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Transnational Corporations and Urban Development in Africa

AQ1 *By* FRANKLIN OBENG-ODOOM*

ABSTRACT. Transnational corporations (TNCs) in Africa play significant roles in controlling utilities, privately appropriating common resources, and planning urban space. On the one hand, the extra-legal powers of TNCs are legitimized with patronizing discourses about the incompetence of African nations in managing their own affairs, and with the specter of a "resource curse" that supposedly immobilizes the self-governing capacities of Africans. On the other hand, TNCs arrogate to themselves statutory municipal power, ignore or manipulate various channels of accountability, and privately appropriate socially-created rents. Some critics of TNCS propose a withdrawal from globalization or greater regulation to limit the power of TNCs. But protectionist or isolationist approaches are entirely mistaken and further undermine the social management of the commons in Africa. Instead, Africans should seek directly to break the chains of monopoly and oligopoly, especially over natural resources. They should also strive to use land for the common good and to systematically build social states in Africa to overcome subservience to TNCs. While previous attempts at autonomous development in Africa have sometimes led to military action by former colonizers and current neo-colonial imperialists, recent evidence from Africa suggests that such a strategy might succeed now. This article proposes to extend the politics of urban reform in the Gilded Age and Progressive era in the United States to contemporary Africa. In doing so, it shows how African cities today are working to

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create the local capacity by municipalizing services that have been privatized, such as distribution of water. Despite many obstacles posed by TNCs and their home governments, Africans are making great strides to overcome the enduring legacies of colonialism.

Introduction

Transnational corporations (TNCs) are increasingly taking power from the hands of resource-rich urban authorities in Africa. As this trend has major implications for the distribution of the urban commons and the sovereignty of African peoples and their territory, it warrants careful study. Research on urban governance has grown, but the growing uneven relationship between transnational corporations and urban authorities has received little empirical attention (Obeng-Odoom 2013b, 2016a; Resnick 2014a, 2014b; Fuseini 2016). Obeng-Odoom (2015c: 52–53) has identified "the growing sphere of influence of transnational corporations" as the least understood issue in research on cities that are affiliated with the development of natural resources, which we shall henceforth refer to as "resource cities."

TNCs that engage in extraction and production of fuel and minerals receive some attention, but TNCs involved in the storage and transfer of fuels as well as the governance of urban retailers of gasoline or petrol receive very little study. In the global urban economics literature, the "stages of growth" concept centers around increasing agglomeration economies, declining transaction costs, and technological advancement. It remains the dominant framework from which the key claim is made that firms become transnational through their own strategies (Stilwell 1995: 114–117; Obeng-Odoom 2016b:83–93).

Oliver Williamson is a leading proponent of the idea that TNCs arise out of endogenous factors. He won the Nobel Prize in economics in 2009 for introducing such ideas. Williamson (1981, 2002, 2009) claims that TNCs arise because of their own internal strategies or innovations that economize on transaction costs. To reduce transaction costs, it is more efficient for a single company to subsume activities under its own managerial control rather than exchanging services among many smaller entities. TNCs exist not only to seek to make a profit, Williamson argues, but also to govern. For Williamson, TNCs offer an alternative mode of governance that is superior to both the market and the state in terms of what he calls "affirmative economic purposes" that are underpinned by efficiency (Williamson 1981: 1538, 2002, 2009). While Williamson recognizes that TNCs may sometimes falter, he contends that they are inherently a better mode of governance and hence should neither be regulated nor be treated "inhospitably."

Although highly influential, these claims have received limited empirical attention. There is a vast empirical literature on TNCs, of course, but it is heavily centered on debates about their relationship with national governments. Representative work in these debates are Hardt and Negri (2000; 2004) and Korten (1995; 1999). These books have received much praise, but also significant criticism. In his extensive review of Hardt and Negri's first book, Samir Amin (2005) argued that the authors downplay the power of imperial states in advancing seemingly new forces of transnationalism. Critics of Korten's work show that Korten does not sufficiently analyze the relationship between TNCs and the nation-state. As Susan George (1996) explains, Korten's attempt to resolve unbalanced state-TNC relationships assigns too much power to the TNCs and no role to the state. Kuecker (2006), by contrast, complains that Korten attributes too much power to the state, to the point that it becomes intrusive. So, both proponents and opponents focus on the nation-state or central state and their solutions can be arranged according to whether they favor more or less intervention by the state.

A major problem with this debate over the role of TNCs vis-à-vis the state is that, much like the ongoing debate over globalization, it ignores key analytical distinctions. Existing research and policy analysis ends up recommending a wholesale, one-size-fits-all solution (either socialism or improved capitalism) to every social problem instead of applying different solutions to different conditions. In this case, the missing element is the distinction between TNCs that engage in manufacturing or production of services, on the one hand, and TNCs that control natural resources and public utilities, on the other hand. Yet, different types of TNCs generate quite distinct social relations (UNCTAD 2007).

In addition to ignoring different categories of TNC activity, there has been a tendency to ignore the level of government involved in the areas of TNC operations outside the home country. The relationship between TNC and subnational authority has received much less attention than their negotiations with national governments. Almost the only research of note about local government is research about how cities in the global north have become global and how those cities in the south are globalizing (Sassen 1991; Grant 2009). However, in order to understand how TNCs are affecting the commons in Africa, we must focus attention on the subnational level.

Specifically, in this article, I examine (1) publicly available data on the municipal activities of TNCs culled from their own corporate reports, (2) the powers of local governments enshrined in local laws vis-à-vis the protections of TNCs under international law, (3) public opinion of municipal residents as captured in various surveys, (4) the results of scientific studies, including those that test the chemical composition of fuels sold by TNCs and (5) those studies that subject the exercise of political power to social scientific analyses.

On these bases, it can be argued that, although they are not accountable to any electorate, transnational corporations (TNCs) in Africa play significant roles in planning and governing cities in Africa. TNCs effectively manage important aspects of African life through control of municipal utilities, through the corporate governance of natural resources held by Africans in common, and through ad hoc investment practices that facilitate the private appropriation of socially created rents. While often overlooked, TNCs also control urban mobility through their supply of second-hand cars and motor bicycles, the building and maintenance of roads, and the export of toxic fuels for use in cities in Africa where alternative public transport is limited and has remained so because of directed and externally-imposed "advice."

On the one hand, the activities of TNCs are legitimized by arguments that denigrate the capacity of Africans to govern themselves and to manage the development of natural resources without the supervision of European, American, Japanese, or Chinese companies. The patronizing critique begins with a commentary on the actions or failure to act by African states, which is treated as evidence of their incompetence and atavism. Africans are presumed in this way to be immobilized by the "resource curse," according to which an abundance of oil or gold will lead to government corruption and misery. This is followed by the use of terms such as "corporate social responsibility" to describe the ways outsiders should help Africans deal with the "curse" of wealth. This discourse serves as the basis for claims that TNCs are essential in guiding Africans along the appropriate paths of development.

On the other hand, TNCs assume "illegitimate authority" (Susan George 2014) because they arrogate to themselves municipal power and ignore what surveys show city residents need. They focus on achieving their own ends and use their legal power to parry complaints about their infringement on the sovereignty of sub-national states and divided cities, as they engage in environmental pillage. Most analyses, including those of the United Nations, place faith in greater regulation or withdrawal from globalization as a solution (Korten 2015). I argue, however, that such posited solutions and other protectionist approaches are entirely mistaken and further undermine the social management of African commons.

True solutions lie along a different trajectory. Brighter prospects can be achieved in Africa by focusing attention on cartels and monopolies, especially ones that control natural resources. By breaking down those forces of economic concentration, systematically building social states, and treating land as common property, it should be possible to overcome the current unbalanced relationship African nations now have with TNCs. This strategy cannot be easily utilized without a struggle because previous attempts have sometimes led to military action by former colonizers and current neo-colonial imperialists. However, evidence from Africa, including the literature on "Africa uprising," suggests that it can succeed. This article shows how the history of municipalization and urban reform in the United States and England from 1880 to 1914 can be applied to African cities today. Using substantivist analysis (Polanyi 1957), I apply concepts relevant to past urban reform to the contemporary African context. In doing so, I call into question neoclassical and new institutional economic theories of the asocial firm. I propose instead a recognition that large-scale businesses shape the social context of business activity. Beyond that, I draw upon nuances in the Marxist frameworks of Hymer and Holland, and I sharpen the Georgist theory of free trade, often misstated as a blanket endorsement of neoclassical theory or wholesale rejection of protectionism.

The rest of the article is divided into three sections. The first is an analysis of theoretical perspectives. It is important because it helps to clarify confusion in theoretical issues, to generate specific questions, and to point to data needed to verify key propositions. In the second section, I present case studies in Africa. In the third section, I reflect on existing approaches to rein in and transcend the illegitimate authority of TNCs.

Transnational Corporations and Urban Transformation: Theoretical Propositions

It is important to understand the posited analytical relationships between TNCs and urban development in theory in order to know which data to seek, how to interpret what we find, and what to reasonably expect in the future. That is why theoretical propositions are needed, why they must precede actual evidence, and why theorizing is preferable to moralizing about TNCs.

Standard Economic Theories

In *The Spatial Economy: Cities, Regions, and International Trade*, Paul Krugman et al. (1999) provide one way of analyzing TNCs in relation to cities, centered on 1) internal firm investments (such as technological advancements), 2) wider incentives offered by urban and national authorities that lower transaction costs, and 3) urbanization economies that enhance the profits of firms and improve urban conditions. Other orthodox economists offer slightly different versions of how relationships between firms and urban areas evolve. But there is a consensus that 1) TNCs offer a mutually beneficial relationship with cities, 2) firms mainly respond to urban environments and their comparative advantage, and 3) firms do not shape those environments except in ways that benefit urban residents and urban authorities (Obeng-Odoom 2016b: chapter 4). These theories focus mostly on economic growth, but they predict that such growth translates into equitable urban economic development. According to Williamson (1981, 2002, 2009) and other proponents of direct investment by TNCs, this "trickle down" leads to global income and wealth convergence, which is what justifies accumulation and concentration of wealth by TNCs. Even though Peter Self (1993), famously warned that when TNCs turn into a "government by the market," they would almost certainly create major social problems, new institutional economics theories predict that such a social arrangement generates more efficient and effective urban governance.

Non-mainstream Remedies: Marxism and Anti-globalization

Marxist theories are not as optimistic about the benefits of foreign investment. They recognize the existence of power imbalances. The two main models in this category are the Holland Model and the Hymer Model.

The Holland Model distinguishes between three types of firms: leader, led, and laggard. Leader firms control significant resources and command much power. Led firms are mere followers with significantly less power than the leaders. The laggard firms are the least powerful, the remnants (Stilwell 1995: 103–117). According to the Holland Model, leaders create core-periphery tendencies, in which led and laggard firms become locked into a fixed relationship with the leader firms.

As an alternative to this proposition, the Hymer Model introduced the idea of vertical and horizontal hierarchies, which are based on power differentials. An analysis of those hierarchies make it possible to predict how firms transform where they are located rather than simply respond to their location (Stilwell 1995:103–117). In a *vertical* hierarchy the most routine, boring, poorly-paid tasks of production are typically set up in the periphery (poor countries), while management, research, design, innovation, marketing, intellectual property, finance, and other well-remunerated aspects of production are reserved for the core regions (rich countries). In turn, workers in richer areas are given a chance to develop the most powerful social and technical skills and create broadly-relevant learning networks, while the most menial forms of work are assigned to poorer areas. In terms of specialization or *horizontal* hierarchy, the most environmentally damaging parts of production are located in poorer regions while the most rewarding parts are in the richer areas (Stilwell 1995:103–117). TNCs are expected to be incubators of inequalities arising from differential locations and differential treatment of workers and capitalists. Consequently, the solution proposed by critics is to disengage from trade or globalization altogether or invoke state protective powers (Susan George 1996; Korten 2015).

Non-mainstream Remedies: Georgist "True Free Trade"

Protectionism is simply withdrawal from the world, which is not an option. Henry George offered a critique of protectionism in the late 19th century that still has relevance today. But his grounds for doing so, his alternatives to it, and the radical differences between his theory of trade and monopoly-based neoclassical theories are misunderstood (Boyle 2014). So, a more systematic treatment of George on TNCs is warranted, especially by carefully engaging the *locus classicus* of Henry George ([1886] 1991) on the issue, *Protection or Free Trade.*

George ([1886] 1991) rejected protection on grounds that it is a "beggar thy neighbor" policy that creates hostility rather than cooperation among nations. Also, the taxation of goods, as proposed by protectionists, penalizes production and human exertion. Meanwhile, low taxes on land value result in concentrated land ownership and the private appropriation of socially created value. Although George recognized that protectionism can create jobs in the system that regulates trade, he argued that it is far better to create jobs by removing the encumbrances created by concentrated land ownership.

George ([1886] 1991) advocated free trade. Apart from the opportunity free trade gives to obtain a variety of commodities and services at reasonable prices, George advocated free trade as an anti-monopoly measure. His consistent argument was that *true* free trade was intended to abolish monopoly and ensure fair distribution. In this sense, George's "free trade" differs markedly from what is regarded as free trade in orthodox economics (Beck 2012: 972–973). George defined free trade as the removal of all taxes on imports and exports (except for health and safety protections) whether they are intended for revenue generation or for protection of local markets. But since free trade increases net incomes, which translate into higher land prices, *true* free trade occurs only when the elimination of tariffs coincides with the taxation of the value of land and the removal of taxes on wages. His intention for free trade was to bring about a fair distribution of resources, while encouraging labor to freely initiate, produce, and freely exchange. According to George [1886] 1991: 286):

> Free trade, in its true meaning, requires not merely the abolition of protection but the sweeping away of all tariffs—the abolition of all restrictions (save those imposed in the interests of public health or morals) on the bringing of things into a country or the carrying of things out of a country. But free trade cannot logically stop with the abolition of custom-houses. It applies as well to domestic as to foreign trade, and in its true sense requires the abolition of all internal taxes that fall on buying, selling, transporting or exchanging, on the making of any transaction or the carrying on of any business, save of course where the motive of the tax is public safety, health or morals.

George's free trade ideas were pro-labor, but not Marxist. Free trade need not reduce wages, take away jobs, or create monopolies. Merely instituting protection without commoning land would generate all these social problems. Continuing his previous discussion, George ([1886] 1991: 289) elaborated:

> True free trade, in short, requires that the active factor of production, Labor, shall have free access to the passive factor of production, Land. To secure this, all monopoly of land must be broken up, and the equal right of all to the use of the natural elements must be secured by the treatment of the land as the common property in usufruct of the whole people. Thus it is that free trade brings us to the same simple measure as that which we have seen is necessary to emancipate labor from its thralldom and to secure that justice in the distribution of wealth which will make every improvement or reform beneficial to all classes.

This theory of "true free trade" is based on two principles. According to George ([1886] 1991: 280), these are:

> I. That all men have equal rights to the use and enjoyment of the elements provided by Nature. II. That each man has an exclusive right to the use and enjoyment of what is produced by his own labor.

Yet, equal right to land does not mean what is commonly understood by it: equal parcels of land. According to George ([1886] 1991:279–280):

> Equal rights to land could *not* be secured by the equal division of land, and in the second place it is *not* necessary to make land the private property of individuals in order to secure to improvers that safe

> possession of their improvements that is needed to induce men to make improvements. (Emphasis in original.)

In this sense, George's defense of free trade is anchored on his central principles: guaranteeing private property in the products of labor—both individually and collectively— and abolishing private property in land through land value taxation. Both are aimed at fair distribution. His advocacy of free trade was, therefore, to enable production rather than to penalize it, to support the liberation of workers and the destruction of TNC monopolistic control of all natural resources.

As none of these principles underpins the orthodox advocacy of free trade and protection, Henry George's preference for free trade is qualitatively different from the current advocacy of free trade. It is also different from the Ricardian defense of free trade or Adam Smith's arguments for unrestricted exchange. In the words of George ([1886] 1991: 289–290):

> The partial reform miscalled free trade, which consists in the mere abolition of protection—the mere substitution of a revenue tariff for a protective tariff—cannot help the laboring-classes, because it does not touch the fundamental cause of that unjust and unequal distribution which, as we see today, makes "labor a drug and population a nuisance" in the midst of such a plethora of wealth that we talk of over-production. True free trade, on the contrary, leads not only to the largest production of wealth, but to the fairest distribution.

In short, the Georgist theory of trade predicts that when TNCs control the commons, workers must necessarily be exploited, inequality must worsen, and the environment must be polluted and misused. Where there is progress, there will also be poverty. The only solution is to treat natural resources as common property that benefits all citizens and to guarantee that labor receives its full reward. This is the complete opposite of the frequently proposed remedies by critics of TNCs: protection, the retreat from globalization, or moral accusations of evil charged against TNCs. While other posited solutions can be considered, any alternative without the two cardinal principles relating to land and labor is unlikely to be effective.

The DED Framework: TNCs and Urban Governance

None of the theories discussed above (Marxism, protectionism, Georgism) sufficiently accounts for urban *governance* or the multiple institutions and institutional settings within which TNCs operate and trade takes place. Propositions about TNCs and urban governance can, however, be integrated by adopting the "DED framework" of decentralization, entrepreneurialism, and democratization (Obeng-Odoom 2013b, 2017).

DED is simultaneously a way of classifying, interpreting, and evaluating urban governance in terms of its posited pursuit of growth, inclusive urban development, and environmental sustainability. In turn, DED can also offer us clues to what outcomes to expect as different *forms* of urban governance are implemented (Fuseini 2016; Fuseini and Kemp 2016). Decentralization emphasizes the nature of the state and of its urban governance structure, that is, the level of power held by cities and other local governments. Devolution, deconcentration, or delegation are optional methods of exercising decentralization, with important implications for accountability. For instance, in a highly devolved system in which local governments have strong autonomy and revenue raising powers, TNCs face political responses that are different from urban local governments that merely exercise functions delegated by the central government. Similarly, democratization and democratic institutions can be expected to shape how firms behave, depending on their nature.

These interactions between cities and TNCs are expected to provide economic growth, inclusive urban development, and progressively low levels of urban poverty as they provide channels of voice and exit that can contribute to the provision of these outcomes. The presence or absence of a free and diverse press, a variety of civil society groups, and truly representative labor unions are important in the way local governments respond to the behavior of TNCs. Also crucial are the actions of courts, security services, traditional authorities, and parliament. Even religious groups can be very influential, especially in oil-rich societies where oil experiences are framed in religious metaphors such as "resource blessing" and "resource curse." Even if we assume that TNCs operate exclusively in the economic sphere, they relate to other forces and actors in the economy, including social and public enterprises, other TNCs, and local private firms.

Due to these and other influences on the firm in international trade, the precise circumstances for the rise and the actual role of TNCs in African urban development are empirical questions. Theories—be they of the neoclassical, new institutional, Marxist, or Georgist economics stock—will need to be understood and revised in context, taking account of uneven social relations, including relations between countries and regions (Nwoke 1984a, 1984b; Collins 2017). So, what outcomes arise and what options exist for redress or reform are mediated by institutions of decentralization, entrepreneurialism, and democratization.

TNCs and the Provision of Municipal Services

How TNCs emerge and operate in the water sector in francophone West Africa requires primary attention because they can help us to better contextualize the theories discussed. The French colonial invasion of Cóte d'Ivoire (formerly Ivory Coast) marked the end of treating water as common property in Abidjan. However, independence did not end the private monopolistic ownership of water, which is widely regarded as the "French water model" (Komenan 2010: 2). Urban Cóte d'Ivoire has known no other water provider than the inherited French TNC, Société de Distribution d'Eau de Côte d'Ivoire (SODECI). Founded in 1959, a year before Ivoirian independence, and being in charge of water provision in Abidjan since then, SODECI has been enabled by state power since 1973 to slowly extend its influence to all urban centers (Traore 2000). SODECI was created out of the French TNC, *Société d'Aménagement Urbain et Rural* (SAUR). In her study of "Transnational Corporations in Water Governance," Joyce Valdovinos (2015:126) notes:

> The fourth transnational water company is the French group SAUR. Created in 1933 as the *Société d'Aménagement Urbain et Rural* for the design and operation of water production plants, today this firm serves 18,000,000 [or 18,000 municipalities] people in eight countries. Its development in France began with the signing of a concession contract with the community of Villejoubert and other small French rural communities. From its formation until the 1960s, SAUR established itself as "the authority and preferred partner for rural local authorities and rural development authorities" . . . Focusing on the development of water distribution services and treatment of superficial waters, SAUR created the specialized

> engineering company Stereau in 1959. A year later, SAUR began its internationalization with the foundation of the firm Sodeci (*Société de Distribution des Eaux de la Côte-d'Ivoire*) for managing an affermage contract in Ivory Coast. This contract marked the beginning of Saur's presence in Africa, a region that became a priority after the creation of the subsidiary SAUR-Afrique.

Since 1960, SODECI has been a private, foreign monopolist, controlling a common good to which citizens of the Cote d'Ivoire have a human right. Both the emergence and growth of SODECI, driven by the intersectional forces of French and Ivoirian state policies and power, contradict the account by Oliver Williamson (1981, 2002, 2009) that TNCs originate and grow mainly based on internal innovations. The available evidence of the actual performance of SODECI raises even more questions about model of water control suggested by the new institutional economics. Between 1988 to 2001, the productivity of SODECI workers increased from 161 connections served per staff to 333. This achievement was possible only because of a strictly imposed policy of 300 meter readings per day per meter reader and 8 service connections per day per plumber (Obrist et al. 2006). (In case the implications of that work speed-up are not evident, 300 readings per day required one reading every two minutes for 10 hours of work, without any breaks.) That policy led to widespread staff dissatisfaction about being overworked. Those workers who actually voiced discontent lost their jobs. One high profile case was the summary dismissal of the general secretary of the National Union of Water Workers (International Trade Union Confederation 2010). New workers were also hired, but they were small in number. For instance, in spite of the growing number of connections and work in the 1988–2001 period, only 280 additional people were employed (Obrist et al. 2006). So, even if there were efficiency gains under the watch of SODECI, they were obtained at significant costs to workers.

Private natural resource monopolies create structural problems in terms of pricing and misallocation of resources (Gaffney 2017). That explains why the problems Ivoirians are experiencing with SODECI are structural. Indeed, French economists who have been studying the relative performance of French public and private utility providers in France have reached the conclusion that such property relations are both oppressive and inefficient. In one recent study of 177 French water utilities, not only were private utilities providers found to be inefficient, their performance was also environmentally unfriendly and less efficient than public service providers. As Le Lannier and Porcher (2014: 557) summarize their findings:

> The results show that utilities under private management are on average more complex to manage. Accounting for environmental variables increases efficiency by 0.1 under private management while it only lifts up efficiency by 0.059 for public management. However, even after having taken environment variables and statistical noise into account, private management remains on average less efficient than public management. Public management has an efficiency score of 0.883 against 0.823 for private management. As a summary, even if the technical efficiency gap is narrowing after correcting for structural differences, it remains significantly positive.

Indeed, in France generally, many municipalities are starting to take direct control in the management of their water resources as the prevailing view is that public management is more efficient, delivers cheaper water to homes, and is more reliable as a water provider. In the lead for this municipal democracy is Paris where, since 2009, the city's mayor led this municipal takeover of water resources, announcing only two years later that municipal ownership of water in Paris had caused the price of water to decline by 8 per cent with the tacit endorsement of the French state (Le Lannier and Porcher 2014). It is, therefore, the height of hypocrisy and double standards for the French state to continue to impose a monopolistic private sector regime in its former colonial outpost.

The quality of water supplied by SODECI is regarded highly, but the quality of water in its subsidiary markets—the market for the resale of water and the market for packaged water—has been called into question. Although resold water is from SODECI, which licenses the practice, the company does not monitor the quality of the transfer equipment in subsidiary markets (Obrist et al. 2006). The quality of water packaged in plastic is of inferior quality to tap water directly supplied by SODECI (CIRES 2015). Research conducted in the Medical Faculty of the University of Cocody shows that packaged water had too many chemical additives to make it "purer," and that purification paradoxically makes it "impure" and unhygienic (CIRES 2015).

SODECI does not license the packaged water market, so it is not directly responsible for its quality. However, there are important reasons why the rise of packaged water can be linked to the governance of the water sector by SODECI. First, SODECI's water covers only 56 percent of households in Abidjan, down from 75 percent in 2002, before the civil war. The decline in water connections has created the conditions necessary for packaged water to thrive. At one stage, the SODECI-created water market extended neither to *quartiers sous équipés* (under-equipped neighborhoods) nor to *quartiers précaires* (informal settlements) (Obrist et al. 2006:321). As settlements regarded as "illegal" by a foreign monopolist, they were not considered worthy of being supplied water—in their own country.

SODECI's discriminatory policies are not new. Most Ivoirians know that such practice is a continuation of colonial humiliation of Ivoirians, most of whom did not live in the Plateau and Cocody areas in the historical period. Those areas were regarded as the "European quarter" of Abidjan, where the best municipal services were often concentrated. Areas called the *quartiers populaires* (common neighborhoods) were historically occupied by the Ivoirians. The latter areas were provided with few municipal services, and they are now called Treichville and Adjamé, two major informal sites that provide housing and work for the poorer classes in Abidjan (Freund 2001).

When the poor do gain access to water, they pay more money for an inferior product. For half of the population in poor settlements and a few others in formal settlements but whose water supply from SODECI is unreliable, they have to depend on much better off entrepreneurs living in formal settlements. Those entrepreneurs have access to SODECI water, which they resell to the poor at a higher cost. One assessment in the mid-1990s showed that retailers could sell water at prices up to four times higher than what they purchased from SODECI (Appessika 2003). Realizing that they can cash in on this "market," SODECI started issuing licenses to the water vendors to legitimize their sale of water to poorer neighborhoods (Obrist et al. 2006). In doing so, however, SODECI did not take responsibility for monitoring the quality of resold water.

Small-scale water retailers have to service nearly half (45.7 percent) of the residents in Abidjan (Appessika 2003). For investors who want a secure return, this is a promising business, especially since any increases in operational cost from licensing can easily be passed on to poorer neighborhoods. As not much investment has gone into the water sector, coverage by SODECI service is expected to decline in the coming years (World Bank 2015). SODECI is not investing to keep up with growing demand and the government's investment is minimal, averaging only 0.3 per cent of municipalities' expenses in the last 10 years (World Bank 2015). The current situation in Abidjan is dire, since the private sector will only provide water upon payment, and less than 1 per cent of public expenditure is used for water subsidies. For SODECI, however, this situation is a bonanza: if its costs increase, they are passed on to consumers—the luxury of being a monopolist, and hence a price giver rather than a price taker. The state is, however, under the burden of trying to absorb the price increases. In turn, the proportion of connections that are subsidized is rising relative to fully paid connections (Johnstone and Wood 1999).

Such contradictions plague other French-owned monopolies in Cote d'Ivoire. Since the controversial election of France-backed, former IMF economist, Alassane Ouattara in 2010, they have worsened. Married to a French woman, Dominique Folloroux-Ouattara, Ouattara is widely regarded as a pro-French president, unlike his predecessor, Laurent Gbagbo who spoke against French domination of the Ivorian economy. As Ademola Araoye (2012: 441) has shown in his recent book, *Cote d'Ivoire: The Conundrum of a Still Wretched of the Earth*:

> By the sixth month of President Ouattara in office, French companies. . .had seized the reins of Ivorian business with contract awards from the Ivorian administration to the tune of over 1,500 million Euros or over 2 billion dollars! These were obviously awarded without international tender or safeguards, including a complete lack of due process and transparency.

Elsewhere in Africa, the activities of TNCs raise even more contradictions. In particular, TNCs in oil exploration, production, and sale of petroleum products direct urban development through their social spending and sale of cars and fuel to urban Africa.

TNCs and the Planning of Urban Space

Transnational petroleum companies are increasingly planning urban space in Africa. They do so apparently in response to state and local content laws and to satisfy the public relations benefit of visibly promoting corporate social responsibility. Local content laws require transnational corporations to employ a mandatory number or share of citizens, rely on local suppliers of services needed by the TNCs, and use local inputs as far as possible.

Corporate social responsibility (CSR) is rather different from regulation. It is not usually a function of state legislation. Rather, the "responsibility" arises from the self-regulation of transnational corporations. CSR principles appear to show that the role of business is not simply profit-making in a modern economy (Hilson 2014). This change in emphasis represents a departure from profit-seeking, which Milton Friedman (1970) famously proclaimed was the sole purpose of private firms. The new model of business considers the firm as a governance structure (Williamson 1981). That shift is one of the key differences between neoclassical economics and new institutional economics (Boettke et al. 2012). For the World Bank, the expansion of CSR arises from the fact that it is a win-win mechanism (Dartey-Baah et al. 2015). CSR takes on various forms, including the provision of services, the building of development projects, and the building of administrative capacity of national and local governments. Although non-binding, transnational corporations see CSR statements as crucial and hence make public their achievements as they do with local content regulations. T1 Table 1 contains information about Tullow Oil, a prominent TNC specializing in the exploration and production of petroleum in Africa.

Table 1 suggests that the social spending of Tullow is significant. CSR expenditure is widely presented as a contribution to the United Nation's Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs) (Dartey-Baah et al. 2015). On that basis, Tullow's investment described in Table 1 can be considered well-intended. Indeed, as local content requirements fill gaps in national and sub-national plans, the contribution of Tullow, Kosmos, and other TNCs that try to meet local content requirements make a positive contribution to African economies. For advocates such as the World Bank, therefore, both local

Table 1

Social Contribution of Tullow Oil in Africa, 2008–2015

Year	2008	2009	2010	2011	2012	2013	2014	2015
Corporate Social Responsibility ($000s)	1,846	2,054	2,578	11,569	19,914	17,402	10,639	7,537
Local Content ($million): (Purchases from Local Suppliers by Country)								
1. Ethiopia						14.4		
2. Ghana			194		69.2	128.0	123.6	226.0
3. Kenya					28.7	48.0	81.5	75.0
4. Mauritania						7.0		
5. Uganda			26.8		47.5	19.6	20.3	7.9
Total Local Content			220.8		145.4	217.0	225.4	308.9

Source: Tullow Oil Plc 2010:65; 2012:75; 2015: 31

content and corporate social responsibility expenditure can only be good.

However, there are always strings attached to subsidies, which means that they tend to serve the interests of donors. Investing in urban mobility is a major channel through which TNCs exercise power over urban development. Some TNCs finance road maintenance, building, or expansion to complement national and semi-urban efforts at road building. Transnational petroleum companies in Sekondi-Takoradi, Ghana's oil city in the Western Region (WR), for example, funded the rehabilitation of the Shippers' Council Roundabout, a major meeting point of several important roads in the oil city. According to an "anonymous planner" (2017) with extensive knowledge of the region, there is additional "evidence of substantial investment into road construction by TNCs within the Ellembele District of the WR." Much of the construction of roads and infrastructure in oil and gas cities in Ghana reflects a wider program in Africa of Chinese-built infrastructure in exchange for resources, so it is not restricted to Sekondi-Takoradi or Ellembele. Indeed, Mark Lamont (2013:154) has described in detail Chinese-constructed highways in Kenya seeking to help in the transport of oil from South Sudan to the northern parts of Kenya to refine and then export. It is commonplace in Africa for the Chinese state, working with the Chinese TNC Sinopec International Petroleum Corporation and others, to engage in barter trade with African states. In this trade, China is contracted to build roads and other infrastructure paid for with African oil (Odoom 2015).

Such investments have been widely hailed as crucial for Africa. Among others, they seek to bridge the infrastructure gap in Africa. In addition, they appear to resolve the inability to finance infrastructure deficits due to financial constraints. They also reduce transaction costs, paving the way for business to flourish (Obeng-Odoom 2014b:172–173; 2015b).

TNCs not only finance and build roads; they fill them with cars and motorcycles which, in turn, they fuel. What requires emphasis is that the cars that get exported to Africa are second-hand (Obeng-Odoom 2014b, 2015b) as are the motorcycles, usually from China and Japan (Lamont 2013). The fuels are typically dirty, and there are overlaps between the TNCs that support the building of roads, those that supply cars, and those that fuel the cars. The French company Total, for example, is a TNC involved in exploration, production, and retailing of petroleum products (upstream, midstream, and downstream) (Public Eye 2016). What it does in one stream is connected to what it stands to gain in another stream. Oil producing TNCs are slowly changing their monopoly structures. According to Public Eye (2016:30):

> ExxonMobil was the first major to pull out [of the retail fuel market], closely followed by the other American giant Chevron in 2008. Chevron, which remained present in South Africa and Egypt, sold around one thousand petrol stations to an African consortium composed of Côte d'Ivoire's state-owned Petroci and a Nigerian group called MRS. In 2010, BP and Shell sold most of their sub-Saharan networks, too. Total remains the single exception, increasing its retail market share across the continent. In 2005, the French company bought ExxonMobil's network of petrol stations in 14 African countries.

Oil trading TNCs, particularly Vitol, Trafigura, Mercuria, and Gunvor together with Shell and Puma Energy, Addax and Oryx Group, and Lynx Energy have created an African-wide network to supply diesel and gasoline to cities in Africa. These fuels are supplied from European ports located in Amsterdam, Rotterdam, and Antwerp ("ARA" Zone) and American (United States Gulf) sources—to African countries (Public Eye 2016:83–87). The geography of the ARA zone facilitates the sale of ingredients from, or the hiring of, facilities from the United Kingdom, Russia, and the Baltic Zone to prepare the fuels (Public Eye 2016:6). Africa imports substantial shares of its fuel from ARA. Indeed, as Public Eye (2016:5) shows, 50 per cent of the imported fuel to West Africa are from the ARA zone. Most of the traders involved in supplying fuel are Swiss companies, a fact that escapes the public because they trade by
T2 other names at the pump level, as shown in Table 2.

The Swiss companies listed in Table 2 are leaders in terms of the number of African countries where they operate (see column 4) and the amount of oil that they supply to Africa, but there are other notable traders too. In 2014, for example, Glencore, Litasco, Sahara Energy, Mecuria, Gunvor (Clearlake), Orion, Trafigura (Delaney), and Trafigura—leading Swiss TNCs—owned 61 per cent of the fuels exported from the ARA zone, while the rest of the TNCs such as Total (7 per

Table 2

Major Swiss Companies and Their Multiple Identities

Swiss Trading Company	Retail Arm	Petrol Station Brand	Countries
Trafigura	Puma Energy	Pumangol	Angola
		Gazelle Trading	Benin
		Puma	Republic of the Congo, Côte d’Ivoire
		UBI	Ghana
Vitol	Vivo Energy	Shell	Côte d’Ivoire, Ghana, Mali, Senegal
Addax and Oryx Group	Oryx Energies	Oryx	Benin, Mali, Zambia
Lynx Energy	X-Oil	X-Oil	Republic of the Congo

Source: Public Eye 2016:51

cent) and BP Amoco (9 per cent), respectively from France and Britain, exported the rest of the fuels to Africa (The Public Eye 2016:86).

Limits to TNC Social Spending

The social spending of TNCs raises several questions. Most spending subsumed under the category of corporate social responsibility (CSR) is poorly aligned with national goals, even if TNCs try to articulate their CSR within the UN’s Millennium Development Goals and Sustainable Development Goals (Dartey-Baah et al. 2015). In many cases, CSR spending is superficial. Surveys by Justice Bawole (2013), Abigail Hilson (2014), and Tina Adusah-Karikari (2015), looking at how TNCs are perceived in oil-bearing communities in Ghana, show that most people feel that there is no real interest in improving community livelihoods. Real engagement with communities is lacking and is fleeting

(Hilson 2014). Local content spending does better because, by definition, it is based on the idea that the state can use legislation to *nudge* transnational petroleum companies to provide what the state considers useful (Obeng-Odoom 2016c). Nevertheless, whether what the state *claims* is useful is not necessarily what is *actually* needed by the people (Obeng-Odoom 2016c). Local content in practice can face many contradictions. For instance, it is a local content requirement in Ghana for transnational petroleum corporations to develop business capacity through the Enterprise Development Center (EDC) but, as Austin Ablo (2015:320) concludes after a comprehensive study:

> The EDC facilitates interaction between local entrepreneurs, officials of state institutions and foreign oil companies, which enhances local entrepreneurs' knowledge of the oil and gas sector and provides enterprises with an entry point. However, it is argued that only a few well-established medium to large-scale Ghanaian enterprises are able to take advantage of the opportunities provided by the EDC project to expand their operations. The majority of relatively new and small businesses are still unable to gain entry.

More fundamentally, TNCs are using their CSR and local content spending to plan urban space and hence become a parallel local government. They do so by directly funding the planning process, training local government staff, providing local governments with logistical support, and embarking on public education, thereby replacing the voice of local and national governments. Planning and implementation are the preserve of local governments, but TNCs increasingly appropriate such functions and powers. For example, in Ghana, *Local Government Act 462* gives the responsibility and powers of planning urban space to local governments. But this function and the related powers of executing them are increasingly being taken over by TNCs.

The disparity between local government and TNCs in local planning is evident in the Western Region of Ghana. Relative to the national government, the Sekondi-Takoradi Metropolitan Assembly (STMA), the local government in the oil-bearing region, receives little investment, but the Spatial Plan of Sekondi-Takoradi is funded by petroleum TNCs (Obeng-Odoom 2013c: 236; 2014a). Doing so gives the TNCs considerable power over local economic activities and the local government.

TNCs substantially determine which local companies get the contracts they have to be offer under local content laws. Usually, it is local companies that have experience serving TNCs that are more likely to receive additional contracts (Ablo 2017). When they do, that sets in motion what Gunnar Myrdal (1944: 76) called the "cumulative causation" of inequality. He was referring to the economic backwardness of African-American communities in the United States, but the same principle applies here. Cumulative causation makes the privileged companies stronger and the companies lacking in contacts with the TNCS weaker. In the political sphere too, there are similar imbalances. One planner, who experienced this power imbalance first hand, noted that:

> In the Western Region for example, the spatial plans prepared for the six coastal districts were not handed over to the respective local authorities. Rather they have remained with the TNCs serving as a blueprint for their CSR activities. I only secured a copy for myself through a friend who works with the Consultant in Accra. Even the Spatial Plan being adopted by STMA is a draft version. (Anonymous 2017)

Similarly, Tullow Oil (2014) offered training to some 60 local government staff in Uganda. In São Tomé e Príncipe, training programs have been given by oil companies. These levels of support appear innocuous, indeed they tend to be presented as marks of good partnership between TNCs and local governments. However, as Gisa Weszkalnys (2009:686–687) notes of such "partnerships" in São Tomé e Príncipe:

> Oil companies, for their part, have begun to maintain security of access by cultivating "partnerships" with local governments, politicians, and gatekeepers through deposits, donations, and other favors.

Indeed, even the offer of general information to community members by TNCs raises serious questions. As is well-known in "corporate communication and economic theory" (Lah et al. 2016), corporate communication is designed to reduce risk, to protect the reputation of the firm, enhance profit, and enable the firm to blend into the society. Recent research in Uganda, Ghana, and Nigeria shows that the TNCs in oil production do their utmost to project a positive image in the society

(Behrman et al. 2012). In Kenya, oil TNCs host large public meetings with communities to discuss issues about their livelihoods and community development. By doing so, the TNCs are taking over an institution—*barazas*—previously utilized by local governments to consult with communities. In turn, oil offices have become the go-to places for urban residents to seek redress about services, to get information about jobs, and to seek recognition in Kenya (Enns and Bersaglio 2015:85–86). Similar inverted authority has been reported in Uganda, Nigeria, and Chad where citizens direct their needs, fears, and hope to transnational oil corporations such as Tullow (UK), Total (France), CNOOC (China), and Shell (UK), while local governments remain mere spectators (Van Alstine et al. 2014). The articulation of the rights of citizens, then, is increasingly being directed at the oil TNCs; not urban governments.

Yet, the typical TNC is not seeking to advance the public good but rather to reduce its transaction costs, and hence to enhance its own profit. It may also aspire to project the power of its country of origin. Chinese TNCs are a case in point. They explicitly set out to use their urban infrastructure projects to express China's rise as a global power (Amoah 2014).

Indeed, in the infrastructure development projects under discussion, Chinese TNCs determine who is to be employed and under what conditions, which inputs to use and in what proportions (Lamont 2013; Odoom 2015; Obeng-Odoom 2015a). The contracts are not put to competitive tendering process, as required by law such as the Public Procurement Act of Ghana, which provides a public competitive bidding procedure for public projects. Indeed, some of the contracts also contain clauses that undermine national laws. Also, under the Local Content Law of Ghana, oil TNCs are required to ensure that, at the start of operation, Ghanaians must constitute 30 per cent, 20 per cent, and 80 per cent, respectively, of management, technical, and other staff, but in the SINOPEC loan agreement, the TNC pushed for and obtained a clause that ensures that, across the board, significantly more Chinese labor (60 per cent) is employed. The Chinese executives have justified the situation by claiming that, because of "Ghanaian culture," Ghanaian workers are not employable and that Chinese workers work harder. By using the racist argument that Ghanaians are lazy, the Chinese companies limit the number of Ghanaians employed (Lamont 2013; Odoom 2015; Obeng-Odoom 2015a). This experience raises questions about the conditions of labor employed by TNCs.

Oil workers are well paid. What is often overlooked is that much oil-related employment is casual, poorly covered by contracts, and weakly unionized. Oil workers can be summarily dismissed. There is a labor aristocracy among oil workers in Africa, characterized by pay differences. It is based on race, even if the labor, its quality and training are analogous. In turn, foreign workers can be paid nine times as much as African labor (Ablo 2012; Obeng-Odoom 2016c).

Chinese construction firms, to which contracts are given to develop road infrastructure, financed from oil revenues, typically employ Chinese labor and few locals. The recruitment of the local labor is mostly on a casual basis to strengthen the ability of companies to discipline workers (Obeng-Odoom 2014b, 2015a). The “roads for prosperity program” is therefore a recipe for unbalance growth that helps the Chinese economy, but not the local economy in Ghana. The problem lies with the absence of forward or backward linkages, an idea developed by Albert Hirschman (1958) to describe the added employment and production created when local businesses buy goods and services within a community and then promote the creation of new businesses opportunities that spin off from the original ones. Instead, all of the linkages are created in China, leaving only the hollow shell of development in Ghana. As a result, the condition of workers is not as sanguine as widely perceived. Indeed, as Lamont (2013) shows, even after the construction of roads, the Chinese play a significant role in ensuring that the roads are used by supplying second-hand motorbikes.

Consequences for Growth, Poverty, Inequality, and Sustainability

Clearly, many planners in Africa have improved their skills as a result of the activities of oil TNCs—and will continue to benefit from TNCs. As one anonymous planner (2017) pointed out about TNCs in Ghana: “Tullow reserves a minimum of 10 slots for public servants on its annual scholarship program for Ghanaians.” Many locals have obtained education and skills from TNCs. Education facilities and laboratories have been established and equipped through TNCs. The GDPs of many countries in Africa have grown as a result of the economic activities of TNCs and their social spending (Darkwah 2013; Heilbrunn 2014; Panford 2014, 2015).

In absolute terms, there are clear signs of transformation in Ghana and elsewhere in Africa through TNC activities. There is evidence of oil-related transformation in Ghana across diverse scales: local, regional, and national and in diverse ways, including infrastructure development, job creation, education, and the use of oil reserves as collateral for seeking development loans (Obeng-Odoom 2015a). Elsewhere in Africa, similar effects have been documented. Indeed, it has even been argued that Luanda has become a "turnaround city in Africa" in terms of generating socially useful infrastructure, jobs, and revenues for the city authorities all because of the activities of TNCs and their resulting revenues to the state (Croese 2016). Many other oil cities in Africa have been transformed. Ablo (2016) gives details in Ghana, and Uetela and Obeng-Odoom (2015) provide a case study of Mozambique. However, the situation is more complex, if we examine these benefits in terms of relative costs and opportunity costs—the potential development that did not take place.

To take Ghana as an example, various budget statements together with the work of J.R. Heilbrunn (2010) suggest that the revenues from oil constitute around 10 per cent of GDP. What we need to know is whether the added income stays in Ghana to promote further development or leaks out to create prosperity in other countries. To determine that we need to ascertain the GDP to GNI gap.[1] A positive value (>0), indicates that net income is lost to the rest of the world through profits, interests, and dividends (Cypher and Dietz 2004: 31–34). So, in Table 3, if GDP minus GNI is positive, outflows from Ghana through TNC activities are much less than inflows into Ghana.

[1] GDP or gross domestic product measures the output and income generated within the geographic boundaries of a nation by locals and foreigners. GNI or gross national income measures the income generated by citizens of a country, regardless of residence. If a large portion of income in a country is received by foreigners working in that country, GDP will be larger than GNI. If large amounts of remittances are sent back to the home country by people working in foreign countries, then GNI will exceed GDP.

Table 3

Ghana, Per Capita GDP (Current USD) and GNI (Current USD)

Year	2009	2010	2011	2012	2013	2014	2015	Sum 2009–2015
GDP/ Capita	1,096	1,323	1,587	1,642	1,827	1,442	1,370	10,287
GNI/ Capita	1,210	1,260	1,410	1,570	1,740	1,590	1,480	10,260
Difference	−114	63	177	72	67	−148	−90	27

Source: World Bank (2017)

The final column of Table 3 suggests that, in the case of Ghana, at least, over the period 2009–2015, GDP per capita exceeded GNI per capita by $27. Thus, more income actually leaves Ghana as profits, interests, and dividends than is received as remittances by Ghanaians working abroad.

Incomes aside, very little of the petroleum produced on the African continent is consumed on the continent. Most of it "leaks" into productive use elsewhere. This situation is paradoxical because the continent needs fuel badly. Indeed, between 2000 and 2020, the demand for fuel is expected to double (Public Eye 2016:30). African countries such as Ghana, Nigeria, and Senegal have refinery infrastructure, to produce petroleum by-products locally, but the refineries lack sufficient capacity to refine all of the gasoline and diesel demanded by African consumers and businesses. Because of that bottleneck in the local production of refined petroleum products, Africa imports fossil fuel from oil traders that profit by buying, refining, and reselling bad quality fuel at a high price (Public Eye 2016:50).

However, lack of refining capacity is a minor problem compared to the inability of Africans to retain the oil drilled on African soil for the development of Africa. Although investment in this latent potential to meet the demands of African nations for refined oil products would support local expertise, create jobs, and provide clean fuel, external advice informed by mainstream theories of comparative advantage and the wider politics of neoliberalism discourages the retention of petroleum for development of Africa. In 2014, as Public Eye (2016: 82) shows, West Africa "exported 213.9 million tons of crude oil (while importing 0.2 million tons of crude oil) and imported 18.6 million tons of [refined] products (while exporting 6.5 million tons)." These numbers reveal that Africa continues to serve the same function it did during the colonial era: a source of raw materials to be used for the development of other countries, not for indigenous development.

There is a dramatic rise in inequality in cities in Africa in general, but in particular in TNC-dominated and resource-rich cities in Africa. These cities have simultaneously become incubators of internal inequality as well as inequality between internal actors and transnational agents, as exemplified in the case of Port-Gentil in Gabon (Yates 2014). In Abidjan, the Gini coefficient of 0.5 for income indicates that a wide disparity of incomes exists within the city, much wider than other Ivorian cities with a Gini coefficient of 0.4 (Obeng-Odoom 2017). Income metrics aside, inequality can also be seen in terms of municipal service delivery. Again, the levels of inequality differ between regional capitals and other cities and between primary and secondary cities, as the 2014 *The State of African Cities Report* (UN-HABITAT 2014) shows.

In the past, mainstream economists glorified inequality, contending that it was either temporary, needed for efficiency, or acted as an incentive for growth. That has changed, but they believe the only problem with inequality is that it chokes off growth. In fact, inequality strangles the health of people, undermines social cohesion, and reduces ecological sustainability (Stilwell 2017). As inequality breeds further inequality, this problem generates a race to destruction. In cities in Africa, exposure to inequality—through personal contact, visual images, and media accounts—shapes people's attitudes and, indeed, offends people with their gross injustices (McLennan 2016). The growing inequality on the continent today is now quite obvious, spurring popular protest, which Adam Branch and Zachariah Mampilly (2015) have recently described in their book, *Africa Uprising*.

The analysis of inequality by mainstream economists warrants attention. Arne Bigsten's (2016: 4) summarizes the elements creating inequality in African cities today:

> We have thus identified four different types of determinants of changes in the production structure. These are changes in the factor endowment of the economy, changes in goods prices, technical progress and changes in the level of distortions/interventions/international integration. When seeking to explain inequality and its change, these are key economic factors.

By this claim, Bigsten (2016) contends that inequality changes as the payment for different factors of production or sectors of production changes. Thus, in the African case, the relationships of importance are between the formal, capital-intensive sector and the informal, traditional sector and between the small scale agricultural and large-scale plantation economies. In the small scale agriculture sector, incomes are likely to be low compared to incomes in the formal, capital-intensive sectors. By the logic offered by Bigsten, inequality will be reduced when every worker in African joins the formal sector. This ignores the fact that the productivity of the formal sector has historically been gained directly at the expense of small scale farms operators who have been displaced from their land. Thus, the standard development process has created the very poverty it now proposes to overcome.

Another standard economic view posits that inequality in cities is the result of overpopulation either 1) because it intensifies the scarcity of land and increases the labor-land ratio, or 2) because of the "urbanization of poverty"—the movement of the poor from rural areas to cities in the mistaken expectation that they will be better off (Obeng-Odoom 2010; 2017). This analysis fails to consider the possibility that the causal relationship is the reverse—namely, that poverty and landlessness have been the major factors causing the growth of population (Remoff 2016).

Another explanation of urban inequality centers on human capital and how the development of technology now better benefits the most capable workers, leaving behind those with no education or those with outdated education. This is the so-called Tinbergen model, but the concept of human capital has long roots, going back to the work of Gary Becker and Theodore Schultz and, in contemporary times, to the Harvard urban economist, Edward Glaeser (Darity and Williams 1985; Hodgson 2014; Obeng-Odoom 2017).

Population-based analysis naturalizes social inequality by blaming the victims. Human capital analysis has the same effect by diverting attention away from the activities of TNCs, when, in fact, TNCs are complicit in the production, maintenance, and extension of inequality. As monopolists, TNCs are usually price givers, their activities are price determining, and they often increase prices to enhance their own profits, even if, as in the case of SODECI, the state attempts to counteract some of the price increases. Even where TNCs are oligopolists—as in the case of oil TNCs—they have a strong effect on determining windfalls and the capture of rents, with little regard to their average cost of production.

The Ideology of the Resource Curse Thesis

One of the most influential ways of analyzing resources in Africa is the resource curse thesis. The major strategic significance of this thesis is that it turns attention away from the methods by which TNCs continue to extract economic rents from Africa or invite foreign military assistance to protect their assets. It focuses instead on the presumed deficiencies of Africans in managing their own affairs.

Auty's Recent Prominence

Richard Auty is widely referred to as the person to coin the term "resource curse" (Frankel 2012; Papyrakis 2017; Gilberthorpe and Rajak 2017). Auty (1993) sets out to show the failure of the former conventional view that a natural resource endowment helps economies at the beginning of their development process, even if the importance of resources decline over time as other sources of productivity replace raw material extraction. In place of that relatively benign view of natural resource endowments, Auty (1993: 1) sought to show that those endowment impede the development process:

> However, a growing body of evidence suggests that a favorable natural resource endowment may be less beneficial to countries at low-and mid-income levels of development than the conventional wisdom might suppose. Two important pieces of this evidence are the developing countries' postwar industrialization efforts and the performance of the mineral-rich developing countries since the 1960s. The new evidence suggests that not only may resource-rich countries fail to benefit from a

> favorable endowment, they may actually perform worse than less well-endowed countries. This counter-intuitive outcome is the basis of the resource curse thesis.

Auty's concept of a resource cure quickly became part of the new conventional wisdom, being repeated by economists, planners, and politicians, as if it were the final word on the subject. It seemed to a new generation of policy-makers as if someone had finally uncovered the explanation for the puzzling congruence of increased wealth and rising poverty. This only seemed like a novel idea because most economists after World War II had forgotten that Henry George ([1879] 1979) explained the paradox in the late 19^{th} century.

Auty built his argument on a sleight-of-hand trick. He conflated two quite different meanings of economic rent: resource rents and rents from market distortions. Resource rents were observed as early as the 18^{th} century and were considered the unearned gains that came from owning a natural resource that cost less to produce or that yielded more value than equivalent resources. Thus, oil near the surface yields more rent than oil in deep deposits that requires a lot of capital to extract. Auty was certainly familiar with resource rents, but he introduced alongside them a type of rent that was invented in the 20^{th} century to deflect attention from the original meaning. Rent from a market distortion refers to the increased income that a few beneficiaries receive when government alters the market price of a commodity or service with a tariff or a subsidy. An emphasis on this type of rent derives from market fundamentalism, the belief that market-clearing prices always represent the most efficient price in social terms and that government action that distorts market prices is evil. By conflating these two categories of rent, Auty was making his ideological beliefs seem scientific.

Auty (1993) argued that high rents created closed economies with little international trade. What he had in mind in that case was the temporary use of high tariff barriers to enable developing economies to create capital-intensive industries that could eventually become competitive. This protectionism in the service of an autarkic industrial policy was in sharp contrast to the experience of Taiwan and South Korea that he presented as a successful case of competitive industrial policy which they had to develop in the absence of a resource endowment. Auty

(1993: 2) deemed international trade a blessing, and he declared resource endowments as a curse, even though he really meant that any attempt by government to create an internal market with protectionist policies was a curse:

> By the time the larger countries (like China, India, Brazil and Mexico) encountered the AIP (autarkic industrial policy) foreign exchange constraint in the late 1960s (as their primary product exports shrank relative to the size of the rest of the economy) their industrial policy was difficult to reform. This was due to entrenched powerful vested interests that benefited from the rents (returns in excess of normal profits) which were created by the protection of more and more industrial sectors from international competition.

Using a skilful conflation of two types of rent, Auty consigned countries with natural resources to failure by arguing against protective tariffs that would create a group of entrenched interests.

There was more to Auty's argument than a simple confusion of two types of rent. He also argued that the resource curse was tied to the structure of extractive industries, which made them inherently harmful to the nations where the resources were located. As Auty (1993: 3) explained:

> Mineral production is strongly capital intensive and employs a very small fraction of the total national workforce with large inputs of capital from foreign sources. Consequently, the mining sector displays marked enclave tendencies. This means that it yields modest local production linkages. [The mining sector] also displays low revenue retention since a large fraction of export earnings flow immediately overseas to service the foreign capital investment.

This abstract argument is meaningless. In the case of a deposit that yields no resource rents, it would be true, since all of the revenue from sales would just cover costs. But TNCs are generally attracted to countries with oil or mineral deposits that yield high rents. Auty simply ignored that fact by defining "rent" in such a way that resource rents simply disappeared.

In the normal case of deposits yielding substantial resource rents, one might think that some taxation of those rents could help the nation develop. Not correct, according to Auty (1993: 3):

> The frequent existence of substantial rents (revenues in excess of production costs and a normal return on capital) on mineral ores can, however, when captured by the government through taxation, destabilize the economy. . . . The imprudent domestic absorption of mining sector rents is capable of rendering much agricultural and manufacturing activity internationally uncompetitive. This occurs through a process known as "Dutch disease."

The Dutch disease is a relevant concern. If an oil-rich nation allows its economy to be dominated by the sale of oil, the rise in the value of its currency will make the export of other products less attractive in international markets. But there are various actions a government can take to balance the sectors of the economy to overcome the Dutch disease. In any case, the Dutch disease in no way contravenes the rationale for transferring an economic surplus from the private to the public sector.

Nevertheless, Auty convinced economists and development planners that the resource curse is a huge problem. It might take the form of fiscal indiscipline (wasteful state expenditure of oil revenues), state mismanagement (corruption), or even the pursuit of self-sufficiency or protectionism. But the conclusion was always the same: Africans are not to be trusted with natural resource revenues.

History of the Resource Curse Idea

While on its face, the "resource curse" thesis appeared novel, it is actually rooted in a long tradition of mainstream analysis. Bordo (1975) shows that John Cairnes in 1857 was the first to use positive economics methodology to study the 1851 Gold Rush of Australia, showing that the windfall had deleterious effects on other sectors of the economy. The World Bank (1988: 21) has also studied this historical situation. The mainstream Australian economist, Robert George Gregory then took over the approach to develop it further and continue to highlight a paradox of abundance. In particular, Gregory (1976) showed that the deindustrialization in Australia was directly attributable to the abundance of gold in the country. In turn, for several years, the resource curse idea was called the "Gregory Thesis" (Murray 1981).

The Economist Magazine (1977) was later to recalibrate the idea as the "Dutch Disease." Marx Corden (1981) and Peter Neary (1981) became the foremost scholars on the Dutch Disease, publishing papers (Corden and Neary 1982) that remain widely read to-date. The issue quietly shifted from the potential for de-industrialization, which, for economists, is merely a reflection of a healthy economy that is undergoing restructuring. As Neary (1982: 26) explained this nonchalant attitude toward the problem of an unbalanced economy:

> A decline in the relative size of non-booming sectors which are exposed to foreign competition is a necessary component of the economy's adjustment towards a higher level of real income. Attempting to resist this trend amounts to foregoing some of the benefits of the boom. Hence, deindustrialization following a resource boom is a "disease" requiring treatment only if a large manufacturing sector is desired for the sake of some non-economic objective, or if distortions (such as weak stickiness) impede the smooth reallocation of resources.

In effect, economists were saying that the resource curse was not a curse at all for developed economies. It was only a matter of concern for developing economies that needed to be supervised by foreign companies or development agencies for their own good.

Another Distraction: The Tragic Commons Thesis

According to the 1990s version of the resource curse, African governments are inherently corrupt and will be further corrupted by income from natural resources. The only solution in this scenario is privatization. An ally in this denigration of the African state was Hardin's (1968) "tragedy of the commons" thesis. His followers regarded Africa as a "basket case" in terms of overpopulation and the wise use of resources. These neo-Malthusians pointed to a new kind of resource curse in relation to common ownership. According to the "tragedy of the commons" idea, when natural resources are held in common they are overused and abused and they lead to pollution and exhaustion. State intervention is not ideal because the state is an inefficient manager. Thus, ownership of natural resource should be privatized. Here, there is a strong convergence with the idea of the resource curse. If Africans cannot manage their own natural resources properly, then TNCs are needed as a governance structure to solve resource problems (Williamson 1982; 2002; 2009). The rise of new institutional economics created an intellectual home for economic governance research (Boettke et al. 2012). Ostrom's (1990) emphasis on clear rules of partnership to manage the commons was part of this larger shift.

Associated with the focus on management rules was support for the view that the market demands the near perpetual drilling of oil. According to the Hartwick Rule, for instance, the managers of a resource rich economy should invest the returns from natural resources in physical and human capital to lengthen the exhaustibility period and to support society in the post-resource phase (Hartwick 1977). Milton Friedman's "permanent income hypothesis" also triggered interest in sovereign wealth funds (Alagidede and Akpoza 2015; Amoako-Tuffour 2016). The net effect of these intellectual developments was a new insistence that the market signaled more oil to be drilled over a prolonged period. According to Auty (1993: 258): "A pragmatic orthodox policy, preferably supported by effective market-conforming intervention, can achieve this."

In the new orthodoxy that rests on laissez faire ideas, the extractive sector becomes the bedrock of a resource economy and typically the bonanza of TNCs (Barkin 2017). Whereas a global free-trade regime was once justified by the classical notion of comparative advantage, the new rationale for free trade is influenced by neoclassical and new institutional economics ideas of private property that favor the market and the private sector. The classical idea of comparative advantage emphasized the nation-state as the forum for major decision-making, but since the resource curse hypothesis treats states as irresponsible, new actors were needed to fill the gap. Firms were increasingly asked to make major decisions about the "global economy," whereas nation-states were expected to limit themselves to "market-conforming interventions," valorized primarily in terms of economic growth (Daly 2017). So, in his review of Paul Collier's *The Plundered Planet*, Duncan Green (2010) styled Collier's policy recommendation as "drill baby drill." This new framework strongly favored private ownership and management of resources as the only way to overcome the supposed resource curse.

Another factor that has been used to distort perceptions has been the use and abuse of national income data to classify many African nations as suffering from the resource curse. British economist Sir Paul Collier

(2009; 2010) advances the view that the African state has been a consistent drag on economic growth and that only greater privatization of the African commons can hold the state in Africa in check. His formula for African success is not for the faint of heart, since saving Africa from itself will require foreign military intervention. This view is consistent with Williamson's (1981; 2002: 2009) idea that TNCs are efficient governance structures that perform much better than the state.

Yet, as Morten Jerven (2013; 2015) has recently shown, the standard account of Africa's growth and the role of the state is based on dubious statistical analysis and porous historical work. Economic models based on the slow growth of the 1980s and early 1990s in Africa have missed the earlier period of high growth and the rapid development since the mid-1990s. Thus, for example, the statistical techniques and data on which Collier bases his claims of a curse by natural resources and a natural disposition to economic failure and dictatorship are flawed. Analysis based on the resource curse idea has misdirected attention away from the dynamics of the world system and focused instead on the nation-state in isolation as the source of all problems. That is standard orthodoxy in the economic understanding of the state, but it fails to take into account the historically specific pressures facing the state at different junctures.

Despite its inability to explain actual historical processes, the resource curse thesis continues to be advanced. As an ideology, the real use of the resource curse thesis is not to clarify social problems but to obfuscate them by diverting attention away from their colonial, neocolonial, and imperial roots. We have seen this ploy before. Rather than face the obvious fact that Irish poverty resulted from British landlordism in Ireland, Thomas Malthus propounded the theory that they were poor because of overpopulation (Remoff 2016:872–874). In a similar fashion, the resource curse is advanced to justify the view that TNCs are the only institutions that can provide suitable governance structures for Africa. As colonial powers claimed that the inability of Africans to govern themselves justified European control, the resource curse is a diversionary ideology that helps to justify the advance of TNCs and to block efforts to regulate and transcend them.

The widespread acceptance of the resource curse thesis has also diverted attention from the desirability of African nations using the economic rent from oil and other natural resources for public purposes. According to the logic of the resource curse, TNCs are doing a favor to African nations by passing the rents along to their shareholders rather than paying a tax to the host nation, because any added state revenue would simply cause more corruption. The TNCs make some payments to states, including royalties. However, as Cyrus Bina (1992) shows, the world average of such royalties is 12.5 per cent of the value of oil extracted, whereas the African average is between 5 and 7 percent. In theory, the TNCs sometimes have leases that include provisions for profit sharing, but actual profit payments are rare since accountants can easily hide profits behind phantom costs (Bina 1992; Bina and Vo 2007). Contracts with TNCs often have exemptions that the TNCs manipulate for a kind of rent arbitrage. That is possible because the contracts are tailored to specific territories. Thus, the laws of Ghana allow TNCs to offset certain costs against rents and hence reduce the amount of expected payments to the state.

Other Ways TNCs Contribute to Inequality

There are other ways in which TNCs create inequalities. Investment in urban infrastructure is one leading channel, as Mark Lamont (2013: 154) notes in his analysis of the LAPSETT Corridor Project (Lamu Port—South Sudan—Ethiopia—Transit), which is "aimed at linking and transporting Sudan's considerable oil reserves to refineries located on Kenya's northern coast and outwards onto the oceanic shipping lanes of the western Indian Ocean and China's industrial southern coast." These sorts of infrastructure projects increase the profits of established businesses doing long-distance trade, but they also displace vulnerable groups and do nothing to help the poor urban neighborhoods that need better transportation. In that way, infrastructure supported by TNCs widens the income gap in many countries.

Supporting the planning process and financing urban infrastructure development help TNCs to skew the content of plans. Both processes favor TNCs in obtaining road building contracts (Lamont 2013; Odoom 2015). Many oil cities in Africa are increasingly being planned to support the oil companies. For example, in Sekondi-Takoradi, the Spatial Plan makes the success of oil capital central to the success of the city

(Obeng-Odoom 2013c). Research in Sekondi-Takoradi shows that low-income residents are neglected or actually removed at the request of oil TNCs (Obeng-Odoom 2014a, 2014b: ch. 5; Fiave 2017). Hotel owners, landlords, and others in the city privilege workers of TNCs over others, reserving rooms and rental units for the relatively rich workers of TNCs. Also, attention in public discourse is slowly shifting toward TNCs as the bastions of successful planning and service delivery (Obeng-Odoom 2014b). Although these TNCs report these activities as a positive contribution, there is a danger that they can easily co-opt the planning process either because local planners feel favorably disposed to them or because the companies actually influence the process.

In Port-Gentil, the oil city of Gabon, Douglas Yates (2014) shows that Elf-Gabon/Total has built roads to connect their investments, such as oil wells and plantations, to their offices (such as the Boulevard Elf-Gabon) and to separate the housing of white French expatriates from ordinary Gabonese residences. These roads, then, became symbols of both physical separation and inequality in terms of the provision of municipal services, as there were marked differences in the quality of services received in the two parts of Port-Gentil. Indeed, the process of developing housing for French workers displaced many local residents who, as a result, had to live in less desirable places. These oil houses or "concessions," notably *La Grand Concession*, were gated communities for mostly French workers and very highly placed black Gabonese. Surrounding them were the quarters of casual and contract workers of the companies. Dubbed "architectural apartheid" (Yates 2014:170), this spatiality symbolizes the urban interventions of TNCs in Africa.

Overall, cities in Africa have grown more and more unequal. The drivers are complex, but the major ones are the monopolistic and oligopolistic structures analyzed here and the differing trends of work-related practices. Socially-created rent is privately appropriated by CEOs and expatriate workers, especially male workers as they stand to take more senior roles (UNCTAD 2007; Obeng-Odoom 2014b; Obeng-Odoom 2016a). Ordinary workers have numerous grievances against the TNCs and against migrant workers, although there is little basis for the criticism of these internal migrants (Obeng-Odoom, 2014c, 2016a; Ablo, 2012). Potential workers, especially those who have undertaken specific oil and gas education, are disappointed as they have to rely on unstable market forces, based on the logic of demand and supply, for employment (Darkwah 2013; Panford 2014, 2015), which is unlikely to be forthcoming. So, they lose their meager investment by doing further courses which neither guarantee nor secure jobs in the oil and gas sector.

The environment also suffers in many ways. There is the well-known—albeit sometimes contested—issue of oil spillage, resulting in the death of animals and plants and hence the loss of biodiversity (Hilson 2014). But, there is also the less recognized, but potentially even more damaging, practice of TNCs knowingly dumping toxic fuels in urban centers in Africa. These practices are mainly carried out by traders in the downstream (retail) parts of the industry.

As cities in Africa become bigger and more populated, so too does the concentration of toxic chemicals in the air. Africa's mega cities—Lagos and Dakar—are much smaller than Beijing in China, but they are much more polluted (Public Eye 2016: 5). The TNCs involved in exporting and importing contaminated oil can be vastly different, but they may also be the same. Shell, for instance, plays both roles in different parts of Africa. Sometimes, they may sell refined oil products, but they are hugely expensive and hence create the conditions in which polluting fuels are purchased. Imported fuels are harmful to human life. Indeed, 80 per cent of all diesel which the Swiss traders and others export from ARA to Africa are 100 times more sulphurous than what is permitted in Europe (Public Eye 2016:5). The fuels also contain aromatics and benzene, whose use is barred in European and American markets because they are harmful (Public Eye 2016:6). Fuels sold in Africa are prepared through the blending of waste products from companies in Europe and the United States with cheap chemical ingredients. They have been proven to be harmful to humans: at least 25,000 people will die prematurely in Africa as a result by 2030, and 100,000 will die by 2050 (Public Eye 2016:6). In Kenya, for example, the costs associated with pollution-related diseases exceed $1 billion (US dollars) (Public Eye, 2016:10). These fuels are corrosive and hence they also destroy car engines (Public Eye 2016:21). These practices amount to taking high grade resources from Africa, and spitting back degraded and polluting oils.

This evidence clearly shows that reliance on corporate monopolies, oligopolies, local content rules, or social responsibility principles creates major problems. Although the intentions of some TNC managers may be good, there are structural reasons why powerful companies continue to exploit and cause damage to countries in Africa. Similarly, depending on foreign direct investment leads to deleterious consequences. TNCs are able to co-opt the planning process and privatize the urban commons. In theory, we expect that, in urban governance as DED, there are opportunities for voice and exit mechanisms to address these limitations, but do those mechanisms work? Can TNCs be made accountable to their host countries?

Limited Accountabilities

Although TNCs engaged in extracting resources from Africa may increase national income, at least in the short run, we must ask whether they benefit Africans in the long run. Since they repatriate most of the rents and leave little petroleum in Africa that might be used as the basis of internal development, it is not clear that the ledger is balanced. In order to truly be a benefit for Africans, TNCs would need to be accountable to Africans. How might that be possible? Specifically, how might Africans dissent from the actions of TNCs operating on their soil?

Voting is one way to voice disagreement. But, as TNCs are not elected, elections as a means of controlling them is limited. Using the courts of law, the legislature, popular pressure through public opinion and civil society activism are additional mechanisms of accountability. The media can be used to investigate the actions of TNCs, especially if uncensored. How these mechanisms work in practice requires some analysis.

In African courts, many TNCs have legal protections. They tend to invoke the law to avoid accountability for what they do. For instance, in terms of selling toxic fuel to Africans, they do not technically breach the law because they sell fuels which, although they know are harmful, do not violate local laws. Indeed, they recalibrate the amount of poison whenever nations change their regulations (Public Eye 2016). But even when they clearly are answerable, they invoke international law for protection. In the infamous *Tsatsu Tsikata v the Republic of Ghana* case, Tsatsu Tsikata, a key actor in the discovery of oil in Ghana, was charged with willfully causing financial loss to the state. A potential witness in the case was the International Finance Corporation (IFC), which was founded on the vision of the oil magnate, John D. Rockefeller (IFC 2016:27). Although Tsatsu Tsikata argued in court that he wanted IFC to testify, the latter invoked immunity from domestic court processes under international law, and hence refused to answer questions in the Ghanaian courts. Tsikata was jailed in 2008, but he always maintained that the IFC's refusal to testify was a major element in his case (African Commission 2006). While the Supreme Court of Ghana held in 2011 that the IFC as a legal entity was accountable to Ghanaian law, it also noted that the employees of the IFC are immune to Ghanaian law (Benson 2011).

Nigerians found a way around this problem. Their laws insisted that all TNCs be incorporated under Nigerian law. In that case, TNCs in Nigeria become fully subject to Nigerian Law. That is a double-edged sword. TNCs found guilty can plead independence from the parent company (Amao 2008). Indeed, even if Nigerian courts find the TNCs culpable, compensation will be limited, as will real enforcement (Abusharaf 1999). Such were the issues in a recent case in which Royal Dutch Shell was sued in London by two Nigerian oil communities, the Bille and Ogale groups. According to the British representative of the communities and media reports, the suit was taken to the London court because it is easier for the oil company to influence local courts and, even if they fail to do so, the Nigerian state is less likely to be able to enforce judgment against the company (Reuters 2017).

Yet, the bigger principle in pursuing a Nigerian case in a British court is that Royal Dutch Shell Company, headquartered in the UK, is directly responsible for the polluting activities of its subsidiary company in Nigeria called Shell Petroleum Development Company of Nigeria (SPDC). In which case, two—not one—defendants would be pursued: SPDC in Nigeria; and Royal Dutch Shell Company in the UK. As it turned out, the British judge ruled that SPDC is an entirely separate entity from Royal Dutch Shell, the parent company of SPDC (Schaps and George 2017). It follows that, in this case at least, a major TNC is using organizational structure not only or even mainly for transaction-cost economizing, as Oliver Williamson (1981; 2002; 2009) argues, but rather as a legal strategy for antisocial activities of destroying the environment and the livelihoods of entire communities—without taking responsibility.

More fundamentally, it follows that the actions of former colonial states support their TNCs to re-legitimate control over former colonial territories. As a case-in-point, President Trump signed a bill to repeal Section 1504 of the Dodd-Frank Act, which required TNCs from the United States to disclose their financial payments to states in Africa, especially, and their purpose of those payments (Guillén 2017; Lynn 2011). That provision in the Dodd-Frank Act was passed in response to public demands for TNCs to be more accountable. With its repeal, US-based TNCs can now freely seek to pursue their self-interest without being accountable to citizens either at home or abroad.

The resort to the many international agreements and codes about TNCs provides yet another channel to seek accountability. The difficulty, as many legal scholars have shown, is that most of these documents are not legally binding, many TNCs are not signatories, and even when they are binding and apply to certain TNCs, they do not deal with the relevant issues (Amao 2008; Ekhator 2016). Most codes and agreements deal with transparency and similar issues, not questions of accountability.

The media could, in principle, be a powerful check on the power of TNCs. In practice, as a major study in Nigeria, Uganda, and Ghana shows, transnational petroleum companies pay for favorable stories to be published or unfavorable ones to be censored (Behrman et al. 2012). When they do not seek to compromise professional journalistic standards, they deliberately feed journalists press releases that romanticize the activities of oil TNCs. The media are largely owned by people who are sympathetic to international banks and other TNCs, or they are controlled by oil companies and other commercial giants through their purchases of advertising space. Whichever practices are in play, they shut off the free flow of information and ideas, which Jurgen Habermas regarded as the essence of communicative rationality.

New media or social media can be an alternative but, in most of Africa, the technology is limited to the most well-resourced and hence is not democratic (Murphy and Carmody 2015; Gyampo 2017). While these new media outlets are potentially very important, the lack of checks and balances on their reporting make them vulnerable to manipulation. Therefore, they have the capacity to mislead the unsuspecting public. Both traditional and new media outlets have few journalists with the experience, training, and competence to cover technical oil matters. Often they are not nuanced in their approach and hence focus solely on accounts of the "resource curse." These types of stories serve to draw attention away from more fundamental contradictions and asymmetries of power between host countries and the TNCs that extract oil. These dynamics make it easy to manipulate public opinion through media, movies, and magazines.

But even when journalists get their stories right, they struggle to take on the sheer power of TNCs and their legal arsenal in the courts. TNCs, then, in essence, have only partial accountability but great power, including the power to dictate the pace of urban development against the wishes of the people. The international media can, in theory be supportive but, in practice, they tend to toe the line of TNCs from the countries where they are located. Thus, in 2009, when Gabonese in Port-Gentil protested the domination of the Gabon economy by the French oil giant, Total, the media simply reported Total's version of events. The media made it seem that Total is a reasonable company, which faces the challenge of rioting by Africans, a view that portrays the French as victims (Yates 2014).

Many of these tensions and contractions persist because of the transnational nature of TNCs. Transnationalism does not just mean TNCs work in different countries but also it means they are structured in different ways. So, even though they bear the names of the countries in which they operate, their structures are split around the world. The oil company "Total Gabon," operating in Gabon is headquartered in Paris, France. Tullow Oil Ghana working in Ghana is headquartered in London. Kosmos Ghana operates from Hamilton, in the United Kingdom. Anadarko in Ghana is headquartered in The Woodlands, Texas, USA. Hess Ghana is headquarted in New York. Eni Ghana is located in Rome, Italy (Obeng-Odoom 2014b:51–52; Yates 2014). Of course, there are the national and local oil companies headquartered locally but they are less powerful than the TNCs.

The Remedy: Sharing the Africa-wide Commons

I previously suggested that the standard remedy offered to counteract the intrusive power of TNCs is either greater regulation or withdrawal from globalization. For example, the United Nations Office of the High Commissioner on Human Rights (2016: 5) is promoting tighter regulations, but only with respect to TNCs and human right abuses:

> Violations of human rights by such entities, for example in the areas of child labor, environmental degradation and decent work and wages, affected marginalized and impoverished groups disproportionately and exacerbated existing human rights concerns.

Although human rights abuses are important, "an international legally binding instrument" to implement human rights principles does not fully grapple with the socio-economic, political, and ecological contradictions I have demonstrated, at the sub-national level. The G7 CONNEX Initiative recognizes a power imbalance between TNCs and states, but it conceives of this imbalance only in terms of contract negotiations. Hence the name CONNEX: Strengthening Assistance for Complex Contract Negotiations (G7 2014). According to the G7 (2016) Guiding Principles of CONNEX:

> The G7 Initiative on "Strengthening Assistance for Complex Contract Negotiations (CONNEX)," launched at the G7 Brussels Summit in 2014, aims to provide developing country partners with multi-disciplinary and concrete expertise for negotiating complex commercial contracts, with an initial focus on the extractives sector. The CONNEX Initiative is designed to ensure such complex commercial contracts are well-conceived and well-negotiated for a host country's successful and inclusive development, while protecting interests of the host country and investing companies.

Still Unbalanced: The New International Economic Order

CONNEX is part of the new international economic order in Africa. Contrasted with the old international economic order, it seeks to enhance the sovereignty of countries, free the forces of industry to co-operate with nations, and empower the nation-state to be a partner to

T4 TNCs. Table 4 describes other approaches and contrasts such new approaches with the old international economic order.

Under the new economic order, the attempt is to gain control of a nation's resources. Africa's leading scholar, SKB Asante (1979: 346–347) stated the test of effective control as follows:

> In the transnational investment process, control involves the exercise of decision- making powers in such vital operational and managerial matters as budget, expansion and development programs, appointment of

Table 4

Options on Regulating and Controlling TNCs

Old Economic Order	
Concessions	Power of operation, management, and control are centered fully on TNCs
New Economic Order	
Nationalization	Power of operation, management, and control are nominally centered fully on the state
Joint Ventures	Public-private partnerships (PPPs) in which power is shared between the state and TNCs
Service Contracts	Service contracts insist that the state is owner and the TNCs are service providers only.
Technical Assistance	Arrangements in which the TNCs are seen primarily as contractors, bearing no or very little cost of risks. In practice, they tend to give operational control to TNCs.
Production-Sharing Agreements	Contractual agreement in which the state is deemed co-manager of extractions. In practice, operations management is left in the hands of the TNCs.
Local Content	A form of PPP in which the state nudges TNCs to indigenize

Source: Adapted from Asante (1979)

> top management, pricing, marketing, declaration of dividends, borrowing, reorganization, procurement of equipment, and the integration of the undertaking with the developmental objectives of the host countries. Thus, the proper test of the viability of any new arrangement purporting to vest control in the host government is: Does the restructuring effectively transfer the power to make or influence the critical decisions on these specific matters at both the board and management levels?

This is an exacting test, but it does not end there. Asante (1979) suggests that control also means taking over management, restructuring the fiscal regime to be able to direct TNCs to reinvest their profit in the resources sector, and being able to galvanize and mobilize scattered indigenous shareholders in times of need.

None of the mechanisms in table 4 satisfies the test. Often, TNCs reserve veto power in their agreements with resource nations. Others classify their shares or the shares of the state in ways that disadvantage the voting power of the state. Local shareholders can also be so scattered that it is difficult to mobilize them to effectively control TNCs and the resource sector. But even when all these barriers are not present, there is an imbalance in technical expertise. If people loyal to the nation-state lack expertise in operations and management, public control becomes a Herculean task (Asante 1979).

One area that Asante does not investigate is what happens among workers of TNCs. If, as Henry George showed, there is both individual and associated interest in the work of labor, should workers not have a say in the control of their associated labor (Obeng-Odoom 2016c)? And, as our object of analysis is natural resources, free gifts of nature, should communities not play a greater role in the governance of the commons?

Hope from Georgist Strategies

None of what is on offer—whether old or new—addresses the unique subnational contradictions I have addressed earlier. The issues under consideration are both *systemic* and *structural*. George ([1883] 1981:99) showed how much of a slave a society will become if its common land is privately appropriated:

> To drop a man in the middle of the Atlantic Ocean and tell him he is at liberty to walk ashore, would not be more bitter irony than to place a man where all the land is appropriated as the property of other people and to tell him that he is a free man, at liberty to work for himself and to enjoy his own earnings.

Georgist policies offer three interrelated solutions to treat nature as a common resource. The aim of these policies is to *dissolve* monopolies, *prevent* the formation of new monopolies, and *diffuse* prosperity throughout the economy.

Dissolving monopolies can entail the appointment of native managers to occupy the commanding heights of the TNCs in an effort to indigenize TNCs and return the commons to local control. Since TNCs are hydra-headed, with dozens or hundreds of subsidiaries, this sort of transfer of control will require a concerted effort by many nations acting in concert to regain control of their own resources. However, a mere transfer of power within a framework that treats land as a private commodity would not be adequate.

African appointees to head natural resource companies will need to consider land in ways that *prevent the formation of new monopolies*. A locally controlled monopoly is only slightly better than one controlled by a foreign company. Adopting a tax on land to capture any socially created value will remove the incentive to monopolize windfalls and discourage speculative investors. An oil tax does not discourage investment as the resource lobby often claims. In Australia, for example, at least two decades of implementing aspects of a Petroleum Resource Rent Tax (PRRT) has rather expanded revenues. An average of A$2.7 billion per year has been added to the public purse. So, Georgists have been proved right, providing a basis for reworking the PRRT along the lines recently proposed (Murray 2017).

Once a system is in place to capture the economic rents of natural resources, the public can benefit. The revenue from an African Petroleum Resource Rent Tax (APRRT) could be used in a way to *diffuse prosperity*. This could be done in two ways: by direct transfers to citizens or by expenditure on public goods. As an example of the first method, Alaska has been distributing a portion of the state's oil revenues directly to citizens since 1982 (Groh and Erickson 2012; Erickson and Groh 2012). The second method is the more traditional creation of public goods by government through investment in social infrastructure (education, health, and accommodation) and physical infrastructure (water supply, rail transport, public bus systems, public bicycles, and public parks). Both methods disperse wealth that was collected by the state on behalf of its citizens.

Weak Tax Capacity in Africa

This Georgist strategy is not without its difficulties. In much of Africa, the state's capacity to impose taxation is weak. Colonialism with its arbitrary amalgamation of groups led to fragmentary states. That is coupled with the activities of powerful TNCs and years of aggressive neoliberalism, which has undermined the African state. All of those factors tilt the balance of power away from the state. As a result, the state in Africa has been left severely handicapped.

There are other limits on tax capacity. Logistical constraints are a well-known problem, as are legal constraints, both locally and globally. The World Trade Organization has rules that block certain forms of taxation of TNCs. Other external agencies put pressure on states in Africa to completely change tax laws to create a good business environment.

The residue of colonial planning, with its top-down approach, has not helped. Many citizens do not support the payment of a tax, as the state seldom communicates with them regarding policies of tax collection nor the uses to which tax is put (Boamah et al. 2012). Competition between the central and local state, especially where the various states are run by different parties and socio-ethnic groups, is another barrier (Obeng-Odoom 2017). Crucially, propertied classes tend to resist any attempt to improve the capacity of the state to perform its social roles.

Continuing Interference from Colonial Powers

More fundamentally, local governments were set up as instruments of co-option, rather than as vehicles of urban and regional transformation (Obeng-Odoom 2013b). They were intended to deflect attention away from how central governments and states gain power and maintain it as well as provide an avenue for direct state control. Merely being involved in local activities was intended to make people *feel* that they were effectively participating in governance and hence effectively part of the system. Neo-colonial forces continue to preserve the status quo by removing African leaders who try to fundamentally change the system. The removal of Laurent Gbagbo of Cote d'Ivoire in 2011 is an example. Although widely seen as a case of an African leader refusing to accept the results of an election, the Ivorian case is also a story of continuing French intervention in Cote D'Ivoire and of how any attempt to break its monopoly leads to local "crisis." As Ademola Araoye (2012:10) notes:

> These intermestic forces are explicitly implicated in the Ivorian crisis. A defining and distinguishing attribute of each of the contending political forces is where it stands in relation to the France *problematique* in Cote d'Ivoire, indeed in Francophone Africa. The Ivorian state ultimately is an instrument to project the interest of whichever of the internal contesting forces and their transnational allies succeeds in appropriating it. It is also an instrument of France to advance its economic as well as strategic interests.

In Port-Gentil, Gabon, the French built a military base near the shanty towns where they perceived the most discontent to be. This strategic location enabled the speedy deployment of the army to suppress dissent (Yates 2014). In short, the structures for bureaucratic resistance are well organized.

Evidence of African Autonomous Action and Possibilities for the Future

Recent evidence in Africa, however, gives some hope. The Nigerian courts have ruled that TNCs are subject to local laws. Indeed, as handed down in the *Gbemre v Shell and Two Others* case, even where local laws are not comprehensive enough, they have accepted that the *African Charter on Human and Peoples' Rights* is applicable to Nigeria (Amao 2008). It follows that (1) Africans can unite to set African-wide policies that are applicable on home grounds and (2) the courts in Africa can take a more purposive, living, and socially just approach to legal interpretations. In the latter sense, the recent marked departure of the Supreme Court of Ghana from the literalist to the purposive approach to constitutional interpretation is encouraging. Ghana's leading legal scholar and former Supreme Court Judge, Justice Date-Bah (2015), has discussed this in detail.

The aspiration of some central governments in Africa (e.g., Ghana's) to elect mayors can sharpen competition between them and local governments. At the same time, however, greater downward accountability can provide the basis for creative co-operation among cities and between urban authorities and urban commoners in joint and multiple struggles to govern the city.

Sierra Leone—a country with severely limited forms of local governance—offers some lessons. Local governance in the country is based on the principle of direct election of mayors for a single term of four years. To overcome major political differences between the central and local governments, local governments in Makeni, Kenema, Bo, and Freetown have shown that, through local taxation, it is possible to generate substantial local revenues, limit dependence on central government funding, and hence central government control of how to deliver local services (Jibao and Prichard 2015).

With all their limitations, elaborate local government systems operate in Ghana, South Africa, and Uganda—all of which are resource states (Obeng-Odoom 2013b). There is also occasional assertion of decisive central state power. One such utilization of power is the recent concerted effort by Nigeria, Benin, Togo, Ghana and Cote d'Ivoire in working towards banning toxic fuel exported to their countries by TNCs (*The Guardian* 2016). For those cities which, in spite of their shortcomings, try to consistently collect local revenues, over 80 per cent of local activities can be financed that way. In the Sekondi-Takoradi Metropolitan Assembly (STMA), for example, the revenue from property rates alone funded nearly 8 in 10 urban infrastructural projects between 2006 and 2013 (Mabe and Kuusaana 2015).

More can be done to increase local revenues to fund the major infrastructural deficit in the metropolis (Owusu and Afutu-Kotey 2010). More fundamentally, the tax will need to be explicitly redesigned and implemented as a mechanism for reducing economic inequalities by placing it on land rent along with untaxing labor. There is a rent tax in operation, but it is based on contractual rent paid by the occupants of rental housing to landlords. This rent tax is poorly assessed, being dependent on self-declarations by property owners of how much rent they take and it is only 8 per cent of rent income (Obeng-Odoom 2014b).

There are obligations on TNCs to make royalty payments too. But, in Ghana royalties are pegged at a mere 5 per cent, much lower than the global average of 7 per cent. Even this rate can be, and often is, further mitigated by transfer pricing. Expatriate workers are exempted from the payment of income tax, but not local labor, thereby institutionalizing a labor aristocracy. The fiscal regime does not include a windfall tax on super normal profits by TNCs (Obeng-Odoom 2014b: chapter 8).

The tax system as a whole can be changed to reward effort and discourage speculation and monopoly by shifting the object of taxation to land and away from building costs. As land values in resource-rich cities are rising, a tax on land will increase the revenue to the state, especially if the legislation introducing such a tax does away with the many exemptions granted to TNCs. The income tax can, then, be gradually removed. Removing taxes on labor will enhance its conditions and create incentives in all markets. As disposable incomes rise, there will be an increase in local purchases, which in turn, will stimulate more economic activity, resulting in a virtuous cycle. The added economic activity will enhance land values, and hence add to the public purse. The process itself will also generate revenue and cultivate experience for a social, Georgist state.

A tax shift also appears consistent with popular demands. Surveys reveal the preferences of urban residents as a guide for public policy. A survey by Wilde, Adams, and English (2013) showed that road construction was one of the three least preferred options of the ten offered for selection. Another survey showed that the residents of Sekondi-Takoradi ranked road-building very low, even though road construction is the top priority by TNCs, with government support. A credible survey in Ghana by the Friedrich-Ebert Foundation (2011) shows that public education and public investment in energy are the two top priorities of the youth of Ghana. Energy self-sufficiency was a high priority (Obeng-Odoom 2015a, 2015b).

Breaking private monopolies and oligopolies can be done by organizing public provision of water supply, oil production, and oil refining at the local, urban level. A network of cities in Africa also collaborate to deliver such services. In doing so, the politics of these new institutions will be such that the public is neither exploited nor excluded. Merely expressing such ideas will not take the continent far enough. Activism and public activities are needed to hold TNCs and states to account. Finally, more work is needed to create inclusive social relations to ensure that public will benefit from the commons that exist across all of Africa. That work both underpins and results from improved urban governance in Africa.

Conclusion

Most studies of corporate influence on developing nations consider the nation as a unit, without breaking it down into analytic units. In this article, I have examined the ways in which corporate power, particularly in the extractive sectors of the economy affects cities in Africa. This perspective enables us better to understand how the African commons is being disrupted by regimes of power imposed from outside.

Mainstream economics theories have viewed transnational corporations (TNCs) as benign forces that operate in cities but do not shape them. They are presumed to be engines of growth that function in the background, never interfering in the domestic affairs of the countries where they operate. Marxist theories of TNCs recognize that they are often malign sources of social and economic inequality, but those theories lead to non-viable solutions such as avoiding trade or withdrawing from globalization. The Georgist remedy for dealing with inequality is better: encourage trade, but capture the surplus benefits of it for the public. But even that is only an economic remedy. To solve the problem of urban governance, I propose a "DED framework" of devolution, deconcentration, or delegation. This provides cities with the degree of autonomy they need to function effectively.

I then turn to a practical example of how SAUR, a global water utility has managed to gain control of a strategic resource in Abidjan, Cóte d'Ivoire by operating as a resource monopolist. Although the water service it provides is inefficient and fails to serve the poor, it is under no pressure to change because of its political connections. This is typical of private resource monopolies in Africa, which function as the latest instruments of neocolonialism. Once TNCs gain control of a natural resource, they can use that position to leverage other privileges and become de facto governing bodies.

The same pattern is followed with petroleum. Although oil companies have never received any formal authority to make urban policy, they have become the de facto governing authority in many African cities. On the surface, they are good citizens and follow the guidelines for corporate social responsibility. But because of their economic power, they are able to substitute for the voice of the people in planning the future of cities, particularly regarding transportation. Since roadways are the arteries of cities, petroleum TNCs are in many ways more powerful than local governments in determining the structure of cities. An even greater cause of concern, however, may be that the oil being currently produced in Africa is mostly exported rather than being used for economic development within Africa. Once again, this points to the continuation of neocolonialism in the guise of TNC control of natural resources.

However, the failure of Africans to gain benefits from petroleum deposits on their territory is rarely recognized as a product of neocolonialism. Instead, Africans are blamed for this situation. They are, according to a popular theory, the victims of a "resource curse," according to which oil-rich countries will inevitably be corrupted by their wealth, which leaves no choice but to privatize the rents created by those oil deposits. It is a convenient argument for, once again, exploiting Africans and claiming it is for their own good.

Given the numerous assaults on the dignity of Africans by TNCs, it is natural to wonder why African leaders tolerate the corruption that enters countries via TNCs. But if one looks carefully, it is evident that holding TNCs accountable is a formidable task. For example, they can pollute the environment with impunity because a parent company can hide from accountability by layers of subsidiaries and holding companies. More broadly, the legal system in many African countries is little more than a tool of TNCs when their interests are at stake.

The remedy that I propose to resolve the tension between the need for technical assistance from abroad and the costs of accepting it is to reclaim the African commons for the people. Specifically, I propose that Africans develop policies that can *dissolve* monopolies, *prevent* the formation of new monopolies, and *diffuse* prosperity throughout the economy. By adopting a tax on land values, not only will resource rents be transferred to the public sector, but the corruption that occurs when rents are privatized will be diminished. If there is little left to take, there is also nothing to fight over. Thus, one of the key remedies lies in the development of tax capacity in host governments. If the rents that currently give rise to conflict and exploitation can ever be fully captured by governments in lieu of other taxes, Africans might finally have the chance to develop their countries on their own terms, not based on the dictates of neighbors.

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