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In 1953, W. Arthur Lewis presented a report entitled "Industrialization and the Gold Coast" to K.A. Gbedemah, Minster of Commerce and Industry. This paper presents a close reading of the report and puts it in the historical context of Ghana's development, and in the context of thinking on industrial policy for developing countries. It assesses which of the insights were most relevant to Ghana at mid-Century, and which of them remain relevant even today as Ghanaian policy makers struggle with the realities of a resource dependent, non-diversified economy.

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Arthur Lewis's Mid-Century Report on Industrialisation and the Gold Coast:

A Long Century Perspective*

By

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Abstract

In 1953, W. Arthur Lewis presented a report entitled "Industrialization and the Gold Coast" to K.A. Gbedemah, Minster of Commerce and Industry. This paper presents a close reading of the report and puts it in the historical context of Ghana's development, and in the context of thinking on industrial policy for developing countries. It assesses which of the insights were most relevant to Ghana at mid-Century, and which of them remain relevant even today as Ghanaian policy makers struggle with the realities of a resource dependent, non-diversified economy.

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1. Introduction

On June 5th, 1953, Arthur Lewis sent a letter to K.A. Gbedemah, Minister of Commerce and Industry, transmitting his report *Industrialisation and the Gold Coast* to the Government of the Gold Coast. The Report had been commissioned by the Ministry in a letter dated November 29th, 1952. Lewis was in the Gold Coast from December 15th, 1952, to January 4th, 1953, his first visit and the start of a long and sometimes turbulent association as the colony of the Gold Coast transitioned to the independent nation of Ghana.

Arthur Lewis was not yet 40 years old, but he was a star, even before he had written his classic 1954 Nobel prize winning paper "Economic Development with Unlimited Supplies of Labour." He held the prestigious Stanley Jevons Professorship in Political Economy at the University of Manchester and had been and was prominent in analytical and policy debates on development. This is not the place to go into his trajectory to this position from humble beginnings in the colonial West Indies, the overt and covert racial discrimination he faced in England including at the London School of Economics, and his fights with orthodox views on economics at the Colonial Economic Advisory Committee. Nor is this the place to delve into his interactions as an economist with the realities of Ghanaian political economy, most notably his relationship with Kwame Nkrumah, whose famous dictum was of course "Seek ye first the political kingdom." These have been well covered in the biographies of Lewis by Tignor (2010) and Ingham and Mosley (2013), and in papers such as Kanbur (2017).

Rather, in this paper I focus on the Industrialization report itself and provide a close read in the context of Ghanaian, African and global debates on industrial policy beginning in colonial times right up to the present. It is no exaggeration to say that whether there should be an interventionist industrial policy at all, and if so what form it should take, has been and is at the center of the development discourse. We have seen cycles of thought, from the colonial masters' perspective on the colonies as providers of raw materials for their (the masters') industry, through the deep post-colonial desire in the newly independent countries to match their former masters in industrial development, followed by a disenchantment and disavowal of these policies by some in the era of trade liberalization, while others pointed to state interventions in aiding the industrialization of East Asian tiger economies, to now a rethink of industrialization in the time of labor saving technological change. These cycles are of course also seen Ghanaian policy, as documented for example by Owoo and Page (2017).

What did the Lewis report say, and how if at all does its analysis stand the test of time? Section 2 of this paper presents the key elements of the argument and findings of the report. Section 3 then looks at the global and Ghanian debates on industrial policy in the long century in light of the Lewis report and vice versa. Section 4 asks where we go from here in Ghanaian policy, given the current trajectories of trade and technology. Section 5 concludes.

2. The Report

The Report consists of six chapters, starting with Chapter I, "The Genesis of Industrialisation" which provides the analytical framework, ending with Chapter VI, "Conclusions and Recommendations". Chapter I frames the analysis by setting out three routes to industrialization:

"Industrialisation starts usually in one of three ways: (1) with the processing for export of primary products (agricultural or mineral) which were previously exported in a crude state; or (2) with manufacturing for an expanding home market; or (3) with the manufacture for exports of light manufactures, often based on imported raw materials." (p. 1)

This framing sets in train the analysis in the next four chapters, which ends in Chapter VI with very sharp conclusions and recommendations:

"Measures of support to increase the manufacture of commodities for the home market deserve support, but are not of number one priority…Number one priority is…a concentrated attack on the system of growing food in the Gold Coast, so as to set in motion an ever increasing productivity. This is the way to provide the market, the capital and the labour for industrialisation…Priority number two is to improve the public services. To do this will reduce the cost of manufacturing in the gold Coast, and will thus automatically attract new industries, without the government having to offer special favours…Very many years will have passed before it becomes economical for the government to transfer any large part of its resources towards industrialization and away from the more urgent priorities of agricultural productivity and the public services." (pp. 43-44)

Lewis did go on to present a list of interventions to aid industry, but these seem to pale in comparison to the stark conclusion that the best way to support industrialization was to—support agriculture! In his Foreword to the report Gbedemah, inclined as he was to push for industrialization, struck a cautious note:

"Early publication, however, should not be regarded as a declaration of Government policy and does not mean the Government has already reached decisions on the conclusions and recommendations contained in the Report." (p. v)

Specific recommendations on industrialization such as the training of African personnel by foreign firms were highlighted and publicly welcomed, and in the Legislative Assembly Nkrumah said that the government accepted the general findings as well, but of course we know that the future turned out very differently.

What was the analytical basis of Lewis's stark conclusions? Start with the first of his three routes to industrialization—processing materials for export. He notes that:

"…the underdeveloped country relies on two advantages: (a) low labour cost, based on low wages, and (b) an advantage in transport cost, if the material loses weight in the course of processing." (p. 1)

The key point Lewis makes on (a) is that "Low wages are not the same as low labour cost" (p. 1). The difference is of course labor productivity, and this theme carries throughout the report, particularly as he stresses the role of public services in determining the productivity of the private sector, from where flows his number two priority recommendation, to improve public services. Further, Lewis develops the argument against heavy manufactures by noting that the low labor cost advantage is stronger when labor cost is a large component of total cost, which is not the case for capital intensive industry. For all of these reasons, the loss of weight in processing would give a decisive advantage in export, and Lewis concluded that on this basis a case for processing for export could be made for timber.

The second route to industrialization, the production of manufactures for an expanding home market, "shares the problems of processing for export", for example "fuel is costly, engineering service expensive, public utilities inadequate and so on" (p. 2). But, further, it also obviously requires a large and growing home market. And, of course,

"The size of the local market for manufactures depends, given the size of the population, upon how rich or poor the people are…The development of manufacturing for the home market therefore essentially depends upon improving the productivity of other economic activities….From this point of view, the most usual path to progress is increasing efficiency in the production of food." (p. 4).

Lewis goes on to say that "the surest way to industrialise the Gold Coast would be" (p. 4) to multiply by a factor of four or five the funds for yield increasing agricultural research and extension. He further highlights the importance of mechanization: "A high standard of living cannot be built upon an economy in which half the people are scratching the ground for food with a hoe."

The third avenue is the production of light manufactures for export. But Lewis dismisses this possibility for the Gold Coast:

"A country which lacks advantageous natural resources can compete effectively in foreign markets only on the basis of low labour costs…The Gold Coast is not overpopulated, and wages are high in the Gold Coast relative to other under-developed countries. The industrialization of the Gold Coast is not likely to be based on importing light raw materials in order to export manufactures, so there is no point analysing this case." (p. 5)

However, Lewis had earlier alluded to success stories which formed the basis for much of the discussion of industrialization in the coming decades:

"There are, however, countries which have built up industrialization on the basis of exporting, without possessing these advantages. Japan, Hong Kong and Puerto Rico are outstanding examples. Lacking fuel and raw materials, which are light in relation to their value (so that transport cost is small), and which use little fuel in the process of manufacture. Textile fibres, rubber, leather and paper are the most important materials in the categories." (p.5)

Quite remarkably, Lewis is presaging the East Asian miracle to come in the 1960s and 1970s, which was then held up as a model for Ghana, and for Africa in general.

This is the analytical heart of the report, the basic framing which is then applied in detail to the ground realities of the Gold Coast in the next four chapters before drawing the sharp conclusions and recommendations in the final Chapter VI, but which are already clearly present in Chapter I.

Chapter II, "Analysis of Industries" considers export industries based on processing of raw materials and producing for consumption in the home market. For export industries the key factor identified in the framing chapter is whether weight is lost in the process of manufacture" (p. 6), which Lewis says pins down four commodities—bauxite, timber, cocoa and oilseeds. For reasons which are not made clear, bauxite "was outside my terms of reference" so only the last three are considered. Focusing on cocoa here for purposes of illustration, Lewis is skeptical of the prospects for processing either the whole bean to compete with chocolate manufacturing abroad, "it lacks fuel and skill, and is at a disadvantage climatically" (p. 6), or of the separation into cocoa butter and cake with existing processes: "Research is being done on new process, but these are not ready yet" (p. 6).

Lewis then turns to the home market noting that:

"It will be seen that, apart from bauxite, the processing of raw materials does not offer any immediate prospect of increased manufacturing on a significant scale. If there is to be significant industrialisation it must be for the home market" (p. 7).

He goes to the list of imported commodities and makes an assessment of favorability or unfavorability. From the earlier framing and analysis:

""Unfavourability" applies to industries where (a) a weight losing raw material would have to be imported; or (b) fuel requirements are heavy; or (c) the local market is too small; or (d) very special skills are required (as in the manufacture of watches); or the ratio of capital to labour is abnormally high." (p.7)

A detailed analysis is carried out for each of a large number of industries, classifying them as favourable, marginal or unfavorable. The favorable industries are oil expressing, canned fruit and vegetables, salt, beer, bricks and tiles, cement, glass, lime, industrial alcohol, miscellaneous chemicals and wood products. The marginal industries are biscuits, soap, confectionery, cigarettes, boots and shoes, hats and caps, shirts, knitwear, weaving cotton and rayon, jute bags, foundry products, candles, paints and colours, travelling bags and rubber manufactures.

Chapter III, "Ownership and Management" poses the question: "Is the industrialization of the Gold Coast to be done by Government, by African Businessmen, by foreigners, or by these three in combination?" (p. 14). Lewis says "This issue is still to be settled" (p.14), a state of affairs which is still true despite seven decades of debate—not just for Ghana but for Africa and the rest of the developing world.

On Government, Lewis is very clear that its role in operating and owning enterprises should be minimal, with two exceptions—public utilities, and what he terms "pioneering". On public utilities, he further makes clear, without taking a position on which is better, that an alternative to public ownership "is to leave the industry in private hands, but to control its prices or profits, and its conditions of sale" (p 21). On pioneering, he takes the successful example of Japan between 1870 and 1900 to argue that "In countries where entrepreneurs lack experience or confidence, there is a case for government to lead the way by establishing industries with its own money, and to show that it can be operated successfully; in the expectation that it can withdraw from industry once the pioneering stage is over" (p.24).

On foreign investment, Lewis is again very clear that industrialization will not succeed without the finance and knowledge of outsiders, despite the fact that "Foreign capital is unpopular in all countries which are or have been in colonial status" (p. 16). However, Lewis is equally clear that "foreigners are often reluctant to train up people in the secrets of their craft" (p. 17), referring to both scientific and managerial knowledge, and that the government should put conditions on foreign investment that ensures this will happen. On actual financing from foreign sources, this is also needed since the government's own funds, according to Lewis, should go towards providing public services. The need will remain till the economy grows and savings are sufficient to fuel substantial investment. So, Lewis returns again to the major theme of the report, the number one priority, to increase agricultural productivity:

"Much is made about the speed of Japanese industrialization; but it is not generally realized that what really made this possible was the spectacular increase in agricultural productivity which was taking place at the same time….We return thus to a point which Chapter I has already made: the secret of industrialisation is rapidly progressing agriculture, and , more particularly since food production is a major part of agriculture, the number one priority in a programme of economic development is measures which increase food production per head." (p. 15)

Thus, in the middle of a chapter devoted to industry, Lewis highlights agriculture! However, he does discuss in detail industry related measures, including the need to train African employees and managers, especially in a section entitled "African Enterprise". This discussion goes through to Chapter IV, "Initiative and Aid", where perhaps the most interesting element form a historical perspective is the articulation of the infant industry argument:

"…it takes manufacturing industry some time to find its feet…These difficulties decrease with time. Meanwhile a subsidy or protection for a limited item is thoroughly justified, so long as there is good reason to think that the factory will soon be able to pay its way….We may sum this up by recommending that the government should be prepared where necessary to give some assistance to any of the industries listed in Chapter II as "favorable" or "marginal". The assistance should be for a short period only, say not exceeding five years, and be limited in amount, say to the equivalent of a 20 per cent tariff on imports. Industries which are not likely to be able to stand on their own feet without longer or greater assistance should not be supported."

Here again is Lewis the pragmatist, not tied to a free market dogma, but calling for careful benefit-cost analysis to delineate and delimit support. Chapter V, "Government Agencies", then goes on to discuss the institutional basis for implementation.

3. A Long Century Perspective on Industrialization Debates in the Developing World and Ghana

Arthur Lewis's report on Industrialisation and the Gold Coast comes slap bang in the middle of the long twentieth century 1891-2010. It is part of the great debates that were underway in mid-twentieth century on the route to development and modernization for newly independent and soon to become independent former colonies of Africa and Asia, as well as other poor countries including those in Latin America. In this section of the paper, I provide an account of these debates, first at the global level and then specifically for Ghana in the context of actual industrialization outcomes in Ghana. In doing so we shall see the prescience of Lewis, but also ask the extent to which his analytical framework remains relevant for today's trade and technology realities, globally and in Ghana.

3.1 Global Debates

In the colonial era, and especially in the intense phase of anti-colonial struggle leading up to independence, the "civilizing mission" of the colonizers was countered by the fighters for independence through an account of the economic burden of colonialism on the indigenous population. There were many dimensions of this counterargument, including empirical demonstrations of the extent of poverty in the colony. In his 1901 book *Poverty and Un-British Rule in India* Dadabhai Naoroji wrote: "My object…is to show…that under the present system of British administration India is suffering seriously in several ways, and is sinking in poverty", which he did with a mass of official statistics. The National Planning Committee of the Indian National Congress, headed by Nehru, produced a report in 1936, which was referred to by Nehru in his book *Discovery of India*: "there was lack of food, of clothing, of housing and of every other essential requirement of human existence" and independence was needed "to ensure an adequate standard of living for the masses, in other words, to get rid of the appalling poverty of the people." Nehru wrote these words in prison, having been put there by the British authorities for his role in the Quit India movement of 1942.

A key element of the struggle for independence was the argument that colonial policies had stifled industrialization in the colonies, keeping them solely as hewers of wood and drawers of water, producers of raw materials for processing in the metropole. While India produced about 25 percent of world industrial output in 1750, this figure had fallen to only 2 percent by 1900 (Clingingsmith and Williamson, 2004). Here is how Naoroji (1901) puts it when discussing cotton and textiles:

"I take this opportunity of saying a few words about the recent telegram that Lord Salisbury had instructed the Indian Government to abolish the duties on cottons…The real object, says to-day's *Times of India*, is to "nip in the bud" the rising factories in India—the ostensible reason assigned is free trade…I like free trade, but after what I have said…you will easily see that free trade between England and India in a matter like this is something like a race between a starving exhausting invalid, and a strong man with a horse to ride on." (p. 62)

Whether colonialism per se, as opposed to broader technological trends for example, was responsible for the change in production structure is under debate. But the lack of industry clearly shaped the argument for independence.

In Ghana, the writings of Kwame Nkrumah and the stalwarts of the independence movement echoed these sentiments, and they were also core to their thinking post-independence: "Industry rather than agriculture is the means by which rapid improvement in Africa's living standards is possible"

(Nkrumah, 1965). In India, the first two five year plans post-independence were focused on industrialization, “machines to make machines to make machines” being the mantra taken from the Soviet experience. An integral part of this strategy was of course import substitution aided by tariffs and trade restrictions.

One might have expected from Lewis, on the basis of his interactions in the England of the 1930s with the likes of C.L.R. James, George Padmore, Eric Williams and Paul Robeson, and his battles in the Colonial Economic Advisory Committee against the ruling laissez-faire orthodoxy of Sir Sidney Caine, that he would have fallen in line with the global progressive tendency for aggressive import substitution led industrialization. Indeed, this might have been the hope of Gbedemah and his CPP stalwarts when he commissioned Lewis to write the report. However, as I have argued elsewhere (Kanbur, 2017), Lewis had by this time begun his journey towards a more pragmatic centrist position in economic policy, recommending state intervention in moderation and of the right sort, based on careful economic analysis.

As is well known by now, the intellectual tide began to turn in the 1980s and 1990s against import substituting industrialization a l’outrance, culminating most significantly in the reforms instituted in India by then Finance Minister Manmohan Singh. Manmohan Singh was a Nehruvian socialist who became disenchanted with the trajectory of Indian policy and made a decisive move towards a more open economy. But it might be better to categorize Manmohan Singh as an economic policy maker in the Arthur Lewis mold; not eschewing state intervention at all, but using it carefully and guardedly with careful cost benefit analysis; taking ground level realities of comparative advantage as given, but taking small pragmatic steps to change them. For Lewis, the realities of the Gold Coast meant that agriculture had to come first, followed by public services and education and training of African personnel, while grandiose schemes for manufacturing which did not satisfy elementary cost benefit criteria were to be ditched. For Manmohan Singh, given India’s realities of a labor surplus economy opening up to labor intensive manufacturing exports was the appropriate strategy. Now, it didn’t quite turn out that way, with the real success coming in information technology-based service exports, but that was to do with how the realities changed, and rapidly.

In the debates of the 1980s and 1990s on openness and industrialization, the experience of the East Asian Tigers in the 1960s and 1970s were examined carefully and put to the service of one argument or its counter. They were lauded as the success of an industrial policy which favored open trade based on the advantage of low labor cost, and this was then recommended for other countries, including those in Africa even though as Lewis had pointed out countries like the Gold Coast did not in fact enjoy a labor cost advantage or at least not as large as might have been imagined. On the other hand, the East Asian experience was also lauded as the success of targeted government policy to encourage industries of particular types. Throughout, however, it was recognized that the initial conditions of these economies, in particular high and growing levels of human capital, played a key role.

The 1980s saw the era of “structural adjustment” and reversal of policies of state led import substitution and industrialization in Africa, including in Ghana. This is not the place to go into a detailed assessment of this period which culminated globally in the fall of the Berlin Wall and the declaration of the “end of history” (Fukuyama, 1989). Suffice it to say that “the end of history lasted for such a short time” (Kanbur, 2001). The Growth Commission of the mid 2000s, chaired by Nobel Laureate Michael Spence and including leading economist and economic policy makers from the North and South, in 2008 declared the death of the orthodoxy of the past quarter century and heralded a new era of balanced and pragmatic approaches to state intervention including industrial policy, in the spirit of Arthur Lewis (Commission on Growth and Development, 2008):

"In recent decades governments were advised to "stabilize, privatize and liberalize. There is merit in what lies behind this injunction-governments should not try to do too much, replacing markets or closing the economy off from the rest of the world. But we believe this prescription defines the role of government too narrowly. Just because governments are sometimes clumsy and sometimes errant, does not mean they should be written out of the script. On the contrary, as the economy grows and develops, active, pragmatic governments have crucial roles to play." (p 4)

In reaching this conclusion the Commission rode a wave of intellectual reconsideration by the likes of Dani Rodrik (1997). This rethink also led to a more pragmatic approach to industrial policy, balancing the realities of comparative advantage with the need to change them over time (Rodrik, 2004). It has even to led to publications like "Industrial Policy Makes a Comeback in Africa" (Walter, 2021)

However, even as the Growth Commission produced its report, discussions around a trend that had been visible at least for the past decade began to crystallize and come to the fore. This was the phenomenon of "jobless growth" where productivity increases outstrip increase in total output leading to job losses or increasing underemployment. The strong trends in labor saving technical change began to influence thinking on industrialization policy and on policy in general. What can we say about industrialization in an era of deindustrialization (Rodrik, 2016, 2022)? This question will be taken up in Section 4 as we look forward to the coming policy challenges for Ghana.

3.2 Industrial Policy and Industrialization in Ghana

Perhaps not surprisingly, the debates and policies on industrialization in Ghana have tracked their global trajectory. In early colonial times, the name of Governor Guggisberg (1919-1927) is of course prominent, both lauded and criticized for his interventions (Agbodeka, 1972). Although unlike India there was no industry in Ghana to compete with the metropole, Guggisberg's development plans, and those of his predecessor Hugh Clifford (1913-1919) built infrastructure to further develop the exploitation of natural resources and agriculture. This was a far cry from the manufacturing and the factories which those fighting for independence saw as the way forward for the nation.

As noted in the previous section, there was some hope among CPP stalwarts including Gebdemah and Nkrumah, that the Lewis report would support their stance on industrialization as the center piece of development strategy. The report did not do this but, despite a respectful welcoming of the report, the policies of the newly independent Ghana went far beyond the limited and modest interventions that Lewis had envisaged in support of industry. However, as we know, the push was not successful. The review by Owoo and Page (2017) observes:

"Today, 60 years after independence, Nkrumah's vision of Ghana as an industrial economy remains unfulfilled. Following a brief boom in the 1960s, industrial output has followed a rollercoaster pattern of rises and falls, and the growth of industrial output has seldom exceeded the growth of gross domestic product (GDP). In 2010 the share of manufacturing in GDP was 6.7 per cent, less than it has been in the 1970s." (p. 176).

The broad trajectory of Ghana's industrial policy regimes is now well known and has been set out in a number of papers such as Owoo and Page (2017), Ackah, Adjasi and Turcson (2016) or Boakye (2018). A key dividing date is 1983, which delineates the periods before and after the Economic Recovery Program (ERP). The earlier period was overall marked by a strategy of import substitution industrialization (ISI), although there were periods of greater market orientation in between:

"At the centre of the ISI strategy was the development of large-scale, capital intensive state owned manufacturing industries. Government invested heavily in infrastructure and was involved in domestic production of previously imported consumer goods, processing of exports of primary products (agricultural and mining), and the expansion and development of building materials and electrical, electronic, and machinery industries…From the mid-1960s the ISI strategy was characterized by a strong reliance on import substitution through high levels of effective protection…" (Ackah, Adjasi and Turcson, 2016, p. 51).

However, after initial results when manufacturing grew from 2 per cent of GDP in 1957 to 9 per cent by 1969, the strategy had to be pulled back because the state could no longer finance the costs. Between 1969 and 1972 a more market-oriented approach was tried but this was reversed in 1972, and these policies stayed in place in broad contour till the crisis of 1983:

"The Economic Recovery Package, adopted in 1983, abolished the import licensing regime, introduced market exchange rates, removed price controls and liberalized interest rates…[Q]uantitative import controls were eliminated and tariffs were rationalized and lowered…The new approach to industrialization focused greater attention on small-scale manufacturing, the use of local inputs and value addition to primary products." (Owoo and Page, 2017, p. 178-179).

In many ways this was a return to Lewis, backing away from aggressive large-scale manufacturing through state intervention but rather using state intervention to help develop what he called African Enterprise (Lewis, 1953, p. 22-24). Many of the schemes introduced after 1983 to develop small and medium enterprises are echoes of the Lewis recommendations. However, once again, after initial success these reforms did not deliver the goals of strengthening manufacturing in GDP. As a fraction of total industrial output, manufacturing declined from 65 per cent in 1984-90 to 35 per cent in 1996-2000.

After 2000 or so, the government turned away from industrial policy in the sense of specific support for specific industries towards improving the "investment climate" in general. This is again reminiscent of Lewis's priority number two, improving public services, which he conceived of in a broad sense and included items which regularly appear in the investment climate list like policy predictability. However, other items like developing skills and infrastructure did not figure large in the new policy orientation:

"In practice, Ghana's investment climate reform programme has mainly centered on reforms of trade policy and regulations, drawn from the World Bank *Doing Business Surveys*. With the exception of the Export Processing Zones (EPZs) that have been developed at Tema and Sekondi, investments in infrastructure and skills to support industrial development have been largely neglected…" (Owoo and Page, 2017, p. 189.

This was in 2000 but, as noted in the discussion on global debates, "industrial policy is back" in global debates. The cycle of interventionist policy being on or off has turned and interventionism is once again on, not least because it has come back with a vengeance in competition between developed countries. As Walter (2021) says: “For African governments the question is not *whether* to pursue industrial policy: It is, and has for a while been, *how* to maximize its chances of driving inclusive and sustainable economic transformation” (p.7).

In keeping with global trends, Ghana Government documents demonstrate a newfound enthusiasm for industrial policy:

“The Vision of the Ministry is to: Establish Ghana as a globally competitive manufacturing and trading hub in Africa. In order to meet its Vision, the Ministry is implementing a Ten (10) Point Industrial Transformation Agenda aimed at establishing Ghana as a major manufacturing hub in Africa.” (Government of Ghana, 2022, p.1)

The 10 points of the agenda in Government of Ghana, 222, are:

“• National Industrial Revitalization Programme (Stimulus Package) • One District One Factory (Decentralizing industrial development) • Development of Strategic Anchor Industries (towards diversifying the economy) • Establishment of Industrial Parks in all regions • Development of small and medium-scale enterprises (SMEs) • Export Development Programme • Enhancing Domestic Retail Infrastructure • Improving the Business Environment through regulatory reforms • Industrial sub-contracting exchange • Improving Public-Private sector Dialogue.” (p. 1)

More generally and in the broader discourse in Ghana, we find specific and detailed cost benefit analysis of various industrialization projects and proposals. Thus, for example, Quartey et. al. (2020) calculates Benefit-Cost Ratios (BCRs) for a number of specific interventions. Among them:

“The analysis indicates that providing management training to local (non-multinational) factories with large turnovers (large firms) generates a BCR of 5.9. The total cost of this intervention is estimated at GHS1.62M per year per factory, and it is expected to generate total profits of GHS 2.1M for the first year…. An increase in R&D spending by 0.4 percent of GDP is expected to generate a BCR between 1.5 and 1.75….Finally, for the… .intervention that sought to provide subsidies or reduce the electricity tariffs payable by manufacturing firms and industry, a BCR of 1.8 is estimated.” (p. 1).

The authors point to the relatively small BCR for electricity subsidies to manufacturing and to the relatively high return to management training. While one can always debate the specifics, the general point is one of approach: no intervention is necessarily ruled out on a priori grounds, but each intervention is subjected to careful technical analysis, which is very much in the spirit of the Lewis report.

4. Entering the Next Long Century

The twists and turns of industrialization policy debates in Ghana tracked global debates, and at the end of the long century under consideration, 1891-2010, found themselves somewhere in the pragmatic middle. No leap back to the heady era of state driven import substituting industrialization of the immediate post-independence period, nor the hands-off laissez-faire stance of the post-ERP years, but a cautious opening to state intervention in some areas after careful cost-benefit analysis. This reflects in many ways the pragmatism and caution of Lewis in method and perspective.

Have we, then, reached relative stability in the discourse on industrialization in Ghana? Perhaps so on method and perspective, but the ground level realities in Ghana today are different in significant respects from the those that Lewis found in the Gold Coast in 1950s. There are two features of the Ghanaian economy as we enter the second quarter of this century which stand out as requiring specific attention in light of the experience of the long century: oil, and labor-saving technical change.

Oil is of course a big factor in current Ghanaian economics and policy. When Lewis was writing in the 1950s, his candidate for major development in industrialization was processing of bauxite into aluminium:

"…since it takes four tons of bauxite to make one ton of aluminium, transport charges are saved if bauxite is turned into aluminium on the spot, instead of being transported as bauxite to the country where the aluminium will be used." (p. 2)

Further, the presence of oil changes the equation in other ways:

"If fuel is available side by side with the material which is to be processed, the producing country has thus a double advantage over all consuming countries which do not have their own fuel." (p. 2)

Applying the Lewis perspective set out in *Industrialisation and the Gold coast*, then, these two features change the balance of argument considerably and make a stronger case for supporting the development of oil processing and for fuel intensive manufacturing. However, the other side of the Lewis method is careful benefit-cost analysis of each proposal and project for state support and intervention.

More generally, recall that Lewis's priority number two is the improvement to public services, broadly construed. Although in the report itself Lewis stays focused on public services as directed towards industry, for example efficient production and supply of electricity for manufacturing plants, it is now well documented that in his later interactions with the government, especially with Nkrumah, Lewis broadened his concern to economic governance in general. Here is how he refers on 1 August 1958 to the drafting of the Five-Year Plan:

"It is not easy to make a good development plan for £ 100 million if the Prime Minister insists on inserting £ 18 million of his own pet schemes of a sort which neither develop the country nor increase the comfort of the people." (Tignor, 2006, p. 167).

In his overview of oil and Ghana's economy, Fosu (2017) highlighted well known macroeconomic issues like the "Dutch disease" but turned more generally to the "resource curse" and the deterioration of institutional quality and controls at precisely the time they were most needed:

"The need to avoid the oil curse is particularly germane for Ghana, given her past performance with non-oil mineral resources…It is therefore imperative that governance continue to improve….Unfortunately, even though Ghana's measures of institutional quality (IQ) are well above SSA's average, they seem to have generally trended downwards since 2011…Especially troubling also is the downward trend in the "control of corruption"….." (pp 152-153).

Unfortunately, Fosu's concerns form five years ago have materialized, with ballooning deficits and borrowing on the strength of oil reserves leading to the debt crisis of the last two years. Lewis's perspective thus still remains valid. The discovery of oil suggests a change in the cost-benefit of industrialization, but in the absence of institutional governance mechanisms such calculations will fall by the wayside as macroeconomic instability returns to Ghana.

Let us turn now to the second aspect for ground level reality which is very different form the situation in the 1950s. Looking to the successful experience of East Asia in particular, policy analysts debated whether the option of industrialization through light manufactures was open to Ghana, and if so how it should best be encouraged and implemented. In 1953 Lewis's analysis was fairly clearcut. The Gold Coast was a land surplus, not a labor surplus, economy. Labor costs, wages combined with labor productivity, were relatively high so export-based industrialization, with manufacturing of labor-intensive goods demanded in the rich countries, was not an option given the competition from the labor surplus economies. The only option for Lewis "for very many years", was improving labor productivity in agriculture thereby both increasing incomes and demand for manufactured goods and releasing labor for this manufacture.

As Ghana's population increased over the next half century it began to take on the characteristics of a labor surplus economy, but at the same time that countries like China, India, Bangladesh and Vietnam opened up their economies to export, thus providing significant competition to industrialization efforts by Ghana through this route. As these countries themselves exhausted their supplies of surplus labor and their wages started rising, there was hope that Ghana and other African countries could benefit from the relocation of labor intensive from these countries, using local materials as appropriate. The development of leather industry in Ethiopia is an example of this type of transition.

However, even as these hopes were being expressed the ground level reality for the world as a whole was changing rapidly in the form of labor-saving technical change. These trends have questioned the whole notion of industrialization in the sense that Lewis, and indeed all of us, thought of it in the half century after independence. The jobs leaving China because of high labor costs will be far fewer by the time they get to Africa and Ghana. This is not the place for a detailed review of this vast technical and policy literature. An extensive summary from Rodrik (2022) will suffice to animate the discussion for Ghana:

"In a just and well-ordered world….[t]here would be adequate investment in technologies that are more appropriate to the factor endowments of low-income nations— technologies that complement low-educated labor rather than replace it….[But] we need to consider the growth prospects of developing nations against a background of largely unfavorable trends in innovation…. Note first that the post-pandemic growth prospects of developing nations do not rest solely on industrialization. Growth "fundamentals" such as education, skills, improved institutions, and governance also matter….But even in the most favorable scenario, convergence is likely to occur at a slower pace than in the past, when rapid, labor absorbing industrialization was still possible The fundamental question facing low- and middle-income countries in the years ahead is no different from that confronted by advanced economies: Where will the good, productive jobs come from?.... Within agriculture, low-income countries retain considerable potential for productivity improvement and diversification into cash or export crops. But it is difficult to envisage a future world in which agriculture will absorb more, rather than less, of the economy's labor force…. The traditional model of export-oriented industrialization is based on nurturing productive manufacturing firms that act as growth leaders. As I have discussed, future growth policies will need to have different priorities. Instead of focusing on the most productive segment of firms, the next generation of growth strategies will have to target small- and medium-sized firms with the potential to enhance both productivity and employment and which are necessarily mostly in services. Traditional "industrial policies" will have to be modified and extended to parts of the informal economy. Economic growth will be possible only by raising productivity in smaller, informal firms that employ the bulk of the poor and lower-middle classes. At the same time, sustainable poverty reduction and enhanced economic security will remain possible only by creating more productive, better jobs for workers at the bottom of the skill distribution." (pp 78-79).

Comparing Rodrik's (2022) assessment of prospects for industrialization with Lewis (1953) from seven decades earlier, several features stand out. First, there is agreement across the decades on the importance of the fundamentals of education, skills, institutions and governance. As note earlier, the political economy dynamics of oil have underlined the importance of institutions and governance. Second, while agriculture is given a role by Rodrik (2022), it is far less prominent than in Lewis (1953), for whom it was the "number one priority". This is understandable given the much smaller share of agriculture now in output and in employment. Third, although in a very different context, there is a great deal of consistency between Rodrik's 21st century focus on small and medium size enterprises and Lewis's mid-20th century focus on "African enterprise". It is encouraging to see this emphasis also in the 10-point industrial policy programme of the Government of Ghana (2022). Characteristically, however, Lewis also focused on implementation details:

"No loan should be made until the industrial Development Corporation is satisfied as to the technical and managerial experience of the borrower, as to his character, and as to his past record. A Development Corporation is not a device for helping lame dogs over stiles." (p. 25).

Institutions and governance once again appear as key elements in policy development and implementation.

5. Conclusion

Arthur Lewis's 1953 report *Industrialisation and the Gold Coast* is a remarkable document. It deserves to be better known in the wider development discourse because of its analytical sharpness and for the method and perspective it sets out for policy analysis. It is of course of its time, but it is also timeless. It is of its time because it is framed by the economic structures and trends Lewis found in Ghana and in the world in the middle of the long century 1891-2010. Population growth has moved Ghana from land surplus towards a labor surplus economy, and migration has turned the country towards an urban reality. His focus on agricultural productivity, while still relevant, would not perhaps rate as number one priority. Oil was not part of the picture when Lewis wrote his report. Its emergence in the last two decades may change some of the production side advantages as analyzed by Lewis but, more important, recent developments emphasize Lewis's timeless strictures on governance and quality of public expenditure. The world has also changed because the dramatic trends in the 21st century towards labor saving technical change. Shift of policy away from large-scale labor-intensive manufactures and towards small and medium enterprises is called for by this global shift, but this emphasis was in any case also present in Lewis (1953). In this sense the report is timeless. But it is also timeless because of its emphasis on education and skill building and the quality of institutions and governance, and because of its emphasis on careful benefit-cost analysis in considering policy and in particular large scale government interventions and investments. These are lessons that the Ghanaian polity would do well to pay heed to as we enter Ghana's next long century.

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