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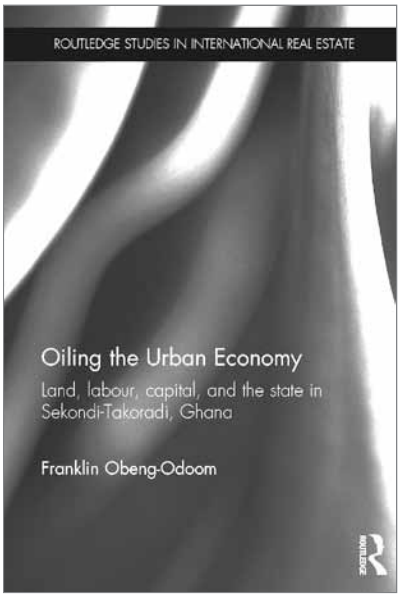
Oiling the urban economy (reflections on the book *Oiling the urban economy: Land, labour, capital, and the state in Sekondi-Takoradi, Ghana*)



Title: Oiling the urban economy: Land, labour, capital, and the state in Sekondi-Takoradi, Ghana
Author: Franklin Obeng-Odoom
Publisher: Routledge
Place and year of publication: London, 2014
Number of pages: 238
[ISBN: 978-0-415-74409-6]

Introduction

What is the role of oil production and export in a resource-rich or dependent economy? As the leading source of energy, oil is simultaneously a source of death – through pollution, contamination, expropriation and exploitation – and wealth. Yet, none of these is preordained. There are economies across the rich-poor spectrum for which oil has been positively transformative and others for which oil has been crudely destructive. Thus, the role of oil in the economy warrants empirical discussion.

To date, however, urban economies have been overlooked in the discussion of oil. This is the gap my book seeks to fill. With recent oil discoveries concentrated in cities, these cities are increasingly becoming the face of global urbanisation and the locale for urban social, economic and ecological transformation. In spite of their growing importance, however, our knowledge of boomtowns is quite crude. I wrote *Oiling the urban economy: Land, labour, capital, and the state in Sekondi-Takoradi, Ghana* to fill this gap.

I begin my reflections by discussing the resource curse thesis, which is often the starting point for most oil-economic analysis. Next, I show its shortcomings. Then, I demonstrate how my book moves beyond the current debate and how, if the momentum generated by *Oiling the urban economy* is sustained, the book can aid and help transform our understanding of oil.

Resource curse

Most research on oil is framed around the resource curse thesis, which highlights the direct relationship between resource boom and economic, social and ecological pillage. The original application of positive economics methodology, which first led to this view, has been ascribed to John Cairnes who, in 1857, studied the effect of the 1851 gold rush in Australia on other sectors of the economy (Bordo, 1975; World Bank, 1988: 21), although for a long time the explanation for this paradox of abundance was framed around the "Gregory thesis" (Murray, 1981), named after Robert George Gregory (1976), who showed how a boom in natural resources led to de-industrialisation in Australia. The idea was recalibrated as "Dutch disease" by *The Economist* (2010), when it described how the Dutch economy experienced de-industrialisation following dependence on the oil and gas sector in the North Sea. Subsequently, Marx Corden and Peter Neary (1982) provided a more systematic explanation of this paradox. According to them, in a resource-rich economy, resources, including capital and labour, tend to move away from the manufacturing sector to the booming sector, which can, in turn, cripple all other sectors – a process they called the "resource movement effect". A "spending effect" sets in when, with the demise or contraction of sectors other than the booming one, prices of goods and services in the non-booming sector rise as demand outstrips a declining supply. A spending effect can also set in when the sudden inflow of resources increases the purchasing power of some locals, who, in turn, demand more of certain services – a process that tends to push up the prices of such services. Either way, the relative prices of goods and services increase in the booming economy. This, in turn, increases the *relative exchange rate*. Although this process will not automatically affect the *nominal exchange rate*, it usually does in the sense that spending processes lead to the purchase of more local currency either because foreigners are buying more local currency in order to buy the country's natural resources, or foreigners are paying the country in international currency, which is used to buy local currency. As more local currency is bought, the price or exchange rate of that currency appreciates. A strong currency is good, but not so good for manufactured goods that are exported because they become too expensive. Similarly, as the country obtains a strong currency, it is cheaper for people to import more, but that too can adversely affect manufacturing as fewer local manufactured goods are bought (Corden & Neary, 1982; Barder, 2006). Political economists have offered a broader explanation (see, e.g., Goodman & Worth, 2008) that looks at the structural aspects of environmental problems and socio-economic and political tensions that are driven by resource booms, but most mainstream economics research (e.g., Collier, 2008) tends to be heavy on local, mono-directional and mono-causal factors and typically stresses factors such as state corruption, mismanagement, conflict and limited growth (Obi, 2009).

Requiem for the resource curse thesis

One problem with the Dutch disease analysis is that it ignores the Dutch cure: how rents from resources can be invested by the state to boost a declining manufacturing sector (International Energy Agency, 2008). Investing excess oil rent in other sectors of the economy that are more durable can therefore ensure continuing consumption for much longer than what pertains in resource curse discussions. This strategy is also called "Hartwick's rule" (Bazilian et al., 2013) following John M. Hartwick's (1977: 974) seminal work that showed that "the investment of current exhaustible resource returns in reproducible capital implies per capita consumption constant". From this perspective, declining manufacturing and agricultural sectors driven by the Dutch disease can be corrected if resource rents are invested in energy generation to help industrialisation, labour-intensive manufacturing and employment. Alternatively, the rents can be invested in the development of refineries so that not all the oil will be sent overseas but some can be turned into gas that will, in turn, power local industries (Bazilian et al., 2013). Overall, then, it seems that resource abundance can be a blessing too.

Certainly, there is a long tradition in Canadian political economy around the staples thesis, which defends and extends this view. Staples analysts point to the spread effects of the booming sector; that is, how the booming sector can stimulate the growth of industries to supply inputs (backward linkages) and the growth of industries to make use of the products from the booming sector (forward linkages). From this perspective, the natural resources of countries are not necessarily curses, but can be blessings (Watkins, 1982; Dow & Dow, 2014). Recent contradictions in employment relations and ecological tensions related to oil booms have led to some modifications of the thesis, but this has only led to a "neostaples" thesis (Mills & Sweeney, 2013), not a resource curse determinist mainstream.

The proposals that arise from the resource curse thesis are similarly contestable. The "open access exploitation thesis" is a case in point. This thesis predicts that, without private and formal property rights, a resource boom will inevitably lead to widespread socio-economic problems in a resource-rich economy (Barbier, 2005: 122–140). *Oil is not a curse: Ownership structure and institutions in Soviet successor states* (Luong & Weinthal, 2010) is the latest study to advocate this policy prescription. A reformist version of this policy is "public-private partnering in natural resource extraction" (Stevenson, 2014). Often advocated by international financial institutions and world development bodies, this policy stance holds that, by providing the requisite business environment for public-private partnerships (PPPs) and supporting transnational resource companies, the welfare of citizens in resource-rich countries will be enhanced. Yet, the preponderance of the evidence – for example, *Crude reality* (Brian, 2012), *The development challenges of mining and oil* (Thorp et al., 2012) and *The politics of resource extraction* (Sawyer et al., 2012) – shows that PPPs have worked against the public good and have often enabled state power in cahoots with corporate interest to subordinate the public good to corporate profit. Perhaps this outcome should not be surprising given that transnational mining corporations go into PPPs to pull down barriers to profit-making – not primarily to enhance socio-economic wellbeing and ecological sustainability (Elbra, 2014). With all of these concerns together with its silence on spatial and temporal processes, the resource curse analysis begins to look shaky. These wobbly legs make it an inappropriate foundation for studying oil cities.

Oil cities

In *Oiling the urban economy*, I jettison the resource curse framework. In its place, I provide a more appropriate and stronger theoretical, methodological and empirical insights, and offer a firmer basis for policy-making. Theoretically, not only do I offer a thoroughgoing critique of existing frameworks for studying oil, but also I provide new ways for understanding oil cities around the world. Methodologically, I show how diverse ideas about methods can be knit together to inform a transdisciplinary study of oil cities cast in methodological holism. Empirically, I foreground my study in Sekondi-Takoradi, a twin oil city in West Africa. The focus on West Africa is useful because this region has become a central location of the new oil rush in Africa – as reported in *The state of African cities* (UN-HABITAT, 2014).

I show how re-theorisation based on transdisciplinarity can inform policies on society, the economy and ecology.

There are many foundations for policy-making on oil, of course. E. G. Frankel's analysis in *A world beyond petroleum* (2007) is one example. Briefly, he argues that there is a grand change in the energy paradigm on the horizon: there is a gradual but certain shift away from fossil fuels. Therefore, countries that discover oil must quickly diversify lest the coming dawn renders useless what they currently recognise as a valuable asset. As for those countries without oil, Frankel argues that the earlier they turn to renewables the better because oil supplies, especially from the world's leading oil regions in the Middle East, are not dependable. Either way, Frankel shows that fossil-led development will not do our planet good. This line of thinking is distinct from a "peak oil" analysis that begins on the premise that global oil reserves are being depleted and concludes that we must look elsewhere for a solution (Atkinson, 2012). It is also different from the widely popularised argument by Nimmo Bassey, Director of Health of the Mother Earth Foundation, in his book *To cook a continent* (2012), in which he argues that oil in Africa inevitably destroys the environment and hence must be left totally buried. Apart from the *whys* of moving away from oil, the three policy foundations – shift in energy paradigm, peak oil and leave oil – share a strong interest in renewables, although Frankel provides a market path to salvation, whereas peak oil analysis offers a statist path to paradise and leave oil perspectives offer a grassroots, local and international civil society road to redemption.

Although elements of most of these recommendations can be found in *Oiling the urban economy,* the book emphasises a mix of diversification, the utilisation of oil rents for social purposes, a demand for compensation and betterment payments, the application of rent tax to claw back and reign in windfalls, and a turn to fuel-saving, green public transport. These policies, I hope, point to a future beyond oil dependence without sacrificing the current important question of intermediate steps for cities in Africa.

However, *Oiling the urban economy* is more than a study of African oil cities. It fills a gap in the knowledge of oil cities in general. One major study looking at what is known about cities (Blanco et al., 2009) shows that the highly relevant and important theme of oil cities has not engaged the attention of urban researchers. A more recent study also looking at global trends in urban research (Wang et al., 2012) similarly does not register "oil cities" as a significant area of research. There are studies of mining towns such as the book edited by Deborah Bryceson and Daniel Mackinnon, *Mining and urbanisation in Africa: Population, settlement, and welfare* (2012), and Erik Eklund's *Mining towns: Making a living, making a life* (2012). However, illuminating as they are, they do not consider the complexities and special features of oil cities. Thus, *Oiling the urban economy* fills a major global gap in the study of cities.

Early reception of the book

Books can take several decades to make an impact and, for a book published this year, I can only be modest in my expectations. However, against the backdrop of the limited knowledge of oil cities, despite their growing importance, I hope that *Oiling the urban economy* will be well received. The book contributes an approach to studying oil cities, highlights how that approach can be applied to other oil cities beyond its empirical referent and proposes discussing and adopting certain policies on how oil rents can be utilised in the march towards the good city.

There are modest positive signs, especially among doctoral students in Norway, the UK, the Netherlands and Belgium, who are currently carrying out several stimulating studies on oil in West Africa. Other students in Ghana, South Africa and the U.S. seem to have welcomed my work on oil too. In the meantime, the influence the book had before its formal publication has been found in lecture rooms in Singapore, Ghana and the U.S. Post-publication reception in the scholarly community has been similarly encouraging, with journals such as *Africa, Journal of Australian Political Economy, Australasian Review of African Studies, Heterodox Economics Newsletter, Forum for Social Economics,* and *The Extractive Industries and Society* currently reviewing the book.

I hope the book will continue to generate interest and stimulate discussion about oil cities in Africa and around the world. To this end, I am grateful to the editor of *Urbani izziv* for making it possible for me to bring this book to the attention of people in Slovenia and other non-Slovenian readers of this journal.

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Biography

Franklin Obeng-Odoom is the Chancellor's Postdoctoral Research Fellow at the School of Built Environment, University of Technology, Sydney (UTS). He is a World Social Science Fellow and editor of the *African Review of Economics and Finance*, published by UNISA Press, the largest publisher in Africa. His PhD in political economy was obtained from the University of Sydney under the supervision of Frank Stilwell, Australia's leading urban political economist, public intellectual and first full professor of political economy.

Franklin Obeng-Odoom is also the author of *Governance for pro-poor urban development: Lessons from Ghana* (Routledge, 2013). He teaches urban economics and property and political economy at UTS and can be contacted at Franklin.Obeng-Odoom@uts.edu.au. More about his work can be found at http://obeng-odoom.com.

Information

The book's internet site: http://www.rout--ledge.com/books/details/9780415744096