have in the status quo, are all important and any analysis must be vigilant of the given context. In addition to the many determinants, and because of them, institutional change generally progresses slowly and gradually. (Keefer & Shirley, 2000, 104). A brief literature review follows.

3.1.1 The Story so Far

Before delving further into the empirical institutionalist literature that holds relevance for this paper, I will briefly mention two competing explanations of growth and development.

3.1.2 Could it be Geography?

Geography is perhaps the most influential competing school of thought. Focusing on climate, disease environment, the level of natural resources and so on, geography is seen by the likes of Jeffrey Sachs (2001) and Jared Diamond (1997) as the key driver of development. There are some immediate problems with this theory. There are, after all, stark differences between many neighbouring countries. What about the divergence between the southern United States and Mexico, or South Korea and its Northern neighbour? The reversal of fortune argument puts additional pressure on the hypothesis, since on average tropical countries were more wealthy (if highly unequal) back in 1500 (Acemoglu et al., 2005, 413).

3.1.3 Could it be Culture?

Max Weber's famous 1930 thesis on the Protestant work ethic established culture as a prominent theory on uneven global development. The hard work, thrift and general Weltanschauung of Protestants is seen as key in the instrumentation of capitalism. Véliz (1994) is another proponent, arguing that the USA is rich because of its Anglo-Saxon legacy and Latin America poor because of the Portuguese and Spanish heritage. However, it is inconsistent with both the reversal of fortune argument above, on top of the large body of evidence from natural experiments such as the Koreas or East and West Germany (Acemoglu et al., 2005, 413).

On a conceptual level, the link between culture and economic growth works through the different sets of values, beliefs and preferences societies hold. These in turn can influence which set of institutions evolve or are chosen, leading to institutional differences across countries (Acemoglu et al., 2005, 401). It is thus not culture *per se* that determines

development. After all, there were substantial amounts of European settlers in places like Argentina and only negligible amounts in Hong-Kong and Singapore. The indigenous evolution of institutions also implies that a set of institutions working well in one country does not guarantee it will work in another. The grafting of western institutions onto societies not in the least suited for them will be briefly discussed in the next sub-section.

The channels of causation are similarly altered when one thinks of geography and economic growth. Here, Acemoglu et al.'s results again imply that geography does matter, but through the channel of institutions and not for its own sake.

3.1.4 Institutions, then

In a 1997 examination of why poor countries are not catching up with the West as theoretically predicted Keefer and Knack found deficient institutions to be the driving factor behind the continued divergence. They were the first to link data on the protection of property rights to GDP per capita using a wide dataset. Hall and Jones (1999) followed suit with an investigation of the differing rates of output per worker across countries.

Acemoglu, Johnson and Robinson (2001, 2002) underpin the “institutions matter” thesis with their work on European colonization:

The Europeans imposed very different sets of institutions in different parts of their global empire, as exemplified most sharply by the contrast to the economic institutions in the northeast of America to those in the plantation societies of the Caribbean. As a result, while geography was held constant, Europeans initiated large changes in economic institutions, in the social organization of different societies (Acemoglu et al., 2005, 407).

The imposition of institutions on the colonial world represents a huge natural experiment. Using colonial settler mortality rates as an instrument for the current protection of property rights, they argue that most of the modern day disparity between rich and poor countries stems from different economic institutions (Acemoglu et al., 2005, 419). They show that colonies could be divided into two categories: those in which Europeans settled and those from which human and capital resources were extracted. Areas with small indigenous

populations and a relatively disease-free environment would profit from the establishment of sound institutions (through a long-winded historical process). Disease-prone territories with significant indigenous populations, on the other hand, were exploited and suffered from institutions that all but inhibited inclusive development. Further, once institutions are accounted for, factors such as geography and culture cease to be significant in their particular regression model.

Their work on the political economy of institutions represents a crucial contribution to the competitiveness of nations. By focusing on the effect history and institutions have on wealth and poverty they opened up a whole new chapter of research (Boettke et al., 2013, 290).

The Economic Consequences of Legal Origins (2008) by La Porta et al. is another seminal study. They analyse the differences in modern financial development, government regulation and judicial institutions among countries, finding significant differences between those colonised by the Spanish and French (who mainly instituted civil law) on the one hand and the British, who imposed common law, on the other. Nathan Nunn and Leonard Wantchekon's *The Slave Trade and the Origins of Mistrust in Africa* (2011) looks the consequences the intensity of the slave trade had on contemporary levels of trust. Societies that were most affected by slavery are shown to have lower levels of trust today. Their results point to the conclusion cultural norms, beliefs and values were most affected by the slave trade.

A full review of the literature on institutions (see also Besley and Persson, 2011; Boettke et al., 2005, 2008; Hodgson, 1999, North, 2005; Ostrom, 1990, 2005) is beyond the scope of this paper. Before turning to a brief account of their histories, a number of case studies on Ghana and Côte d'Ivoire will be outlined.

3.2 Ghana and Côte d'Ivoire

Along with the rich literature on institutions, in part outlined above, both Ghana and Côte d'Ivoire have spawned extensive studies, a selection of which is briefly discussed in this section.

The legacies of colonialism and structural adjustment programmes have found their way into a heap of journal articles and books. Donald Rothchild's "Ghana – the Political Economy of Recovery" (1991) reviews the implementation and impact of structural adjustment in Ghana. Useful works on Ghana's economy include Huq (1989), Kay (1972) and Ewusi (1986 & 1987). Brydon and Legge's 1996 "Adjusting Society: The World Bank, the IMF and Ghana" offers an in-depth look at the reform policies from rural and urban perspectives. In Côte d'Ivoire's case, Koffi (1995), Amondji (1986) and Baulin (1982) offer inside accounts of Houphouët-Boigny's government and his policies.

"The Transformation of Property Rights in the Gold Coast" (1996) is an institutionalist approach by Kathryn Firmin-Sellers, who uses rational choice theory to analyse why property rights in Ghana—and by extension in many other African countries—remain insecure. Basing her work on events in the Gold Coast Colony from 1927 to independence in 1957, she concludes that the degree of property rights enforcement is always a result of the interaction between state and society, never that of individual action alone (144). As such, the British created a system of indirect rule that on the one hand compelled indigenous actors, such as local chiefs, to arbitrate disputes over land disputes, yet did not give them enough executive powers to enforce decisions. The ambiguity of land tenure laws was spawned by a timid and thrifty British policy, with far-reaching consequences for the security of property rights that can in part still be felt today.

Lauren Maclean made informal institutions in both Ghana and the Côte d'Ivoire her main object of study. In "Informal Institutions and Citizenship in Rural Africa" (2002), she focuses on the traditional institutions of the Akan people, who today inhabit both sides of the border between the two countries. Starting from the hypothesis that "different legacies of state building are the key determinants in the *transformation* of informal institutions" (11), she makes a convincing case that today's differences between the Ghanaian and Ivoirian Akan were caused by different colonial policies and institutions. France's focus on central power led to a weakening of communal ties in Côte d'Ivoire, where social reciprocity retreated to the realm of the nuclear family. In Ghana, on the other hand, social cohesion and support remains strong today across extended families, clans and ethnic groupings, as a result of the greater degree of decentralisation and reliance on traditional structures.

Most studies on Côte d'Ivoire are written in French, originating either from French authors or Ivoirian ones. The figure of Felix Houphouët-Boigny is especially reverberant, with many accounts painting him as a source of Ivoirian hope and tragedy at the same time. Notable works include Zolberg's 1964 "One Party Government in the Ivory Coast," which reviews the consolidation of power under Houphouët-Boigny. Zartman and Delgado are the editors of the authoritative 1984 "The Political Economy of Ivory Coast," which gives an overview of the country's economy, politics and society on the eve of crisis. Koffi Moïse Koumoué's "Politique Economique et Ajustement Structurel en Côte d'Ivoire" deals with the political economy of the structural adjustment programmes. Berthélemy and Bourguignon analyse the economic causes and effects of the Ivoirian crisis in depth in "Growth and Crisis in Côte d'Ivoire," published in 1996. T

The effect of structural adjustment policies in West African has received a great deal of academic (and non-academic) attention. Ghana stands out in parts of the literature as a case study of successful IMF/World Bank intervention. Others criticise the emphasis on macroeconomic indicators, citing the plight of the lower quintiles of the income distribution and the growing disparity of wealth and opportunity as evidence for the failure of the reforms.

Critics, on the other hand, point to Côte d'Ivoire as a grand example of the failure of Washington Consensus politics. Adherents of free market principles and reforms, for their part, point out that the adjustment policies were never properly implemented, leaving the economy highly distorted amid an increasingly unstable political environment.

Since this thesis is an attempt to assess development on a comparative perspective, the normative meaning of the term is not as central as it would be in an individual country study. It is important, though, to bear in mind that political and economic development is a highly heterogeneous field that rarely produces consensus. One of the most serious deficiencies of reform programmes as engineered by institutions such as the IMF in the 1980s and 1990s was their neglect of the socio-political context and institutional environment. Leaving ideological debates aside entirely,

[...] on their own many of these reforms might be sensible, the approach of international organisations in Washington, Paris, and elsewhere is still steeped in an

incorrect perspective that fails to recognise the role of political institutions and the constraints they place on policymaking. Attempts by international institutions to engineer economic growth by hectoring poor countries into adopting better policies and institutions are not successful because they do not take place in the context of an explanation of why bad policies and institutions are there in the first place [...] (Acemoglu & Robinson, 2012, 447).

Which is a long-winded way of saying that one-size-fits-all measures can be disastrous because context matters. The next section will provide an introduction to French rule in Côte d'Ivoire and British rule in Ghana. We will see that their approaches, defined by different conceptions of the state and how to rule, created differentiated contexts on their own.

4. A Tale of Two Colonies

The following will give a brief overview of the colourful colonial histories of Ghana and Côte d'Ivoire. It is necessarily limited, but hopefully presents a concise enough account of the events and contexts that will become relevant during the analytical part of the paper. The section will give a short account of the state of the two countries upon independence and where they stand today economically. The nature of the post-colonial regimes will be described and discussed in depth in Section VI, which will be followed by an analysis utilising our theoretical toolkit in section VII.

4.1 Precolonial Times

As previously mentioned, it would be a mistake to think states in Western Africa took until the arrival of Europeans to take shape (MacLean, 2002, 101). Rather, it took until colonialism for Western states to arrive in Africa. One of the key distinctions between the conceptions of pre-colonial African states as compared to European ones lies in the centrality of territory. Going back to Max Weber, Western definitions of the state focus on its institutional, territorial and centralised nature above all others: "Only the state is inherently centralised over a delimited territory over which it has authoritative power" (Mann, 1984, 123). That this is in fact not a universal norm is one of the central theses of Jeffrey Herbst's "States and Power in Africa", as briefly visited in Section 2.

4.1.1 Ghana from the 13th to the 19th century

The Akan are Ghana's largest tribe, making up about half of the population. The second largest grouping, the Mole-Dagbani, account for just over 16 percent. The Akan tribe's path can be traced to the wooded areas of modern day central Ghana as far back as the 13th century A.D, organised as small states. From the 17th century, the Asante¹ kingdom waged untold numbers of wars with the different Akan subgroups in a drive to enlarge its territory and consolidate its power over its inhabitants. A significant number of Akan peoples fled

¹ Or Ashanti. They are the largest Akan tribe, whose distribution can be seen in Figure 3 below.

toward South, to the area that is today eastern Côte d'Ivoire and Western Ghana (Maclean, 2002, 3-4). The territorial distribution of the different Akan tribes can be seen in Figure 4 below.



Figure 4 - Map of Ghana showing the Akhan Area. Daaku, 1972, 238

Along the coast, salt manufacturing and dry fish were good business, and the Akan economy specialised in local and regional trade. Gold and kola production was key for the trans-Atlantic and European trade routes. The Portuguese landed on the coast in the fifteenth century, and would initiate “one of the oddities of early Afro-European trade in West Africa,” (Rodney, 1969, 19-28 in Daaku, 1972, 239) by shipping slaves from Benin to Akan areas, so as to ensure an adequate amount of labour supply for the mining of precious metals (Daaku, 1972, 238-9). Usually, slaves were taken straight across the ocean. Even though the trans-Atlantic slave trade took off mercilessly in the 1600s and included the shipping over of many Akan, gold production held steady until the 18th century. At that point ever higher demand for slaves led to a fall in production (ibid. 140).

Even though the presence of gold initially spared the Akan from the worst, the slave trade would eventually radically transform most African societies. It institutionalised insecurity and an environment of paranoia, as many states and Kingdoms “committed national suicide by selling their own citizens.” (Ibid. 141). The fact that firearms became the most important West African import from Europe in the seventeenth century did not exactly help (ibid. 140).

During the seventeenth and especially the eighteenth century, the Asante managed to consolidate their power in the region by gaining control over most gold mining areas and the most important trade routes. They would also participate in the slave trade, until defeat by the British in the 19th century, which will be described very shortly. Trade revenues in metals, people and agricultural goods spurred state formation on the Gold Coast. One particularity of the Akan conception of the state deserves a mention, as we will come back to such themes in subsequent sections:

Unlike many other states, however, the Akan, whose political organisation was but an enlargement of the nuclear family saw in the state the fulfilment of the aspirations of all its members. From the fifteenth century trade had proved the best source of wealth. It was therefore open to all. [...] The openness of the society in which outsiders were so easily integrated enabled the Akan polities to survive (Daaku, 1972, 247).

How the Ashanti Kingdom might have fared without British intervention is of course pure speculation. Stephen Hymer notes, “Even at its height, the Ashanti Empire seems not to

have destroyed the egalitarian village subsistence economy which lay at its base” (Hymer, 1970, 46). Traditionalist political customs kept land rights and appropriation on a local level. Leaving commerce mainly under the control of foreigners, who didn’t threaten power structures, inhibited the development of a bourgeoisie (ibid.). When the British eventually laid claim to the lands, these were some of the conceptions of property rights, extended family values and norms they encountered.

4.1.2 Pre-colonial Côte d’Ivoire

Similar to Ghana, the Akan make up about 42 percent of Côte d’Ivoire’s population. The largest Akan subgrouping are the Baoulé, accounting for 20 percent of total population. The second largest ethnic peoples are the Voltaiques, at about seventeen and a half percent of total. During the pre-colonial period, there were five large states that rose and fell in the modern day Côte d’Ivoire:

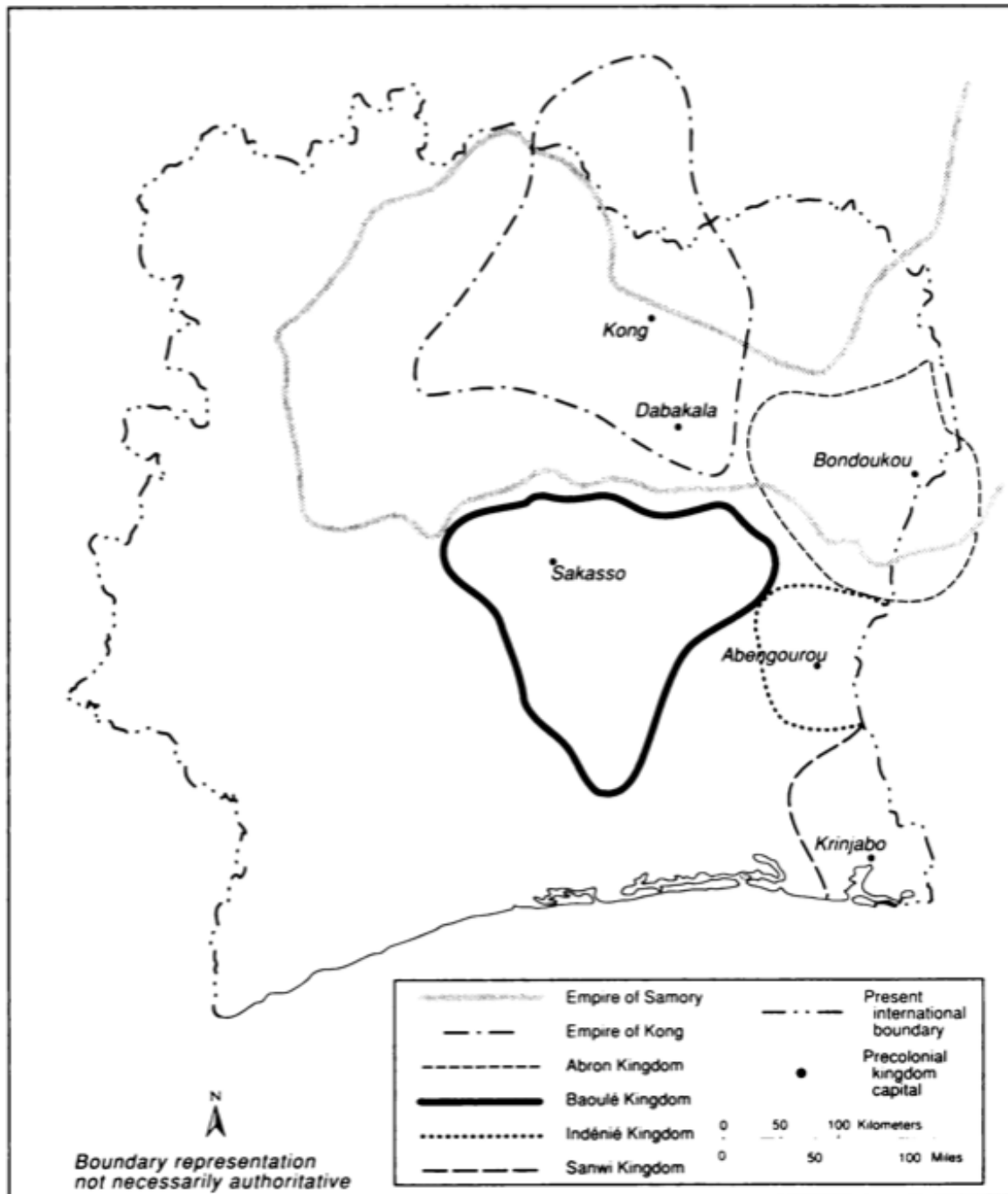


Figure 5 – Pre-colonial Kingdoms. Handloff, 1991, 6.

The seventeenth century saw the establishment of the Abron Kingdom by an Akan group, with its capital Bondoukou. It developed into an important centre of trade and Islam. During the eighteenth century, Akan groupings fleeing the expansionist Asante established a Baoulé Kingdom and two Agni Kingdoms (Indéné and Sanwi). The Baoulé were similar to the Asante in terms of their aspirations: establishing relatively centralised structures of

administration and rule, but eventually—not least because of the distances and terrain involved—split into separate Chiefdoms. The Muslim Empire of Kong also rose in the early 18th century and prospered on trade and agriculture. Eventually though, its ethnic diversity and religious conflict weakened it. Its capital Kong was destroyed in 1895. (Handloff, 1991, 6-7).

Like in Ghana, the Portuguese were the first Europeans to arrive. The same exchange described in section 4.1.1 above started unfolding over the next centuries: Ivory, gold and spices led the charge, until the slave trade became financially irresistible. The relative absence of coastal areas fit for ports meant that Côte d'Ivoire was less subjected to the detrimental effects of slavery than other countries though (Handloff, 1991, 7-8).

In the first half of the 18th century, the French began establishing trading posts and forts after striking deals with local rulers. The treaties gave the French sovereignty within the posts and trading rights, in exchange for forms of taxation (ibid. 8). As we will see shortly, they would soon want more than a few commercial contracts.

4.2 Ghana under Foreign Rule

4.2.1 Colonisation

The Gold Coast became an official British colony in 1874. Attempts to forge a limited form of native self-government in preceding years had failed once and for all when the Asante people invaded the coast in 1873. The Asante—the most powerful native tribe—had previously benefited from an unofficial cooperation with the Dutch. They held coastal territories, yielding the tribe access to trade routes and rents. When the Dutch sold their holdings to the British in 1870, the Asante felt their access to trade (and thus firearms) threatened and attempted to secure it by force. The determination and firepower of the British under General Wolseley, however, drove them back swiftly. British troops entered the Asante capital Kumasi in early 1874, burnt it down and forced the defeated to give up their claims to the coast, guarantee inland trade routes and pay an indemnity. British commitment to the area was underpinned by declaring it the Gold Coast Colony, administratively linked to Lagos in modern day Nigeria (Gocking, 2005, 33-34). Bourret adds

that the British decision to remain in the region can be explained by commercial and political interest groups, on top of the religious ones who wished to “give Africa the best of Christian civilisation” (Bourret, 1960, 19). After another Asante rebellion in 1900, the British also annexed the Northern Regions. The borders between French Cote d’Ivoire and the Gold Coast had been determined through a series of treaties with France in the final years of the 19th century (ibid. 21-22). By the beginning of the 20th century, the entirety of modern day Ghana was under English colonial rule.

Very rapidly, the territory’s key export—cocoa—began to take root. Basel missionaries had introduced it to the region in the mid-19th century. Soon, given the complete lack of European capital or administrative help, farmers began planting it independently in the coastal regions. By 1901, gold mining took off as well, accounting for 1.5 million Pounds Sterling in exports by 1912. In view of the profits, infrastructure spending expanded, with 1,200 miles of roads completed by 1919. Social spending began increasing as well, with about 220 government-funded schools set up by 1920, on top of an estimated 250 unassisted ones. The Asante had been won over as well in the first two decades of the 20th century under the skilful negotiating of Sir Fuller, the chief commissioner of the colony. By being given access to cocoa farming, infrastructure spending and a level of education, the Southern regions, the Asante and the Northern Territories became a relatively peaceful unit, supporting the British cause during the First World War (Bourret, 1960, 33-24).

4.2.2 The Rhetoric of British Rule

Along with strategic reasons, one of the key motivating factors of the British Empire in West Africa lay in the abundant supply of raw materials that could be exported to European markets. Colonial administrations thus sought to establish an environment conducive to both trade and commercial agriculture. At the same time, the British government strove towards administrative cost-minimisation, insisting that colonies should be self-sufficient. British personnel on the Gold Coast and investments into infrastructure thus remained minimal. The challenge of maximising profits at a minimal administrative burden implicitly necessitated peace and stability to be maintained. The fragmented ethno-linguistic landscape of colonial West Africa exacerbated the challenge, in that any policies introduced

by British colonial officers had the potential of causing significant social disturbances. In their ignorance and thriftiness, the colonists had little choice but to turn to African traditional rulers for guidance and support. They designed institutions that placed these chiefs in administrative positions and relied on them for both composition and implementation of their policies (Firmin-Sellers, 1996, 20-21; Le Vine, 1975, xv).

One of the consequences of this indirect rule (i.e. the delegation of authority to local and regional leaders) thus consisted in the de-facto enhancement of the chief's power position. Although it notionally preserved local African communities, the colonial restructuring did alter the socio-political complex full of arrangements and networks of loyalty that used to define it (Talton, 2010, 10). The web of pre-colonial social arrangements, especially in the northern territories, meant that the British were very reliant on local chiefs to maintain social order on a communal level. Their insistence on preserving community structures and local identities related to their weariness of conjuring elements of civil society and nationalism that could prove destabilising on a larger scale (Talton, 2010, 12).

The British did, however, attempt to engineer tradition and custom to at least approximate their own societal ideals. Spear (2003, 14) describes the nature of the process as such:

[...] colonial authorities added elements of Christian doctrine, common law and administration rules regulating sanitation, land use, conservation, tax, drinking, movement and control of disease. Customary law thus legislated morality, criminalized custom and legalized administrative rules, transforming chiefs into a single executive, legislative and judicial authority. Less invented than transformed, codified, expanded and criminalized under specific historical conditions, customary law was neither traditional nor modern, African nor European, but quintessentially colonial.

Indirect rule should thus not be confused with an overly passive system of rule. Although it preserved existing structures in nominal terms, ruling traditions and methods were altered significantly, if not as radically as under French rule, as the next sub-section will illustrate.

4.2.3 Chief Importance

The British thus delegated substantial amounts of power to the chiefs, believing that their positions of respect on community levels would allow for the most efficient design and execution of colonial policy while maintaining law and order. Under the Native Jurisdiction Ordinance (NJO) and the Native Administration Ordinance (NAO), chiefs had the authority to judge civil, criminal and land cases within their territories, as well as implementing British policy and development schemes. Although restrictions were placed on their coercive powers (sentencing in more serious cases required consultation with the colonial administrators, for example), local administration by and large remained in the hands of the traditional elite, resulting in relatively little direct friction between the British and their subjects (Firmin-Sellers, 1996, p. 29; Feit, 1986, 181). The cooperation between the colonial administrative and the traditional systems served to legitimise each other and institutionalised what Feit (1986, 181) termed the administrative-traditional system.

In practice, the British system treated Chiefs as regular public servants. A native treasury system was created, giving them the power to allocate funds and issue customary laws in order to legislate their territories. In return, the Chiefs were remunerated with a salary but not allowed to keep any of the revenue they might accrue during their term. All tax receipts were to go straight to the native treasure for use in public projects (Firmin-Sellers, 2000, 259-260).

According to Kathryn Firmin-Sellers in her study about the Akan in both Côte d'Ivoire and Ghana, this setup provided Chiefs on the Ghanaian side with a choice: settle for the public servant salary and work in accordance with both indigenous and colonial frameworks, or subvert both colonial and indigenous systems and extract as much revenue as they could before being penalised by their subjects or the foreign office. She finds that most indeed chosen the latter, by issuing laws that served their own wealth and power and diverting treasury funds for their own consumption (ibid. 264). The British themselves had trouble monitoring and thus penalising such behaviour, being broadly unfamiliar with indigenous law and walking an administrative tightrope. The response came from the local community itself, which gradually established more direct monitoring of Chiefs' behaviour and powers. Crucially, they placed the revenue of the Chief's office under an independently operating

traditional institution and in many kingdoms subjects began to play a more important role in the process of removing a chief from office, a right that was previously exclusive to members of the royal lineage (ibid. 265).

The decentralised nature of the British colonial system left the Chiefs more power (and less to fear from official sanction) than their counterparts subjected to French rule. It thus often fell to the subjects to monitor and sanction Chief's behaviour, a process that gave them a more direct influence and role in local affairs. Another important consequence of the British system was the allocation of land:

[On the Ghanaian side] customary tenure privileges paramount Chiefs and individual subjects. The paramount chief can claim vacant land for the stool [the office] and distribute that land to migrants. Subjects can claim vacant land as first occupiers. [...] [In Ghana] the institutions gave commoners the right to claim land outright [whether by their own right or with support of their chief] (Firmin-Sellers, 2000, 268).

British colonial institutions and philosophies of rule led to a land-holding pattern in Ghana that was dominated by small farmers who were widely dispersed, and thus not easy to mobilise politically or economically. This stands in stark contrast to Côte d'Ivoire, as we will see shortly, where the French system in conjunction with indigenous institutions was conducive to the creation of a small number of elite farmers with relatively large holdings (on top of a dispersed peasantry) (Firmin-Sellers, 2000, 268).

4.2.4 The Road to Independence

From 1919 to 1939, the British steadily expanded the level of social services and infrastructure in Ghana. By 1939, there were 38 hospitals, a number of village dispensaries to train African nurses. In the same year, a labour exchange was created, in charge of outlining legislation covering underage labour, trade unions, collective bargaining and so on. Revenues from trade had been soaring, to ten times the level of 1900. Although there was still a lot of room for improvement, especially in the Northern Regions, Ghana had a comparatively good level of public utilities, transport and development planning (Bourret, 1960, 140-141).

The outbreak of World War II had a profound effect on much of the Colonial world. The Gold Coast saw its economic activity increase, especially in terms of raw materials extraction and processing. The most important development, though, was the war's influence on the political realm. Quite legitimately, many Africans believed that their support for the British war effort should bring them more political power: "the demand for increased self-government, which had been growing during the 1930s, was now intensifying" (Bourret, 1960, 155).

Many Ghanaians that had served in the Commonwealth's forces, but also the ones engaged in economic and political affairs (mainly from the urban and coastal regions) were buoyed by a greater self-confidence and determined to more actively take part in Ghana's development. The first major change in the relationship with the colonisers was the new constitution of 1944, which stipulated the election of an African majority to the legislative council² (ibid. 155-156).

The end of the 1940s witnessed the rise of Ghana's first nationalist movement, led by Kwame Nkrumah. Nkrumah (born in a western section of Ghana in 1909), had been general secretary of the UGCC (United Gold Coast Convention) since 1947. He had received his higher education in the United States and spent time in England, where he had gained experience in promoting African self-government. The UGCC was an elite, conservative national movement, but nonetheless managed to create a significant amount of political agitation, especially among farmers (Bourret, 1960, 167-168). This culminated in February 1948, when crowds, incited by agitators, burnt down a number of European shops and freed prisoners from captivity. The protests spread, ending in the death of 29 and millions of Pounds in damages (ibid. 169).

The riots formed the basis of the Coussey Committee report, published in October 1949. One of its recommendations was that traditional Ghanaian institutions be blended with British ones, finding "no intrinsic disharmony between the two" (ibid. 171). That was also the year Nkrumah (who had, with five other leaders, been arrested following the riots) decided to break with the UGCC and form his own Convention People's Party, CPP. Rapidly gaining influence, he pursued an active and determined policy of independence. After

² Although actual implementation took until 1946

calling for a strike in 1950, he was arrested again, which only promoted his cause among Ghanaians. His party's manifesto promised rapid industrialisation, jobs, government services and equal rights in a socialist state. At the elections for a new constitution in 1951, the CPP swept to victory, gaining 34 of 38 seats up for grabs. He was released from prison in the same year (ibid, 174-175). In March 1952, he was appointed Prime Minister, the first African to hold the position in any British colony on the continent. The next election for a constitution in 1954 (duly won by the CPP) laid the final ground work for independence but also caused some tension. It divided the territory into 104 districts, which deprived Chiefs of some of their former influence by allocating administrative power to the new local governments. The Asante especially were wary of the development, fearing that "the country was coming under the control of the CPP and doomed to be a prey to irresponsibility, the corruption, the juggling of party politics, and anti-traditionalist spirit they associated with it" (Bourret, 1960, 194). Indeed, the CPP did see the traditional Chieftaincy as outmoded and inferior to a modern central administration. Either way, the next step was the quasi-referendum on independence by means of a general election to be held in July 1956.

The CPP won 72 seats versus the 32 the opposition managed. The assembly vote on independence went through 72-0 as the other parties decided to boycott the vote. In September, the British government approved of the decision, and decreed that as of March 6, 1957, Ghana would be independent (Bourret, 1960, 196).

4.3 Côte d'Ivoire Under Foreign Rule

4.3.1 Colonisation

It all started in Germany. Amid an era of imperialism, the 1885 Berlin Conference was an attempt to rationalise the European scramble for Africa. The eventual agreement stipulated that as far as the African coastline was concerned, only the effective occupation of a territory by a European power would legitimise its claim to it. As a result, France resumed direct control of its West African trading posts in 1886. Only fifteen years earlier, in 1871, after defeat to the Prussians, it had left their administration in the care of resident merchants (Handloff, 1991, 8-9). By 1893, Côte d'Ivoire became an officially recognised

colony of France. The main opposition at the end of the 19th century came from Samori Touré, who during the 1880s and 1890s was embroiled in an attempt to establish an empire of his own across modern day Guinea, Mali, Burkina Faso and Côte d'Ivoire. Touré's campaign against the colonists came to an end with his capture in 1898 (ibid. 10).

4.3.2 Rule à la Française

On the surface, the French sought to appease local rulers by promising to uphold customs and leave the selection of local chiefs in indigenous hands after annexing their territories. In practice, they often ignored their side of the agreement. Slowly but steadily, French policy mutated into one of assimilation and association. Educated elites were to be assimilated; the general population would be subjected to France, but only by association. For a long time, there was no question of equality between colonists and colonised. Disobedient internal rulers were deported, villages regrouped and a uniform pattern of administration established throughout most of the country. Indigenous custom and tradition was indulged only as far as it didn't contradict or bother French interests. Until 1958, the direct, centralised system of administration left practically no room for Ivoirian participation in policy making. The classic divide-and-rule strategy found a place in Côte d'Ivoire, as the French made sure not to alienate the small (French-) educated elite, who duly served their interests as lowly civil servants (ibid. 11-12).

A UNDP Report on Côte d'Ivoire summarises French policy quite succinctly:

During the pre-colonial period, the ethnic groups that populated Ivoirian society were linked through ancestral pacts, with strong historic and social ties. Colonisation, with its administrative system squashed the social organisations that existed among the traditional Chiefs (UNDP, 2004, 41. My translation).

Keen to make the colony self-supporting, the French began organising and exploiting labour on a massive scale in 1900. Each male Ivoirian was forced into uncompensated hard labour for ten days a year. Most inhabitants of the colony were French subjects, yet lacking any political rights. They could be drafted for work in mines, plantations or infrastructure projects as part of their tax obligation and were expected to serve in the military (ibid. 14). On top of the political and economic ramifications French policy had, Ivoirians were also

subjected to a number of social institutions that would change their culture fundamentally. Catholic missionaries flooded the territory, establishing churches and primary schools. Civil servants, part of the westernised African elite, replaced traditional chiefs in more populated areas (ibid. 15). In rural areas, where the majority of Ivoirians lived, chiefs were employed as mouthpieces of the new colonial government rather than be delegated any substantial amount of autonomous power. They became “representatives of French sovereignty” (MacLean, 2006, 109). The French take on colonialism was a lot more direct, centralised and based on the steady increase of bureaucratic oversight (MacLean, 2006, 108). A central direct taxation system, for instance, was developed a lot more quickly than in neighbouring Ghana, both to finance the administration but also put pressure on farmers to increase the cultivation of tradable crops (MacLean, 2006, 110).

The turning point came with the catastrophic French defeat during World War II. The Vichy government, orientating itself along the racial theories of the Nazi regime, doubled down on racism and exploitation in labour recruitment and military conscription practices. At the same time, the humiliation and occupation of a supposedly “superior” civilisation such as France stirred nationalist and independence movements in its colonies (Handloff, 1991, 16). Such sentiments were openly expressed at the Brazzaville conference in January 1944, a gathering of Free French politicians and officials from the French African colonies. It was agreed that colonies were to be represented in French parliament and greater degrees of autonomy were envisaged for them. Labour conscription was to end, local customs to be respected and positions opened for Africans in colonial administrations.

4.3.3 The Rise of Felix Houphouet-Boigny

Despite promises of reform, the only direct consequence of the Brazzaville conference was a 1944 bill allowing workers in the French-controlled territories to unionise. One of the co-founders of such a union, the Syndicat Africain Agricole³ (SAA) was a wealthy planter and French-educated medical doctor named Felix Houphouet-Boigny. He was—along with a French representative chosen by white settlers—narrowly elected to the French Constituent Assembly in Côte d’Ivoire’s first countrywide election in 1945 (Zartman & Delgado, 1984, 3).

³ African Agricultural Union

When it met, 63 of the 600 delegates represented African colonies. In 1945-1946, the assembly voted to abolish the forced labour system as well as the separate legal system governing Africans. Freedom of speech, association and assembly followed suit, as well as investment promises for social and economic infrastructure (Handloff, 1991, 18).

These events led to the formation of Côte d'Ivoire's first political parties, including the Parti Démocratique de Côte d'Ivoire (PDCI) under the leadership of Houphouët-Boigny. Having attained national prominence, Houphouët-Boigny joined forces with other French West African leaders to form the Rassemblement Démocratique Africain⁴ (RDA) in 1947, which rapidly became a thorn in the eyes of the French government. Their demands for full equality with the French came at a time when France was confronted with unrest and open rebellion in Indochina, Madagascar and Northern Africa. As Houphouët-Boigny had become the de facto leader of the RDA, colonial officials and the colonial administration of Côte d'Ivoire began increasingly harassing his national party, the PDCI. Many of its leaders were jailed and supporters purged from administrative posts. The PDCI's retribution in the form of demonstrations and strikes kept escalating, with the standoff turning bloody in 1949 when the administration's troops fired on African protesters on several occasions (ibid. 20).

Having alienated many moderate elements by its association with the French Communist Party through the RDA, the PDCI was close to disintegration in 1951. In an effort to resuscitate it, Houphouët-Boigny cut all ties to the Communists and groups in the RDA who supported them and called for a policy of cooperation with the French, which would set the tone for both the road toward independence and Côte d'Ivoire's development thereafter. (Bakary, 1984, 32).

A boom of the cocoa industry and the continued political and economic entrenchment of Houphouët-Boigny and his class of wealthy landowners marked the 1950s, which would come to a close with the dawn of independence. The PDCI developed into a mass-member organisation with an ideological emphasis on close ties to France and positioned against a rushed transition to independence. Although the party emphasised its strive for a democratic Côte d'Ivoire, its administrative structure was firmly in the hands of Houphouët-

⁴ African Democratic Assembly

Boigny and sub-national committees were more frequently appointed than elected (Handloff, 1991, 21).

In 1956, the French assembly, promulgating the beginning of the end of colonial control, passed the *loi cadre*. Colonies received greater internal autonomy through the formulation of domestic policy and legislation. Although the French were still to be consulted in matters of education, foreign policy and defence, the major executive functions that had hitherto been executed by the colonial officials fell into the hands of a territorial Council of Government. In 1958, de Gaulle's anti-imperialist preferences found their way into his proposal for a new constitution, which would have overseas territories become autonomous republics with France as a senior partner. The constitution was presented to the overseas community as a referendum, where rejection would mean the immediate severing of ties with France. Côte d'Ivoire's assembly voted nearly unanimously in favour of the Constitution (Handloff, 1991, 22).

In 1960, an amendment to the constitution permitted countries to gain complete independence while remaining in the French Community. With the main argument against independence—isolation from France, its resources and know-how—rendered null, Côte d'Ivoire became an independent state in August 1960 (ibid.).

4.4 Independent Ghana and Côte d'Ivoire

4.4.1 The State of Post-Colonial Ghana

To start with a characterisation by David Apter in "Ghana in Transition" (1972, 337):

Richer than most [African] countries, carefully groomed for independence, with trained cadres exceeding those of far larger countries, without racial minority problems, having inherited a good and expanding educational system, Ghana is regarded as having the resources, manpower and moral and spiritual qualities to set the pace and tone of political development in all Africa.

Indeed, upon independence Ghana was in better shape than any other Sub-Saharan African economy. Per capita income in 1957 was on the same level as South Korea's. It had large foreign reserves, accumulated by virtue of being the world's largest cocoa producer and

exporter, and also accounted for 10% of the world's gold exports. Its infrastructure was well developed by colonial standards and its workforce the most skilled and educated in the Sub-Saharan (Konadu-Agyemang, 2000, 473).

By the mid-sixties, the country was teetering on the edge of bankruptcy. With the colonial history in mind, we will return to Ghana's development from the 1960s to the 1980s in section VI.

4.4.2 Côte d'Ivoire under Houphouët-Boigny

During the thirty-three years of his presidency, Houphouët-Boigny dominated the political system like no other. Zartman (1984) went as far as calling him the quintessential Weberian charismatic leader. For Zolberg (1969, 323), he fulfilled the requirements of political stability by

[...] serving as the source of norms, which become a standard for followers; serving as a symbol, which helps disparate groups in the territorial society acquire a sense of identity with one another and serving as a living symbol of the territorial community, encouraging individuals to transcend traditional ethnic group affiliations.

The members of the political elite perceived themselves as his men and their access to power as his (Bakary, 1984, 34). He was careful in selecting members of his ruling party, making sure they would be virtually unknown within their region or ethnic group. They were usually of modest origin, who had to prove themselves once in regional power and owed Houphouët-Boigny their entire career (ibid. 38).

The rapid pace of economic development during the first twenty years of Houphouët-Boigny's reign was accompanied by social stability and urbanisation, albeit under mounting hidden costs, as will be shown in the following sections. For now, the next sub-section will provide a summary of the development of the economies of Ghana and Côte d'Ivoire since independence.

4.5 The Economics of Rule

In this section I briefly outline the pillars of Ghana and Côte d'Ivoire's economies and societies since independence and as they stand today. I am including this here so as to provide a less convoluted space for an analytical narrative in the final sections of the thesis. The following will also provide additional information for a reader who might not be very familiar with West African economies.

To begin with, Figure 5 overleaf shows GDP growth and a timeline of major events in both countries. The blue line represents Ghana, the orange one Côte d'Ivoire. The timeline encompasses much of what will be discussed over the next chapters. As we can see in both GDP growth figures and notices of social and political turmoil, the reversal of fortune maps quite well.

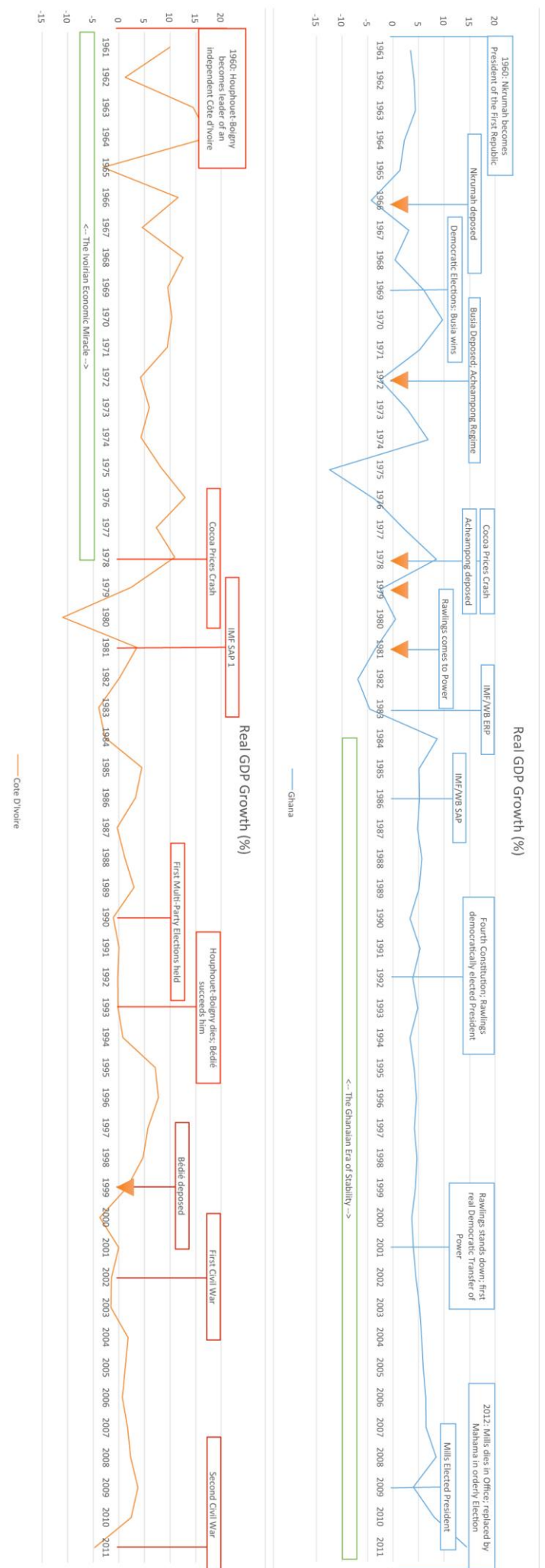


Figure 6 - Ghana and Côte d'Ivoire's real GDP Growth and notable historic events.
World Bank, 2012; Handloff, 1991; The Economist, 2012. My Adaptation.

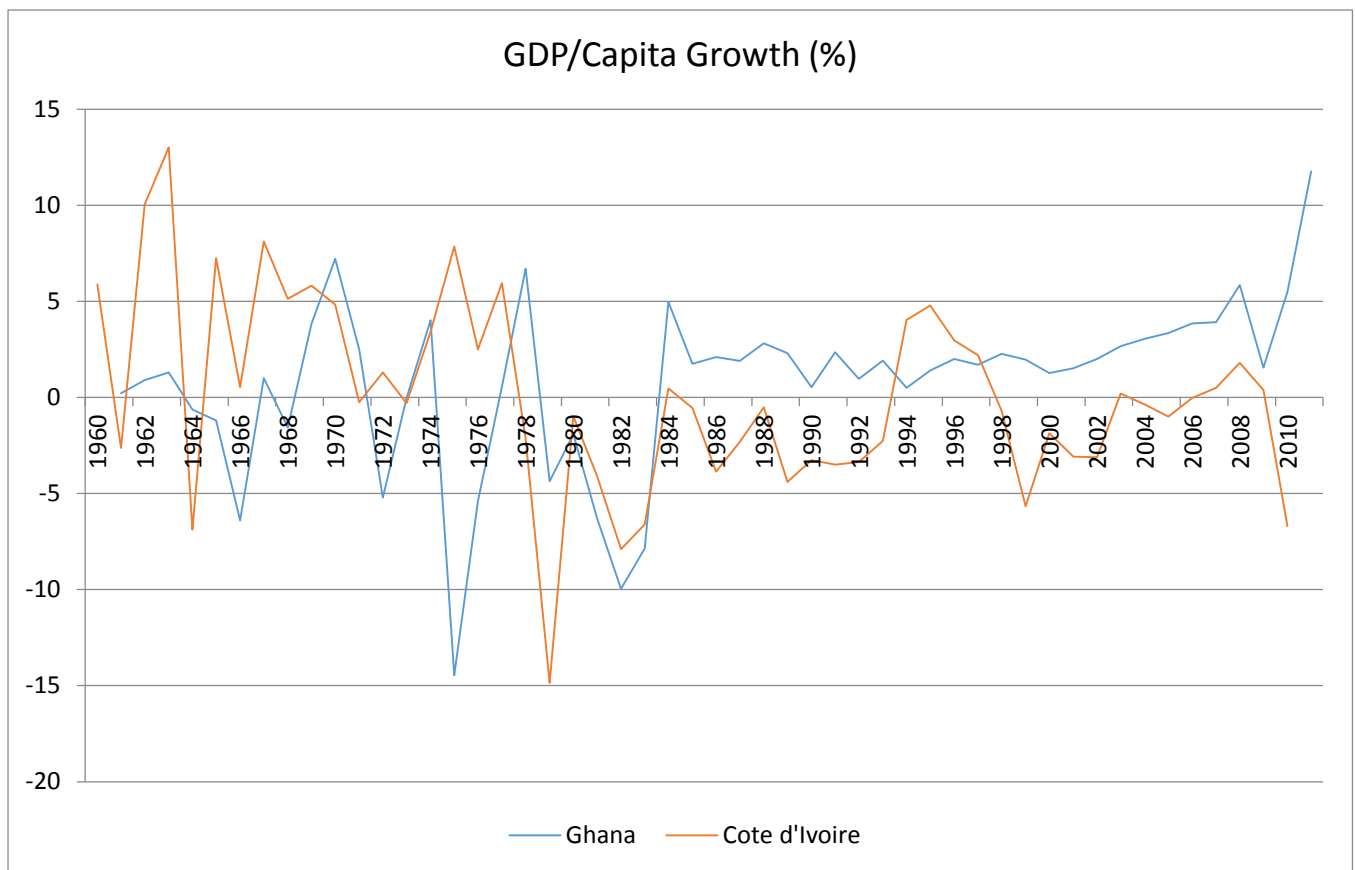


Figure 7 – GDP Per Capita Growth in Ghana and Côte d'Ivoire. The World Bank, 2012. My Representation.

Figure 6 above shows the simple growth rate of per capita GDP figures since independence and until 2011. From the early 1980s, Ghana started outperforming Côte d'Ivoire quite consistently, with the reverse true during the preceding decades. Ivoirian GDP growth suffered severe shocks throughout the end of the 1980s and beginning of the 1990s, proceeding to go negative in both 1999-2003 and since 2009-10.

Cocoa was and remains a crucial component of both economies. To give a clearer picture of not only where the main areas cocoa is grown, but also of the huge scale on a global level, Figure 6 below shows the distribution of cocoa cultivation in West Africa, along with the percentage of world production originating from Ghana and Côte d'Ivoire.

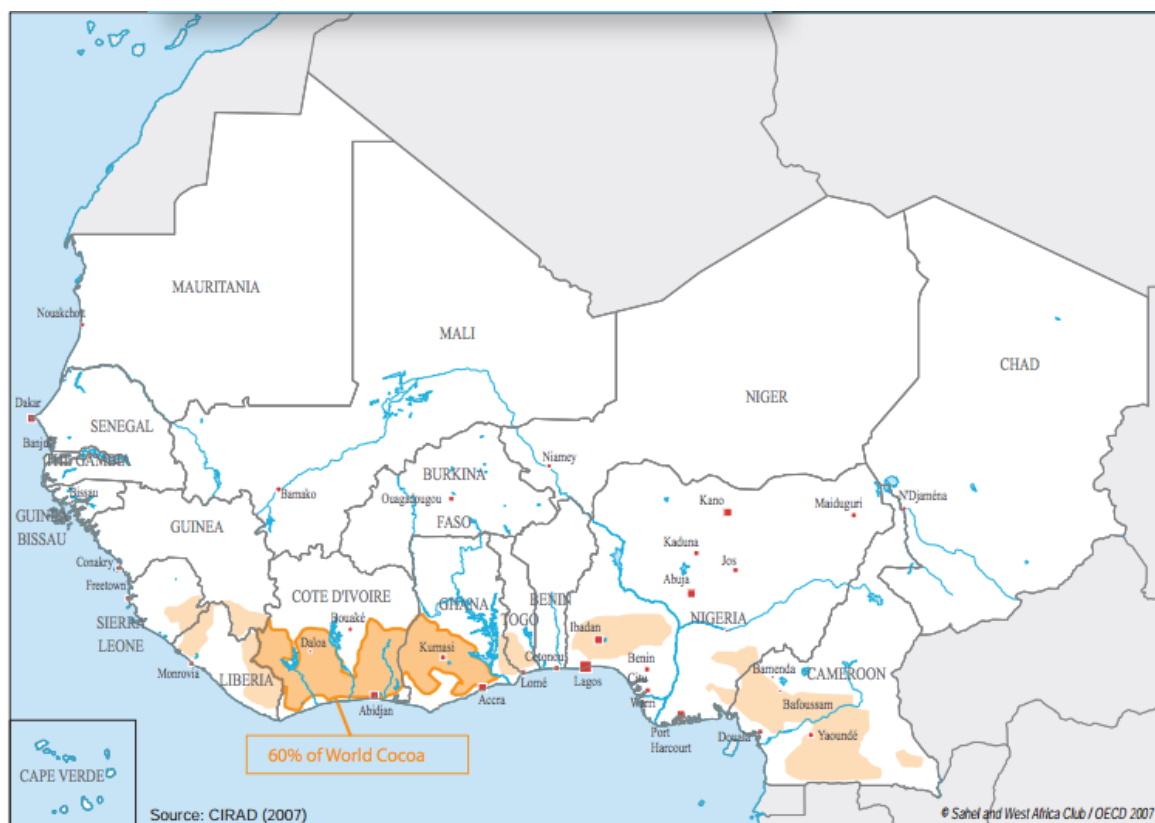


Figure 8 – Main Cocoa Production Zones in West Africa. OECD, 2007, 8

Even though they together hold a dominant position, Ghanaian and Ivoirian cocoa producers (and thus governments) face a highly volatile worldwide economic environment that causes prices to swing by huge margins. The long-run view exhibits peaks and troughs with enormous economic impact potential:



Figure 9 – The Price of Cocoa. Trading Economics, 2013

The record high of \$5,368 dollars per metric tonne was recorded in July 1977, close to sixteen times higher than the record low of \$343.4 dollars needed to buy a metric tonne in 1965 (Trading Economics, 2013). Cocoa is a perfect example of the dependency on external events that single primary or agricultural export nations face in a global economy. Oil production, which is not the focus of this paper since it has only begun being extracted on a significant scale relatively recently, may well lead to a measure of diversification, but remains a primary export with the according volatility⁵. The Ghanaian mineral sector, especially its Gold mining business, is also not accorded much discussion in what follows. Even though today's mineral receipts are vast and account for a good third of Ghanaian export earnings, the crumbling of investment during the 1960s and 1970s led to a much reduced relevance of the precious metal in the economy. Fairly or not, I chose to concentrate on cocoa, also because of its intricate links to property rights and social structures that large-scale investment projects like gold or oil extraction are less prone to be entangled with.

Even though the cocoa price has risen and fallen significantly, Ghana's economy has not experienced recession in over two and a half decades. It weathered the recent worldwide financial crisis quite well, with growth dipping to just under five percent. As can be seen on the timeline of events (Figure 5 above), Ghana underwent a first IMF Structural Adjustment Programme (SAP) in 1983. The fragmented sets of policies left behind by a multitude of regimes since independence had left a seemingly indelible mark on economic growth, national debt and the ability to service that debt until then.

⁵ Not to mention the renewed potential for corruption and rent seeking should the country's institutional framework not succeed in ensuring a transparent and responsible handling of the proceeds.

The World Bank and IMF loan gave the country much-needed liquidity in dealing with some of its immediate structural problems. At the same time, the political environment started becoming a lot less volatile. Between independence in 1957 and 1981, Ghana had no less than fifteen different leaders, often with remarkably different ideologies of both government and economics and whom practically all came to power through a military coup or through an election following a coup. The democratisation period starting in the early 1990s led to a welcome normalisation and stabilisation of the political process and economic development.

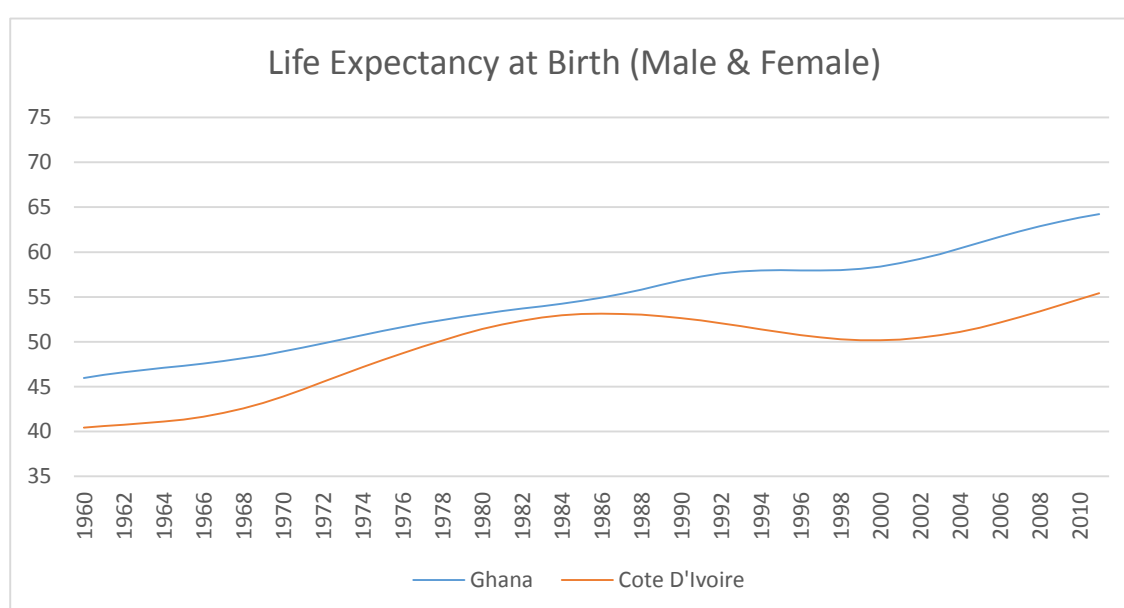


Figure 10 - Life Expectancy at Birth (The World Bank, 2012. My Representation)

Until 1979, the Ivoirian growth miracle was running strong. Since then, GDP per capita figures have struggled to grow year on year and the economy as a whole has been marred by frequent recessions and overall anaemic growth (World Bank, 2012). The economic trends have had important impacts on social and demographic aspects of life. In 2004, GDP per capita did not even stand at half of what it had been in 1970s, a remarkable feat. As can be seen in Figure 6, in terms of life expectancy Côte d'Ivoire nearly caught up with its neighbour leading up to the 1980s, but the economic turmoil that ensued drove them apart once again. Ghana's trend shows that life expectancy stagnated during the 1990s, but has been rising since, reaching 64.2 in 2011. Ivoirian new-borns, in contrast, can expect to reach

an age of just 55.4 years on average. In 2011, Literacy rates stood at 67% for Ghana and 56% for Côte d'Ivoire, a gap of over 10 percentage points (The World Bank, 2012).

Finally, we can have a quick glance at the two countries' export performance, the most significant source of external funds and reserves.

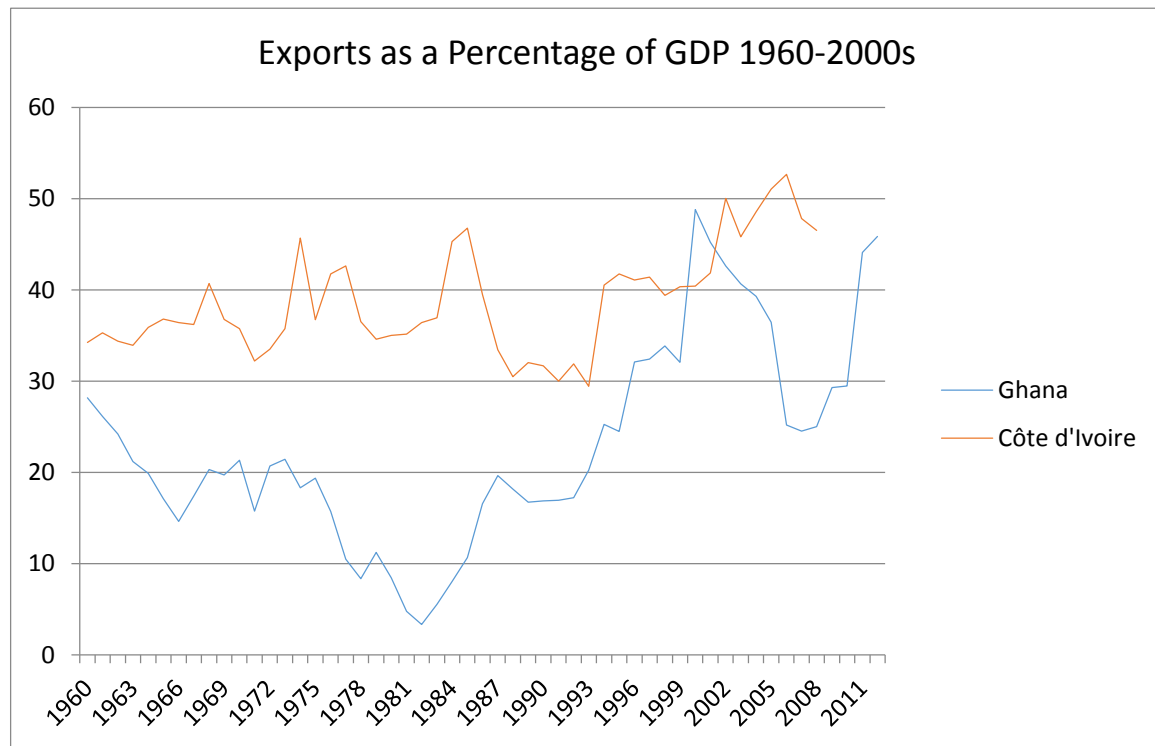


Figure 11 - Exports as a Percentage of GDP 1960-2000s. The World Bank, 2013

Ghana's export performance plummeted after independence, recovering only during the 1980s. Ivory Coast, by contrast, was relatively stable until the 1980s, where a steep drop of over 15 percent came at around the same time as a recovery in its neighbour's numbers. It can be remarked that the Ivoirian export to GDP ratio is a lot more stable throughout the period (including 1995-2008, when data stops being available) than Ghana's. Unfortunately, the World Bank's data does not cover absolute export earnings, which would be more interesting given that GDP ratios are inherently relative.

Select indices were used for this briefest of performance reviews. The next subsections turn to the characterisation of structural adjustment programmes in general and introduces some country-specific features.

4.6 The 1980s: Crisis, Recovery Programmes and SAPs in Ghana and Côte d'Ivoire

This subsection will provide a brief overview of the economic reforms Ghana and Côte d'Ivoire underwent when crisis struck. The following provides just a brief rationale and policy outline. The political contexts, roads to adoption and analyses thereof will be presented in depth in later sections.

Economic Recovery Programmes and Structural Adjustment Programmes (ERPs and SAPs, respectively) swept through Africa during the 1980s, a decade of crisis for the continent as a whole. Typically, a recipient country would suffer from high inflation coupled with high balance of payments and fiscal deficit. Its foreign debt would verge on unsustainability and its servicing would swallow a majority or all of its export earnings; its currency would be overvalued, making imports more attractive and exports more difficult. To use Stephen Weissman's (1990, 1622) useful itemisation, adjustment policies on a general level aim to:

1. Reduce external and internal deficits by limiting money and credit growth, lowering the fiscal deficit, implementing a real currency devaluation, increasing export producers' shares of world prices and rehabilitating export infrastructure
2. Achieve a more efficient allocation of resources to productive sectors by removing import quotas and high tariffs that shelter uncompetitive firms. Eliminate or phase out most price controls and subsidies and permit the private sector to run markets previously exploited by inefficient state agencies or state owned enterprises.
3. Lift the burden of the overdeveloped state on the economy by reducing payrolls, holding state-owned firms accountable, introducing user-fees in health, education and other services and improving institutional management
4. Mitigate the short-range costs of adjustment through compensatory programmes of employment generation and targeted social services for the poor.

Broadly, Ghana and Côte d'Ivoire turned to the IMF and World Bank duo for the same reason: their economies were edging on the brink of total collapse.

4.6.1 Ghana's Adjustment Objectives and Results

The Economic Recovery Programme was formally launched in April 1983. The first three-year phase from 1983 to 1986 was aimed at resurrecting the country's industry and commodity export sectors. The 1987-1989 structural adjustment phase focused on economic development. Along with other standard SAP elements, the exchange rate was liberalised, price controls gradually abolished and the distorted economy re-orientated in favour of the export sector in particular. Fiscal and monetary policy were to be restrained in order to encourage saving and investment and further reduce structural imbalances. Tens of thousands of civil servants were let go and the currency (the Cedi) devalued heavily, falling from ₵2.75 to one dollar in 1983 to ₵90 in 1986 and ₵330 in 1990 (Rothchild, 1991, 8-9).

The economy rebounded sharply, growing by 9 per cent in 1984, and by an average of about 5 per cent for the rest of the decade and the 1990s (see figure 1). The industrial share of GDP, which in the early 1980s stood at 10 per cent, more than doubled to 25 percent by the early 2000s, halting decades of industrial decline (Aryeetey & Fosu, 2008, 39-40). Exports recovered, fuelled by stronger producer prices and laxer control regimes.

4.6.2 Structural Adjustment in Côte d'Ivoire

Growing steadily until crisis struck, Ivorian GDP quadrupled between 1960 and 1980. The country managed to improve its education system and develop a relatively diversified industrial sector (Koumoue, 1994, 13). Behind the scenes, however, external loans were rapidly piling up, making Côte d'Ivoire's ability to finance its debt highly vulnerable to economic shocks:

The deterioration of the international economic environment at the end of the 1970s and beginning of 1980s and concurrent crash of cocoa and coffee prices triggered a rapid degradation of its financing position (Koumoue, 1994, 67).

The country went through two main adjustment phases during the 1980s: 1981-1986 and 1987-1989. It was one of the first African countries to be subjected to the World Bank/IMF conditional loan packages. The first phase was an attempt to correct the unbalanced

macroeconomic cornerstones of the country, aided by three large World Bank loans in 1981, 1983 and 1986, totalling \$650 million US dollars. Additionally, the IMF provided SDRs⁶ worth US\$ 827 million, given Côte d'Ivoire's reliance on a fixed exchange rate system (Grootaert, 1995, 380).

Figure 5.7. Public Debt/GDP Ratio

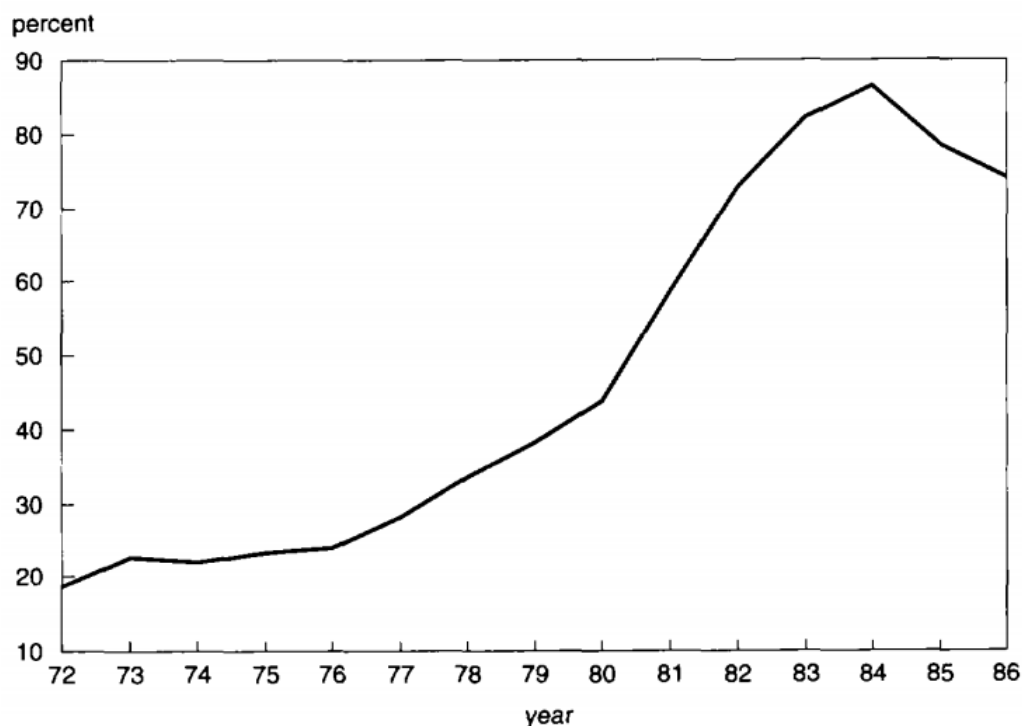


Figure 12 - Public Debt over GDP. Berthélemy & Bourguignon, 1996, 70.

In terms of austerity, nominal growth increases of public expenditure were limited to five percent, which in the wake of high inflation rates meant that government investment had to be cut drastically. Between 1981 and 1983 it fell by 28 percent. Public capital spending fell from 18.1 percent of GDP in 1981 to just 11.3 percent two years later. Consumption taxes, such as on petrol were raised and certain subsidies abolished, along with the inevitable price increase for public services such as electricity and water provision. Public bodies also experienced wage freezes, with para-statal employees especially affected by

⁶ "The SDR [Special Drawing Right] is an international reserve asset, created [...] to supplement its member countries official reserves" (IMF, 2013)

broad cuts to bring their salaries to the level of other civil servants (Azam & Morrisson, 1994, 48).

On the fiscal policy flipside, the IMF also proposed tighter monetary policy and ceilings on credit issuance. Low inflation rates coupled with higher effective interest rates led to a surge in private defaults, in turn creating a liquidity crisis in 1983 which further shook the (still shallow) financial system (Berthélemy & Bourguignon, 1996, 71).

1985 showed a modest recovery, on the surface indicating that the government had turned the corner. Once again, an unexpected drop in world cocoa prices would signal re-entry into recession. Figure 9 above, showing exports as a percentage of GDP, gives an indication of the magnitude of the shock. By 1987, the real exchange rate dropped sharply, as the French Franc (to which Côte d'Ivoire's currency was pegged to) depreciated against the Dollar. The 1988 deficit amounted to 10 percent of GDP, adding to the already precarious debt balance. National accounts indicate that domestic aggregate spending dropped by 10 percent in 1987 and another 20 percent in 1988.

The steep deterioration of the economy's situation led to an interruption of the SAP effort between 1987 and 1989 (Grootaert, 1995, 279-380). Although by mid-1990s there was a measure of improvement in the economic sphere, the political was on the verge of breaking apart.

We will come back to some of these trends in upcoming sections. The next section will provide a theoretical foundation for analysing how economic trends make way for or give way to political order and disorder. The two are inexorably linked in the political economy of development, and have naturally received a great deal of attention in the literature.

5. Critical Junctures and Institutional Change in a World of Path-Dependence

Institutional change is usually slow and gradual. The path-dependent view of the social world suggests that collective understandings of how the world works, what kind of values are cherished and other idea constructs can become self-reinforcing institutions once a certain critical mass has been reached (Pierson, 2011, 39). Such institutions, both formal and informal, are generally designed to be resistant to change. This may happen out of a desire to reduce future uncertainty or simply to bind successors (who may not share the same worldview) to today's decision. The reduction of uncertainty is especially important in that it promulgates a degree of future commitment (ibid., 43). In the long run, a ruler may find it more profitable to give up certain types of power (such as the right to expropriate land and capital or other types of executive powers) in return for a higher future income through reduced uncertainty (Acemoglu *et al.*, 2001, 461). Institutional “stickiness”, achieved through commitments such as constitutions that require large majorities to alter and clear separations of power, is a major characteristic of modern political systems and—for better or worse—a main obstacle to departing a given path.

The identification of critical junctures in a country's history can often be a delicate task. In our two case studies, initial identification is not the issue. The origins of the economic downturns and resultant policies that the IMF and World Bank forced upon Ghana and Côte d'Ivoire during the 1980s were broadly similar (as, indeed, they were across the continent). Yet they implemented very differently and produced very different outcomes. At the same time, the bigger concern lies in whether it was *the same* juncture that led to the different development paths the countries have been experiencing since the 1980s. As Collier and Collier (1991, 30) emphasise, the concept of a critical juncture is comprised of three components:

The claim that a significant change occurred within each case, the claim that this change took place in distinct ways in different cases, and the explanatory hypothesis about its consequences. If the explanatory hypothesis proves to be false—that is, the hypothesised critical juncture did not produce the legacy—then one would assert that it was not, in fact, a critical juncture.

One of the first objectives will thus consist of ascertaining that it was the same succession of events that hurled the two states into quite different institutional transformations.

5.1 Similar Endowments – Different Constraints

As we have seen in the introductory sections, Ghana and Côte d'Ivoire have a lot in common. Their formal institutional frameworks, value systems and societal structure, however, have deviated considerably over time. Lauren MacLean (2002, 66) created a useful depiction of the normative frameworks that characterised the diverging colonial systems of rule:

Normative Viewpoints	British in Ghana	French in Côte d'Ivoire
Role of state in economy	Liberal	Statist
Organisation of economy	Decentralised	Centrist
Nature of society to be governed	Ethnic communities	Individual subjects / potential citizens
Nature of family	Extended family system	Nuclear Family system
Relationship between state and informal social welfare systems	Strengthen informal system through policies	Replace informal system through bureaucratic extension

Figure 13 - Divergent Normative Frameworks of British and French Colonial Rule. Maclean, 2002, 66. My Representation.

Since independence and until today, these normative frameworks have not changed that significantly, constituting central elements in the logics of rule in the two countries. They made an important difference in how the 1980s and concurrent IMF/World Bank Structural Adjustment Programmes were both perceived and implemented.

The focus of this paper lies in the period of turmoil both countries faced during the 1980s. Amid a global slowdown, plummeting demand for cash crops and heavy indebtedness, Ghana managed to break into the 1990s as a relatively stable, quite democratic country with an economy on a growth trajectory it has managed to sustain until today (Konadu-Agyemang, 2000, 473; World Bank, 2012). Whereas it is still grappling with many issues

developing countries tend to grapple with, it has nonetheless turned into a beacon of optimism for the continent as a whole. Côte d'Ivoire's troubles, on the other hand, are still brewing, its future still uncertain. The events of these years raise important historical-institutional questions. The remainder of this section will attempt to formulate a theoretical framework of institutional change amid a critical juncture. The section that follows will translate the general period of interest and theoretical background into actual research questions and provide a tentative list of hypotheses.

5.2 A Conception of Institutional Change amid a Critical Juncture

Our theoretical background, outlined in Section 2, provides the basis for building a model of institutional change to substantiate the comparative analysis of our two case studies. In Section 4, the different colonial rationales of rule were outlined, along with a brief overview of where the two stand today. This section serves as the theoretical framework to keep in mind as the post-colonial paths of Ghana and Côte d'Ivoire are described in Section 6 and analysed in Section 7.

Any theoretical model of institutional change must account for agency, power and the relationship between the state and civil society. In most cases, external events are instrumental in initiating the process of institutional transformation. Yet the nature of the transformation is firmly dependent on the given set of a country's institutions and its path dependencies. Further, as Slater (2009, 132) emphasises, the robustness of political institutions best explains the stability of a regime's politics. Treating external shocks as exogenous and thus beyond the control of an incumbent regime (as is the case with global phenomena such as a collapse in cocoa prices or a severe drought) allows placing the focus on the interaction between domestic institutions, power, agency and civil society. In what follows, theoretical perspectives will be introduced or partly reiterated and brought together under a unified sketch of institutional change in a critical juncture.

5.2.1 *De Jure Power, De Facto Power and Elite Entrenchment*

As briefly mentioned in the literature section, Daron Acemoglu and James Robinson are some of the key theorists, applicants and proponents of institutional theory. In their 2012 book “Why Nations Fail”, they focus on extractive and inclusive institutions and their consequences for a nation’s development path. Their fundamental premise is "that while economic institutions are critical for determining whether a country is poor or prosperous, it is politics and political institutions that determine what economic institutions a country has" (Acemoglu & Robinson, 2012, 43). Two of their articles in the *American Economic Review* (2001, 2002), in collaboration with Simon Johnson, look at the colonial origins of comparative development. Together, they provide evidence that colonialism was a critical juncture in countries’ development paths all over the world. They argue that it was colonial legacies that caused a change in the trajectories.

One of the premises of their work is that political institutions determine economic institutions, while the initial distribution of resources in a country play an important role in the kind of political institutions that will arise.

Economic institutions determine the incentives of and the constraints on economic actors, and shape economic outcomes. [...] The distribution of political power in society is in turn determined by political institutions and the distribution of resources. Political institutions allocate *de jure* political power, while groups with greater economic might typically possess greater *de facto* political power (AJR, 2005, 387).

Their chapter in *The Handbook of Economic Growth* (2005) attempts to outline a theory of institutions, beginning with the distinction between *de jure* and *de facto* power. Actual political power is the joint outcome of both. Using the example of Mexico and the United States, they attribute the long run divergence in the rate of economic growth of both countries to the initial distribution of *de facto* power. In the United States, the initial distribution of resources (primarily land) was relatively egalitarian and social mobility relatively high. Over time, the more equal distribution of *de facto* power led to representative political institutions with a heap of checks and balances, reinforcing the status quo (AJR, 2005, 448). The large indigenous population and rich silver mines in Mexico, on the other hand, led to an initial balance of power that was much more

authoritarian and exploitative, strongly favouring the elite over the masses. This produced institutional structures both before and after independence that were much more unchecked, authoritative and centralized and economic institutions with very different distributional effects than in the US (ibid., 449).

The initial distribution of resources thus matters for the eventual government framework and sets of incentives faced by social and political actors. As we will see, the distribution of de jure and de facto power differed significantly in Ghana and Côte d'Ivoire and led to strongly diverging sets of political and economic policies.

5.2.2 State Failure as Equilibrium

5.2.2.1 How Things Fall Apart

In “When Things Fell Apart”, Robert Bates turns to game theory to explain the abysmal governance record of Sub-Saharan African countries. He posits that political order prevails when the state’s means of coercion are employed to protect wealth instead of preying on it and citizens set aside their grievances to devote time to the production of wealth and enjoyment of leisure. Given such equilibrium, a state is formed by political order (Bates, 2008, 5).

However, the economic forces and institutional legacies at play in many African countries incentivise leaders to put short-term profits ahead of long-term wealth creation. Thus, rewards from elite predation could come to outweigh those from good governance, depending on the leaders’ discount rates. Three points stand out that are associated with a rapid degradation of a state’s ability to govern effectively:

1. A decline in public revenues leads to a higher chance of state collapse: The elite’s goal of expropriating the economic surplus leads to high levels of taxation and regulation of economic activity. This in turn leads to a flight of economic activity from the reach of the state, meaning that the remaining activity will experience even higher levels of predation and the cycle continues. Eventually, revenues decline to the point where public service salaries fall, public goods become unavailable, price controls make goods disappear from shelves and corruption rises further.

2. Political reforms, even (or especially) when they are designed to raise accountability and prosperity often result in more political disorder since they raise insecurity for those that profit from the status quo.
3. Natural resources may become more preyed upon with a decline of public revenue. Especially when time horizons are shortened significantly, elites are more tempted to embrace their role as resource predators (Bates, 2008, 97).

Such has indeed been the fate of a tragic number of Sub-Saharan African countries over the last decades. Central to his thesis is the simple premise that, absent institutional constraints that offer security and are conducive to long-term benefits, policies often aren't chosen because they are good economics but because they are good politics. "Good politics" doesn't imply anything normative. It implies that many leaders are interested in staying in power and, in absence of laws and frameworks of checks and balances that prohibit them from doing so, will buy political support from the groups most likely to keep them there. In the short to medium run, such an extractive process is likely to contribute to institutional stability (even if only superficial) as regime elites are bought into the status quo. In the long run, however, such a coercive-extractive cycle is likely to be limited by the diminishing availability of physical rents, which in turn leads to a higher probability of political instability and the need—with better or worse consequence—for institutional change.

Since the object of this paper lies in the analysis of institutional change of two resource-rich agricultural exporters, we can add a little specificity to Bates' model of state decline.

5.2.2.2 Commodities, Rents and Extraction

Cocoa producers are price-takers on international markets. At the same time, many producers of the cash crop established strict monopolies on exports on the national and the local level. This allowed for the—in the eyes of the elites—most efficient extraction of economic rent (Woods, 2004, 225).

During a commodity price boom phase, this strategy can produce winners on both sides; unequal winners, given the extraction emanating from the elite, but overall rising incomes for cocoa producers nonetheless. It is the bust phase that can produce a vicious cycle, with

rural producers no longer able to invest to increase or even maintain production, but elites seeking to extract the same amount of revenue as before. As the pie gets smaller, they attempt to cut off ever larger slices, so to speak.

Overall, monopoly scenarios such as this one are prone to lead to powerful entrenched interests, which in turn rely on agricultural producers as the “cash cows” that keep the resources flowing throughout a growing patronage network. During a crisis, the resulting competing interests over diminishing resources can lead to higher risks of conflict at the national and sub-national level (Woods, 2004, 239).

5.2.3 State Power

Mentioned briefly in Section 2.3, Michael Mann’s view of the power of the state is twofold: the *despotic power* of its elite can be termed “the range of actions which the elite is empowered to undertake without routine, institutionalised negotiation with civil society” (Mann, 1984, 113). The second sense is *infrastructural power*, “the capacity of the state to penetrate civil society, and to implement logistically political decisions throughout the realm” (ibid.). Over the last century, we have seen states’ *despotic* powers gradually decrease, especially in the industrialised world but also in many developing countries. Their *infrastructural* powers, however, have risen enormously during the same time span. Thus, “the state penetrates everyday life more than did any historical state” (ibid.) due to the development and spread of modern technology.

A state can thus be weak even though it is despotically strong. An authoritarian machine may be unchallenged by significant opposition groupings and thus able to undertake a great range of actions without accountability. If, however, its subjects are able to slip from its reach, by emigrating or through the emergence of a widespread informal economy, its *infrastructural* weakness is likely to sooner or later hamper its despotic prowess.

This distinction goes hand in hand with the ways a state organism positions itself vis-à-vis its subjects (or electorate). A state can be inclusive, striving to increase the general standard of living, or exclusive, striving to generate the highest amount of returns for a select few. In most cases, it is only in the former that the state is able to penetrate civil society

infrastructurally without resort to despotic powers. In the latter, the rift between the state and large sections of civil society results is often accompanied by implicit or explicit reference to force. Further, where there is distinction there can also be division, as Dan Slater adds:

I define an authoritarian regime's decision-making procedures as its "despotic institutions," while its organisational apparatus for executing those decisions represents its "infrastructural institutions". Since the gap between formulation and enforcement is a major source of gradual institutional change [...], distinguishing despotic from infrastructural institutions provides a promising start to theorizing incremental shifts in authoritarian settings (Slater, 2009, 134)

We can thus go further and postulate that, given a Batesian vicious cycle, members of the civil society excluded from the fruits of largesse would increasingly attempt to evade the state's infrastructural capacity. Extractive elites would thus find it more and more difficult to bridge the gap between the formulation of policy and its actual enforcement. This can then be theorised to lead to either the retreat of the state or a heightened preparedness to expand its despotic power.

5.2.4 The Hollow State and Informal Institutions

In the presence of a state apparatus thriving on the extraction of rents from social classes that (at the time) do not have the power to mobilise effectively against the status quo, a rational response would be for those classes to attempt to evade its reach. Informal institutions always matter, but they do so most in the absence of a formal institutional framework that bridges the state and civil society. Such an absence creates a vacuum of political space that can be filled by a number of entities. The resurfacing of ethnic or religious identities has been associated with the retreat of the state just as much as the descent into open violence along civilian or militaristic lines. The presence of strong informal institutions thus does not preclude the existence of ethnic or social tensions in a society. It does, however, provide a way of mediating these tensions through traditional channels and authorities to avoid escalation.

5.2.5 Knitting it together

Mann's separation of state power along the two axes of despotism and reach is useful in characterising the origins of the state and its autonomous power, but also for our purposes in comparative institutional development. Ghana and Côte d'Ivoire were left with institutional endowments that were marked by different kinds of de jure and de facto power distributions. As will be outlined, the years following independence were characterised by incentives for the elite's predation on resources in Ghana, whereas the interests of the ruling coalition in Côte d'Ivoire were more conducive to the utilisation of its primary resources for development, albeit at the cost of social, political and economic exclusion of minorities.

The different colonial systems were instrumental in allocating different distributions of de jure and de facto power, as well as different levels of despotic and infrastructural power. The ruling elite and the extent of the powers they could command and enforce led to diverging equilibrium paths that resulted in calamity through extraction in Ghana and strong development through growth in Côte d'Ivoire in 1960-1980. The economic crisis and resultant weakening of infrastructural powers marked a critical juncture that changed the outcome of the game of political calculations. It resulted in reform in Ghana, the breaking of the status quo in Côte d'Ivoire was a good deal more complicated, to the detriment of social stability and development.

Agency is clearly constrained by not only de jure but also by de facto power. A lawfully elected political regime, legitimate in the eyes of the international community, may be highly dependent on interest groups or ethnic communities that constrain its set of political and economic choices. Formal legitimation, especially in the eyes of outside observers does in fact not imply any domestic de jure authority at all. In certain constellations, policies that constitute "good politics" over good economics may prevail for significant periods of time. Such a development path, here dependent mainly on the extraction of cocoa rents, may involve changing political allegiances and ruling coalitions. The same underlying conditions incentivise elites to distribute resources from the politically weak to those groupings that have to be contented. Such an extractive cycle necessitates high levels of both despotic and infrastructural power in order to survive, as those suffering from it are expected to either go

to great lengths to evade the reach of the state or start mobilising against it. In abandoning the formal institutional framework, the presence of ethnic or religious tensions may accentuate the process with the further fractionalisation of the political, with the possibility of descent into open violence. This is where informal institutions, characterised as informal mostly by virtue their pre-colonial origins, can bridge the political vacuum by provisionally channelling and disseminating tension.

5.3 Research Questions and Hypotheses

In light of our theoretical framework, the general research question can be reiterated as follows:

1. Why did the crisis of the 1980s propel Ghana out of three decades of instability and negative development, but plunge Côte d'Ivoire into a period of political and economic turmoil it has yet to recover from?

Which will go with the following (mutually supportive) hypotheses, rooted in institutional theory:

1. The crisis constituted what the literature terms a “critical juncture” in the countries’ development paths. Institutional constraints hindered much needed reform in Côte d’Ivoire, causing a lapse into instability and negative development. Ghana’s institutional collapse provided Rawlings with political room to manoeuvre the country out of crisis.
2. The French colonial legacy led to institutional setups that were conducive to a strong patriarchal autocracy in Côte d’Ivoire, helmed by Houphouët-Boigny’s landed elite. In Ghana, the British focus on decentralisation and relative fragmentation was instrumental in the political instability and series of military coups. In absence of a strong central Ghanaian authority, political support had to be bought, which increased state predation beyond even a mirage of sustainability.

3. Ghana's policy of relative decentralisation led to the conservation and expansion of informal networks (ethnic ties and extended families), as well as a focus on churches and NGOs to support health and education at the local level. In times of crisis, these institutions helped alleviate the pain imposed by the structural adjustment programmes. In Côte d'Ivoire's heavily centralised state, these mechanisms were unavailable, leading to harsher impacts of expenditure cuts and thus rather discontent. The different colonial origins of the two countries were central to the diverging impacts of an exogenously imposed adjustment programme.
4. Côte d'Ivoire under Houphouët-Boigny prospered during a time when worldwide demand for the country's products was on the rise and the centrality of power allowed for coordinated development policies. He embodied the Weberian charismatic leader, who, in spite of economic setbacks during the 1980s, was able to maintain a firm grip on power, not least because of his policy of national unity and cooperation with France. His death left a power vacuum that was filled with politics of social and economic exclusion, exacerbating economic difficulties and sowing the seeds of political instability and violence.
5. *Relatively* inclusive institutions were key in mitigating socio-political tensions in Ghana. A relatively less exclusive Ghana was able to weather the transition from military government to democracy and liberalism more coherently and peacefully than Côte d'Ivoire, which over the last two and a half decades has increasingly espoused the policy of *Ivoirité*, increasing the alienation and hostility of minorities.

A historical institutional analysis, with reference to the preference formation of important actors amid specific socio-political and historical contexts will treat the adjustment period of the 1980s as a critical juncture that led to very different path dependencies in Ghana and Côte d'Ivoire. The effort will highlight how difficult it can be to shift from a given development path, but also that it is by no means impossible. It will show that past processes and decisions matter enormously and how these events are "sticky" by nature of

the complex institutional, social and historical context they become embedded in. Deeply grounded in historical institutionalism, it will explore both the promises and the limits of a complex theoretical backdrop that is still in the process of evolving with the help of both qualitative and quantitative data sets of primary and secondary nature.

The next section will document the characteristics of the regimes that plunged both countries into crisis in the early 1980s.

6. Two Roads to Crisis

Until its normalisation period of the 1980s, Ghana was both economically and politically a weak state (Herbst, 1993). Côte d'Ivoire, on the other hand, had a strong partner in the French government and was led by a ruler many considered the kind of “benevolent dictator” that African countries needed. Strong macroeconomic performances, particularly in the export sector, earned it the characterisation of being Africa’s “breadbasket”. As we have seen in previous sections, that era was not to last. With the aid of theoretical concepts presented in previous sections, this part will focus on the two decades leading up to the troublesome early 1980s.

6.1 Côte d'Ivoire 1960-1980: The Best of Years?

6.1.1 Côte d'Ivoire under the PDCI

On October 31st 1960, the National Assembly adopted a constitution proclaiming Côte d'Ivoire an independent republic. Houphouët-Boigny and other members of the PDCI declared their desire for a strong, stable and democratic government, with powers separated along the executive, legislative and judiciary branches. Inspirational in theory, the system would look quite different in practice. The PDCI elite's belief that electoral competition would waste resources, destroy unity and hinder development led to election provisions that made it almost impossible for other political movements to win seats in the National Assembly (Handloff, 1984, 24).

By the end of the 1960s, Houphouët-Boigny was firmly and centrally in charge. As president of Côte d'Ivoire and president of the PDCI, he personally appointed the heads of the country's six *départements*, twenty-four *préfectures* and 107 *sous-préfectures*. He also chose all thirty-five members of the *Conseil Economique et Social*⁷ and, together with the Political Bureau that he controlled, hand-picked the members of the National Assembly (Handloff, 1984, 24). He assumed direct control of the armed forces and reduced them from 5,300 to just 3,500 members; concurrently creating a 3,000 strong militia that was composed nearly exclusively of Baoulé, his own ethnic group. His personalised security

⁷ Economic and Social Council

apparatus also consisted of the special presidential guard, a small navy and air force, the police and a 3,000 man gendarmerie (Handloff, 1984, 27-28). The relatively small national security machine was thus broadly Houphouet-Boigny's own creation, with the according web of loyalties and dependencies that would keep the military out of politics until the coup at close of the millennium.

The persistent emphasis on the *economic* rather than the *political* in Houphouet-Boigny's policymaking and government stood in sharp contrast not only to Nkrumah in Ghana but to most of Africa's heads of newly independent state. Most leaders sought to build a political system that would imbue them with legitimacy through the act of severing colonial ties. Rather than tailoring his policies to political dogma, Houphouet-Boigny bet on quick and fast economic growth to underpin his legitimacy and political support and above all create a wide network of dependencies on his regime. The rationalisation of this path has two important underpinnings. Fundamental tensions (ethnic, territorial or religious) that were present in nearly all post-colonial countries could be overridden by an emphasis on economic growth over political ideology. At the same time, it also sought to cover up the strong contradictions that came with its emphasis on openness and a strong reliance on its former colonist. This is not to say the *political* did not exist in the form of discourse or action. Rather, politics as ideology was present to a much lesser extent, in large parts replaced by an emphasis on efficiency and a rejection of nationalist rhetoric (but as we will see, not practice) (Fauré, 1982, 36-38). To quote Houphouet-Boigny in a 1965 speech to the PDCI congress:

En Côte d'Ivoire, nous n'avons pas d'usines à nationaliser mais à créer; pas de terre à redistribuer mais à améliorer; pas de commerce à contrôler publiquement mais à organiser.

In Côte d'Ivoire, we do not have factories to nationalise but to create; land must be improved, not redistributed; trade organized, not publicly controlled (Speech by Houphouet-Boigny at the 1965 Congress of the PDCI, in Fauré, 1982, 38. My translation)

The emphasis on economic development, openness and diversification at whatever cost was accompanied by the building of an institutional structure that was highly centralised, so as to be resistant to regional and ethnic pressure. Especially in the south of the country, where

it had been the French who had introduced the institution of Chieftaincy during the colonial era, local elites' effective authority was limited from the start and they could do little to prevent their complete integration into the post-colonial government hierarchy (Fauré & Médard, 1982, 131). The PDCI did face more hefty opposition in the north, where the traditional elite was more firmly and legitimately rooted in pre-colonial history. After rather unsuccessful attempts to integrate the northern Chiefs into the central hierarchy during the 1960s, the government changed course in the 1970s. Instead of pursuing the same strategy of „administrative occupation“ as it had in the south, the PDCI formed an alliance with northern local leaders, letting them take over local party structures in exchange for the transfer of tax earnings. Rather than being co-opted, the northern regions were thus pulled into the administrative machine through an alliance; at least for the time being resulting in the prevention of a political north south divide of the country (Boone, 2003, 244).

6.1.2 Close Ties: Houphouët-Boigny and the Métropole

Houphouët-Boigny's ability to maintain stability lay in his belief in strong management and organization, which led him to build an administration based solidly on the bureaucratic institutions left by the French. The large number of French bureaucrats and entrepreneurs remaining in Côte d'Ivoire supported Houphouët-Boigny's monopoly on political power and thereby contributed to the perceived effectiveness of the public and private sectors of the Ivoirian economy (Handloff, 1991, 29). The white population grew from around 10,000 upon independence to over 50,000 at the end of the 1980s, mostly French and in managerial and advisory positions. The currency, the CFA Franc, was also tied to the French counterpart (and today remains pegged to the Euro). A number of agreements that gave preferred treatment to Ivoirian products in France sealed political ties with an economic embrace (Crook, 1989, 217). In addition to cooperation on foreign policy strategies and military links, Zartman explains how Côte d'Ivoire has

[t]he largest French population in any country outside of the metropole [...] the highest number of French technical assistants in Africa, the highest number of students in French universities, and the highest number of large French firms in any African country [...] It has the highest percentage of French imports and

exports of any African state [...] and has been paired with Senegal for the highest bilateral aid from France since independence (Zartman, 1984 in Crook, 1989, 217)

The vast majority of the expatriate or settled whites were working in the private sector, not the Ivoirian public sphere. Foreign investment and ownership were cornerstones of the economy. Fauré (1982, 21) goes as far as claiming that the Ivoirian growth strategy presents itself as the quintessential search for development through dependence. Although he at various stages during his rise to power claimed to be the voice of anti-colonialism, Houphouët-Boigny and his ruling farming elite's policies were thoroughly characterized by the underlying belief that complete independence without a proper degree of economic development was counterproductive. Prosperity could be achieved only with recourse to foreign capital, technical assistance and aid transfers. The obvious place to get things from was (and remains) France (ibid., 23).

In contrast to Nkrumah's utopian belief that industrial development would arise spontaneously and sustainably, Ivoirian policy at the dawn of independence followed a path primarily grounded in realism and continuity. Agricultural production would be kept a priority, in order to obtain the external funds needed to reduce the dependency on primary goods and diversify the economy. The side effect of relying on the predominance of Ivoirian investment into agriculture instead of engaging in a more focused domestic industrial policy was that foreign capital and foreign ownership soon came to dominate the economy in grand style. In 1977, over 45 percent of firms' capital was in the hands of foreigners, concentrated in the most modern sectors. Rules and laws on foreign investment and ownership were among the most liberal in the world, including the complete freedom to repatriate profits and capital (Fauré, 1982, 30-1).

This led to a share of foreign investment, for example in manufacturing as illustrated below, that was above the average developing country's, even with the marked decrease during the 1980s.

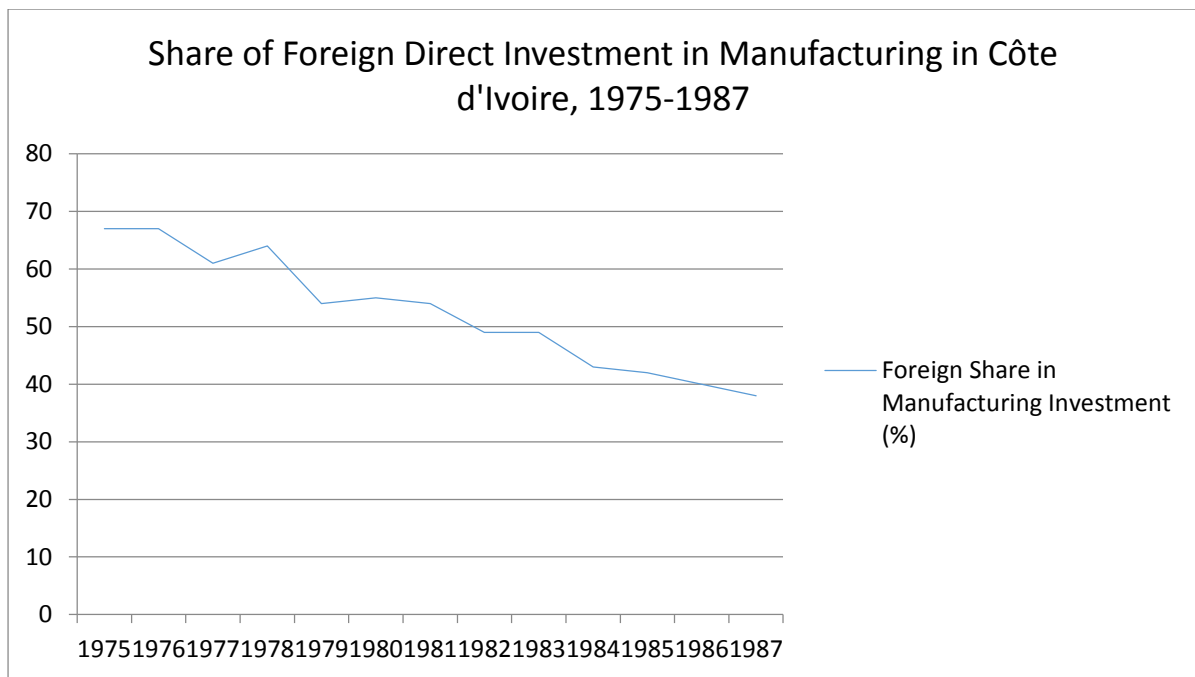


Figure 14 - Share of FDI in Manufacturing. Harrison, 1995, 168. My Representation.

Although the data could also lend itself to the conclusion that the PDCI managed its goal of reducing dependence on foreign ownership through higher rates of domestic investment, the dwindling foreign share was accompanied by plummeting absolute investment rates during the 1980s. The close economic and political cooperation with the French never achieved the aim of diversifying the domestic economy away from cash-crop dependency and toward industry and manufacturing (Woods, 2004, 238).

6.1.3 Crops for Cash

The economic miracle that transformed Côte d'Ivoire into West Africa's powerhouse during the 1960s and 1970s was undoubtedly fuelled by cocoa export revenues above anything else. Cocoa allowed Houphouët-Boigny to gain full control of the state, kept ethnic, elite and social tensions in check and built the country's infrastructure and industrial projects (Woods, 2003, 646-7). Eventually, cocoa cultivation and its wider context would play a role in the undoing of the country's social and ethnic stability.

Upon independence, the Southeast of the country was producing most of its exports. The heavily forested and loosely populated Southwest was an obvious target for expansion.

With slogans such as “the land belongs to those who make it produce” and other incentives, both the indigenous population and immigrants soon took part in a huge pioneering movement (Woods, 2003, 645). Groups that opened new pioneer fronts to clear land were entitled to either acquire it or gain access to it from local communities. The government also put pressure on local leaders and villages to be welcoming of migrants if they wanted to clear land for cultivation (ibid. 646).

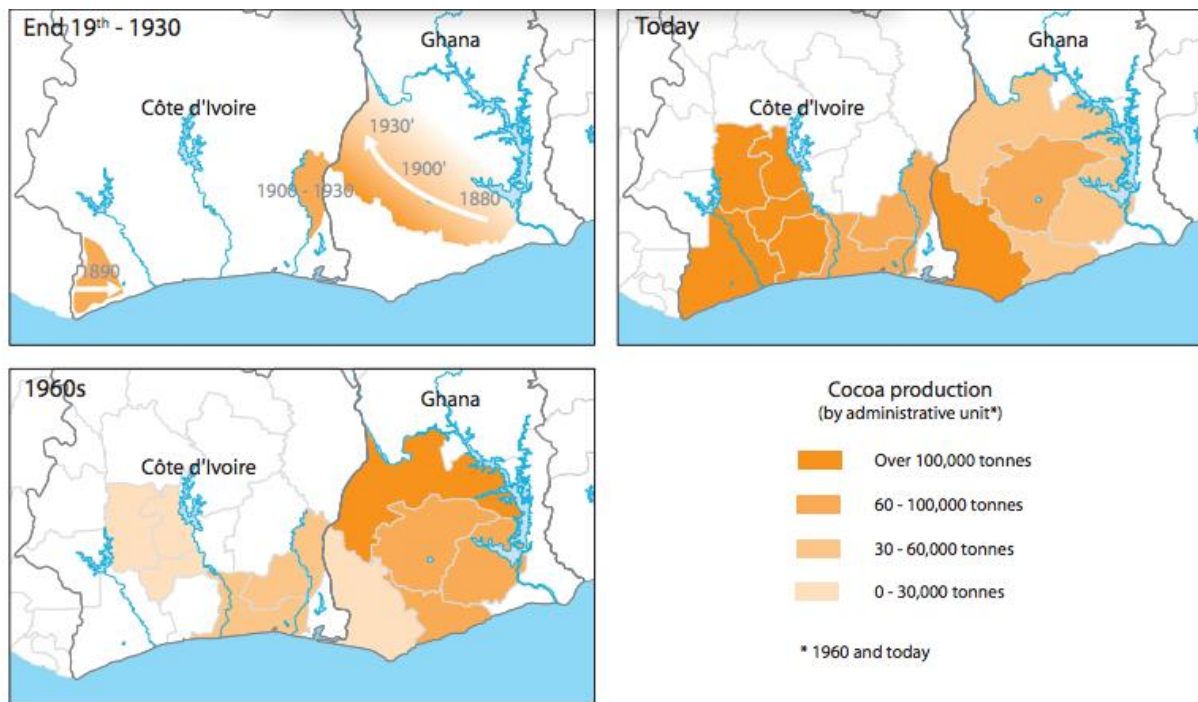


Figure 15 - Cocoa Production 1960 vs. Today. OECD, 2007, 10

Figure 15 above shows the difference in heavy cultivation areas in Ghana and Côte d'Ivoire from the 19th century until today. Côte d'Ivoire's expansion into the Southwest of the country is especially notable (lower left to upper right cadre). The Ivoirian land drive accounted for the overwhelming majority of the increase of coca acreage over the last decades, with a rise from just 250 thousand hectares in 1961 to four million in 2004, as can be seen below.

Table 1. Cocoa Acreage Trends in West Africa from 1960 to 2004

Country	Hectares in 1961	Hectares in 2004
Cameroon	300,000	460,000
Côte d'Ivoire	250,000	4,000,000
Ghana	1,668,000	1,800,000
Liberia	2,500	9,000
Nigeria	700,000	800,000
Sierra Leone	10,000	32,000
Togo	30,000	60,000
TOTAL	2,960,500	7,161,000

Sources: FAOStat, ICCO and survey-based CIRAD estimations (2003-2005)

Figure 16 – Cocoa Acreage Trends in West Africa from 1960 to 2004, Source: OECD, 2007, 14

The land policies and natural-rent seeking incentives that resulted from government policy but were also influenced by the colonial heritage would become significant in the increasing disturbances that would characterise the 1990s.

6.1.4 The Naked Chief: Dismantling Traditional Côte d'Ivoire

As mentioned in Section 4, one of the legacies of the French colonial system was a much more direct and thorough attempt to subvert pre-colonial institutions, such as the Chieftaincy, than was the case in British territories. In Côte d'Ivoire, Chiefs were used as extensions of central power, without any pretensions of delegation. They were handy for the colonial administrators in tax collection and implementing forced labour policies, which severely undermined their communal role. Indeed, their close cooperation with and subjection to the French diminished their influence in the village environment, which impacted social norms and reciprocity in the long run. This direct rule had a number of weakening effects on informal institutions according to research conducted by Lauren MacLean. The broader village community, hallmark of the Chief, lost much influence to the immediate nuclear family. At the level of individuals, it became more important to maintain good relations with the central bureaucracy, at the expense of the village Chieftancy (MacLean, 2006, 112).

Once Houphouët-Boigny was in power, he took over the centralised reins of power and proceeded to tighten them further. Along with his party elite, he chose every PDCI chairman down to the tiniest village (MacLean, 2006, 113). He had inherited a system of direct rule with a far-reaching grasp and proceeded to make it reach even further. This came at the expense of traditional institutions, which were either co-opted or made redundant. Chiefs and local networks had a weaker social and political standing than in Ghana. In contrast to Ghana, until the attempted reforms in the 1980s, villagers never elected a representative; another indication of the much more vertical link between the central government at the top and villagers at the bottom level.

The result was a much more direct relationship between citizens and the state, in the form of a much more vertical bureaucracy, a more centralised administrative structure and more developed centrally provided services such as electricity supplies or the educational system. Houphouët-Boigny's consolidation of power through co-optation of possible rivals and opponents and his attempt to transform the Ivoirian economy took shape following similar principles. The système Houphouët-Boigny was a mode of state-induced competition that at the same time regulated "access to national resources and accession to the national level political class" (Boone, 2007, 70). It officially recognised the sixty ethnic and linguistic groupings of the country, piling them into roughly 10 ethnic regions. This "ethnic arithmetic" was one of the key drivers of Houphouëtist patronage politics, which allocated everything from export licences and foreign scholarships to ministerial and para-statal postings (ibid. 70-71). The centre thus kept the regions tied up through a peripheral ruling political class groomed by the PDCI. As Boone (2007, 71) notes, the system kept the different factions at peace with each other, but constantly vying for the centre's attention and thus discouraged horizontal alliances and cooperation among them. The mid-1990s would see this carefully devised centre-periphery construct crumble amid ethnic and regional fractures.

6.1.5 Houphouëtism and the Ivoirian Patrimonial State

Through careful and skilled political strategy, Houphouët-Boigny managed to use the spoils of the Ivoirian export machine to co-opt and integrate local and regional elites into a strong

state guided by a dominant party. The transition from dominant party post-independence to single party shortly thereafter was achieved by building the broadest elite consensus that could be achieved given the amount of distributable resources (Crook, 1997, 217). The carefully constructed system of political patronage had the aim of building up an Ivoirian bourgeoisie capable of first complementing and eventually displacing the class of investors and owners that was dominated by foreign, especially French, capital (Akindès, 2004, 12).

On the one hand, Houphouët-Boigny's farming elite promoted the cash-crop sector above all others. On the other, the goal was to transform the economy from primarily agricultural to an industry-based one. This necessitated the diversion of resources from the primary sector for investment into industrial and infrastructural projects. The means to this was the *Caisse de Stabilisation*⁸, the institution that regulated prices and production of the coffee-cocoa sector and had the monopoly on the right to export the crops to world markets (Losch, 2000, 10). By far the most profitable government body, the *Caisse* was firmly controlled by the PDCI. However, the extraction of resources from the primary sector for purposes of state-led development was of a significantly milder nature than in other African countries. Compared to, say, Ghana, Houphouët-Boigny implemented policies that were comparatively favourable to agricultural producers, as the following table of the producer-price shares of cocoa in select countries substantiates:

Producer-Price Shares for Major Export Commodities at Parallel Market Exchange Rate

	1977	1979	1981	1983	1985	1987
Côte d'Ivoire	0.27	0.42	0.53	0.41	0.39	0.67
Ghana	0.08	0.09	0.11	0.13	0.22	0.41
Nigeria	0.26	0.34	0.61	0.19	0.40	na
Cameroon	0.24	0.41	0.54	0.43	0.42	0.70

Figure 17 - Producer-Price Shares. Widner, 1993, 32. My Adaptation.

⁸ Stabilisation Fund

Both Côte d'Ivoire and Ghana's producer-price shares increased dramatically during the liberalisation period of the late 1980s. Clearly, though, Côte d'Ivoire started from a much higher base, which producer-price shares in the years leading up to crisis significantly higher than in Ghana. This cannot of course be explained purely by different colonial legacies. However, the imposition of French and British administrations led to different institutional effects and potential ruling coalitions in the two countries. In Ghana, the farming peasantry emerged into independence small and fractured due to the laissez-faire approach when it came to land cultivation. In Côte d'Ivoire, the more centralised land distribution mechanisms created the eventual ruling class, which then imposed economic policies conducive to agricultural growth and development.

The para-public sector that would serve as the main instrument of political patronage was financed primarily by funds channelled from the *Caisse de Stabilisation*. The Ivoirian state bourgeoisie envisaged by Houphouët-Boigny did emerge through the patron-state at the turn of the 1970s, but in a highly exclusive way:

In the course of the 1970s and 1980s [...] a high-level administrative class was present in management, decision-making and organizational posts, and prospered through "parallel rather than clandestine" ways and means of tapping into resources. [...] Against the background of overlapping state, nation and one-party system and osmosis between public and private property, the chosen members of this political caste, all members of the single party, PDCI, were characterised by huge fortunes accumulated under the political umbrella and by conspicuous consumption (Akindès, 2004, 11-12).

Through huge parastatal institutions such as SODEFEL (Société des Fruits et Légumes) and SODESUCRE (Société de Sucre), EPN and SEM, political ties and dependence relationships were fostered and expanded. At the same time, as Crook notes:

[...] A general analysis of the nature of Ivoirian political and administrative elites shows that, although the presidency does operate a patronage-based system of appointment and favour, the values which are sustained through this patronage are conducive to bureaucratic role performance and organisational (as opposed to individual) loyalty and commitment. [...] In the Ivoirian case the determining factors were in the first place the unusual degree of organisational continuity

between pre- and post-independence administration, a continuity supported by the education system and a policy of gradual Ivoirianisation (Crook, 1989, 227-8).

The comparatively good administration of Ivoirian fortunes was part of the search for economic growth at whatever cost, including exclusivity and inequality. Eventually, this configuration led to a form of rule in which significant swaths of the population had a direct stake in the continuing predominance of the PDCI and Houphouët-Boigny. When the system eventually ran into trouble during the 1980s, these stakes would for at first provide a buffer between economic realities and blame assigned to the regime, but ultimately lead to recourse to blunt political instruments of exclusion once the status quo was in danger.

6.1.6 Immigration, Nationalism and the North-South Divide

The opening of the Ivoirian economy to foreign investors and an export-based growth model heavily reliant on manpower led to huge amounts of migration, both internal (north to south) and external. Not only were foreigners attracted to the “growth miracle” that characterised the 1960s and 1970s, they were also encouraged due to political and economic instability in neighbouring countries such as Burkina Faso, Mali, Niger, Togo and Benin. After 1970, migration from Ghana also reached sizeable proportions. The result was that by the time of the 1998 census, 26 percent of Côte d’Ivoire’s population of 15.4 million was of foreign origin (Akindès, 2004, 10).

At the same time, Akindès argues that the Houphouëtist model resorted to managing the cultural mosaic of over sixty ethnic groups through the construction of a latent myth of superiority as the ideological cornerstone of rule. Of Akan-Baoulé origin, Houphouët-Boigny based his power and charisma “on the myth of the higher meaning of the state to the specific ethnic group to which he belonged” (Akindès, 2004, 12). Côte d’Ivoire’s political classes were repositioned to reinforce the legitimacy of his rule and ruling structure: “At the head of the new hierarchy are the Akans, with an explicit predominance of the Baoulés and the Anyi over the ethnic groups from the Lagoons; next comes the Mandé group; the Krou are at the bottom” (Foté, 1999, 24). According to Akindès, the promulgation of the myth of Akan superiority boiled down to a set of positive and negative functions:

The positive functions are:	The negative functions are:
Unification: the re-invention of a common origin and a common identity	Separation: excluding the Lagoon peoples from the Akan group; systematically displaying their negative differences, and seldom, if ever, their positive differences; and limiting the real territory of Côte d'Ivoire to its epicenters
Mobilisation: with a bloc attached to the PDCI by the guarantee of block voting and the votes required to preserve power	Exclusion: sustaining an attitude of exclusion that goes beyond words, and leads to a clash between the excluders and those who feel excluded
Reintegration of those elements dispersed among opposition parties, through blandishments, such as promises of jobs and/or money, as well as veiled threats	
Recruitment into the elite services	

Figure 18 – Positive and Negative Functions of the Ethnic Hierarchy. Akindès, 2004, 14. My Adaptation

As such, the xenophobic tension was an essential feature in the regime's design, not a mere side effect. As Médard remarked in 1982:

[...] The potentially most profound tensions, the ones between social classes and ethnicities, are significantly eased by the great gap between the Ivoirians and the African immigrants.

And

One does not know what to be more shocked about: the inequalities within Côte d'Ivoire's society or those between Côte d'Ivoire and her neighbours (Ménard, 1982, 85. My translation).

This is not to say that the Houphouëtist system was ruled monoethnically and overtly biased toward the ruling party. The table below shows the composition of the ruling political elite

for the years 1959-1980. The columns “Total Political Elite” and “Total Population in 1975” are of central interest:

Ethnic Group	Total Political Elite		Minister		Deputy		Economic and Social Councillors		PDCI Politburo		Total Population in 1975
	No.	%	No.	%	No.	%	No.	%	No.	%	%
Akan	163	50.9	39	53.4	100	50.0	50	56.1	43	55.1	41.4
Kru	33	19.6	15	20.5	41	20.5	13	14.6	10	12.8	16.7
Malinké	33	10.3	7	9.5	19	9.0	10	11.2	8	10.25	14.8
S. Mandé	17	5.3	2	2.7	13	6.5	4	4.4	4	5.1	10.2
Voltaic	29	9.06	6	8.2	9	4.5	4	4.4	7	8.9	15.7
Others	13	4.06	4	5.4	6	3.0	7	7.8	5	6.4	1.2
Unknown	1	0.3	-	-	1	0.5	-	-	-	-	-

Source: Bakary 1984: 36

Figure 19 - Elites by Ethnic Group, 1959-1980. Bakary, 1984, 36 in Langer, 2004, 21

Though the Akan dominate and are overrepresented in relation to their share in the total population, especially in the PDCI Politburo, we can see that Houphouët-Boigny did include all major ethnic groups in high-ranking positions. To a significant extent these posts were used to support the regime’s delicately balanced status quo. Handpicked representatives kept the peripheral ethno-regions closely linked to the centre through a combination of a share in the accrued financial wealth and key positions or appointments.

The period of the Growth Miracle allowed an implicit ethnic hierarchy to function almost openly. There was enough capacity for resource distribution and individuals could come across plenty of access points to political favours. The relationship between poor Ivoirians and the rich was not seen as one between exploited and exploiters. Those that were exploited (most importantly in the form of cheap labour) were the immigrants, while at the same time serving as a buffer to vent resentment. Poor Ivoirians were poor but did participate in and profit from the Ivoirian economic success, albeit a lot less than their wealthy counterparts (Médard, 1982, 86). The downward economic spiral during the 1980s, however, put the socio-political construct and its underlying anthropological basis under increasing pressure (Akindès, 2004, 16). Eventually, the death of Houphouët-Boigny would open the political arena to very explicit discrimination under the nationalist conception of *Ivoirité*.

Apart from the divide between immigrants and nationals, a profound north-south divide characterises Côte d'Ivoire. The four northern *départements*' income per capita was roughly half of the Ivoirian average in 1974, when public investment started pouring in after a visit by Houphouët-Boigny. The funding drive ended up being too little, too late as the 1980s crisis would soon put an end to the transfer flows. Along with steep income differences, social aspects are equally unbalanced. The 1998 primary school enrolment rate, for instance, ranges from 50 to 64 percent in the Southeast, but only from 26 to 35 percent in the North (Langer, 2004, 12-13).

6.1.7 Immigration, Ethnicities and the Exclusive State – Growth without Profound Development?

The impressive growth of export receipts also had the effect of boosting Côte d'Ivoire's reliance on foreign debt. Optimism about commodity prices, especially during the boom years 1974-1977, led the Ivoirian rulers to take on bigger and bigger loans from international money markets to compensate for the underdeveloped domestic financial market. Fiscal prudence characterised the 1960s: the ratio of debt service (interest plus principal payments) to export receipts stood at a mere 8 percent in 1973. Just six years later, in 1979, it reached more than more 20 percent (Fauré, 1982, 32).

On the social side of the ruling complex, Houphouët-Boigny relied on foreigners to bolster his rule as much as he needed them as cheap labour to drive production. The immigration of agricultural labour was strongly encouraged by very liberal land access, in exchange for which Houphouët-Boigny used migrants as a political instrument. Along with giving citizens of the CEDEAO (Communauté des Etats de l'Afrique de l'Ouest⁹) living in Côte d'Ivoire the right to vote, which they overwhelmingly did for him, they were also a useful tool in building up the image of *relative poverty*. This was meant to raise the status of poor Ivoirians by letting them compare themselves to immigrants who were not only economically more destitute, but also considered socially inferior (Akindès, 2004, 16). This was politically useful to counter the more and more obvious social and territorial inequalities that the liberal development model led to. The top 20 percent of the population

⁹ Community of West African Nations

raked in over 50 percent of all revenues in 1978, most of them living in the south. As long as the growth model was performing for the economy as a whole, such growing disparities were deemed acceptable if it *eventually* led to greater real prosperity for everyone. After all, practically all episodes of modern growth are strongly linked to the territorially concentrated accumulation of resources by certain social strata (Fauré, 1982, 43).

The notion of *Ivoirité* had been pushed around since the 1960s, standing for a drive to employ more natives in high-ranking public and para-statal positions. Even though it gained momentum in the 1970s, it applied only half-heartedly, emphasising the leaders' fears that the country was not yet ready in terms of skills and know-how to change its development model. *Ivoirité* would in the mid-1990s become the rallying cry of Houphouët-Boigny's successor and be used as the legitimization of who had the right to shrinking public sector revenues.

The years leading up to the years of crisis were thus characterized by rapid development, albeit at the price of a deep dependence on France and French investment, rising public debt in a boom period and increasing rates of social and territorial inequality and economic exclusion. They also led to the institutionalization of Houphouëtism to the degree that it became politically dangerous to alter the sensitive balance he had struck between co-optation and civil peace on the one hand, and growth and those finding themselves left behind by it on the other.

6.2 Ghana 1960-1980: Two Decades of Mismanagement

In contrast to the landowning elite that the French system produced in Côte d'Ivoire, British colonialism led to a largely small and dispersed peasantry in Ghana¹⁰. Unable to mobilise effectively, they could not challenge the urban-biased policies that marked the twenty years of economic decline as Ghana embarked on post-independence governance (Firmin-Sellers, 2007, 268). As we will see, the military was time and again able to exercise its *de facto* power over civilian administrations through depositions or coups. The lack of institutional

¹⁰ Côte d'Ivoire also had a large population of small farmers that was dispersed and possessed relatively little political power. On top of the cultivating peasantry and unlike in Ghana, however, a significant number of important landholders had the political and economic heft to shape the national landscape.

mechanisms that entrench democratic principles is in part related to the nature of the state Ghana's first independent leader sought to impose. From its inception, the Ghanaian state was an externally imposed entity that had yet to strike deep roots in the society (356). Whereas Côte d'Ivoire had a strong ruling class that wielded power decisively, Ghana's socio-political arrangement lacked such a "state gestator" that gradually built an identity (however destructive it ended up being) (Chazan, 1983, 352). The sub-sections that follow will describe the process of Ghana's decline over a little more than two decades.

6.2.1 Nkrumah Sets the Tone: Anti-Colonialism as Development Policy

The Ivoirian espousal of cooperation with the former colonist was quite the opposite of what the first Ghanaian regime under Nkrumah sought to embody. Early on, Nkrumah called for the eradication of colonial structures and the socialist transformation of the economy, with an emphasis on industry and self-sufficiency for rapid development (Rimmer, 1992, 87).

Once in power of an independent Ghana, two of Nkrumah's significant legacies followed shortly. A highly state-centric republican system was established in 1960, with power concentrated in the hands of the presidency. In 1964, after a questionable referendum, democracy was abolished and replaced by a one-party system. Nkrumah's concentration of power led to a reduction of competition both within and outside the party and set the stage for a highly personalised form of rule, with loyal party cadres becoming beneficiaries of state patronage and largesse (Frimpong-Ansah, 1991, 97).

With the attempt to build an authoritarian presidential system on a decentralised colonial legacy, Nkrumah's political ideology took shape. The socio-economic doctrine (sometimes called Nkrumaism) emphasised the need of the state to lead "an outright attack on underdevelopment, accelerated industrialisation to promote economic growth and development, the rapid expansion of state initiatives and a realignment of foreign relations with emphasis on the Eastern bloc" (ibid. 98). One might call it socialism with Ghanaian characteristics.

Citing “reactionary forces” (i.e. opposition parties and traditional chiefs) hindering his plans, Nkrumah justified laws such as the Deportation Act of 1957 and the Detention Acts of 1958, 1959 and 1962. CPP opponents in parliament were intimidated; he appointed himself president for life, created the Young Pioneer Movement for indoctrination and expanded the party’s control of the civil service. On a Pan-African level, which he is still a great symbol for, he sought to unite the continent to defend its interest against pressures from both sides of the Cold War, to an extent that he was accused of neglecting Ghanaian problems and wasting resources on external matters (McLoughlin & Owusu-Ansah, 1995). That accusation was perhaps unfair, since an important aspect of his domestic power system lay in the steady politicisation of public institutions. The number of government departments was increased. The party encroached on administrative decision-making, introducing overlapping bureaucratic structures and a presidential personality cult, all of which further reduced efficiency. Instead, priorities became more and more political (Frimpong-Ansah, 1991, 98).

Increasingly authoritarian, but troubled by an economic environment that was suffering from bad policy, the Nkrumah regime maintained its position through the dispensing of material and political favours. Loyalty was rewarded with private empires, while agricultural producers and exporters, the backbone of the economy, were being squeezed. The view that the country’s cocoa wealth represented the means to transform Ghana into an industrial economy obviously clashed with the interests of the cocoa farmers themselves. To dismantle that opposition, Nkrumah cracked down on all independent rural unions with the exception of the United Ghana Farmers’ Council (UGFC), which was firmly under the control of the CPP (Woods, 2004, 233). The mechanism of the siphoning of cocoa resources is briefly illustrated as follows.

6.2.2 An Showcase of Institutionalised Corruption: The Cocoa Marketing Board

Marketing boards were set up as a stabilisation mechanism against the highly volatile prices of the commodities they governed. Revenues accrued during times of high cocoa prices, for instance, were to be used to soften the blow to farmers during periods of market slumps.

Created during the Second World War and initially part of the British marketing boards, the Ghanaian Cocoa Marketing Board (CMB), also known as Cocobod, became a separate unit in 1947. It was a highly centralised institution, as noted by the OECD (2007, 10):

It strictly supervised the entire chain: from the supply of seedlings and seeds, sanitary control, access to phytosanitary products, purchase and disposal of the produce, to quality control for exports. In fact, the Cocobod turned into a State within a State.

Upon independence in 1957, Ghana was the world's largest cocoa producer, with the crop being one of the cornerstones of its relative wealth. Soon thereafter, starting with Nkrumah's first government, Ghana's political elites began extracting resources from the CMB's cocoa trade monopoly on a grand scale. Domestic cocoa farmers received producer prices that were far lower than elsewhere, with the difference going to the regime. (Williams, 2009, 12; Herbst, 1993, 20). Nkrumah justified these over-taxation policies on the grounds that they would industrialise Ghana, control inflation and help diversify the economy as a whole. As a result, "from independence to the early 1990s, Ghanaian cocoa farmers received about 30 to 50 per cent of the price versus producer prices of 60 to 80 per cent in Brazil, Malaysia, Cameroon and Côte d'Ivoire" (Williams, 2009, 12), becoming some of the lowest paid in the world. Easterly & Levine go even further, claiming that cocoa producers went from receiving 89% of the world price in 1955 to receiving just 6% in 1983. The policy mismanagement and bureaucratic failures did not take long to show results: Ghana's share of world cocoa exports fell from 33 percent in 1970 to 17 percent in 1980. As a percent of Ghanaian GDP, cocoa exports stood at 19% in 1955 but just 3% in 1983. To quote the authors: "Ghanaian cocoa is one of the classic examples of 'killing the goose that laid the golden egg'" (Easterly & Levine, 1997, 1218).

Why were the resources extracted in such a way? Once again, the answer lies not in good economics, but in good politics. One part of the motivation did lie in a wish to industrialise the country more rapidly by diverting resources to the urban centres. The main part, however, involves the extraction of resources from a sector of society not able to mobilise against the state, being overwhelmingly composed of small, scattered farmers. The redistribution from the rural to the urban areas, which were more concentrated and posed a greater risk of unrest, was a logical step for a regime wishing to maintain power (Bates,

1981, 33). The state thus made the producers of cash crops an important part of its overall tax takes, without offering them compensation in the form of government services. As a result, investment of agriculture collapsed by the 1970s, along with cocoa and coffee output as farmers gradually chose to either smuggle their products out of the country or regress to subsistence farming (Acemoglu et al., 2005, 444; Woods, 2004, 235).

The Cocoa Marketing Board offered Ghana's elites the opportunity to extract and redistribute resources from the cornerstone of the country's economy. As these policies showed no signs of abating, farmers' incentives to continue investing in these cash crops deteriorated sharply. More and more resorted to either bypassing the state's reach through smuggling or giving up production and investment entirely. The result was a steady deterioration of the export sector and, over the years, mounting balance of payment problems.

6.2.3 The End of Nkrumah

During 1960-65, the Nkrumah government opted for a highly interventionist set of policies. It reasoned that it needed a model of state capitalism to compete with foreign economic stakeholders and take control of production in order to be able to redistribute its fruits. Except for the cocoa industry (which was controlled less at the level of production and more on that of output and income as outlined above), state enterprise penetrated most important sectors of the economy, including banking and finance. The reversal of Nkrumah's fortune lay not primarily in his political ideology but in the wreaking of economic havoc in pursuit of that ideology.

In order to modernise as quickly as possible, import-substitution industrialisation (ISI) was given priority in the 1964 Seven Year Development Plan. High rates of capital formation were meant to raise Ghana's status from an agrarian and primary one to a modern, industrialised economy in the shortest amount of time possible. Concurrently, the welfare state (education, health and housing) was expanded, funded by the surplus extracted from the cocoa sector in the boom years since the Second World War (Hutchful, 2002, 9).

Given a more favourable economic environment, the so-called Big Push strategy might have had more life in it. As the chart below shows, however, it was launched just before cocoa prices tumbled from close to \$600 dollars per metric tonne in at the beginning of 1964 to a historic low in mid-1965. Prices would pick up soon thereafter, but the damage was done.



Figure 20 – The Price of Cocoa. Trading Economics, 2013

Although rates of capital formation comparable to those of Japan at the time were reached, they failed to translate into economic growth. Falling cocoa revenues on international market coupled with a highly subsidised welfare infrastructure led to growing fiscal imbalances and rapidly rising external debt (Hutchful, 2002, 10).

On February 24, 1966, while Nkrumah was on a state visit to China, the National Liberation Council staged a bloodless coup, citing Nkrumah's despotic powers, the one-party state and the CPP's corruption and administrative failures as reasons for the "nationalist" takeover. Nkrumah resorted to asylum in Guinea, where he died in 1972 (McLaughlin & Owusu-Ansah, 1994).

6.2.4 The NLC and Busia's Second Republic: The 1966-1972 Myth of Liberalism

The military coup that deposed Nkrumah encountered no popular resistance. The system of rule had been personal and could not survive without its leader: the myth of the one-party

state collapsed immediately. The militaristic National Liberation Council that followed had no ideology or desire to rule indefinitely. From the outset, it attempted to pull down the superfluous administrative structures and dismantle wasteful state commercial and industrial undertakings (Frimpong-Ansah, 1991, 99).

A new constitution proclaimed the Second Republic in 1969, and multiparty elections were held. Busia's Progress Party (PP) won a majority of the seats, albeit derived mainly from the rural area, his power base (Rimmer, 1992, 106). Instead of enjoying nationwide support, as Nkrumah had done at the beginning of his reign, Busia faced the complicated task of having to cater to both his supporters in the country and political opponents in the cities amid an economic environment ailing from severe mismanagement.

As a result, despite pledging to break with socialist and state-centric policies, the PP's programme eerily resembled Nkrumaism. State-led industrialisation was continued at a rapid pace: several new state owned enterprises were created, most socialised industries retained and, in 1970, the Special Task Force for Food Distribution was established in an attempt to intervene in the marketing of local foodstuffs (Frimpong-Ansah, 1991, 101-2). Such policies again came at the cost of the export sector and agricultural producers. Rather than reigning in the public sector's heft, public employment increased from 70 per cent to 72 per cent of total formal employment. Entrenched interests played an important role in the failure of the Busia government to significantly reform the country's institutions. Senior police officers, military personnel, administrators and other members of the elite firmly believed in the superiority of government over private enterprise (Rimmer, 1992, 127).

All in all, the most liberal economic reforms the regime managed were two currency devaluations, in 1967 and 1971, the second of which would lead to its demise. One of the earliest acts of the PP in power consisted in undermining the armed forces that had ousted Nkrumah in 1966. In Busia's short period of rule, he displayed an impressive ineptitude at managing relations with the military. Defence spending was reduced, which decreased or abolished officer allowances, ended their free access to water and electricity and doubled their rent payments. As officers consumed a disproportionate amount of imported goods, the decision to devalue the Cedi by 44 per cent in 1971 seemed like another personal affront (Rimmer, 1992, 109).

The Busia government had in a very short amount of time succeeded in alienating a majority of its initial supporters, particularly the army. Despite seemingly genuine efforts to combat corruption and restructure the economy, it was unable to restructure the severe imbalances that had emerged since independence. Entrenched ideological legacies played a role in the maintenance of misguided policies, but so did extensive patronage networks and interest groups: forty-three of the fifty-three state owned enterprises were still in existence and five new ones had been created during his rule. The only significant organisation to be divested was the United Ghana Farmers Council, which was strongly entangled with Nkrumah's disgraced CPP (Rimmer, 1992, 126).

The non-violent coup led by Colonel Ignatius Kutu Acheampong followed on January 13th 1972 and was met by complacency, even a sense of inevitability by Ghanaians. There were clear parallels to 1966, which the Colonel himself used to justify his actions (Shillington, 1992, 19). In the words of Nisin, the events are best summarised as follows:

On February 28, 1966 [Nkrumah's fall] it was the myth of statism as advocated by the CPP government that was broken, but on January 21, 1972, it was the myth of liberalism that was smashed. Both of them had proved economically inefficacious and politically repressive (Nisin, 1989, 7).

6.2.5 The Acheampong Regime: "Make War on the Economy"

Acheampong's coup in January 1972 propelled his National Redemption Council (NRC) into power. Over the next six years it would manage to plunge Ghana into abject poverty. Devoid of any legitimate claim to govern and with no inclination to hold elections, the NRC sought to fortify its rule by a familiar duo of measures: arresting every conceivable political opponent and dramatically expanding state patronage (Chazan, 1983, 235).

Since the Cedi's devaluation had been the coup's rationalisation, it was reversed to just 20 per cent against the dollar, detrimental for the export sector but pleasing the import-hungry urban and military elite. The devaluation also led to the reinstatement of import licensing¹¹

¹¹ Import licenses are state-issued documents allowing for the importation of certain goods. By effectively rationing imports, such licenses were powerful arbitrage tools for those who had access to them in a heavily distorted economy.

and thus another powerful instrument of state patronage. Along with the nationalisation of timber enterprises and a gold-mining company, foreign debt service was unilaterally suspended for ten years and some lines of longstanding suppliers' credit repudiated completely (Rimmer, 1992, 134).

Despite policies that would suggest the very opposite, the regime enjoyed a short honeymoon period as external circumstances conspired in its favour. Foreign debt service negotiations were taken up again and the price of cocoa reached a high in 1974. As can be seen back on Figure 1, growth reached close to 7% in 1974. Public expenditure was duly increased, albeit without the foresight of creating an external reserve cushion that would alleviate unfavourable external conditions. Surely enough, cocoa prices started declining again in 1975, increasing pressure yet again.

On top of an increasingly precarious fiscal situation, Acheampong had appointed members of the military to virtually every important public position, including financial institutions and the central bank (Frimpong-Ansah, 1991, 110). As public complaints about corruption increased, he opted for a transformation of the regime along even more militaristic lines. The creation of the Supreme Military Council (SMC) as the ruling institution in 1975 marked the transformation of the government structure into purely a militaristic hierarchy (Rimmer, 1992, 135). The remaining government links to the civil service and local political institutions were effectively severed. With the military government firmly in charge of the political sphere, "bribery, embezzlement and larceny were an everyday occurrence" (Chazan, 1983, 181). Further, "The culture of political corruption [...] was now advanced far beyond incipience" (Rimmer, 1992, 135.).

The participation in corruption throughout the highest levels of the regime's institutions even sparked a neologism, *kalabule*, which can be defined as a "licensed, beat-the-system approach to survival" (Frimpong-Ansah, 1992, 111). Cocoa was at the forefront of patronage and corruption:

Enormous sums of 'cocoa money' are believed to have found their way from the terminal markets to private accounts in overseas banks. The scale of outward smuggling both in subsidised imports and export products was such as could not have been attained without the connivance of the authorities (Rimmer, 1992, 136).

Organised opposition to the SMC emerged in 1976, helmed by professionals (doctors, accountants, lawyers), students and intellectuals. Upon forming the Association of Recognised Professional Bodies (ARPB), they managed to organise a mass withdrawal of services in July 1977, in protest of the rapidly falling living standards and public service provision (Rimmer, 1992, 136). The open challenge to the legitimacy of the military government was met with legal persecution and brute physical oppression. It did, however, force Acheampong to respond. His proposal consisted in a Union Government, effectively a military government with some civilian representatives, which he called a referendum for in March 1978. The proposal passed, in an electoral process marked by the intense repression of the opposition. Shortly after the referendum, any opposition movements were banned and hundreds of people detained. Despite the best efforts of Acheampong's political violence, resistance continued and public services were still as paralysed as they had been a year earlier (Rimmer, 1992, 137).

Acheampong had taken better care of cultivating his relationship with his fellow senior military officers, providing them with central positions and ample benefits. The years of state incapacitation and demonstrations, however, soon proved to be too much even for his entourage to bear. Lieutenant-General Akuffo took his place as head of the SMC in July 1978 in a bloodless coup (McLaughlin & Owusu-Ansah, 1994).

6.2.6 Rawlings I and Limann 1978 – 1981: Curtains

Akuffo attempted to stabilise the dwindling economy by devaluing the currency and through monetary reform, but it was too late. The role of the state in the economy had already significantly declined, with transactions that were designed to evade its reach on the rise. Ostensibly for the failure to punish Acheampong and his entourage for their crimes, Jerry Rawlings replaced him in June 1979, heading an ensemble of junior officers called the Armed Forces Revolutionary Committee (AFRC) (Frimpong-Ansah, 1991, 112).

Rawlings found himself in a peculiar situation in his brief first period as the head of state. On the one hand, public opinion was firmly against military intervention and militaristic regimes following the disastrous Acheampong years. On the other, he himself emerged from the AFRC interregnum as a patriot and true reformist. On June 18th 1979, just two

weeks after replacing Akuffo, the Rawlings regime held elections, Ghana's first in ten years (Chazan, 1984, 290). The vote, deemed free and fair by the international community at the time, was won by the People's National Party (PNP), which was built upon the remnants of Nkrumah's old CPP organisation. It secured 71 of the 140 parliamentary seats. Whilst tending to romanticise Nkrumah, the party included a significant number of youngmen in its upper hierarchy, who were fonder of Nkrumah's principles than his actual practices (Chazan, 1983, 286). Hilla Limann, the PNP's presidential candidate, beat his main opponent in the second round of the elections on July 4th by 62 to 38 percent.

Given that it was the first election in a decade, the low rate of participation of only 35% is notable. A majority of Ghanaians did not cast their ballots, further evidence that society was continuing to withdraw from the political sphere and rejecting the state as the legitimate and relevant entity for socio-political interaction (Chazan, 1983, 300). Truly legitimate or not, Dr. Limann's civilian administration took shape in the weeks that followed. Faced with a state on the verge of collapse, his only hope lay in the patience Ghanaians would show a democratic administration after witnessing the excesses of military rule. As the next months unfolded, however, Limann failed both in effectively taking control of the state apparatus and fostering trust and cohesion among his powerbase.

The economic environment did not favour him either. Cocoa prices plunged again in 1980, putting the country's current account balance ever more firmly in the red and increasing foreign indebtedness. One of Limann's main emphases lay in alleviating the burden shouldered by farmers and workers by doubling the cocoa producer price and tripling the minimum wage. As a result, the projected budget deficit rose by close to 200%, from 1.62 billion to 4.5 billion Cedis for the years 1981-2 (Hutchful, 2002, 13).

As Herbst (1993, 26) notes,

The Limann government that took power in 1979 may have recognised the fundamental problems of the economy, but it had neither the political will nor the analytic ability to cope with the quickly deteriorating economy. In particular, no fundamental changes were made in the relationship of the state to the economy.

By the end of 1981, “there was little reason to question the proposition that Ghana had become a hopeless case” (ibid., 27). Income per person was almost 200 Cedis lower than it had been in 1971. The activity of organisations public and private had come to a grinding halt for lack of resources. An estimate of two million Ghanaians had already left the country to try their luck elsewhere (ibid.).

Citing, among others, corruption and social turmoil, Rawlings staged a second coup on December 31st, 1981.

7. Ghana, Côte d'Ivoire 1980-1990S

Before the next section presents an analysis of Ghana's emergence from such turmoil and Côte d'Ivoire's descent into what would culminate in civil war within our historical-institutional framework, the key developments of the period will be laid out.

7.1 Ghana

Upon the advent of fundamental economic reform during the 1980s, "Ghana was a case study of all that could go wrong with an African state" (Herbst, 1993, 14). The role of the state in the economy was almost unrivalled, even by African standards; its prices, exchange rates and public enterprises were perhaps the most distorted on the continent (ibid.). According to Robert Price:

The Ghanaian state has acted as a mechanism for the distribution of economic resources to the myriad of groups and individuals that could make effective political claims on it. [...] Consequently, economic resources have been transformed into largesse. *The securing of political incumbency, not economic development, has been the operative goal of this mode of statist economic strategy* (Price, 1984, 188; My emphasis).

Every new edition of a civilian or military government would diagnose the nation's problems more or less accurately and swiftly proceed to do almost nothing to remediate them (Herbst, 1993, 15). One of the few things that the steadily rotating support bases and ethnic coalitions of the 1970s and early 1980s had in common was the willingness to keep up the punitive taxation of the cocoa industry, both through overvalued exchange rates and low producer prices. The distribution of import-licenses was one of the most effective ways to buy political support: by 1982, the black market premium reached its historical peak with the black market exchange rate hovering at 22 times the official exchange rate (Easterly & Levine, 2007, 1217-8).

The table below is an indication of the sorry state of the economy in 1980, compared to just five years earlier in the form of export production figures.

Export Production (volumes) 1975 and 1980 (thousands units)

	1975	1980	Change
Cocoa (Tonnes)	397.3	246.5	-38%
Logs (Cubic metres)	623	222	-64.3%
Gold (kg)	16.3	11	-32.5%
Diamonds (karats)	233.3	114.9	-50.8%
Manganese (tonnes)	415.3	249.9	-39.8%
Bauxite (tonnes)	325.2	225.1	-30.8%

Figure 21 - Ghanaian Export Production. Hutchful, 2002, 6. My Adaptation.

To an extent, the drastic decrease in cocoa production for export was a result of external shocks, such as draughts or increased fuel import costs and import inflation. However, domestic policy failures and misalignments must be made responsible for the lion's share of the fall in output. Cocoa producer prices were set too low in the first place and were steadily being eroded in real terms by Cocoa Marketing Board and government practices. Additionally, the breakdown of public infrastructure and the transportation sector interrupted supply routes and gave further incentives to move production to neighbouring countries, such as Côte d'Ivoire and Nigeria (Hutchful, 2002, 7-8).

Dwindling production was accompanied by free-falling tax collection rates. In 1970-1971, tax receipts as a percentage of GDP stood at 18.9 percent. By 1984, they had fallen to 6.5 percent, one of the lowest ratios in Africa. With tax evasion—and the simple inability to collect—on the rise, the size of the state budget shrank from 18.3 percent in 1972 to just 10.1 percent in 1982 (Hutchful, 2002, 29).

Yet, and crucially, one of the key differences between corruption in Ghana and other West African countries (Including Côte d'Ivoire) was the fact that practically no group was pointedly excluded from the fruits of state largesse. This pseudo-inclusivity was always relatively short in nature, as the volatility and erratic duration of successive governments illustrates. Ghana showcased a negative feedback dynamic that was inherent to its political process: investment within the growing state sector was misdirected to buy political support instead of contributing to economic production. That in turn meant that resources

were being consumed without being replenished. As the size of the pie shrank, the pressure on the system to increase its role in the economy and capture resources once again grew (Price, 1984, 190). Institutional theory posits that the politicisation and extraction of economic resources is inherently exclusive: entrenched elites accumulate wealth and influence at the cost of the majority of the population. Ghana is peculiar in that the political machine did not systematically exclude specific regions or ethnicities. As the Ghana Human Development Report notes:

The Ghanaian case demonstrates that if severe socio-economic inequalities between different 'cultural' groups or regions are not complemented by serious political exclusion, culture is less likely to become a driver for violent political mobilization (2007, 67).

And

Thus, the influence of ethnicity and cultural differences on conflicts has been reduced in Ghana, allowing for improved inclusion of all ethnic groups in nationhood (ibid., 68).

It was a far cry from egalitarianism, but the fact that no ethnic or social group was calculatingly excluded from the political process had an important effect on social cohesion and civil stability, especially during the “revolution” of the 1980s, as we will see in the following sections.

7.1.1 Ghana's Reckoning

By the early 1980s, the Ghanaian state existed only as a hollow shell, devoid of the kind of reach, personnel and legitimacy any functioning government organism needs to govern in organised fashion. A decade later, it managed to hold an election that was deemed reasonably free and fair accompanied by uninterrupted (albeit unbalanced) economic growth. Path dependence and an analysis of leader preferences and the ability to form ruling coalitions can help us explain the sudden change of fortune, or critical juncture, as we might call it.

7.1.2 Ghana's Path Towards Collapse: De-Institutionalisation as Equilibrium

Destructive forces of the rentier state were very much in action in Ghana, as has been outlined, though informal institutions and the lack of targeted exclusion of a particular ethnic group or minority helped avoid the descent into open civil strife and armed conflict. During the mid-1970s, agriculture, manufacturing and trading activities began to significantly shift from the formal to the informal sector. Because of political volatility and—intentional and unintentional—economic predation by virtually every regime in power since independence, localities, strengthened by ethnic ties, began organising prolific economic, religious and communal networks. These seconded as aid and support societies, trading and self defence groups, women's organisations and youth movements (Chazan, 1991, 26).

The devolution of economic activity into the informal realm and an increasingly detached relationship between civil society and the body politic resulted from steadily descending spiral of predation that Robert Bates describes as a distinctive property of Sub-Saharan politics. His selection of countries often experienced the descent into open violence and civil war, but even in absence of armed conflict the run-up of events in Ghana until the early 1980s is amenable to such a model.

As mentioned earlier, most successive governments promised fundamental change. Yet in no case during the 1960s and 1970s did such promises translate into sound policy and nationwide economic benefits. Instead, years of political upheaval and regime instability resulted quite literally in a textbook example of what Bates terms antigrowth policies:

1. A closed economy;
2. Distortion of key prices in the economy;
3. Promotion and regulation of industries;
4. Regulation of markets (Bates, 2008, 55).

These were retained in order to yield material benefits to those in power and as means for transforming the economy (despite its decline) into a political organisation for the recruitment of political supporters. Because of the higher concentration and population of cities, social and economic policies had a pronounced urban bias, with exporters of cash crops (i.e. cocoa) being squeezed by over-taxation and an overvalued currency (ibid. 60).

Bates' paints leaders and their entourage as forward-looking, rational actors, who are constrained by potentially short timespans in which they can enrich themselves amid a highly volatile political arena. From 1957 to 1983, Ghana fit his model of political disorder quite accurately. In spite of the frequent coups and regime changes, this spiral can be seen as an equilibrium in terms of path dependence: the effective institutionalisation of corruption amid a political scene that sought to rupture ties with its colonial past as vocally as possible resulted in decades of negative feedback effects and institutional decay. Although every new leader would decry the corruption and inefficiency left behind by his predecessor, the patterns of dependence on extraction and limited ruling coalitions at every turn meant that they could do very little to change the system and realign incentives, even if they genuinely wished to.

The Cedi, for example, was clearly overvalued: by 1983, the degree of overvaluation was estimated to have reached a staggering 1,300 percent (Aryeetey & Fusia, 2008, 72). Incumbent regimes were aware of this imbalance. The overvaluation caused quantity-rationing mechanisms to be put in place, which provided spectacular arbitrage opportunities for those who had access to the rationing system. They simply had to buy goods cheaply through official channels and sell them on the black market, where they could fetch up to eight times the initial price. Clearly, helming such a mechanism could buy a lot of political favours and support. On top of losing the ability to enrich themselves, regime elites were also fearful of being replaced by a coup if they decided to devalue, as had happened to the Busia government in 1972 (Aryeetey & Fosu, 2008, 50 & 72). Indeed, Busia underestimated the potency of the extractive forces, particularly in urban areas, that he was up against when formulating his stabilisation policies. He antagonised many elements that were profiting from what Rimmer (1992, 111) called the "Vampire State" which he was initially determined to cut back.

Upon replacing Busia, Acheampong's government justified the coup on the grounds that the old regime's budgets had reduced the real wages of the military and the public servants. Further, Busia was guilty of devaluing the currency, which implied a redistribution of resources towards the ailing export sector but away from import-consuming urbanites (Frimpong-Ansah, 1991, 110). Acheampong's rule nurtured the Vampire State, rabidly expanding patronage networks, especially among the higher cadres of the military. From

the mid-1970s, such encroachment had exerted a significant toll on the economy, from which it would not start to recover until the 1980s. The era of Acheampong had succeeded in chasing what remained of economic activity into the informal sector, beyond the reach of state authority and extraction. In the words of Jeffrey Herbst:

Clearly, to the extent that citizens withdraw from the state, they lessen their dependence on patron-client ties; they therefore may not have much stake in pressuring the state to change its economic policies. Indeed, in Ghana by the early 1980s, the economy had deteriorated to such an extent that even senior government officials, who normally benefit from access to imported goods even in times of shortage, reported that they were going hungry and were concerned that they could not find food for their families. As the state disintegrates and patron-client relationships dependent on state largess become relatively less rewarding compared to withdrawal, paradoxically the potential for the leadership to enact significant economic reforms may become greater (1992, 153).

7.1.3 The Curious Case of Structural Reform in Ghana: “Nothing less than a Revolution”¹²

Flight Lieutenant Jerry Rawlings was possibly the unlikeliest leader to date to initiate what became “the most comprehensive economic reform programme on the continent” (Herbst, 1993, 30) when he came to power through a coup for the second time within two years, supported by a left-wing coalition. Rawlings and his entourage, called the Provisional National Defence Council (PNDC), took over on December 31st 1981 (ibid. 27).

7.1.3.1 The First Phase of the Rawlings Government: Into the Abyss

Initially, the Rawlings government seemed determined to repeat the endless cycle of mismanagement. To fortify his popular backing, which came mostly from urban workers, students and neo-Marxists, he purged most of the “old guard” from the state’s institutional and bureaucratic apparatus in the name of revolution. This took the form of a campaign

¹² Rawlings in a speech, 31.12.1981

against virtually anyone who had held a position of influence during the old regime: politicians, officials, SOE executives, professionals, entrepreneurs, etc. They were rounded up and given stiff sentences, including the death penalty, in the name of a campaign against the parallel economy. The whole process was marred by accounts of harassment, expropriations, beatings and killings (Chazan, 1991, 24). The regime's first set of policies was equally detrimental to social order and policymaking. Instead of reforming the state apparatus, a parallel network of institutions was created, including the People's Defence Committees (PDCs) and Workers' Defence Committees (WDCs) (Herbst, 1993, 28). As they were designed to coexist with official state institutions, the resultant institutional dualism rendered any harmonised decision making impossible. Rigid wage and price freezes and a grander plan focusing on self-reliance scared away both prospective investors and much of the rural part of civil society, which did its best to avoid the reach of the state (Chazan, 1991, 24; Herbst, 1993, 28).

The hitherto mostly peaceful relationship between the state and civil society turned increasingly sour under the first phase of Rawlings II, exacerbating the alienation most Ghanaians felt towards the regime. On top of domestically induced chaos, exogenous events of 1982 and 1983 imposed a further toll on stability. Crops and livestock suffered heavily from a severe drought and wildfires, and Nigeria, almost overnight, expelled one million Ghanaians who had been working in the country illegally. Suddenly, with state institutions in disarray, failing crops and mass unemployment, Ghana had to deal with an immediate influx of an additional ten percent of its population in need of work (Herbst, 1993, 29; Chazan, 1991, 27). By 1983, Ghana faced what Chazan summarises as follows:

Problems of state autonomy were [...] compounded by state incapacitation. Since many individuals and social groups no longer viewed the state as an important source of benefits, they devised means to avoid its extractive reach. State-society relations were in almost total disrepair and the country was impoverished (1991, 23).

And

[the] divergence between state-level-power concerns and locally designed coping mechanisms led to the creation of paradoxical conditions that further removed ongoing social, economic and political processes from the supervision and control of the Ghanaian state (Chazan, 1983, 382).

The still primarily rural population did become self-reliant, but in a different way than envisaged by the regime. Indeed, since the mid-1970s, the state had already lost a good amount of control over even the most basic aspects of economic supervision as productive activity shifted to the informal sector (Rimmer, 1992, 165). Without a broad economic programme, the official state of affairs continued its path of decline. During 1982, all economic indicators deteriorated sharply, some of the price controls reached ludicrous levels and the parallel economy showed signs of a quick resurrection (Hutchful, 2000, 36).

7.1.3.2 Change of Course: the Second Phase of the Rawlings Government

The budget announcement of April 1983 was arguably the most important in the nation's post-colonial history. The PNDC declared a radical departure from the policies he had hitherto declared as revolutionary. For the first time since independence these were to be more than empty words, as the Economic Recovery Programme (ERP) took shape (the outline and conditions of the IMF and World Bank Adjustment Programmes are described back in Section 4.6). Rawlings promised a new, more pragmatic relationship between the state, society and the economy. More resources were allocated to the agricultural sector, the country's productive base. The cedi was heavily devalued vis-à-vis the dollar and direct and indirect taxes rose on transactions using foreign exchange and customs duties. The first wave of policy reforms would be complemented by import liberalisation, increasing financial accountability, increasing cocoa producer prices, reducing deficit financing and sharply slashing the personnel of marketing boards, public service institutions and SOEs (Rothchild, 1991, 9).

7.1.4 The Aftermath

Pressure from both within and outside Ghana eventually caused a move toward full multi-party elections in 1992. Internally, the legitimisation of the regime had to be secured as austerity and reform programmes were still causing a lot of misery. Externally, the demise of the Soviet Union and resultant push for democratisation led donor organisations and governments to insist on voter enfranchisement more persistently.

The reforms bore fruit, and although the 1990s were macroeconomically shaky, especially with regard to inflation rates and the odd fiscal deficit, the country's growth path has remained on course. The process of decentralisation made important strides as well, contributing to social stability and a chipping away at central vested interests, here illustrated by Richard Crook:

The PNDC's emphasis on local, community-based democracy went further, however, than the idea of a non-exclusive and non-divisive form of popular participation; the Ghanaian regime also saw it as a way of actively destroying the elitism of previous political systems. Empowering local communities would 'forge a new political order which has its basis in local government'. According to the NCD¹³, 'Self government must mean that political authority shall be in the hands of all communities who shall exercise it for their own benefit. In other words, a sound local government system shall be the basis and sine qua non of a sound national government.' (Crook, 1999, 118).

Rawlings and his party (which, dropping a consonant, became the National Democratic Congress, or NDC) won the 1992 elections, and again in 1996. Rawlings stepped down after his second term, as mandated by the 1993 constitution of the Fourth Republic of Ghana, and his party narrowly lost in 2000 to the New Patriotic Party (NPP). The handover went smoothly and led to exemplary transitions or concessions in 2004, 2008 and finally in 2012 (Whitfield, 2009, 621-622; The Economist, 2012). It is worth noting that all of these ballots were extremely close, with no more than a fraction of a percentage point separating the two main parties in most cases.

7.2 Côte d'Ivoire 1980-1995

The years 1981-1993 have been termed the Ivoirian mirage. The low point of the recession was reached roughly halfway through, in May 1987, when the state unilaterally suspended its external debt service. Even though Structural Adjustment components kept being hurled at the country, the imbalances worsened. Not until the devaluation of the Franc CFA, almost

¹³ National Commission for Democracy, set up by the PNDC to "formulate a programme for the realisation of true democracy" in the 1980s (Crook, 1999, 116).

immediately after Houphouët-Boigny's death in 1993, did the country start recuperating, albeit only economically (Akindès, 2000, 128). Its politics had already been poisoned.

The country's economic woes were simple enough: a crash in coffee and cocoa prices led to a huge fall in government revenues, exacerbating an already escalating fiscal crisis.

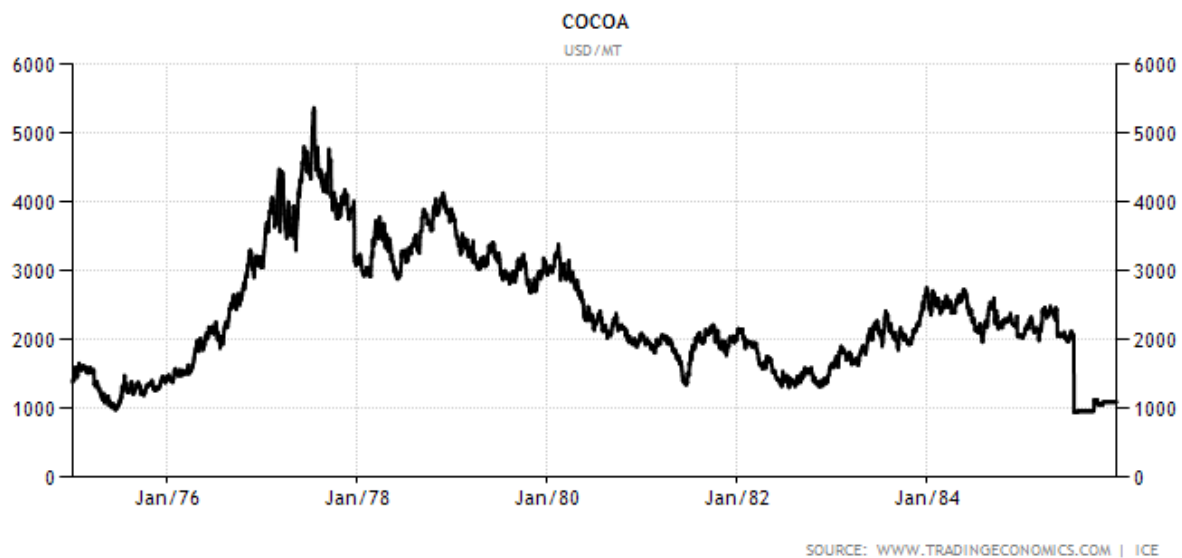


Figure 22 - Price of Cocoa, 1975-1985. Trading Economics, 2013

The price fell from an all-time high of US\$ 5,368 dollars per metric tonne in 1977 to just about 2,000 at the end of 1980, the year GDP per capita plunged by 14.3 percent (The World Bank, 2013). Ambitious public investment projects, along with the imprint of the patrimonial state, had drained the state's coffers of the ability to act counter-cyclically by adequate means. Despite this, one could have assumed on paper that Côte d'Ivoire would have been able to *eventually* weather the crisis better than other countries. Its infrastructure was one of the most developed in Sub-Saharan Africa. It had some form of an industrial and manufacturing base, a strong partner in the French and, perhaps most importantly, its politics had never been marred by military coups or other interventions. The Houphouëtist system had managed to cover up the many contradictions its model harboured through openness to the world, state largesse and a commodity-based pro-growth strategy. In 1985, the national poverty rate stood at 10 percent. In 1993 it had passed 32 percent, increasing to 36 percent in 1995 (Akindès, 2000, 129). The strong contraction of the economy in 1980 was, unfortunately, but the beginning of what would be

a very long decade for Ivoirians. The institutionalisation of economic growth as a necessary factor for social and political cohesion long acted as a bandage that covered up the deepening cracks in Côte d'Ivoire's society. The initial crisis was an economic one, which mutated into socio-political descent.

7.2.1 Houphouet-Boigny and the Extraction of an Ivoirian Bourgeoisie

Zolberg (1974, 13) argues that the ruling Ivoirian class was built on a patronage network that rests on the legitimacy of its leader and the strategic distribution of resources to the components of the coalition. He emphasises how the fate of such a political formula rests on continued economic growth. Although many have referred to this "Houphouet-Boigny factor" as essential in the Ivoirian system of highly personal rule (e.g. Jackson & Rosenberg, 1982), Richard Crook expresses a more nuanced view:

A more convincing picture, however, is presented by those who see the Presidency as the core of an interlocking set of institutions. The executive office controls ministers, the parastatals, the line hierarchy of the field administration, the party machine and the National Assembly. The PDCI, far from having faded away, is seen as a central channel for patronage, elite recruitment and troubleshooting in the regions. [...] The President himself, although undoubtedly a rich and powerful patron in his own right, cannot directly control all aspects of the state and has been able to rely on "des collaborateurs solides"¹⁴ (Crook, 1989, 223; original emphasis).

Rather than simply a mechanism of personal rule, the system was based on a structure of loyalty that is constantly renewed and reinforced through patronage of individuals and localities, pork barrel spending and co-optation. Certain groups invariably received preferential treatment due to their socio-economic importance: export farmers, urban elites, regional and ethnic interest groups and business can be counted among the most privileged. On an institutional level, they were targeted through the PDCI and the National Assembly (ibid.). Together with its initially successful economic programmes, the system led

¹⁴ Solid collaborators

to the development of a *bourgeoisie d'état*, albeit one with a commitment to a comparatively technocratic bureaucracy (Crook, 1989, 226).

When growth slowed and the availability of resources diminished at the beginning of the 1980s, however, the weaknesses of the system quickly came to the fore. Amid falling revenues, the Batesian model of state deterioration took hold. Familiar symptoms included:

1. Funds were drained off by increasing corruption among civil servants and by Houphouët's extravagantly expensive pet project, such as the construction of the world's largest Catholic basilica in his home village of Yamoussoukro, which he had made the country's capital in 1983.
2. Houphouët resisted the devaluation of the CFA Franc [which would have helped exports] because Ivoirian elites benefited from an overvalued hard currency that allowed them to purchase imported luxuries and to travel abroad.
3. The government avoided the consequences of falling tax revenues by borrowing from abroad (Chiot, 2006, 64-65).

By the beginning of and then mid-1980s, when cocoa prices plummeted again, the government had accumulated huge debts and France was already secretly buying unwanted cocoa (ibid.) The presence of social and ethnic divisions amid poorly thought-out land and immigration policies only made matters worse.

7.2.2 Agricultural over-development: the imported tensions of an export machine

Despite efforts to diversify, Ivoirian growth rested mainly on the success of its export agriculture. The millions of migrants from the North and immigrants from neighbouring states were encouraged to clear virgin land with the prospect of assuming ownership of it. During the 1960s and 1970s, huge areas of land were cleared for cultivation, particularly in the southwest of the country (the southeast was already relatively crowded). However, the government's promise of land ownership never translated into the establishment of titled property rights. As a result, there was a big incentive to clear larger and larger areas, but not to subsequently tender plantations adequately or invest into their recovery. Cocoa and coffee were planted with a short-term view on quick profits (Chiot, 2006, 65).

This fostered the emergence of a pioneer front chasing rents from land amid insecure property rights, a highly inefficient setup in the long run. The laissez-faire spirit meant that “the state was particularly lax in its protection of the nation’s forest, until most of it was gone” (Woods, 2004, 236). Indeed, by the 1980s, the Ivoirian cocoa boom was close to its productive limits, with close to ten million hectares of forest destroyed in a bit over two decades (ibid.). The growing scarcity of land fuelled resentment and the “original” inhabitants of the south-western farmlands, before national and foreign migration changed the demographic picture, started to demand their land back (Chirot, 2006, 67).

7.2.3 Investing on the Verge

In the mid-1970s, cocoa and coffee alone accounted for 50 percent of Côte d’Ivoire’s export earnings. The years 1975-1977 had been especially kind to these commodities, with prices surging to record levels on international markets. The stabilisation fund was the main benefactor of the 1976 to 1978 windfalls, with earnings reaching a lofty 16 percent of GDP at their peak. Confident about its future earnings, the government had initiated a range of public investment programmes in 1974. In 1977, public investment as a fraction of GDP stood at 16 percent. In 1982 it reached its peak at 26 percent¹⁵, a time at which the crisis was already well under way. Though parts of the programme were financed internally, with the monetary base increasing by one-third a year from 1975 to 1980, a hefty share of it was paid for by higher external indebtedness through international credit markets (Devarajan & de Melo, 1987, 455). The large build-up in mostly inefficient public investment during the second half of the 1970s, encouraged further by record commodity prices, was soon to take its toll. The fall of commodity prices in parallel with an unsustainable debt burden plunged Côte d’Ivoire into a political crisis that was intensified by the calling of multi-party elections in 1990 and especially in 1995.

¹⁵ In fairness, private investment and spending had shrunk during the early 1980s; meaning public investment’s increased its relative weight by the simple virtue of not having fallen.

7.2.4 The Aftermath

As a reminder, here is the Ivoirian performance from the 1979 to 1999 in GDP per capita growth terms:

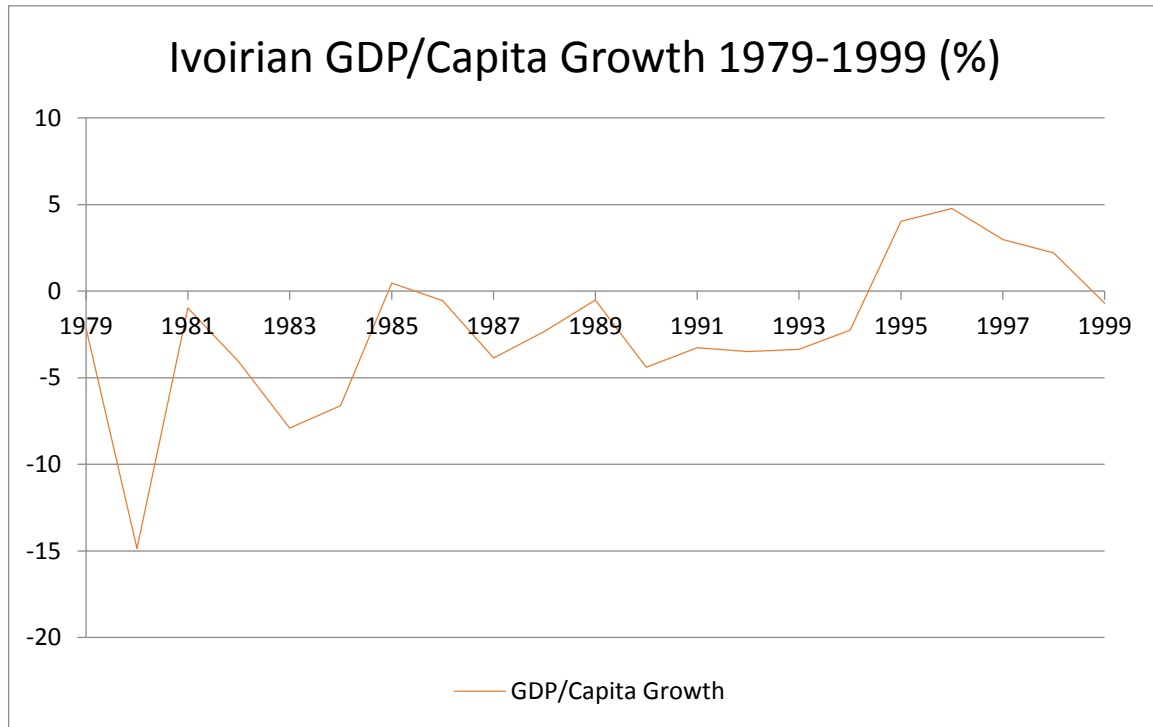


Figure 23 – A Reminder of Ivoirian per Capita GDP Growth, The World Bank, 2013. My Representation.

In current \$US dollars, Côte d'Ivoire's per capita GDP was lower in 1999 (\$773) than it had been in 1977 (\$844), an impressive reversal of fortune (The World Bank, 2013). Indeed, not quite unlike Ghana's previous misfortune, albeit delayed by about a generation

In spite of deep cutting austerity and reform programmes, the economy had still not begun to improve at the end of the 1980s. Amid a significant degree of public unrest and increasing speculation about the succession of Houphouët-Boigny (born in 1905), the PDCI agreed on multi-party elections to be held in 1990¹⁶. Against expectations, Houphouët himself ran as the party's candidate. His main rival was Laurent Gbagbo, leader of the *Front Populaire Ivoirien*¹⁷ (FPI). The election showed that *Le Vieux* could still count on a majority of the population, winning 82 percent of the vote. His campaign also portrayed the FPI as an

¹⁶ External pressure played a role as well, as it had in Ghana

¹⁷ Ivorian Popular Front

ethno-regional party that was squabbling over a few local issues. In return, the FPI turned on the “open door” policy of allowing immigrants not only free entry but also the right to vote. They also attacked the PDCI for being a Baoulé party that served Baoulé interests. The 1990 election thus saw the first outing of a campaign attempting to capture the national mood with xenophobic-nationalist messages (Crook, 1997, 222-223).

Just before the elections, the ailing president (with IMF guidance) had appointed Allasane Ouattara to the post of Prime Minister, where he was in charge implementing the ongoing austerity package and reforming the remaining SOEs and para-statal enterprises while ridding them of corruption (Crook, 1997, 223). Ouattara was a former head of the Africa Department at the IMF and governor at the Central Bank of West African States (BCEAO) and educated and employed in the United States, was a complete outsider to the country’s political structure and rapidly became a thorn in the eyes of both the opposition and factions in the PDCI. Responsible for the divestment of state assets, weeding out corruption and malpractice and the face of painful cuts in social spending, he was not exactly the most popular figure. As a northerner and a Muslim, many in the PDCI’s higher echelons viewed him with additional suspicion. Nonetheless, from 1990 to December 7th 1993, he was effectively in charge of the country. After he announced the death of Houphouët-Boigny with the words *La Côte d’Ivoire est orpheline*¹⁸ (Abidjan.net, 2013), and a very brief power struggle, Ouattara stepped down. The constitutionally designated successor, Speaker of the National Assembly Henri Bédié, duly took charge of the presidency (Toungara, 2001, 66).

The next elections were scheduled for 1995, in an economic environment that was slowly recovering (mainly due to the decision to finally devalue the Franc CFA, which boosted exports). At the same time, the political environment deteriorated sharply after the demise of *Papa Houphouët*. Most notably, a new Electoral Law was proposed by the Bédié government and passed by the National Assembly. It barred from electoral candidacy anyone who could not prove that his or her family, back to the grandparents, had been born in Côte d’Ivoire. The main victim of this move was Ouattara, who had already hinted he might stand in 1995, but whose family origins lay in Burkina Faso. This was only one of the most blunt instruments used by the Bédié administration to advance their agenda of *Ivoirité* on a national level.

¹⁸ Côte d’Ivoire is orphaned

It had also come to a rupture within the PDCI itself, with the *Rassemblement des Républicains* (RDR) splitting from the party in 1994 (Toungara, 2001, 67). Supporters of Ouattara, they were led by Djeny Kobina, also a northerner. According to Crook:

For Bédié and the PDCI [...] the RDR was an old nightmare come to life: the breakdown of Houphouët's 'old alliance' with the north [...]. An opposition which successfully brought together all the votes of the *Grand Nord* and the south west and south east might begin to look like a winning coalition (Crook, 1997, 225-226).

The RDR entered an alliance of convenience with the *Front Populaire Ivoirien*, which had contested the 1990 election, in what was to be a campaign increasingly based on ethno-regional coalition building on the one hand and antagonism on the other. They decried the Electoral Code as sheer discrimination not only against Ouattara but systematically against northerners and Muslims in general (ibid., 229).

In the months before the elections, president Bédié kept promoting his “ersatz nationalism” *Ivoirité*, for instance by placing limits on the amount of social services northern inhabitants and immigrants could receive (Toungara, 2001, 67). In the end, the repressive measures, especially the Electoral Law, led the RDR and the FPI to boycott the election, earning Bédié 95 percent of the vote. The aftermath of the election was one of disillusionment, insecurity and violence, including several deaths during ensuing demonstrations (ibid.).

Although the coming years saw continued economic growth, increasing repression against foreigners and northern regions in general marred them. The civil service was purged and security forces terrorised ethnic minorities. The regime also encouraged massive xenophobia throughout the forest regions (Toungara, 2001, 68) and the cities by accusing foreigners of controlling the economy (Human Rights Watch, 2011, 17).

Deteriorating relations with the army eventually led to a coup by former General Guéï on December 24, 1999. An election followed on December 10, 2000. Laurent Gbagbo won the presidency amid episodes of deadly violence (Toungara, 2001, 70). On September 19th 2002, the northern rebel movement *Mouvement Patriotique de Côte d'Ivoire*¹⁹ (MPCI) launched attacks on Abidjan, soon joined by western factions under the name of *Forces Nouvelles*.

¹⁹ Patriotic Movement of Côte d'Ivoire

Over the next months, they clashed violently with the state's security forces. Human Rights Watch (2011, 20) reports:

Most violence, however, was aimed at civilians, rather than the armed forces fighting against each other. Human Rights Watch at the time documented grave crimes committed by all sides, including summary executions, massacres, targeted sexual violence, indiscriminate helicopter attacks, and arbitrary arrests and detention by Gbagbo's government forces; state-supported violence, including killings, by the militia groups; and summary executions, massacres, targeted sexual violence, and torture by the *Forces Nouvelles*. Liberian groups aligned to both sides were implicated in large-scale killing of civilians, and forces fighting for both sides used child soldiers.

The civil war would drag on until May 2003. Amid ethnicity based power struggles and continued insecurity, a second civil war broke out between government forces and the northern rebels (in control of the northern half of the country) in 2010 at a cost of further thousands of lives (Ibid., 25).

8. Analysing Institutional Change in a World of Path Dependence and Critical Junctures

How do we examine these developments in light of our theoretical framework, which centres on the concepts of path dependence, critical junctures and preference formation? My argument is that the cycles of political corruption and erosion of the infrastructural reach of the state had progressed to the extent that Ghana in 1983 was at a critical juncture that allowed for very substantial institutional change to take place. In Côte d'Ivoire, decades of development in a state that promoted exclusive development through patronage and ethnic and immigration policies that fell far short of being able to produce an identity able to diffuse tensions culminated in a crisis that led entrenched interests to turn to xenophobic agitation and a reorientation along ethnic lines to protect the status quo.

8.1 Ghana

The absence of organised political opposition to the reforms Jerry J. Rawlings would initiate goes hand in hand with the gradual withdrawal of the state from the public sphere. The character and opportunism of Jeffrey Rawlings was of course instrumental. With different timing, however, it is doubtful he would have been able to push through the kinds of fundamental changes that characterised Ghana's turnaround from a near-failed state to the source of optimism it is today.

A rational choice reading of the dramatic change of course of Rawlings II would simply weigh his incentives in the face of the potential costs and benefits of his actions. Our historical-institutionalist approach, however, encompasses a wider range of contexts and legacies that might otherwise be ignored.

8.1.1 Preference Formation and Windows of Opportunity: Rawlings and the Benefit of Ashes

Bates' institutional analysis focuses on political instability and the short-term rewards of economic predation and exclusion it generates. His rather dispiriting account of African

politics leaves little space for a return to normalcy, as happened in Ghana during a relatively brief period of time. The theoretical notion of critical junctures in institutional change is effective in explaining how Rawlings managed to revolutionise the state's relationship to the economy and society within a short time frame. To quote Levi,

Path dependence has to mean, if it is to mean anything, that once a country or region has started down a track, the costs of reversal are very high. There will be other choice points, but the entrenchments of certain institutional arrangements obstruct an easy reversal of the initial choice. (1997, 28, in Pierson, 2011, 20)

The high cost of reversing the initially constructed institutional setup manifested itself in the loss of support by key groups and outright coups when some meaningful reform was instigated during the previous decades. As one of Bates' three main points associated with the rapid degradation of a state's ability to govern effectively:

Political reforms, even (or especially) when they are designed to raise accountability and prosperity often result in more political disorder since they raise insecurity for those that profit from the status quo (Bates, 2008, 97).

Which is indeed what happened when leaders such as Busia attempted to divest state enterprises and the incentive structure in the economy. How, then, did Rawlings manage to box through political and economic reforms that were nothing short of revolutionary with respect to the old way of doing business?

To reiterate, Ghana in 1983 was a haggard shadow of its colonial self. Medical facilities were unable to provide the most basic services. Physical infrastructure was verging on collapse, the phone system broken and food supplies erratic. Infant mortality had risen to 120 in 1,000, up from 80 in 1,000 in 1976. The previously mentioned droughts and the return of one million workers from Nigeria exacerbated the crisis (Chazan, 1991, 27). At the same time, the political opposition was weak, with no obvious usurpers in sight. A series of coups had been attempted in 1982-83, but they were so poorly executed that they lacked any pretence of real power aspiration. Indeed, the political and economic landscape had become so desolate that any former power contenders had shifted their activities away from the official arena of the state, where there was nothing left to extract (ibid.). The costs of reversal, to use Levi's term, had thus been sharply reduced.

The game of political calculation had changed: it was no longer profitable, even in the short term, for the governing elite to extract resources from a population that had all but retreated from the official arena of the state. Instead, the long-term view began to prevail. Rawlings himself called attention to “a few brutal facts” about the state of the economy, summarized by Hutchful:

all credit lines with foreign banks had been blocked; most local industries were operating at about 20% capacity and it would cost \$400 million to raise capacity to 40% or 50%; [Maize] stocks [...] amounted to ten days consumption; resources available for imports amounted to barely two weeks worth of goods (Hutchful, 2000, 38-39).

The state’s infrastructural powers had been decimated in terms of credibility and actual physical reach owing to the breakdown of public services and infrastructure. Importantly, any serious potential opposition had also vanished from the stage. That included significant portions of the bureaucratic apparatus, whose deteriorating real wages meant they had a lot less to lose from a change in the status quo.

The linkages between the state and society gradually broke down as the people recalculated the costs and benefits of inclusion in the state orbit (Chazan, 1983, 331). Indeed, the whole of the Ghanaian state entity had become gradually insignificant as a source of material benefits, leading to further erosion of state capacity as actors who in the past would have looked for inclusion left the formal realm (ibid., 336). In the face of dwindling revenues, the remaining elites preyed even more on state structures, which further dissipated material goods through poor administration.

Instead of being one of the most important sources of wealth, status and prestige, the state was replaced by different forms of social stratification, ceasing even to be an arena of middle-class politics. In 1982, Ghana was an undisputed *de jure* political unit in the eyes of the international community. De facto, it had become unviable for both the governed and the governing.

Paradoxically, when the state was at its weakest and its link to civil society hanging by a thread, Rawlings was in the strongest position to push through fundamental changes.

8.1.2 Rawlings Seizes the Chance

The Rawlings II government thus had both opportunity and incentive to impose the most drastic reforms since independence, under the guise of IMF and World Bank engineered policies.

The decision had little to do with a preference over ideology. Indeed, the first Rawlings coup toppled the Limann government partly because it had initiated talks over a set of conditional IMF loans (even though Limann himself had rejected the terms (Hutchful, 2000, 14)). The first fifteen months of Rawlings II also bore no evidence that he would steer the country in a different direction than his predecessors. A four-year plan presented as late as December 1982 “devoted itself to establishing a state monopoly on export-import trade, eliminating corruption in the allocation of import licenses, and trying to reorient trade away from the West” (Herbst, 1992, 28), sounding much the same as policy announcements by previous regimes (ibid.).

But instead of following that course, he found himself at the helm of a patronage state that could finally serve neither itself nor its customers. In a speech following the budget announcement, Rawlings talked about fundamentally changing the incentive structure of the economy:

We have reached a critical stage in our history and we need to ask ourselves serious questions: why has it become so profitable in this country simply to engage in trade instead of production? Why are the most productive and industrious people usually the poorest? Why do we make it less profitable for a person to produce maize here than for him to get an import license to import it from abroad? Idleness and parasitism have become more rewarded in this economy than productive work. [...]

This is the time to reverse this process (Rawlings, 1983, in Herbst, 1992, 30).

The irony, of course, lies in the fact that policies such as import licenses were continued under his rule for over a year before he abruptly decided they were responsible for enriching traders over producers and thus generating the wrong kind of incentives. As we saw previously with the exposé on Busia’s short-lived government at the beginning of the 1970s, none of these policies were chosen because they were thought to be good economics. They were “good politics”, enabling the transfer of resources from politically

disorganized groups—in Ghana’s case, farmers—to politically powerful, mostly urban groups that had to be contented (Acemoglu & Robinson, 2012, 66). Busia’s attempt to reform was doomed because the political class most affected by his attempt at restructuring still had much to lose from a reduction of state largesse and exchange rate reform, as well as the power to remove him from office. The institutional degradation and civil society’s retrenchment from the state had at the beginning of the 1970s not reached the extent that provided Rawlings with the political space to fundamentally alter the structure of the state a decade later.

8.1.3 Flexible Power Coalitions and Increased State Autonomy

This section illustrates the crucial ability of Rawlings to manoeuvre among very different support groups in order to not only initiate but also consolidate his reforms.

Upon its second coup, the PNDC was heavily reliant on left-wing support: urban workers, students and intellectuals, organisations such as the June Fourth Movement, the Kwame Nkrumah Revolutionary Guard, the African Youth movement, and so on. (Jonah, 1989, 111). These were not the kind of supporters that would quietly welcome IMF-induced reforms and structural changes. The Ghanaian Left broadly stood for the termination of control of local economies by foreign corporations, changes in the structures of production, changes in class structures and a more dominant role of the state (ibid., 110).

The economically conservative right-wing was more welcoming of IMF/World Bank reform programmes but at the same time fiercely opposed to the PNDC due to its reliance on radical left wing groups (ibid., 111). Rawlings’ first move consisted of weakening his immediate opposition, the right wing. In response to the second of the coups mentioned earlier, the most radical IMF opponents, many part of the June Fourth Movement, had been purged. The other left-wing organisation, the New Democratic Movement (NDM) was won over to support IMF involvement, in part because it hoped that the eventual exchange rate liberalisation and an end of top-down control would weaken the *kalabule*, or parallel economy operators. Rawlings gained the support (or at least the complacency) of the other unions and mass organisations by conjuring the spectre of right-wing rule should he fail to produce a budget that would satisfy the Bretton Woods institutions. The groups that would

traditionally be most opposed to Structural Adjustment Programmes were thus either split or hauled onto the side of the regime (Hutchful, 2000, 38-39). This again illustrates the weakness and disengagement from the state of most political groupings and social forces.

Once the left had been appeased, Rawlings managed the political feat of drastically shifting his allegiance to the right wing, gaining a support base that would allow him to not only ignite but also sustain his self-proclaimed “revolution.” From 1984 Rawlings started courting conservative social forces more openly. Incidentally, that was when the adjustment programme entered the market liberalisation phase, which more directly benefitted groupings on the right (Hutchful, 2002, 47). As the regressive effects of the SAP started being felt by the masses and support for his regime ebbed on that front, Rawlings succeeded in using his erstwhile opponents to cement the reorientation of the economy and swing through other sets of policies.

It is worthwhile to take a step back and summarise the extent of the achievements of Rawlings II. Upon acceding to power

There was little reason to believe that he had the support needed not only to enact an adjustment program but also to reverse the thrust of economic practice in the country over the previous twenty-five years. Indeed, what was striking was how narrow Rawlings’ constituency was: some of the military, university students, and some workers. All of these would be alienated to some degree if the government adopted a reform program that reversed the urban biases of past governments (Herbst, 1993, 32).

The ability to build a viable alternative ruling coalition marks one of the most important differences between Ghana’s 1982 turnaround and Côte d’Ivoire’s experience, to which I will turn in Section 7.4.

8.1.4 Reforming the Public Sector

The public and para-statal sector in Ghana had evolved into nothing less than a behemoth. After untangling all of the ownership structures that linked back to the state, a review put the number at 345 in 1990. COCOBOD, the Cocoa Marketing Board, and its subsidiaries was easily the largest, accounting for about 25 percent of total public employment (Hutchful,

2002, 93). At the same time, to quote Kodwo Ewusi's case study of Ghana's adjustment experience: "Between 1978 and 1982, expenditures on wages and other emoluments declined by 15 per cent per year in real terms, forced down by reduced government revenues" (Ewusi, 1987, 63). The UNDP and the World Bank believed the public sphere, including SOEs, to account for half of total formal employment in 1980s²⁰ (Herbst, 1993, 97). The withering away of salaries in real terms thus had an impact on a significant portion of the population. As mentioned earlier though, many had already complemented their incomes with work in the informal sector in an attempt to earn a living wage.

Major reforms of the official civil service began in 1987. Until 1992, the payroll declined from 131,000 to 108,000 public servants, or by 17 percent (Ayee, 2001, 10). Yet, as Hutchful (2002, 114) notes, most of this reduction was concentrated among the lowest paid personnel, with a rather negligible impact on the total bill. At the same time, the real wages of civil servants had already been significantly cut by a combination of recession and high inflation. On top of this, civil servant pay had long been lower than that of SOE employees, about 60-88 percent in the 1980s (ibid., 115). Excluding a selection of core organisations, the SOE sector was gradually tackled beginning in 1988 with the State-owned Enterprise Reform Programme. From 1988 to 1993, 55 SOEs were privatised. By 1995, 79 divestitures had been completed, with more than 190 approved for the future (Wentworth, 2001). It should be noted that most of these were relatively small in size.

The political and economic recession prior to the mid-1980s had left a deep mark on the Ghanaian public sector in terms of capacity. With the reform programme under way, rebuilding this capacity became a more important policy orientation. The privatisation and reduction in the state's stakes in SOEs did in fact never proceed as far and deep as the IMF/World Bank conditions would have liked them to. Given that the extent of divestment raises not only a broad range of questions about transparency, legality and transparency but also about future state capacity, it is bound to be a complex and polarising subject. What can be said about Ghana's experience is that the scope for mismanagement and outright corruption was reduced mainly through other policy measures, such as the gradual liberalisation of the exchange rate, increases in producer prices in the primary sector and stricter external monitoring by donors organisations. In those cases in which privatisation

²⁰ Compared with an average of 19% in the rest of Africa (Herbst, 1993, 97)

did go through, the evidence was in any event rather mixed. Some private companies did become more efficient, some did not. As with many primarily agriculturally based export economies, the fate of SOEs and private firms alike rests on a volatile worldwide pricing environment (Hutchful, 2002, 115).

8.1.5 Rawlings II and the Bretton Woods Institutions

Given the shortcomings of the domestic institutional structure, the IMF and the World Bank provided extensive technical and administrative assistance. Indeed, “the World Bank committed twice as much staff time to the SAP in Ghana as to that of any other African country²¹” (Hutchful, 2002, 151). In Ghana, the IMF and the Bank found a poster child for the combination of progressive politics and conservative economics that characterised most of their reform programmes at the time. The Ghanaians in turn were able to leverage their good relationship with the International Financial Institutions to tap many sources of bilateral and multilateral funding and aid (ibid., 152). Ewusi (1987, 71) notes: “at the Paris conference in April 1987, Ghana requested \$575 million, but aid commitments amounted to \$840 million”.

The Ghanaian macroeconomic management team that stood at the core of reform and implementation was peculiar in that, apart from a small group that had emerged from the Civil Service, nearly all came from academia, mostly strangers to bureaucracy and politics (Hutchful, 2002, 143). At the same time, their macroeconomic designs and recommendations were rarely contradicted by the PNDC, with Rawlings guaranteeing the continued political context under which they operated. It was both Rawlings’ personal commitment to reform and his domination of the PNDC that underpinned “the emergence of an autocratic executive leadership strongly committed to reform” (ibid. 145). The budgeting process and restructuring of the macroeconomic framework was thus kept more or less entirely in technocratic hands and mostly free from the meddling of PNDC officials and interest groups.

²¹ It should be noted that after some less-than-successful SAPs, the World Bank required an “exemplary case,” which was duly found in Ghana. That can be taken as at least one of the reasons for the increased attention it enjoyed (Herbst, 1993, 36).

On the one hand, the clean break with the economic management teams of previous administrations doubtless provided a boost to the pace of reform. On the other, the distinction comes between “good economics” and “good politics” comes into play again, as “Ghanaian officials reported that a considerable portion of the initial stabilisation programme they adopted had been on the shelf for some time as senior civil servants had long ago diagnosed the major problems of the economy.” (Herbst, 1993, 36). This last point played a role in conveying the message that the economic recovery programme was at least in part founded on domestic policy ideas, in turn easing public fears of a “foreign takeover” by the Bretton Woods institutions (ibid.). A further advantage lay in Rawlings’ self-professed ignorance of economic management and his ready use of personal influence to let the economic team proceed relatively unhindered with their restructuring of the economy.

8.1.6 Informal Institutional Support

Given our description of the retreat of civil society from the reach of the state, this subsection discusses the interaction of formal and informal institutions during the build-up of the crisis and the implementation of reforms.

In Bates’ framework of state failure, characterised by the erosion of infrastructural and despotic powers, subnational tensions and local conflicts begin to acquire national significance. The outbreak of such tensions often accelerates the process of failure through open civil strife and the attempts to impose monopolies of violence on a localised level (Bates, 2008, 76). In Ghana, however, ethnic and tribal conflicts were relatively few, mostly non-violent and rarely achieved national significance. Except for episodes during Acheampong’s rule, but also a few during the Rawlings regime, overt political violence was a rarity.

Lauren MacLean’s 2002 study on informal institutions in Ghana and Côte d’Ivoire shows that the different norms that emerged from the respective colonial heritages played a distinct role in the evolution of diverging social policies. The premise of her work posits that theories of institutional change mostly neglect informal institutions, even though these are essential in explaining state formation through their interaction and feedback effects with formal institutions. Her study “defines informal institutions as norms of behaviour, or as a

set of unwritten rules commonly understood to govern interaction in a particular group or community” (Maclean, 2002, 67).

One of the Structural Adjustment Programme’s central tenets was the push to lower state expenditures on education, health and the civil service. In both Ghana and Côte d’Ivoire, decentralisation was one of the mechanisms to achieve higher efficiency, though only in Ghana was the policy deemed relatively successful, according to a report by the World Bank (World Bank, 1993, 93). One of the main reasons lays in the presence of informal social support systems that characterised Ghana, onto which the government could build their decentralised network more effectively than in a hitherto centralised system that had spent decades undermining local and communal institutions (ibid.).

Maclean’s study highlights the different values and informal networks that arose in Ghana and Côte d’Ivoire due to their colonisers’ diverging philosophies of government. The French emphasised a more direct relationship between citizens and the state. This resulted in centralised healthcare, education and other support systems that—intentionally or not—eradicated many parts of the informal support systems that had prevailed in pre-colonial times (MacLean, 2002, 84). The fact that the British in Ghana had from the outset relied on a more indirect form of rule meant that local and communal ties, as well as social mediation systems were preserved to a much greater extent (ibid., 85)

Her analysis provides important insights into the dynamics of the relationship between informal and formal institutions, but lacks the perspective of state erosion that is one of the pillars of this paper’s theoretical framework²². The nature of the predatory Ghanaian state during the decades leading up to reform meant that substantial parts of the citizenry *had* to rely on informal networks to access services the central government had ceased to be able to provide. The colonial legacy of relatively decentralised government doubtless provided the institutional space for these networks to remain in place throughout the colonial period and past independence. Yet the actual reliance on them was to an important extent characterised by the corruption and gradual erosion of the formal institutional sphere.

²² She also lacks a critical account of the massive waves of immigration and migration that characterised Côte d’Ivoire. More on this shortly.

The reform programme's focus on decentralisation could thus be carried out more effectively than in Côte d'Ivoire because, as MacLean emphasises, informal institutional help, but also because the erosion of state capacity had already pushed substantial parts of the population into these communal support networks. In Côte d'Ivoire, as will be argued in more detail shortly, the process of de-institutionalising informal networks was a consequence of a centralised state that had the infrastructural and despotic reach to impose itself much more directly.

The devolution of administrative power in Ghana was formally introduced in 1988-9 with the establishment of 110 District Assemblies (DA). District representatives (70% of whom are elected by the local population, the remaining 30% appointed by the ruling government) meet two to three times a year to debate local revenue collection and disbursements of the District Assembly Common Fund (MacLean, 2002, 73). In 1998, decentralisation proceeded further with the creation of the Unit Committee, an even more local institution. Following the same appointment ratios as the DA, Unit Committees are composed of village or urban district residents that meet to discuss local development projects or urgent problems. They also rally residents to pay taxes and organise a communal workforce to maintain local infrastructure. These institutions (along with sub-national and national ones) additionally consult with local Chiefs before making decisions, often allowing the traditional institution of Chieftaincy to be employed in local conflict mediation and resolution (*ibid.*, 73).

Unbundling the central government's top-down structure was aided significantly by the preservation of local formal and informal structures, a legacy of the British colonial model in Ghana.

8.1.7 Liberalisation and Re-Institutionalisation

The Ghanaian state did manage to institutionalise some key conditions of structural adjustment within a relatively short period of time. The elimination of price control was an important gauge of the seriousness of the Rawlings regime. Perhaps most noteworthy was institutionalising the foreign exchange auction system (Herbst, 1993, 125). Previously, Ghana effectively had two exchange rates: the official one and the black market one. The former was the fixed and rationed official government rate (with which insiders could

achieve spectacular rates of arbitrage). The black market rate became increasingly important for ordinary importers during the Acheampong regime years. Faced with a reduction in foreign currency rations, the black market premium rose impressively, reaching an estimated 42 times the official rate in 1982. From 1982 to 1992, the exchange rate was then gradually reformed under the PNDC. The establishment of a weekly auction system in 1986, which effectively de-politicised foreign exchange and created a market for it for the first time, was crucial (Sanusi, 2010, 5-6). The fact that the system was liberalised gradually, not overnight, was important in its relatively successful implementation. All in all, it took a decade to chip away at the black market premium through a sequence of reforms (with the Cedi depreciating by an annual rate of 58 percent from a staggering ₵521 per US\$ to just ₵2.75 per US\$ (Sanusi, 2010, 16)). Yet the gradual nature of the transformation ensured there would be no sudden shock to a still fragile system. The successful liberalisation programme eventually had the welcome side effect of removing an important source of arbitrage and rent-seeking opportunity from power holders.

The relatively clean slate that had provided the PNDC with the political capacity to implement far-reaching reforms had, at the beginning of the 1990s, managed a certain degree of re-institutionalisation and transformation with respect to the most important financial and fiscal hierarchies and systems. The transition had yet to markedly improve the level of public service provision or infrastructure, but Ghanaian institutions were stronger decision makers with more capacity than at the beginning of the 1980s.

8.1.8 Toward Democracy

“The culmination of all this activity was a growing perception that the regime probably had nothing to fear from the reintroduction of competitive politics” (Nugent, 1995, 202).

At the end of the 1980s, although much progress had been made in terms of rebalancing the country’s economy, the question of political legitimation became ever more prescient. The Provisional National Democratic Congress had attracted both internal and external criticism for lacking a real popular mandate. With reforms aimed at restructuring and rebalancing the economy in full motion, the brunt of austerity evidently fell on those at the lower tiers of the income distribution. The opposition, more and more vocal even though

political parties had been banned, hoped to mobilise the anti-SAP and anti-Rawlings movement under a single banner.

The eventual election was highly contested and, with a turnout of about 60 percent, almost twice as many Ghanaians showed at the polls than at the last one. Rawlings won 58.3 percent of the vote. Although there were some reports of malpractice and voter intimidation, there is a consensus that “Rawlings’ victory was as genuine as it was emphatic” (Jeffries & Thomas, 1993, 354). Despite widespread discontent with the ongoing social malaise, the majority of the population did see an improvement over a decade ago. The opposition also made a series of tactical mistakes. First and foremost, their main message was that they were not Rawlings. They also misinterpreted the national perception, confusing discontent about the present with a wish of drastic change in the future (Jeffries & Thomas, 1993, 356). The election became about a mandate to continue on the current path, which many did see as one that was slowly but gradually leading to improvements not just in term of overall growth figures but in individual lives as well.

8.1.9 Concluding

The ability of Rawlings to enact reforms that lessened the extractive powers of the state whilst gradually restoring its infrastructural reach rested on a number of factors. The hollowing out of the state as an important factor in the lives of the private and eventually public sphere was the result of a downward economic spiral that had devastated the country’s productive potential. This “de-institutionalisation” (Hutchful, 2002, 158) created the political space to enact reforms that would hitherto have led to great resistance, both by the various interest groups and significant sections of the population. It was thus not only the state that was hollowed out, but also the parts civil society that might have otherwise more greatly resisted the reforms. The severe currency devaluation, to come back to it one more time, affected the official prices of imports, which are demand-inelastic in the short term. Yet few were actually paying official prices. As early as 1970, Tony Killick found that only 17% of the goods in stores were prices according to government controls, with 72% costing more than they should have. It is reasonable to presume that even fewer price controls were being observed at the beginning of the 1980s, given the decay of the

administrative infrastructure (Herbst, 1991, 183). Given that exchange rate reform in a country heavily invested in trade is bound to be painful for a significant portion of the population, the fact that it did not impact on the public sphere as much as it might have at another stage of development provides more evidence for the severely weakened reach and influence of the state.

Disregarding his earlier penchant for popular socialist doctrine, Rawlings the opportunist put the long-term advantages ahead of (rapidly deteriorating) short-term gains from extraction, to use Batesian terminology. This was by no means inevitable. Other parts of his PNDC movement would have favoured a shift towards Nkrumahism, with their rhetoric centring on anti-Westernism, socialism and the nationalisation of industries. By purging the radicals and appeasing the more moderate elements of his power base, he managed to lay down the fundamentals of reform. These would be consolidated with the help of the very social forces that had so dearly opposed him at first. The waning power of the bureaucratic apparatus to resist change was especially important. Real wages of public servants had decreased significantly over the years leading up to the crisis, with the result that many had to rely on the informal sector to generate enough income to sustain themselves and their families. Dependence on the state had in many regards been replaced by a relationship characterized by apathy, providing a political playing field less inhibited by and less accommodating of entrenched interests.

This paper's theoretical framework of institutional change posited that the allocation of de jure and de facto political power moulds the kinds of economic institutions that emerge. The producers of Ghana's prime resource—cocoa—were composed of a dispersed peasantry that could not mobilise itself in opposition to extractive institutions such as the Cocoa Marketing Board. The state's elite used the rents acquired from agricultural producers to buy support from more powerful groups, primarily in urban workers and the bourgeoisie in order to secure their ruling coalitions. In absence of the ability to organise and mobilise effectively, farmers were either pushed out of production or sought ways to evade the reach of the state, by smuggling their product out of the country or emigrating. This in turn resulted in the erosion of state revenues, meaning elites had to extract ever-larger rents in order to maintain the support of powerful groups. The demise of those who attempted reform, namely Busia, shows the nature of institutional decline as a sub-optimal

equilibrium that is hard to break out of. As the ability to enact the Structural Adjustment Programmes shows, the state had not lost its capacity to act. Rather, it had succeeded in ceasing to have a substantial role in most of its citizens' lives through the implosion of its infrastructural capabilities. Crucially, the absence of significant amounts of social tension and conflict prevented the rise of civil strife and violence on a grand scale. Instead, most were suffering from the lack of formal administration and service provision on an equal level: farmers, workers, bureaucrats and professionals were all eventually affected.

The often-neglected factor of chance played a significant role as well. For instance, before accepting the terms of the Bretton Woods institutions, the PNDC had approached the Soviet Union for loans, which Moscow dismissed because of its own precarious financial situation. Naturally, there were urban demonstrations when Rawlings announced his 1982 budget, and their generally low attendance might have been higher on a different day of the week or if there had been better communication between the protesters (Herbst, 1991, 180-1). Such "what-ifs" may be stimulating intellectual guesswork, but they do not negate the validity of our underlying claim: that it was Ghana's de-institutionalisation through extraction but without exclusion that provided the space for a substantial transformation of the economy's incentive system and political arena.

In macroeconomic terms, the country has reaped the benefits of its turnaround in terms of stability, higher average per capita incomes and improvements in a wide range of other indicators. Inevitably, the economy's liberalisation also led to higher levels of inequality and poverty and corruption remain far from being eradicated. Yet saying that Rawlings substituted one poison for another cannot be substantiated, especially with respect to Ghana's most important export industries, which had been mangled by control regimes. Instead, enfranchising voters, allowing electoral competition and decentralising the political system provided a modicum of accountability and checks and balances that protected politically vulnerable groups. There is evidently no guarantee that the path Ghana presently finds itself on will endure indefinitely. Slightly over thirty years ago, Côte d'Ivoire was hailed as the model country that would haul Africa into the new millennium. As we will see, our construct of institutional change amid a crisis works both ways.

8.2 Côte d'Ivoire and the Attachment to the Past

8.2.1 *De Jure, De Facto* and Regime Stability in Côte d'Ivoire

The distinction between *de jure* and *de facto* power, outlined in Section 5.3, is revelatory in characterising the ascent of Houphouët-Boigny and the PDCI as Côte d'Ivoire's sole ruling institutions from 1960 until the 1990s. In "The Ivory Coast: Economic Miracle or Blocked Development?" (1990), Peter Marden analyses the nature of the elite's rise to power. He postulates that the colonial administration and centralised bureaucratic infrastructure "gave rise to an indigenous planter class which not only gained economic hegemony but also political power with the formation of the PDCI, and the ideology associated with one-party government took hold" (Marden, 1990, 14). He focuses on the fifteen years between the end of the Second World War and independence, showing that amid this tumultuous time of change, a wealthy class of planters helmed by Houphouët-Boigny was able to transform their economic potency into political hegemony. The key political process lay in politicising and legitimising the interests of an economically dominant agricultural class, which favoured closer links with France and centralised *de jure* political power (ibid.). Gbetibouo and Delgado (1984, 123) offer support for his view, noting that Côte d'Ivoire is rather distinct in West Africa in that a great number of people in the power structure have a direct stake in the health of the cocoa industry. Once this small elite had seized the reigns of both *de jure* and *de facto* power, the institutionalised central bureaucracy and presidential system modelled after the French and U.S. systems allowed the rapid entrenchment of their interests and patronage networks.

8.2.2 The Fate of a Model Dependent on Economic Success: The Political Pyramid Scheme

The ethnic and regional diversity of Côte d'Ivoire meant that a broad ruling coalition was necessary to, at least initially, secure the political stability required for strong economic growth. In the absence of democratic representation, Houphouët-Boigny's solution lay in allocating ethnic representative quotas in his administrative structure that in fact more or less approximated the country's ethnic mosaic. Although the social strata surrounding

Houphouët-Boigny was firmly in charge of the upper administrative echelons, the system thrived on the compromise between the state and “the landowners” and between the state and foreign enterprise. Power and harmony was consolidated through political clientelism (by means of the rents accumulated by the *Caisse de Stabilisation*) as well as large-scale labour conscription (by means of large scale public investment projects) (Losch, 2000, 7).

Although the system refrained from the kinds of excesses that characterised a good number of other post-colonial regimes, it could not avoid increasingly financing its strive for industrialisation and social stability through external debt. As long as the export sector kept performing, the mounting financial fragility of Côte d’Ivoire’s construct could remain hidden from plain sight. A drastic readjustment in terms of international competition through the gradual erosion of trade barriers and the entry of new competitors was largely responsible for the plummeting of many agricultural commodities. The free market, free trade reshuffle of the early 1980s and the end of the Cold War at their close were external events that had forceful consequences for all economies that relied on primary exports to finance the lion share of their budgets (Losch, 2000, 8).

The high rates of growth could contain the mounting costs of the development model founded on both dependence on and loyalty toward the regime. Loyalty, however, needs to be rewarded. The events of at the end of the 1980s showed that the elite possessed the capacity and the incentive to resist the kind of restructuring and liberalisation that had been pushed through in Rawlings’ Ghana. It takes more than one crisis to dislodge a bureaucratic and bourgeois elite that had been nurtured for decades. “Good politics” duly began replacing good economics on a grander scale. The comparatively high rates of inequality in conjunction with loose immigration policies fuelled resentment, especially in the wake of falling public service capacity. Land policy design was not only detrimental to long run growth in the form of resource exhaustion but also played an important role in exacerbating social tensions, especially between nationals and immigrants, more on which shortly.

8.2.3 A Sticky Situation: Revisiting Institutions and Change

Institutions are usually devised to be resistant to change. If we revisit Pierson’s abstraction of institutional path-dependence, *inflexibility* is one of the key variables, namely: “The

farther into the process we are, the harder it becomes to shift from one path to another. [...] Sufficient movement down a particular path may eventually 'lock in' one solution" (Pierson, 2004, 18). In Ghana we saw that it took a de-institutionalisation of the state to provide the kind of open political playing field that allowed overriding formerly entrenched interests.

In Côte d'Ivoire, institutional stickiness prevailed well into the crisis, fuelled by a different set of cost-benefit calculations by the country's elite. Instead of driving back the reach of the state as had (to a certain extent) happened in Ghana, the Ivorian patrimonial machine did not budge as much as its financial dire straits would have required. It was mainly the private sector that bore the brunt of structural adjustment, duly retreating economically speaking. The final years of Houphouëtism did lead to limited democracy, but under the surface divisions and tensions, especially between the North and the South, were brewing, waiting to be set upon by an opportunist leader.

The 1970s especially had witnessed a build-up in State Owned Enterprises and large parastatal agencies, which numbered 78 by 1979. Whereas the argument that state-controlled entities are inefficient is up to debate, their practices did lead to very high levels of indebtedness, which added to the government's debt pile indirectly. The structural adjustment programme's conditions put pressure on the government to reduce its stakes and swiftly proceed to privatise its parastatals. Although outwardly the regime showed willingness to comply with World Bank policies, it simply repackaged many of them into *Établissements Publics Nationaux*²³ (EPN), which meant that they were effectively fully integrated into the state's bureaucracy and subjected to public service regulation (Crook, 1989, 210). Such entrenchment is hardly surprising in what was until the 1990s the longest-serving and most stable political elite in Africa. The contrast to post-colonial Ghana couldn't be starker:

[...] the overriding factor remains the dominance of a political and administrative core elite which links, through multiple office-holding, the main institutions of government; President's office, PDCI Political Bureau, National Assembly and the Economic and Social Council. According to Bakary, only 320 individuals have held

²³ National Public Establishments

the 1,040 positions available in these institutions (excluding the Presidential office) between 1957 and 1980 (Crook, 1989, 213).

Eventually, reform programmes did lead to a degree of divestiture and privatisation; albeit with quite some delay over the original plans and not as thoroughly as envisaged by the Bretton Woods organisations. The eventual loss of these organisations as instruments of patronage also had a role in lessening the regime's ability to buy support. This had significant consequences for the relationship with the ethnic regions especially.

8.2.4 Falling State Capacity

In section 6.1.5 the intricacies of the *Système Houphouët-Boigny* vis-à-vis the regions was introduced. The system worked through a system of patronage and ethnoregional competition for the centre's attention, which in return delivered the spoils of the rapid post-colonial development. Falling state capacity, or the state's infrastructural power to use the terminology mentioned earlier, came of a different shade in Côte d'Ivoire than in Ghana. Whereas in the latter decades of political turmoil had eroded the reach of the public sphere, indeed in some cases to the point of irrelevance, the Ivorian state had, especially in the 1970s, sought to strengthen ties to the northern regions through an ambitious yet ultimately rather inefficient infrastructure development programme. The 1976-1980 Investment plan was meant to address worries that the fast growth since the 1960s had led to severe social imbalances, especially between the southern wooded zone and the northern savannah (Berthélemy & Bourguignon, 1997, 79). It also included peculiarities such as an aging Houphouët-Boigny's insistence on building a new capital at Yamoussoukro at huge discretionary costs (not to mention pet projects such as the erection of a huge and monumentally costly Basilica in his home town). The *Caisse de Stabilisation* was the mechanism through which these funds were dispersed, through the additional channel of regional and ethnic aegis.

The combination of high indebtedness and the deterioration of agricultural prices and thus the fiscal position of the state meant that the capacity of the system to maintain its clientelism faded rapidly. In conjunction with the austerity measures that were conditions

of IMF/World Bank support, the political room for manoeuvre in terms of maintaining stable levels of public and patronage service declined heavily (Losch, 2000, 8-9).

8.2.5 Colonial Legacies, the PDCI and Informal Institutions

Compared to Ghana, decentralisation programmes were a lot less effective in Côte d'Ivoire during the 1980s than in Ghana. This is attributable to the different governing hierarchies and philosophies of rule the different colonial legacies endowed the countries with:

Where the British colonial state was built on the particularistic notion of tribal ethnic communities, the French colonial state was constructed around a more universal concept of individual citizens living in nuclear families. The legacies of the French colonial administration were witnessed in the continued centralisation of the single-party state since independence (MacLean, 2006, 117).

Informal institutions could have been useful in defusing tensions, especially in the wake of public service provision cuts, as evidence from Ghana suggests. They could also have played a more localised role in the easement of land policy, which in Côte d'Ivoire exacerbated already tense relationships between locals and migrants from the North or abroad. One of MacLean's conclusions about the legacies of French top-down rule was a weakening of communal values. Along with immigration on a massive scale without the appropriate cushioning mechanisms, many Ivoirians thus became more directly tied to the central state than to their surrounding communities. Once the state's capacity came under increasing pressure, local structures were utterly unprepared to step into the resultant void. In lieu of a localisation of politics, the cracks along ethnic lines that started appearing ran from the national level down to de-institutionalised communities.

The 1985-1988 decline of the economy was not only steep on paper but also affected the population almost immediately. Grootaert's 1995 decomposition of an Ivoirian poverty index concludes "that one of the most striking findings [was] the speed with which the destabilisation in Côte d'Ivoire in 1987-88 'trickled down' to households, and the magnitude of the effects" (Grootaert, 1995, 399; original emphasis). Whereas the first few years of the crisis in 1980-1983 resulted in only relatively modest increases of poverty rates, "during the destabilisation phase, poverty rose sharply, and in 1988, the incidence of poverty was 50

percent higher than in 1985” (ibid., 398). The sharp decline in the living standards of ordinary Ivoirians had the dangerous effect of turning a hitherto economic crisis in an increasingly ethno-political one.

8.2.6 *Ivoirité* – Immigration, Ethnicity and Insecurity

Although the patriarch himself was bent on social peace, which, to his credit, he had largely achieved, immigration on a huge scale and the resulting social and territorial inequalities made for a dangerous combination once the economy imploded. Immigrants were mostly, if superficially, welcome during boom times, into a state whose legitimation rested on rapid development. The ready scapegoating of the poorest elements of Ivoirian society points to the troubling identification of many of its citizens.

Immigrants were employed both politically, by allowing them to vote, and economically as a cheap workers. Though enfranchised, their status as nationals was a lot less clear. By 1980, non-nationals represented a staggering 41 percent of the country’s labour force, with many employed as manual labour in cash crop cultivation (Crook, 2001, 37). Some cities in the South had foreign populations of more than 60 percent of the total. In cocoa intensive rural regions the number could be as high as 80 percent (Dembele, 2003, 35). The policy of “land belongs to those who cultivate it” led to the perceived favouritism of migrants over locals, as they were more likely to clear additional acreage. This showcases the development-led agricultural policy of the regime, which swept aside local ordinances meant to stop the influx of migrants. The effect was that the indigenous populations of areas of intensive cocoa production and expansion felt increasingly helpless and resentful of the newcomers (Crook, 2001, 37). The dominance of the central government’s policies over local or regional regulation also contrasts starkly with Ghana’s much more decentralised land property rights regulation. There, village chiefs or councils often mediated conflicts over land rather than directly involving the official bureaucracy. In Côte d’Ivoire, clashes over land and its control were thus politicised along ethnic and anti-foreigner lines (Crook, 2001, 38). As such, the swiftest cocoa boom in history, responsible for biggest share of the development strategy, led to a dangerous degree of instability between locals and immigrants, which would play a

significant part in fuelling the violent and ethnically based opposition that emerged after the 1995 elections (ibid., 42).

The open economy's cultural melting pot was a poster child of tolerance and multi-ethnic communities during the years of single-party rule. Yet this ethnic kaleidoscope was only accepted as far as everyone could find his or her place in the socio-economic division of labour (Dembele, 2003, 35).

Section 6.1.6 described the implicit hierarchy of the different ethnicities. This arrangement was stable under single party rule, where power was extended to the different ethno-regional leaders through patronage politics. They remained tied to the centre's vertical bureaucracy and under the single party's control. The system that had hitherto existed was not in this form meant to support multi-party elections. If we recall the Batesian terminology from Section 5, one of his main points was that "political reforms, even (or especially) when they are designed to raise accountability and prosperity often result in more political disorder since they raise insecurity for those that profit from the status quo" (Bates, 2008, 97). As long as Houphouët-Boigny remained at the nexus of power, including after the 1990 elections, the state of affairs hobbled on despite continued per capita income declines. His death in 1993 left a political vacuum that was filled with xenophobic policies under the name of *Ivoirité*. His designated successor Bédié's struggle against Ouattara, as mentioned earlier the Prime Minister since 1990, a former IMF official who also happened to be a northerner, was the most public rivalry based on both ethnicity and fear of a change in the status quo, as Richard Crook emphasises:

The most important development in this period was in fact the emergence of real dissension within the ruling party, as Ouattara, a man with no previous political base in the country began to gather around him a group of supporters from within the political elite and the public service. [...] The basis of the conflict was the increasingly serious threat posed by Ouattara's reform programme to the core of the state patronage system including leading para-statal such as the *Caisse de Stabilisation* and companies which depended on state contracts (Crook, 1997, 224).

The technocrat²⁴, who had spent most of his career abroad, was in the eyes of the long-established elite a dangerous new element who could upset the delicate economic and political power structure that had been entrenched for decades. The raucous promotion of *Ivoirité* during the run-up to the 1995 election was the independent country's first popular nationalist movement. It proclaimed that only *Ivoiriens de souche*²⁵ would be allowed to lead the country and that foreigners would be stripped of the right to vote (Crook, 1997, 227). In an economic environment in which anti-immigrant sentiment had already been stirred during the 1990s election (especially in the cocoa producing regions), such open hostility drove a perilous wedge between the southern and northern regions.

The blocking of Ouattara's 1995 candidacy on grounds of his ethnicity with the introduction of the Electoral Code was "the real bombshell" (Crook, 1997, 227) and culminated in lethal clashes between demonstrators and security forces, an ever more poisonous political atmosphere based on ethnicity and origin and ultimately the opposition's boycott of the presidential election. Bédié and his grouping's fear of a drastic rearrangement of Côte d'Ivoire's existing state of affairs led them to focus on short-term advantages in the form of changing the rules of elections, crushing demonstrations and resorting to ethnic and nationalist propaganda to agitate an already paranoid portion of their followers.

The loosening of the political and economic grip of the patron state in addition to the sheer misery caused by the series of crises and Structural Adjustment Programmes was a destructive cocktail once identification reverted to the old ethnic lines and according prejudices.

8.2.7 Concluding – Houphouëtism, the PDCI and its Legacies

Bédié's presidential victory in 1995 and his party's at the 1996 local government elections amid an atmosphere of resentment and factionalism would eventually end with General Robert Guéi's coup in 1999. Reminiscent of Ghanaian ex-leaders, he had made the mistake

²⁴ This is not to say he was a saint: during his stint as prime minister he was responsible for the jailing of Laurent Gbagbo, the main opposition leader and brutally suppressed a students and teacher's protest (Crook, 1997, 227).

²⁵ Pure blooded Ivoirians

of accumulating too many opponents in the armed forces. Three years later, the first Ivoirian Civil War broke out.

I am not claiming Côte d'Ivoire's tragedy can be fully explained by the here presented analysis of institutions, political power and state failure processes. External events played crucial roles, as did particular personalities and movements. Yet how these events, people and ideas are handled does in turn depend heavily on the institutional framework, especially in a historical perspective. The status quo achieved in Côte d'Ivoire was the result of a powerful groupings' consolidation of power through bargaining with a multitude of ethnic and territorial interests. The years of export- and FDI-led development amid social peace caused many to exclaim that Houphouët-Boigny had found the perfect "affable strongman" type of rule for culturally diverse African countries such as Côte d'Ivoire. In the end, economic development did not guarantee deep political development and integration. Rivalries, fears and insecurities were patched up with five-year development plans and diffused with the appropriate dose of state patronage. Côte d'Ivoire's growth was more territorially than overtly ethnically exclusive. The north was poorer because it was not suited to grow crops for exports and too remote for most industrial production. Migration to the south, however, offered a way out of underdevelopment and into the promising world of cocoa production. It was there that it stirred the most resentment. The political exclusivity of the state lay in the difference between those who had a stake in its continued reproduction and those that did not, or felt that they did not. And despite the fact that a majority of the population was indeed part of the economic miracle, ethnicity and territorial origin still dictated the size of the slice of the spoils. The abstract Batesian cycle of descent into state failure was triggered by an economic crisis rooted largely in external events, but also domestic policies that were finally out of tune with economic reality. The miscalculation had a very dire and direct effect on the population, which had over the preceding colonial and post-colonial period been increasingly directly tied to a central state apparatus that was all of a sudden unable to deliver on its promises. The antecedent suppression of informal institutions that could have played a role in mediating risk and alleviating the structural pains of reforms was complemented by ethnic and nationalist tensions stemming from an immigration policy that overlooked the formulation of a coherent plan for integration or identification. Ultimately fleeting rapid economic growth

was the sole vehicle of conflict dissipation. In contrast to Ghana, powerful groupings still had a lot to lose from the kind of radical political change that a multi-party democracy could potentially conjure when it became clear that, for the sake of long-run stability, the status quo had to be broken. These had no remorse in redrawing the lines of battle through overt exclusion and stirring resent and paranoia that had been building up under the surface for decades.

9. Particular Cases, Broader Lessons

A growing amount of state building and failure literature has recognised the importance of informal institutions, such as tradition, custom and reciprocity on a local level. In Ghana, informal networks and a higher regard for pre-colonial institutions such as the Chieftaincy provided the physical space for a minimum of goods to keep flowing at a time when the formal state sector was in complete disarray. They also acted as emergency public service providers and support organisations. The cushion they provided helped alleviate the effects of the disastrous policies of the 1960s and particularly the 1970s, as well as the structural adjustment shock of the 1980s. Further down the line, their presence aided the process of decentralisation.

The near-complete erosion of the formal state apparatus and reliance on it provided Jerry Rawlings with political and economic room for manoeuvre that his predecessors had lacked. In view of this paper, Ghana stood at a critical juncture where the resulting institutional turnaround would make or break the status quo. As it happened, they broke it toward a so-called “virtuous cycle” of civil political development and widespread economic progress. This is not to say that just anyone could have achieved the turnaround he did. To extend a cliché, he was the right man at the right time, with the capacity to find support in shifting coalitions of power. The willingness to step down, instead of attempting to change the constitution and running again, was also largely down to his attributes as a rational political animal who put Ghana’s long-term outlook ahead of his short-term gain. A recent Afrobarometer (2013) survey indicated that most Ghanaians are optimistic about the future, perhaps more trusting of their political elites and have actually been experiencing not just overall economic growth but actual increases in living standards.

In the end, we return to the observation that institutional change is usually slow and gradual. The 1980s crisis played a key role in realigning the country’s politics and economic system into a virtuous cycle that, after a period of transition, developed a solidly democratic model with fair elections and mutual respect between the competing parties. The precedent set by Rawlings after his 1996 term was instrumental in discouraging future presidents from stepping out of line. To reach perhaps a bit too far, there is that slight parallel to George Washington’s retreat from the formal political realm at the end of his

second term. His handing over of the presidency was highly significant in the development of the democratic tradition that has been reproduced since 1779. Although fortunes have long risen and fallen in West Africa, a review of Ghana's last two decades has left this author optimistic about her next two.

The legacy of Houphouët-Boigny is instead a tragic one. *Le Vieux* was a larger than life character who cemented ethnic and regional alliances through state patronage led by a pro-market and pro-growth development strategy. His pragmatism when it came to the relationship with the ex-colonist had been nurtured in France, where he was educated. His Chieftaincy of Cote d'Ivoire was a product of both his personality and an institutional legacy that endowed people in his social position with a closer and more direct relationship with power than most. He certainly stood in stark contrast to Ghana's Kwame Nkrumah. A philosopher, theologian and teacher, Nkrumah had a vision of Africa finally free from colonial shackles and with the opportunity to go its own way. The term "development through dependence," often associated with Houphouët-Boigny, can be laid out dually: one the one hand, Côte d'Ivoire was heavily reliant on foreign capital and support; on the other, Ivoirians themselves became reliant on the state, which expanded not only in size but also entrenched powerful interest groups in a status quo associated with very high costs of reversal. Without its patron and during a crisis of falling revenues and a reduction of state capacity, the fragile construct fell apart with calamitous effects on the social peace that had hitherto, so to speak, been loaned. The status quo was broken by economic deterioration, which in turn triggered a breakdown of the prevailing civility of ethnic relationships. The descent into a vicious cycle of exclusion and resentment was the result of a critical juncture set up by a precarious environment and the death of the leader who was just managing to hold it all together.

Whether Côte d'Ivoire can find a political formula to halt this cycle remains an open question. Ouattara was instated as president after the second Ivoirian civil war, which ended with French and UN military intervention. Laurent Gbagbo, who rejected the results of an election he lost to Ouattara, causing hostilities to ensue, is in custody at the International Criminal Court in The Hague. A verdict on his charges of crimes against humanity is expected in 2014 (Amnesty International, 2014). Though the country's

economic fortunes seem to be picking up, the political environment remains highly volatile, according to Human Rights Watch:

Ongoing socio-political insecurity, failure to deliver impartial justice for past crimes, and inadequate progress in addressing the root causes of recent political and ethnic violence—notably the lack of an independent judiciary and impunity for government forces—undermined Côte d'Ivoire's emergence from a decade of grave human rights abuses (HRW, 2013).

Before this paper's time is up, we can briefly return to a discussion about democracy, institutions and governance in general. Compared with most Western countries, the post-colonial world is new, ruled by externally imposed frameworks of government and rule of law and territorially composed of a multitude of ethnicities and customs that any regime would have trouble reconciling, among other challenges in view of a demographic landscape that fuels volatility. Such tensions surface in developed countries as well. Until recently, parts of Ireland were at war with each other. The same can be said about Spain. Yet these are nation-states with a deep institutional history that helps to mend rifts and diffuse conflict. Imposing the same standards on territorial states that did not have much of a say in the drawing of their borders or their ethnic composition is hypocritical at best and has a tendency to lead to disastrous policies at worse.

The comparative approach used in this paper brings together a wide range of literature and theory on institutions, power and state building and failure. Although the scope limited the analytical narration to select overarching themes, it hopes to achieve a more unified, albeit not holistic, framework. Top down approaches have their uses, as do bottom up ones. They should be seen as more complementary than is currently too often the case. The measurement of institutions and their effects, be they long or short term, will never be a precise science. Broad trends and underlying structures should, however, have more of a chance of being uncovered with a dual or multi-dimensional approach.

To end on a positive note, institutional change is slow and gradual but if we look at the long, long run, worldwide development is on a positive path. Some setbacks and reversals of fortune might evoke a degree of reminiscing about how the past held such promise for a brighter future than the present delivered. Côte d'Ivoire managed to shed its model-state image in just over a decade. Concurrently, Ghana propelled itself from the precipice of state

failure to the verge of the Middle Income Country club. Taking into account a wide and deep historical perspective about development and change, I would wager that over the next decades, more countries will fall into the latter category than be subjected to Côte d'Ivoire's current predicament. Then again, prediction is hard. Especially about the future.

10. References

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11. Abstract / Zusammenfassung

English

Ghana and Côte d'Ivoire underwent drastic changes in the 1980s and early 1990s. During this time, the former managed to propel itself out of a vicious cycle of economic and political crisis that had been spinning the country onto the verge of state failure since the 1960s. The latter was a developmental role model for much of the African post-colonial world until its development-through-rapid-growth model ceased to deliver results. At the time of writing, it is Ghana that is being hailed as the source of African optimism, with Cote d'Ivoire struggling to come to terms with the consequences of its second civil war in a decade. Built on historical-institutional foundations, this paper combines aspects of state power, state failure and informal institutional theory to build a comparative framework of analysis. It shows how a socially exclusive development path, lacking a grand plan national identity building amid ethnic, immigration and land policies that are unsustainable in the long can run into a critical juncture that unleashes underlying tensions. The presence of an inclusive national identity coupled with strong informal institutions, however, can mitigate the social and political tensions caused by disastrous economic policies and provide the groundwork for an eventual recovery.

Deutsch

Ghana und Côte d'Ivoire durchlebten einschneidende Veränderungen während der 1980er und 1990er. Während diesen Jahren gelang es Ghana sich aus einem wirtschaftlichen und politischen Teufelskreis herauszulösen, welches das Land an den Rand des Staatszerfalls getrieben hatte. Côte d'Ivoire hingegen genoss einen Vorbildstatus für die gesamte Region, bis zum Ausbruch einer Krise durch welche das Entwicklungsmodell mit schwer wiegenden sozialen und wirtschaftlichen Folgen zusammenbrach. Heute gilt Ghana als eine Quelle des Optimismus in Afrika, während sich Côte d'Ivoire mit den Konsequenzen des zweiten Bürgerkrieges binnen zehn Jahren auseinandersetzt. Auf historisch-institutionellen Grundlagen, unter Einbeziehung informeller Institutionen und mit einer Kombination von Macht- und Staatsverfalltheorien wird ein komparativer Rahmen zur Analyse zusammengestellt. Die Vorgehensweise zeigt auf, wie ein exklusiver Entwicklungspfad ohne Rücksicht auf Identitätsbildung und ohne nachhaltige Ethnizitäts-, Einwanderungs und Umweltstrategien in eine „kritische Situation“ führen kann, in der unterströmende Spannungen abrupt freigesetzt werden. Die Gegenwart einer inklusiven Identität verbunden mit starken informellen Institutionen kann durch katastrophale Wirtschaftspolitik ausgelöste Spannungen entschärfen und die sozial-politische Grundlage für eine ökonomische Erholung bilden.

About the Author

About

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Education

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Awards and Skills

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