

DR. BAWUMIA'S SPEECH: "TURNING AN IMPOSSIBILITY INTO A POSSIBILITY?"

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The NPP is at a crossroads! In nearly eight years in power, the party has presided over “a boom and bust economy.” The party is fighting for its political life as it seeks to break an eight-year electoral cycle. And the person charged with turning this apparent impossibility into a possibility is its flagbearer, Dr. Bawumia. In a speech to the nation on Wednesday, 7th February, 2024, Dr. Bawumia walked a tight rope of associating himself with the NPP’s past but not its future. Dr. Bawumia defended the NPP’s record as well as his own, while promising to chart a new course. In this article, I assess Dr. Bawumia’s speech in terms of what he presented as the NPP’s record, his own record and his vision.

1. NPP'S RECORD

1.1 Economic Record

Dr. Bawumia mounted a strong defence of the NPP’s economic record. This was to be expected as he was touted as the “economic Messiah” by the President and chaired the Economic Management Team (EMT). Dr. Bawumia argued that the NPP managed the economy prudently and efficiently during 2017-19 and managed to turn it around from the precarious situation from which they inherited it in 2016. Dr. Bawumia cited economic growth, inflation, fiscal deficit, debt, depreciation, among others, as all pointing in the right direction during the period. However, according to him, between 2020-22, the economy was hit by the Covid-19 pandemic and the Russia-Ukraine war and got derailed by these shocks, as they disrupted global supply chains and precipitated escalation in food and fuel prices. Dr. Bawumia also cited the additional adverse effects of the huge financial bailout costs and legacy excess-capacity energy payments.

Available data for key macroeconomic indicators for 2016-2023 show that many of the indicators trended positively during 2017-19. These must be attributed in part to the Government’s policies, including the introduction of the Fiscal Responsibility Act in 2018, which limited the fiscal deficit to 5% of GDP. However, it has to be recognised that the favourable economic performance also occurred against the backdrop of some favourable factors, including higher oil output, especially in 2017; favourable world economic conditions, including stable oil prices and, generally, benign global inflation; and the extended IMF programme, which included some strict policy conditionalities. For the 2020-22 period, while accepting the contribution of the exogenous factors mentioned by Dr. Bawumia to the poor economic outcomes, some of the domestic policy failings must also be recognised. These included: huge expenditure outlays on numerous flagship programmes and a bloated government; failure to increase revenue from traditional sources; and excessive and expensive borrowing from the international capital markets even as the public debt continued to rise to an unsustainable level. Failing to recognise these policy failings represented a missing link in Dr. Bawumia’s speech.

It is important that as government takes credit for the good economic performance during 2017-19, it must also be prepared to accept some responsibility for the poor performance during

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2020-22. The apparent suggestion that Government did nothing wrong during 2020-22, could be interpreted as trying to sweep the policy failings under the carpet. Both the NPP and NDC must learn to not only take credit for good performance of the economy but also to take blame for poor performance, during their tenure. That is what governments in matured economies, such as US, UK, France and Germany, do. It is how you respond to the prevailing situations that you will be judged by.

1.2 Defence of Bank of Ghana

Dr. Bawumia strongly defended BoG for heavily monetising the fiscal deficit, especially in 2022. Dr. Bawumia commended the Bank for saving the economy from collapse at a time when Ghana had lost access to international capital markets. Dr. Bawumia said BoG's action was responsible and that it was temporary as the Bank had advanced money to Government in only two of the past seven years. The Minister of Finance had expressed similar sentiments in the past, which was not surprising because Government was the direct beneficiary of the monetary financing. However, as central bankers, we know that the most inflationary source of financing the budget is high-powered money coming directly from the central bank vault. It is not the fact that BoG advanced money to Government that is the issue, for the Bank's Act provides for such advances up to 5% of the previous year's revenue. It is the magnitude of the advance—over 50% of the previous year's revenue—that is disturbing. It is no wonder inflation peaked at 54.1% in 2022—and depreciation ballooned to 54.2% in November 2022, before falling back to 30.0% in December 2022. Meanwhile, as Government debt to BoG was also discounted under the DDEP, the Bank made a whopping loss of GHS61 billion and a record negative equity of GHS54 billion in 2022. Both the Minister and the Governor seem to have played down the loss as only a “technical loss.” However, the fact is that the Bank's balance sheet has been severely impacted, and this would force it to cut back on some of its important operations so as to save costs.

2. CONTRIBUTION AS VEEP

Dr. Bawumia portrayed his role in the Government as a “mate” to the “driver-President.” Even as the chair of the Economic Management Team (EMT), Dr. Bawumia said his—and the EMT's—role was only advisory, with the President making the decisions. Dr. Bawumia said the important and specific portfolio assigned to him is “digitization.” In that regard, Dr. Bawumia presented a litany of measures he has taken and their impact, which, to say the least, is quite impressive! They include areas such as: digital address, national identification, mobile money interoperability, ports services, health delivery, NHIS, passports, DVLA, motor insurance, births and deaths registry, electricity and water transactions, e-government, etc, etc. Dr. Bawumia stated that by limiting the human-to-human interface in economic and financial transactions, digitization has reduced corruption in the public sector. The potential for digitization to reduce corruption must, of course, be recognised.

The impact of digitization is something that is always difficult to quantify. Nevertheless, as economists, we know that by limiting time and space in conducting economic transactions, digitization increases efficiency that translates into higher economic output and growth. This growth may not be entirely captured in the GDP as is currently measured. It would require that the GDP measurement is revised periodically to take account of emerging activities in the application of technology. Having said that, it must be emphasised that digitization cannot be said to the ‘be-it-all,’ which, exclusively, would transform the economy and elevate growth. Also important are tangible factors like infrastructure, agriculture, industry, human capital, financial resources, etc., which Dr. Bawumia, rightly, intends to give attention to as he spelled out in his vision.

3. VISION

Envisioning his new position as the “driver” rather than “the driver’s mate” if elected president, Dr. Bawumia articulated his own vision for the country. I comment on those that, particularly, caught my attention.

3.1 Inclusiveness

Dr. Bawumia promised to tap into the resourcefulness of all Ghanaians irrespective of their ethnic, religious or political backgrounds. This stance is laudable since it represents a marked departure from the “party capture” and “winner-takes-all” syndromes that have characterised the NPP-NDC political duopoly. These syndromes have alienated large sections of Ghanaians from the decision-making process and denied the country of the available human capital that could otherwise be utilised to promote national development. Dr. Bawumia’s commitment to place the national interest above the party interest by working with non-party experts and professionals will be a testimony of his ability to “be his own man” and not a “stooge” of the party hierarchy.

3.2 Fiscal Discipline

Dr. Bawumia expressed his commitment to macroeconomic stability, underlined by fiscal discipline. This would include operating with a leaner and more efficient Government with at most fifty ministers and deputy ministers. The size of Government has been a long-standing concern and, therefore, it is good to see Dr. Dawumia responding appropriately to it (as is his opponent President Mahama). Further, in furtherance of fiscal discipline, Dr. Bawumia promised to establish an independent Fiscal Responsibility Council (FRC). I wish to reiterate my position that the Fiscal Policy Advisory Council (FPAC) established by President Akuffo-Addo was far from a true Fiscal Council(FC) because it was under the influence of the President and, therefore, not “independent.” I want to remind Dr. Bawumia that a true Fiscal Council should be removed from executive control and attached to Parliament to assist it in analysing the budget, among other functions (akin to the Congressional Budget Office in the US or the Office of Budget Responsibility in the UK). Dr. Bawumia also promised to strengthen fiscal rules under the existing Fiscal Responsibility Act, including setting a ceiling for Government expenditure (in addition to the ceiling on the deficit). This is also appropriate as it directly restrains expenditure, limiting it to previous revenue, as he proposed. I suggest that the existing deficit ceiling of 5% should be reduced to 3% to conform to the respective ECOWAS convergence criterion. Further, as I have proposed before, an additional rule may be needed that limits the public debt to 60% of GDP on a continuous basis so as to keep the debt permanently sustainable. It may also be necessary—and prudent—to limit borrowing to financing only capital expenditure, as pertains in the UK, for example.

3.3 Taxes

Dr. Bawumia bemoaned Ghana’s low revenue effort, attributing it to the narrow tax net, tax loopholes and the complex tax system, among others. He promised to streamline the tax system to increase collections, including by simplifying corporate tax and VAT, introducing a flat tax rate and promoting digitization of the tax filing system. As we saw numerous taxes being introduced by the Government, some of us wondered whether it was this same Government that had promised to move policy “from taxation to production,” a promise that was championed by Dr. Bawumia. As economists, we are all aware of the *Laffer Curve* that suggests that governments can collect taxes only up to a point when noncompliance will set in, leading to diminishing tax collections. By proposing to take the above measures to simplify and reduce taxes, it is obvious that Dr. Bawumia was not in charge of Government’s tax policy, which was also partly being driven by the IMF, and that his thinking is very much in line with orthodox

economics. Dr. Bawumia also promised not to tax digital payments, and in, particular, to scrap the e-levy. This action is also to be commended and welcomed. Some of us have long argued that the e-levy amounted to multiple taxation and that it was not a justified tax to the extent that it was levied on “financial transfers” rather than “financial transactions.” Taxes should only be charged on incomes and transactions. Therefore, while I do not have any problem with the levying of e-commerce, which are transactions, I have a problem with levying money transfers, which are not transactions.

3.4 Cost of Living

Dr. Bawumia duly recognised the high cost of living in the country. He promised to tackle the key sources, including food, energy, housing and transportation, with targeted policies. It is noteworthy that Dr. Bawumia has found the need to target directly the key drivers of Ghana’s inflation. This is a marked departure from the BoG and IMF approach that has exclusively relied on the demand-based Inflation Targeting (IT) framework with the Policy Rate (PR) as its key instrument. As a member of the MPC for the period 2011-2021, I have long argued for the IT framework to be supplemented by a coordinated approach by the BoG and Government to target directly the supply/cost drivers of Ghana’s inflation, particularly food, fuel, transport and the exchange rate. With, for example, food, which is not susceptible to changes in the PR, accounting for nearly 44% of the CPI basket, you cannot ignore it when you want to fight inflation. Dr. Bawumia’s approach to tackling inflation is a more pragmatic and potentially effective one, and we very much welcome it.

3.5 Natural Resources

Dr. Bawumia promised a “golden age of natural resource management” in Ghana involving Ghanaian ownership and value addition. I could not agree with him more on this approach. We have consistently lamented over the nature of our natural resource fiscal regimes that cede resource fields to foreign companies on concession bases and allow them to keep the chunk of the products while we receive paltry amounts largely in the form of royalties and taxes. Ghana is exceptionally blessed with large quantities of natural resources, including gold, diamonds, manganese, bauxite, copper, uranium, silicate, lithium, iron ore, oil and gas. Dr. Bawumia stated that large gold belts exist in Ghana with over five billion ounces valued at over USD10 trillion. If gold deposits alone account for this amount, one can imagine the total amount derivable from all of our resources. We would support the policy of taking ownership of our natural resources and maximising our benefits from them. An important impediment that has invariably been used as an excuse to disown our natural resource wealth has been lack of capital for exploration. We are, therefore, happy to see Dr. Bawumia promise to resource the Geological Survey Department and technical universities to be able to map out our resource deposits. It is also important that we add value to our natural resources by refining them locally to maximise the benefits. We, therefore, welcome Dr. Bawumia’s initiative in that regard.

3.6 Digitization and 24-Hour Economy

Dr. Bawumia emphasised that digitization will continue to drive his economic policy agenda. Dr. Bawumia stated that he would leverage technology, data and systems to promote economic growth. He promised to promote the use of less cash in payments and more electronic payments, including credit cards. Dr. Bawumia indicated, rightly, that digitization is enabling several economic transactions to be conducted on a 24-hour basis, ostensibly trying to play down, as he had done previously, the need for a formal establishment of a “24-hour economy,” as his opponent, President Mahama, has offered to do if elected.

My contribution to this ‘24-hour economy’ debate emanates purely from my position as an economist. In economics, we know that higher outputs can be generated by engaging more factors of production (or inputs) and increasing the time they are engaged, subject, of course, to the point of “diminishing returns” setting in. As a country, we have excess labour, large unharnessed capacities in agriculture, industry, health, education, infrastructure, etc., and excess natural resources in the form of land and minerals. When I see the growth projections in Ghana’s ECF programs plateauing at 5.0% over the medium-term, I ask myself, is that all that we can grow at? Is that our growth potential? Why should we allow the IMF to condemn us to this low growth when we know that, assuming population growth of even 2%, it will take us at least 20 years to double our current per capita GDP of USD2,500 to USD5,000 if we grow at this rate? I would rather pose the question: what will it take for Ghana to grow at, at least 10% p.a. over the medium- to long-term? And the answer lies in bringing as much of our excess resources and capacities as possible into the production stream. It is true that, already, many economic activities are taking place over 24-hours, but nothing stops us from expanding the scope. Of course, it will require providing additional infrastructure, energy, other facilities, security, etc. as well as fiscal incentives to allow more businesses to get on board.

Some people have said that if there is no demand, there will be no production or supply. But let me quote **Say’s Law of Markets (1803)** that says “*Supply Creates Its Own Demand*” to such people. The economic explanation of *Say’s Law* is that PRODUCTION/SUPPLY creates JOBS that create WEALTH/INCOME that generates DEMAND/CONSUMPTION. *Say* argued that Government policy must prioritise **production** and not **consumption**. If consumption were the important driver of growth, then we might as well print more cedis for every Ghanaian to generate consumption/demand. We know that the consequences would be uncontrolled macroeconomic instability. Therefore, it is important to create conditions that bring more of our excess resources and capacities into production. And if a ‘24-hour-economy system’ would contribute to this, then why not institutionalise it? Even more advanced and more digitized economies like the UK, France and Singapore have embraced the concept, so why cannot we also do so? *After all, we should be reminded that, as human beings, we spend a third of our life-time sleeping!* We could stagger our individual sleeping times to increase production and human welfare!

3.7 Corruption

Dr. Bawumia posited that transparency is one of the most potent weapons of corruption. He proposed to use digitization as the key instrument in fighting corruption as it removes the person-to-person interface in economic and financial transactions. We agree that digitization is key in preventing corruption in the first place. In terms of preventing corruption before it occurs, we have suggested that Ghana adopt the US Inspector General (IG) system. The IG, who will be independent and report directly to Parliament, will be embedded in every MMDA and monitor all financial transactions within the MMDA. This will contribute to prevent most corruption from taking place. Since we are poor at prosecuting corruption, it would be best to prevent it from occurring in the first instance. Notwithstanding, I believe the accountable institutions—OSP, EOCO, CHRAJ, NIB—have an important role to play in fighting corruption. I will, therefore, call for them to be strengthened and resourced to carry out their mandate of investigating and prosecuting corruption to serve as a deterrent to potential culprits. But it has to be said that the surest way of fighting corruption is to start from the top. The President must demonstrate that he is not corrupt and will not tolerate corrupt acts by his appointees and that will trickle down to the people!

3.8 National Development Plan

Dr. Bawumia called for a consensus National Development Plan (NDP) with “broad contours.” He indicated that Party Manifestos must be aligned with the NDP. This is an appropriate call and it is something that some of us have been suggesting for a long time. With a lack of consensus around an NDP, party manifestos have become the order of the day. However, these manifestos have been characterised by lofty, populist programmes that are meant to win votes rather than having any practical or national significance. This practice has also led to a situation where many projects are left unfinished midstream and often discontinued by successive governments, much to the detriment of national development. We suggest that the NDPC be strengthened, resourced and reconstituted with independent professionals to draw up an NDP with broad policy objects, targets and strategies. The NDP should be updated every four years to reflect emerging economic, social, environmental and spatial circumstances. The NDP should be binding on all governments. In the course of every government’s term, they should be made to submit periodic reports to Parliament on the implementation of the NDP.

3.9 Constitutional Amendments

Dr. Bawumia promised amendments to address some lapses in the 1992 Constitution. In particular, he mentioned the need for amendments in respect of presidential powers and ex-gratia. Calls for amendments to the 1992 Constitution have gained momentum recently, given broad public dissatisfaction with many provisions, including presidential powers, Article 71 emoluments, Council of State, dual parliamentary and ministerial roles, appointment of MMDCEs, long-term national development plan and gender equality. Dr. Bawumia’s expressed commitment to amendments to the Constitution to cure it of existing pitfalls is, therefore, well-placed.

4. UNANSWERED QUESTIONS

Dr. Bawumia’s speech left many questions unanswered. While he stated the changes he would make to some NPP policies and programmes, he seems to have left out many others, including failed or controversial ones like: *One Village-One Dam, One Constituency-One \$Million, National Cathedral, National Building Corps, YouStart, etc.* Maybe he would state his position on these issues during his campaigning. Dr. Bawumia also left the issue of his running mate hanging. I note that both he and President Mahama seem to be hedging on the issue, ostensibly aiming to capitalise on whoever takes the lead. Dr. Bawumia’s choice will, in part, signal his future political and economic philosophy. It will be interesting to know if Dr. Bawumia will be influenced in his decision by region, ethnicity, religion, gender or age considerations. As Dr. Bawumia claims to be his own man and plans to chart a new path and to tap into the resourcefulness of all Ghanaians, he could also shock his party by naming someone outside the NPP as President Kufuor did at some point!

5. CONCLUSION

In concluding, I have a word of advice for Dr. Bawumia, as well as other presidential aspirants, especially NPP and NDC aspirants—and I hope they take it in good faith. NPP and NDC have disappointed Ghanaians for 32 years with policies that have failed to deliver tangible benefits to the people. We are rich underground yet poor above ground! We have no business going to the IMF 17 times or western capitals to seek aid or reparation. We only need to own our natural resource wealth and leverage it to support transformational policies that would deliver tangible economic benefits to our people and alleviate their poverty. Ghanaians are looking for honest, competent, and non-corrupt leadership. The NPP and NDC, instead of engaging in blame games, must admit their mistakes and tell Ghanaians what they are going to do differently. That is the surest way for them to break the eight-year electoral cycle! **END**