

## **Empirical Assessment of Expectations Associated with the Recent Discovery of Commercialisable Oil in Ghana**

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**ABSTRACT:** The paper aim at assessing empirically the various expectations held by people in the economy in the face of oil revenue in order to contribute to the body of knowledge that exist in expectation formation. The study is based on descriptive quantitative survey of students in first and third year marketing department of Sunyani Polytechnic offering Higher National Diploma programme. A sample size of 70 respondents was used and was selected using non probability (convenience) sampling method. Questionnaires were prepared using the Likert scale and were distributed to the students. Data were analysed using SPSS and the result presented in tables. Results indicate that respondents hold mixed expectation in the face of the oil revenue. There was gender, age, religion, employment differences in some of the expectations held by respondents. Future research should look at issues such as why there are these differences in opinions and the effect of macroeconomic variables such as inflation, GDP on public confidence as well as ways of managing these expectations.

**Keywords:** Expectation; Oil revenue; Ghana; Resource curse

**JEL Classifications:** O13; P28; Q48

### **1. Introduction**

The news of oil in an economy makes people's minds go crazy creating a mirage in people's heads (Shaxson, 2007). Expectation is "to look forward". Economic decision making is essentially based on expectations. The actions of economic agents are determined by what they think will happen in the future. Expectations are, however, beliefs held by individuals about future outcomes, since by definition, the future is not known and expectations are therefore based on uncertainty. Emergent oil economy and, on the other, the expectations and uncertainties generated in this context create a lots of problems for policy makers which needs to be handled well for the smooth running of the economy. Oil extraction in Ghana appears to have become a real possibility and this we hope to create a good oil economy. These like many oil economies have created a lot of expectations of which research is needed to explore the expectations, apprehensions, and disappointments likely to emerge. Many people including politicians have high hopes that were being traded in the streets, cafes, bars, and homes, while other people also are advising that citizens should not wait for the oil but continue or begin to find other ways to improve their situation.

The government of Ghana is blamed to have played a key role in generating high expectations surrounding oil in Ghana. But the government is not the only culprit. The media are said to have been equally if not more influential in building up expectations in Ghana. Expert documents also provide information that arouses people's expectations. People's expectations exist in two distinctive forms

which are positive and negative. In the case of oil discovery, the positive expectations are really hopes that the precious resource and the associated 'windfall' revenues will deliver substantial social, economic and infrastructural improvements. Oil revenues will arguably finance a larger proportion of the national budget, liberate Ghana from donor dependence and boost investments in developmental infrastructure (such as roads, power plants, education and health infrastructure). At the local level, oil is expected to boost finances and reposition local governments as key agents of local economic development in the decentralization process.

At the community level policy makers have expressed hope that oil revenues will result in a better road network, high quality education and healthcare, and considerable employment opportunities among other things. Negative expectations also abound.

According to Weszkalnys (2008) "the negative effects are referred to in the academic literature as the 'resource curse' and the related 'Dutch disease'. The resource curse has become an influential heuristic since the late 1980s both in the scholarship concerned with resource economics and in the large global financial agencies. The term was invented to explain the inexplicable, we may say, namely that countries rich in oil, diamonds, or other natural resources were not always, as had previously been assumed, blessed".

"Today 'the curse' is variously taken to imply detrimental economic performance, violent conflict, corruption, or the entrenchment of authoritarian political regimes. The 'Dutch disease' is sometimes seen a version of the resource curse – or its herald. The notion describes the effect of the influx of huge oil revenues, the depreciation of the local currency, the neglect and decline of other economic sectors, first and foremost, of agriculture" (Weszkalnys, 2008).

According to Darkwah (2010) "it is imperative that Ghana learns from both the successes of countries such as Norway, Canada and Botswana as well as the mistakes of Angola, Nigeria, Equatorial Guinea and others for countries in the global south which are rich in natural resources seem to suffer from what Auty (1993) has famously identified as the resource curse thesis". Auty and Mikesell (1998) states that ore-exporting resource rich economies record a lower average GDP growth per annum than small resource poor countries between. Collier and Hoeffler (2000) argue that natural resources do not only pose challenges to the economy of a state, but also have a tendency to generate civil conflict.

The discovery of oil in commercialised form in various economies has resulted in various social problems according to researchers such as Darkwah (2010), Collier (2007) and Boonstra et al. (2008). Among the social problems identified in the literature are conflicts within a country and among countries; kidnappings; violence; death; HIV; sexual assaults; sexual harassment; beaten; maimed; environmental pollution; instability of governments; prostitution; unemployment and underemployment. The findings on these social problems are found in the works of various researchers (Darkwah, 2010; Boonstra et al., 2008; Wakabi, 2008; Collier, 2007; Patey, 2007; Rodriguez, 2007; Yav, 2007; Ampofo, 2006; Bloomfield, 2006; Palley, 2006; World Bank 2006; Turner & Brownhill, 2005; Dadiowei, 2003; Ross, 2001; Baanante et al., 1999; Whitehead, 1999; Akyeampong, 1997; White, 1990).

According to the literature (Darkwah, 2010; Bloomfield, 2008; Patey, 2007; Rodriguez, 2007; Wakabi, 2008; Yav, 2007) countries such as Angola; Cambodia; the Democratic Republic of Congo; Darfur in the Sudan and the Middle East; Niger Delta of Nigeria; Uganda; Congo DR; Cameroon; Colombia; Sierra Leone; Angola; South Kivu and Equatorial Guinea have experienced some of these social problems with the advent of oil and other mineral explorations.

There are negative health implications with the oil exploration in oil economies such as Nigeria. Some of these cases are respiratory diseases, skin rashes, coughing up blood, tumors, gastrointestinal problems, cancer, malnourishment, HIV/AIDS, and spontaneous abortion, throat, headache, red eyes, ear pain, diarrhea, and gastritis (Bloomfield, 2008; Bisina, 2004 & US Non-Governmental Report 1999; Hurtig and Sebastián, 2005). There are also the issues of environmental pollution with the oil economy. This also results in serious health problem in the communities (Hurtig a Sebastián, 2002; Watts, 2001; Sebastián et al., 2001; UNCTAD, 2007; US Non-Governmental Delegation to the Niger Delta, 1999; Turner and Brownhill, 2005; Dadiowei, 2003; Ikelegbe, 2005).

In spite of all these negative effects of the oil economy in most of the oil rich countries there is high expectation in the Ghanaian economy with the news of oil exploration in large quantities. Aning (Regional News of Tuesday, 24 August 2010 GNA) a Security Expert has expressed dissatisfaction

over false optimism some politicians have whipped up in the public over expected revenue in the oil and gas industry, describing the situation as unfortunate which started in 2008 election campaign, and called for the implementation of a national strategy that was integrated and responsive in nature to deal with both community concerns and ethnic tensions that had arisen and were likely to arise due to discovery of oil and gas in commercial quantities. He expressed the view that government should efficiently engage the youth and people in the Western Region to address their concerns.

Individual characteristics, such as age, gender and other socioeconomic variables are likely to affect people's expectations about the future of the economy. From psychological studies, we know that younger people, more educated people, and males tend to have more confidence in the future, other things equal and hence should have higher positive expectations for the future (Myers, 1993).

"The unemployed have a higher probability of having negative expectations about the economic future. This might be because unemployment benefits (when available) are low, and often adjust only a little to factors like changes in price levels. People working in the public sector are more likely to have positive expectations about the future of the economy, although not in a statistically significant way. Given that their positions are relatively stable, they may not fear or expect much from upswings or downswings in economic growth. Economic agents in the private sector have positive expectations about the future, which is statistically significant at the 10 percent level. This might reflect the dynamism of the private sector, with rising employment level and wages, in many of these countries. For self employed individuals, expectations about the economy are even larger and are statistically significant at the 1 percent level, reflecting even more the perceived dynamism of the economy. Individuals living in urban areas have negative and statistically significant expectations of the future. This might be because economic agents living in rural areas are likely to be less affected by the economic situation of the country as a whole. Given that industry tends to be located in urban areas, the rural areas are less affected by the economic restructuring following the transition to capitalism" (Imam, 2007).

### **1.1. Motivation**

Most empirical work has not been done on the expectation (which are hard to measure) on how the economy would be performed and what citizens expect in the face of an emerging oil economy. Empirical works are mostly done when the oil economy has taken place with the resulted negative consequences. Hence, the paper fills in this gap by providing empirical evidence on the expectation of Ghanaians on the oil industry. This is the first paper, to the knowledge of the researcher on the study area that empirically assesses how domestic agents incorporate an emerging oil economy in their future outlook of the economy.

### **1.2. Objectives**

This paper assesses the expected effect of an emerging oil economy using survey data measuring people's expectations on the economy to contribute to the body of knowledge in expectation formation. The paper specifically determine among many things the following

- (i) Whether socioeconomic variables such gender, age, educational level, etc affects expectation
- (ii) Whether respondents hold negative and positive expectations in the face of the oil economy
- (iii) Whether their living status have been better off or worst off looking at the past, present and the future.

### **1.3. Research Questions**

In order to achieve the aim of the paper the following research questions were posed and answers obtained from respondents in the survey.

\*How does a socioeconomic variable affect expectation?

\*How does the oil economy affect respondent's future expectation of the economy?

\*How are respondent past, present, and future living status like in terms of been worst off or better off?

The expected outcome of the paper is as follows: Individual characteristics, such as age, gender and other socioeconomic variables are likely to affect people's expectations about the future of the economy. From psychological studies, we know that younger people, more educated people, and males tend to have more confidence in the future, other things equal and hence should have higher positive expectations for the future (Myers, 1993; Imam, 2007).

#### **1.4. Significance of the Paper**

Results reached from this study are expected to give important messages to policy makers on the nature of expectation held by people so that these can be managed. The findings of the study would also contribute to the limited knowledge in the literature about expectation of people on oil exploration from respondents' perspective.

#### **1.5. Scope**

The study is conducted in Sunyani polytechnic campus, using students as the respondents. The study does not analyse factors influencing expectation formation and how they are formed. It does not look at expectations management strategies such as laissez-faire, exaggeration and underreporting. It looks at whether certain demographic variables such as age, gender, marital status, or religious observance have a significant effect on expectation formation. It does not intend to debate the impact of oil revenue on macroeconomic variables directly but rather to assess the impact of oil revenue on public expectations about the future of the economy, as measured by survey data. The paper should therefore not be seen as an assessment of whether oil revenue will succeed or fail in developing our economy. The paper also does not look at the effect of macroeconomic variables on expectation.

#### **1.6. Limitations**

The sample for the study was based on convenience and purposive sample and this may not necessarily be representative of the target population. Hence, the findings may suffer from external validity. There is the tendency that some respondents might have been responding in a socially desirable way which would tend to bias results against finding. Clearly there are weaknesses with these types of subjective surveys (Bertrand and Mullainathan, 2001). "It relies on people reporting their expectation, and can therefore be subjective. Do people really "know" what expectation they have about the future? While one could argue that individuals are often poor judges, this applies to revealed preferences as well as to survey questions. Perhaps, under revealed preferences, people take their money out of an economy because they misjudge the economic situation. Therefore, relying on stated preferences can be as objective as relying on revealed preferences (Imam 2007)."

### **2. Methodology**

The study is based on descriptive survey design. The target population for the study is the students in Sunyani polytechnic. The data for the study was collected from the respondent through self designed and self administered questionnaire. Non-probability convenience and purposive sampling techniques were adopted. This study is based on primary data collected in 2010 from Sunyani the regional capitals of the Brong Ahafo region of Ghana, and secondary data were obtained from literature. In all, 70 respondents were used for the study. This number comprises of first year and third year students of marketing department of Sunyani Polytechnic offering HND programme.

The purpose of the study was explained briefly and respondents were made to agree to partake in the study. A literature review is made on both primary and secondary resources. This covered all the key concepts that were used in the study to provide the theoretical framework and background against which an important tool of the study, the questionnaire was developed. The review in addition, provides the basis for discussions and support for many views that were presented in the study.

It also, adds weight to the conclusions drawn, and recommendations made. The dependent variable in the study is people's expectation, while the independent variables or the explanatory variables are the age, gender, religion, marital status, employment status, educational level, Region. The questionnaire was organised into section A (demographic variables) and section B which assess the respondents expectations using a five point Likert scale. In all there were 15 items on the questionnaire. Data obtained were analysed using descriptive statistics such as frequencies of response, percentages, mean and standard deviation, one way ANOVA with the use of SPSS. The rest of the paper presents the results, discussion and conclusion.

### **3. Results and Discussions**

#### **A) The demographics of the sample**

The survey was completed by 70 HND one and three marketing students of Sunyani Polytechnic. The objectives of the paper have been achieved. Of the sample, majority (38.6 percent) were from the Ashanti region followed by Brong Ahafo (28.6 percent). A total of 65.7 percent of the sample was male and 25.7 percent was female (8.6 percent did not indicate their gender). Majority

(80.0 percent) of the respondents were within the age range of 19-24, followed by the age range of 30-35. Participation in religious organizations was high with 24.3percent belonging to Pentecostal church. A total of 77.1 percent reported that they had never married, with 11.4 percent involved in informal relation. Finally, only 4.3 percent were employees with 2.9 percent been self employed and another 2.9 percent casual workers. The results are shown in table 1a to table 1f below.

**Table 1a. Gender of respondents**

Gender	Frequency	Percentage
Male	46	65.7
Female	18	25.7
Missing system	6	8.6
Total	70	100

**Table 1b. Age of respondents**

Age (Years)	Frequency	Percentage
19-24	56	80.0
25-29	11	15.7
30-35	1	1.4
36-40	1	1.4
Missing system	1	1.4
Total	70	100

**Table 1c. Religion of respondents**

Religion	Frequency	Percentage
No religion	6	8.6
Catholic	11	15.7
Anglican	2	2.9
“Presby”	8	11.4
Methodist	9	12.9
Pentecostal	17	24.3
Charismatic	4	5.7
Other Christians	3	4.3
Islam	5	7.1
Traditionalist	1	1.4
Adventist	3	4.3
Others	1	1.4
Total	70	100

**Table 1d. Marital Status of respondents**

Marital Status	Frequency	Percentage
Never married	54	77.1
Married	2	2.9
Divorced	1	1.4
Informal relation	8	11.4
Missing system	5	7.1
Total	70	100

**Table 1e. Employment Status of respondents**

Employment status	Frequency	Percentage
Student and employee	3	4.3
Student and self-employed	2	2.9
Student and casual worker	2	2.9
Student	61	87.1
Missing system	2	2.9
Total	70	100

**Table 1f. Region of respondents**

Region	Frequency	Percentage
Western	3	4.3
Volta	2	2.9
Eastern	5	7.1
BA	20	28.6
Ashanti	27	38.6
Central	2	2.9
Greater Accra	4	5.7
Northern	3	4.3
Upper West	2	2.9
Upper East	2	2.9
Total	70	100

**B) Expectation of financial situation of respondent's household in the next Two years**

Respondents were given five statements indicating the expectation of the financial situation of their household in-view of the oil revenue in the next two years ahead. Majority (84.3 percent) agree that they expect the financial situation of the household to get a lot better, while 62.8 percent agree that it will get a little better. A total of 67.1 percent disagree that it will stay the same. Finally, 78.6 percent disagree that it will get a little worse, while 83.4 percent disagree that it will get a lot worse. In all respondents expect that with the coming of the oil revenue their financial situation at the household level is going to be improved. The results are shown in tables 2a to 2e below.

**Table 2a. The financial situation will get a lot better over the next 2 years?**

Responses	Frequency	Percentage
Disagree	3	4.3
Neutral	8	11.4
Agreed	20	28.6
Strongly agreed	39	55.7
Total	70	100

**Table 2b. The financial situation will get a little better over the next 2 years?**

Responses	Frequency	Percentage
Strongly disagreed	5	7.1
Disagree	11	15.7
Neutral	6	8.6
Agreed	29	41.4
Strongly agreed	15	21.4
Missing system	4	5.7
Total	70	100

**Table 2c. The financial situation will stay the same over the next 2 years?**

Responses	Frequency	Percentage
Strongly disagreed	21	30
Disagree	26	37
Neutral	15	21.4
Agreed	3	4.3
Strongly agreed	2	2.9
Missing system	3	4.3
Total	70	100

**Table 2d. The financial situation will get a little worse over the next 2 years?**

Responses	Frequency	Percentage
Strongly agreed	2	2.9
Agreed	2	2.9
Neutral	9	12.9
Disagreed	24	34.3
Strongly disagreed	31	44.3
Missing system	2	2.9
Total	70	100

**Table 2e. The financial situation will get a lot worse over the next 2 years?**

Responses	Frequency	Percentage
Strongly agreed	1	1.4
Agreed	2	2.9
Neutral	7	10
Disagreed	10	14.3
Strongly disagreed	48	68.6
Missing system	2	2.9
Total	70	100

**C) Expectation of economic situation of the country in the next Two years**

On the Respondents expectation of the economy in the next two years the same five statements were given for them to rank their opinion. A total of 70 percent agree that the economy will get a lot better, while 71.5 percent agree that it will get a little better. On whether the economy will stay the same, 60 percent disagree that the economy will stay the same. Finally, 67.2 percent disagree that the economy will get a little worse, while 81.5 percent also disagree that the economy will get a lot worse. The respondents from their opinions expect that the economy will do better in the next two years ahead. The results are shown in tables 3a to 3e below.

**Table 3a. The economic situation will get a lot better over the next 2 years?**

Responses	Frequency	Percentage
Strongly disagreed	4	5.7
Disagree	6	8.6
Neutral	11	15.7
Agreed	20	28.6
Strongly agreed	29	41.4
Total	70	100

**Table 3b. The economic situation will get a little better over the next 2 years?**

Responses	Frequency	Percentage
Disagree	9	12.9
Neutral	9	12.9
Agreed	41	58.6
Strongly agreed	9	12.9
Missing system	2	2.9
Total	70	100

**Table 3c. The economic situation will stay the same over the next 2 years?**

Responses	Frequency	Percentage
Strongly disagreed	10	14.3
Disagree	32	45.7
Neutral	14	20
Agreed	8	11.4
Strongly agreed	4	5.7
Missing system	2	2.9
Total	70	100

**Table 3d. The economic situation will get a little worse over the next 2 years?**

Responses	Frequency	Percentage
Strongly agreed	1	1.4
Agreed	8	11.4
Neutral	10	14.3
Disagreed	23	32.9
Strongly disagreed	24	34.3
Missing system	4	5.7
Total	70	100

**Table 3e. The economic situation will get a lot worse over the next 2 years?**

Responses	Frequency	Percentage
Strongly agreed	2	2.9
Agreed	1	1.4
Neutral	7	10
Disagreed	16	22.9
Strongly disagreed	41	58.6
Missing system	3	4.3
Total	70	100

**D) Comparison of the current financial situation of household with that of 2001-2008**

Respondents were also asked to rank their opinion of their current financial situation at the household level with that of 2001-2008. The results indicate that 68.6 percent agree that their financial situation at the household level got a lot better, (disagree 20 percent, neutral 8.6 percent, missing response 2.9 percent) while 71.4 percent agree that it got a little better (disagree 14.3 percent, neutral 11.4 percent, missing response 2.9 percent). In addition, 62.9 percent disagree that it stayed the same (agree 18.6 percent, 14.3 percent, missing response 4.3 percent). A total of 67.2 percent disagree that it got a little worse (agree 7.2 percent, neutral 18.6 percent, missing response 7.1 percent), while 78.6 percent disagree that it got a lot worse (agree 4.3 percent, neutral 11.4 percent, missing response 5.7 percent). According to the respondents their household finances got improved as compared to 2001-2008.

**E) Comparison of the current economic situation of the country with that of 2001-2008**

Respondents were again asked to rank their opinion of the current economic situation with that of 2001-2008. Majority (77.1 percent) agree that the economy got a lot better (disagree 12.9 percent, neutral 8.6 percent, missing response 1.4 percent), with 67.1 agreeing that it got a little better (disagree 11.5, neutral 20 percent, missing response 1.4) while 54.3 percent disagree that it stayed the same (agree 12.9 percent, neutral 30 percent, missing response 2.9 percent). Finally, 72.8 percent disagree that the economy got a little worse (agree 15.8 percent, neutral 7.1 percent, missing response 4.3), while a total of 82.9 percent disagree that it got a lot worse (agree 5.7 percent, neutral 7.1 percent, missing response 4.3 percent). As compared to 2001-2008 the current situation of the economy according to the respondents got improved.

**F) Expectation of economic situation of the country over the years ahead**

Respondents were asked to indicate their expectation of the economy over the years ahead without been specific. This was to take respondents attention from any particular government in power. In the years ahead, 75.7 percent agree that the economy will get a lot better (disagree 14.3 percent, neutral 10 percent), with 64.3 percent agreeing also that the economy will get a little better (disagree 14.3 percent, neutral 18.6 percent, missing response 2.9 percent). A total of 52.9 percent disagree that the economy will stay the same (agree 17.2 percent, neutral 27.1 percent, missing response 2.9 percent). Finally, 71.5 percent disagree that the economy will get a little worse (agree 10.0 percent, neutral 15.7 percent, missing response 2.9 percent), while 84.3 percent disagree that it will get a lot worse (agree 2.9 percent, neutral 10 percent, missing response 2.9 percent). Majority of the respondents hold positive expectation for the Ghanaian economy in the years ahead.

**G) Expectation on possible positive effect of oil revenue in the years ahead**

The results are shown in table 4 above. Respondents indicated their opinions on possible positive effects of the oil revenue on the economy in the coming years. In all, fifteen positive effects were ranged. A total of 78.5 percent of the respondents agree that the economy will be improved due to improvement and maintenance of infrastructure. Also, 34.3 percent agree that there would be investment at home, while 70 percent agree that it is going to lead to the building of industries and repairing of factories.

On the issue of social services, 81.5 percent agree that there will be expansion of social services in the country due to the oil revenue. On the economy, majority (35.7 percent agree) agree that it will be diversified and that will also lead to job creation (84.3 percent). But majority (35.7 percent agree) disagree that it the economy will become world economic superpower. On investment, majority (38.5 percent) agree that there will be investment in long-term political and economic gains and investment in real estate (35.7 percent agree) as well as investment in oil refining (67.2 percent agree). On the educational front, there is positive expectation in the area of expansion in educational system (80 percent agree) and more students been educated (80 percent agree). Finally, 35.7 percent disagree that there will be the alleviation of individual's economic problem but that there will be an increase in per capita income of the country (72.8 percent agree). The results show that respondents anticipate good things happening to the Ghanaian economy with the oil revenue.

**H) Expectation on possible negative effect of oil revenue on the economy in the years ahead**

Respondents in addition to the positive effects also indicated their opinions on possible negative effects of the oil revenue on the economy in the coming years. The results are shown in table 5.

**Table 4. Over the next years the economic situation of the country will be better off due to the following reasons**

<b>Positive effects</b>	<b>Strongly Agree (%)</b>	<b>Agree (%)</b>	<b>Neither Agree Nor Disagree (%)</b>	<b>Disagree (%)</b>	<b>Strongly Disagree (%)</b>	<b>Missing response</b>	<b>Total</b>
Improvement and maintenance of infrastructure (road, water, electricity)	47.1	31.4	10	5.7	5.7	Na	100.0
Investment at home	10	24.3	32.9	24.3	5.7	2	100.0
Building industries and repairing factories	28.6	41.4	15.7	12.9	1.4	Na	100.0
Expansion of social services	22.9	58.6	8.6	5.7	2.9	1	100.0
Diversification of the economy	11.4	24.3	32.9	21.4	8.6	1	100.0
Job creation	60.0	24.3	8.6	2.9	1.4	2	100.0
Economy becoming world's economic superpower	11.4	17.1	32.9	20	15.7	2	100.0
Investment in long-term political and economic gains	11.4	27.1	28.6	21.4	10	1	100.0
Investment in real estate	10	25.7	28.6	28.6	4.3	2	100.0
Investment in oil refining	24.3	42.9	15.7	11.4	1.4	3	100.0
Expansion in educational systems	40	40	10	5.7	1.4	2	100.0
More students education	34.3	45.7	11.4	7.1	1.4	Na	100.0
Alleviation of individual's economic problem	5.7	22.9	34.3	25.7	10	1	100.0
Increase in per capita income	31.4	41.4	14.3	10	2.9	Na	100.0

**Table 5. Over the next years the economic situation of the country will be worse off due to the following reasons**

<b>Negative Effects</b>	<b>Strongly Agree (%)</b>	<b>Agree (%)</b>	<b>Neither Agree Nor Disagree (%)</b>	<b>Disagree (%)</b>	<b>Strongly Disagree (%)</b>	<b>Missing response (%)</b>	<b>Total</b>
Political instability overtime	41.4	21.4	14.3	11.4	7.1	4.3	100.0
Political discontent	14.3	35.7	25.7	15.7	NA	8.6	100.0
Terrorism	17.1	20	18.6	22.9	14.3	7.1	100.0
Rebellion	21.4	12.9	18.6	18.6	7.1	21.4	100.0
Revenue not spent in where it is needed	37.1	32.9	11.4	7.1	7.1	4.3	100.0
Revenue re-invested in projects intended to produce quick profits for investors only	12.9	27.1	22.9	30	4.3	2.9	100.0
Importation of workers	20	20	20	17.1	17.1	5.7	100.0
Not reforming educational institutions	21.4	34.3	11.4	15.7	5.7	11.4	100.0
Increase in youth unemployment	27.1	27.1	2.9	21.4	14.3	7.1	100.0
Rise in energy prices	28.6	31.4	12.9	18.6	4.3	4.3	100.0
Inflation	27.1	28.6	17.1	15.7	2.9	8.6	100.0
The rich will be more rich	30	28.6	11.4	14.3	7.1	8.6	100.0
The poor will become more poor	30	27.1	11.4	14.3	10	7.1	100.0
Revenue redirected to private account	31.4	24.3	20	15.7	4.3	4.3	100.0
Revenue spent on luxury items	28.6	25.7	11.4	24.3	7.1	2.9	100.0
Revenue spent on military and other security Hardware	17.1	25.7	24.3	21.4	5.7	5.7	100.0
Revenue wasted	44.3	20	10	15.7	7.1	2.9	100.0

Source: Field survey 2010

In all, seventeen negative effects were ranked. On the issue of political stability, majority (62.8 percent agree) agree that the economy will be worse off due to political instability overtime, while 50 percent agree that there will be political discontent with 37.2 percent disagreeing that there will be terrorism and 34.3 also agreeing that there will be rebellion in the economy. A total of 70

percent agree that oil revenue will not be spent in where it is needed most and that the revenue will be wasted (64.3 percent agree). In addition to these, 40 percent agree that revenue will be re-invested in projects that will give quick profits to investors only. On employment, a total of 40 percent agree that workers will be imported into the country to work and that the educational system will not be reformed (55.7 percent) to provide the needed skills. Hence, there will be increase in youth unemployment (54.2 percent agree) in the economy.

Also, majority of the respondents (60 percent) agree that there will be a rise in energy prices resulting in inflation (55.7 percent agree). Respondents agree (58.6 percent) that the rich will be richer and the poor will be poorer (57.1 percent).

Finally, there is the expectation of corruption resulting in oil revenue redirected into private account (55.7 percent agree), while 54.3 percent agree that revenue will be spent on luxury items, with 42.8 percent agreeing that oil revenue will be spent on military and other security hardware. The results show that, inspite of the good things respondents expect to happen to the Ghanaian economy they also expect that the resource curse may occur in Ghana and as such policy makers must put measures in place to prevent these occurrences and to also alleviate the fears of the citizens.

#### **4. Results of ANOVA**

Individual characteristics, such as age, gender and other socioeconomic variables are likely to affect people's expectations about the future of the economy. According to Myers (1993) younger people, more educated people, and males tend to have more confidence in the future, and other things equal should have higher positive expectations for the future. The effects of these variables were tested using analysis of variance (ANOVA).

The analysis of variance results show that there is a significant difference in the means of response for some of the positives and negative expectations. Age difference was found in the following statements given to respondents. The financial situation of the household over the next 2 years "will get a lot better" ( $F=3.141$ ;  $p=0.031$ ); "will stay the same" ( $F=2.402$ ;  $p=0.099$ ). The economic situation over the next 2 years "will get a lot better" ( $F=2.311$ ;  $p=0.084$ ); "will get a little better" ( $F=2.692$ ;  $p=0.075$ ). The economic situation over the next years "will get a lot better" ( $F=2.297$ ;  $p=0.086$ ). There was also gender difference in the following statement. "Compared the current financial situation of your household to 2001-2008 the financial situation got a lot better" ( $F=3.810$ ;  $p=0.056$ ). Also on the positive expectation of the economy there was a gender difference on the response that the economy will not become world economic superpower ( $F=6.154$ ;  $p=0.016$ ).

In addition to these, employment difference was found for certain statements and positive as were as negative expectations. The financial situation of the household over the next 2 years "will get a lot better" ( $F=2.774$ ;  $p=0.048$ ); "will stay the same" ( $F=5.698$ ;  $p=0.002$ ). "Compared the current financial situation of your household to 2001-2008 the financial situation got a little worse" ( $F=2.395$ ;  $p=0.077$ ). The economic situation over the next years "will stay the same" ( $F=4.134$ ;  $p=0.010$ ). The economy will be diversified ( $F=2.401$ ;  $p=0.076$ ). Political discontent ( $F=2.258$ ;  $p=0.091$ ).

Furthermore, there was a marital difference in the expectations respondents hold in some of the statements asked. The financial situation of the household over the next 2 years will "stayed the same" ( $F=3.022$ ;  $p=0.037$ ); "get a little worse" ( $F=2.403$ ;  $p=0.077$ ); "get a lot worse" ( $F=2.706$ ;  $p=0.053$ ). Compared the current financial situation of your household to 2001-2008 the financial situation "got a little worse" ( $F=2.481$ ;  $p=0.070$ ), and "diversification of the economy" as a positive effect ( $F=2.940$ ;  $p=0.040$ ).

Further still, there was religion difference in expectation held by respondents. The results are as follows. The financial situation of the household over the next 2 years will "get a little worse" ( $F=1.769$ ;  $p=0.082$ ); and the economic situation of the country over the next years will "get a lot better" ( $F=1.912$ ;  $p=0.056$ ). On the positive and negative expectation there was also religion difference in some cases such as "More students education" ( $F=1.761$ ;  $p=0.083$ ); "increase in per capita income" ( $F=2.253$ ;  $p=0.023$ ); "revenue not spent in where it is needed" ( $F=2.146$ ;  $p=0.032$ ); the rich will be more rich ( $F=1.786$ ;  $p=0.081$ ), and revenue wasted ( $F=2.504$ ;  $p=0.012$ ).

Lastly, there was also region difference in expectation held in some statements such as the financial situation of the household over the next 2 years will "get a little worse" ( $F=1.939$ ;  $p=0.064$ ); "get a lot worse" ( $F=2.455$ ;  $p=0.019$ ), and the economy over the next 2 years will "get a little worse" ( $F=2.009$ ;  $p=0.055$ ). Compared the current economic situation of country to 2001-2008 the economy

“got a little worse” ( $F=0.094$ ); “got a lot worse” ( $F=1.936$ ;  $p=0.065$ ); as well as the economy over the next years will “stayed the same” ( $F=2.373$ ;  $p=0.023$ ); “get a little worse” ( $F=1.92$ ;  $p=0.067$ ). There was also positive and negative significant region difference in some cases such as “expansion of social services” ( $F=1.768$ ;  $p=0.094$ ); “job creation” ( $F=2.957$ ;  $p=0.06$ ); alleviation of individual’s economic problem ( $F=1.816$ ;  $p=0.084$ ); and revenue spent on luxury items ( $F=2.056$ ;  $p=0.049$ ).

These results are consistent with the findings of Imam (2007) and the theory that “males and the young have a higher probability of having higher expectations for the economy”. “In most societies, the most adaptable elements to changes are young males, who might therefore have the highest expectations for the future. People with tertiary education, in turn, are more optimistic about the future than people with secondary education.

This might be because skilled people have more opportunities, both when the economy does well and when it does badly. The unemployed have a higher probability of having negative expectations about the economic future. This might be because unemployment benefits (when available) are low, and often adjust only a little to factors like changes in price levels” (Imam, 2007). Hence variables that are individual specific such as age, gender, marital status, religion, region, and employment have consistent effects on expectations, as would have been expected from theory (Imam, 2007).

The policy implication is that the oil discovery in commercial quantities in Ghana appears to have a strong effect on agents’ expectations in the years ahead, through the inflow of real money, and through the signaling effect. “They are positive for those with an optimistic outlook, but negative for those with a negative outlook” (Imam, 2007).

## 5. Conclusion

Oil discovery in an economy have been heavily criticised, in part because some analysts claim that they do not improve agents’ expectations of economic outcomes due to the numerous negative effects in some of these economies. This paper relies on stated expectations of the future of the economy to assess respondents’ expectation of the oil discovery in the economy. The main finding is that the oil discovery in the economy has an effect on expectations, depending on the overall economic context. Individual variables such as age, gender, religion, region, marital status, educational level have significant effect on Expectations about the future of the economy. The result suggests that there are both positive and negative expectations of economic agents. Future study should assess the effect of macroeconomic variables such as inflation, GDP on public confidence in future economic outcomes and also ways of managing these expectations.

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