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**Bula Matari, Big Men, and the State: A Political Economy of  
Politics and Development in Ghana**

By

Scott Lewis

A thesis submitted in partial fulfilment of the requirements for the  
Master of Arts in  
International Development Studies  
at  
Saint Mary's University  
Halifax, Nova Scotia  
April, 2003

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## **Abstract**

Bula Matari, Big Men, and the State:  
A Political Economy of Politics & Development in Ghana  
Scott Lewis  
Submitted: April 28 2003

This thesis examines the nearly perpetual crisis of the state in Ghana, and specifically the co-option of state and government mandates by narrow portions of Ghanaian society, often with external interference, and the impact that this has had on Ghana's national development. This study focuses on the role of Ghana's political leaders and their regimes since independence. The primary relationship that will be investigated will be how politics has effected Ghana's development since it became an independent country in 1957. The majority of this thesis will focus on two Ghanaian leaders, Kwame Nkrumah and J.J. Rawlings. These two leaders embody the themes and undercurrents of Ghanaian political leaders; namely the utilization of the state apparatus for personal wealth accumulation and/or to transform 'small boys into 'Big Men' via the state.

## **Acknowledgements**

To begin, I would like to thank my supervisor Dr Suzanne Dansereau for all her hard work, dedication and comments during the writing of my thesis. I would also like to thank Dr Peter Arthur for his assistance and flexibility under a tight schedule; and to Dr Francis Boabang for coming on board at such short notice and to all three of my committee members for their efforts in allowing me to complete this thesis in a timely manor.

I would like to thank some friends who have been instrumental during my time in Halifax, wherever they may be; Chris Steininger, Janet MacPhee, Norm Heinrichs-Gale and the community of Schloss Mittersill, Douglas Adams, Cheryl Toms, Carlye Watson, Charlie Masters and John Newton.

I would be remissed if I did not thank St Paul's Anglican Church Halifax, NS and St George's Anglican Church, Lowville, ON, - both of which have helped me financially and have been instrumental in my development.

I would like to express my appreciation to my professors, my fellow students, and the many people that were so welcoming to me during my exchange at the University of Ghana. Habib, I hope you are well wherever you are.

Finally, I would like to thank my wonderful family - my parents Ed and Dyanna, as well as my sister Cathy Reid, to whom I owe a huge debt of gratitude and without whom university would still be but a dream.

Any errors within this thesis are the sole responsibility of the author.

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## **Abbreviations**

AFRC	Armed Forces Revolutionary Council
BWI	Bretton Woods Institutions
CPP	Convention People's Party
ERP	Economic Recovery Programme
GDP	Gross Domestic Product
GNP	Gross National Product
HDI	Human Development Index
IFI	International Financial Institutions
IMF	International Monetary Fund
JFM	June 4 <sup>th</sup> Movement
NDC	National Democratic Congress
NLC	National Liberation Council
NLM	National Liberation Movement
NRC	National Redemption Council
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment
PDC	People's Defense Committees
PNDC	Provisional National Defense Council
PP	Progress Party
SAP	Structural Adjustment Programme
SMC	Supreme Military Council
UGCC	United Gold Coast Convention
UNDP	United Nations Development Programme
WB	World Bank
WDC	Worker's Defense Committees

**Bula Matari<sup>1</sup>, Big Men, and the State:  
A Political Economy of Politics & Development in Ghana  
Chapter One: Introduction**

Today, after nearly fifty years of independence, the majority of Ghanaian people suffer from unstable and under employment<sup>2</sup>, marginalization through increased user fees<sup>3</sup>, and a crippling national debt<sup>4</sup>. Ghana currently occupies the 119<sup>th</sup> out of 177 spots on the United Nations Development Programme's (UNDP) Human Development Index (HDI). (UNDP, 2000:147) Ghana has seen much political turmoil and experienced little improvement in the quality of life of its citizens since its independence from the British in 1957. Those who have benefited during this period have had strong ties to the reigns of power and/or foreign investment. The culmination of this has led to the co-option of state control for the benefit of the few, at the expense of the majority, which has had the effect of distorting and derailing development policy.

Further evidence of developmental failure in Ghana is the country's recent acceptance into the World Bank's Heavily Indebted Poor Countries (HIPC) program, nearly twenty years after beginning Structural Adjustment Programs (SAP). SAP was originally implemented as a stabilizing measure for the economy

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<sup>1</sup>. The term 'Bula Matari' arose as a 'nickname' for Henry Morton Stanley, as he traversed the Congo River in 1880. Bula Matari, literally means 'he who crushes rock'. Over time the term came to be a symbol of the absolute brutality and resolve the European explorers, and the European colonial domination in Africa. (Young, 1994:1)

<sup>2</sup>Conservative estimates put Ghana's unemployment rate at 20%. (Kondadu-Agyemang and Takyi, 2001:29)

<sup>3</sup> This has taken place in health and educational areas, such as a 50,000 Cedi deposit required for all in-patient hospital procedures. (Hutchful, 2002:130) This amount would be equivalent to 15-20 days work at minimum wage. Similar deposits have also been implemented within the university setting, causing undue hardship to students and a barrier to education.

<sup>4</sup> Ghana's national debt is estimated to be US\$7.5 Billion dollars, roughly equal to Ghana's GDP per annum. (Kondadu-Agyemang and Takyi, 2001:25)

with the end goal of adjusting the economy towards a market driven state. However, through a series of policy failures, program defects, and external economic shocks, not only does SAP continue in Ghana but they are also heavily indebted which was not the case prior to the implementation of SAP. Foreign interference continues to limit the policy choices available for Ghanaian politicians. Heavy foreign intervention in the form of aid and loans have predominantly been fueling improvements in Ghana's development over the last twenty years, and thus questions remain surrounding the sustainability of the improvements as well as the market reforms that have been implemented. This is evidenced by Ghana's national debt which increased by a multiple of five between 1980 and 1999. (Konadu-Agyemang and Takyi, 2001:25)

The central objective of this thesis is to investigate the development failures in post-colonial Ghana. More specifically this study focuses on the role of politics within Ghana and how this affected and hindered Ghana's development. Ghana's development policies have often been fueled by narrowly defined objectives, and have been geared towards benefiting limited portions of Ghana's population at the expense of the 'bigger' picture of Ghana's development as a self-sufficient and prosperous country.

The genesis for this study came while I was on an exchange to the University of Ghana. During my time in Ghana a particular phenomenon within Ghana's social construct became evident. This has been described as the 'Big Man-Small Boy' syndrome and in essence explains the composition or spectrum

of social and political relationships in Ghana. An example of the aforementioned spectrum can be seen through the microcosm of the Ghanaian University setting. Essentially, professors appeared to be on a different stratum than the students, where the professor spoke and students listened. Any breach of this protocol was seen as disrespectful to the professor and would not be tolerated. In turn, the students were seen as generally above the rest of the population, and were even revered for getting that far in society.

The Ghanaian university setting gives an elucidating window as to the social composition of Ghanaian society. Within the university spectrum students were viewed as small boys within the formal university setting per se, but would be relatively 'Big Man' when returning to their villages on summer holidays. The 'Big Men-Small Boy' syndrome has had a lasting affect on Ghanaian political life.

The central pillar of investigation for this study will be Ghana's political leaders and regimes since independence, and how 'small boys' have used the state to become 'Big Men'. I will focus on Ghana's leaders because of the centrifugal affect to politics with respect to the 'Big Man' syndrome in which responsibility for decision making is often passed up rather than down due to the genuine fear of criticizing or showing up one's superior. Thus the focus on Ghana's leaders is justified, because of the highly centralized nature of state structures, and the moral authority that is placed on leaders in Africa. This explains both the tendency towards authoritarian rule in Africa and the often seen intolerance to criticism of government policies. My focus on Ghana's

political leaders is symbolic and representative of the deeper and more embedded rifts within Ghanaian society, along with a few examples of simply poor leadership.

### **Research Question**

My question is to examine what the direct correlation is between Ghana's development failures and its politics. Specifically, the role of the state was examined, and the state's co-optation of development programmes, often with foreign influence, for the enrichment of a few and to the detriment of Ghana's development. The source of the crisis of the state in Ghana can be traced to the pre-independent period in Ghana. A political rift began in 1949 when Nkrumah separated from the United Gold Coast Convention (UGCC), the party that originally invited him back to Ghana in order to lead, and formed his own party, the Convention Peoples Party (CPP). Nkrumah left the UGCC because of an ideological rift that hinged on varying Ghanaian attitudes towards the British colonial system.

The 1966 coup that removed Nkrumah from power set a deeply regrettable trend in Ghanaian politics, where the state apparatus was captured by a small minority of Ghana's population and excluded the majority of Ghanaians. A lasting consequence of this has been that a plethora of major economic and political decisions have been taken with little or no public consultation. For example; Kwame Nkrumah dissolved the Westminster political

system just three years after its implementation; the coup that overthrew Nkrumah and the subsequent adoption of IMF policies in 1966 were imposed without a mandate or the legitimacy to make serious policy decisions; and J.J. Rawlings, without any serious degree of legitimacy introduced SAP after an unsuccessful attempt at socialist populism and after a promise to consult the public on all major issues after his second successful coup in 1982.

Limited foci blinded politicians and policy makers to the limitations and vulnerability of having post-colonial economic structures. This is where the connection intertwines between co-option of state control, using the state as a pseudo mode of production to benefit a small portion of the population that has ties to foreign investment, which has had the effect of distorting and derailing development policy. The co-option of the state has in turn led to a weakening of the State as an institution, resulting in an increased vulnerability to coercion and influence from external forces.

## **Rationale**

This study is important for many reasons, not the least of which are the valuable lessons that can be learned from the past. There is a development adage that says that those that do not learn from their mistakes are destined to repeat them. Mahmood Mamdani (1997) talks about African history as a process, and it is only when the proper process and context have been elucidated can we begin to understand the development problems and issues facing the world

today. In Ghana, as in much of Africa, for far too long the political arena has been over-utilized as the scene of personal advancement and patronage at the cost of the African population. The former has taken place with great injury to Africa's development process. Though the immediate threat of political upheaval may have subsided for the moment, the time is now for Ghana, and for Africa, to entrench strong, reliable and transparent political institutions within the state. Failure to learn from past mistakes could reap Ghana more political instability and derail the fragile process of state building.

This study also comes at a time when the state as an institution is being challenged. There are increasing calls for the state to play more of a managerial role, and essentially let the 'logic' of the market reign free. However, if an African recovery is to occur, or even a renaissance, the state must play a key role in strengthening key institutions and becoming more self-reliant.

In Ghana, the time for learning from past mistakes and for the establishment and implementation of long-term development objectives is now! In December of 2000, democratic elections were held in Ghana which resulted in a peaceful transition of power. This was the first time in the country's short but tumultuous political history that power has changed hands from one democratic government to a different democratic regime. The new regime in Ghana, under John Kufour, is sympathetic to IMF policies and objectives, and represents a private sector dominated approach to development. Kufuor's regime highlights the difficulties of choosing alternatives economic policies while engaged in

structural adjustment policies. Now is the time to begin to reverse old trends of Ghanaian politics which has viewed the state as being an avenue of wealth generation, as well as revisiting old political disputes that have gone unsettled.

### **Literature Review**

It is part of my argument that in order to understand the root causes of Ghana's development failures, an examination of the connection between political failure is necessary. It is only when viewed through a political-economy lens that the patterns of development and underdevelopment in Africa will emerge. With foreign interference, the state has been utilized by a small portion of Africa's population to the enrichment of a few, and the poverty of the majority. To begin, it needs to be established whether there is indeed a crisis in the African state.

There is a plethora of literature on the state in Africa, along with an equally sized number of explanations for the difficulties and turmoil experienced within the state in Africa. (Rothchild and Chazan, 1988; Davidson, 1992; Osaghae, 1999) It has been nearly fifty years since the beginning of independence from colonialism in Africa. During this period it would have been reasonable to expect some progress towards the betterment of the newly formed African States. The outcome of the vast majority of African States has been less than satisfactory, to use a gross understatement. This can be seen through civil wars in places like Rwanda, Burundi, and Sierra Leone; the virtual collapse of

state structures in places such as in Somalia and Chad; and a plethora of military governments and one-party states. (Zartman, 1995; Englebert, 2000) It is a widely held idea that the state is in crisis within Sub-Saharan Africa. (Davidson, 1992; Bayart, 1993; Olukoshi and Laakso, 1996; Maclean et al., 2001).

The source of the crisis in the state can be seen through battles that take place within the state for control of scarce resources. This can be seen through the wars in the Sudan, the Democratic Republic of Congo, and the prolonged civil war in Angola. Take the latter as example, the government on average has spent annually \$US 2 billion to fight an armed rebellious group, the National Union for the Total Independence of Angola (UNITA). UNITA in return has been funded by \$500 million in illegal diamond sales. (Fituni, 1995:154) This war has been ongoing for thirty years, with no resolution until quite recently, prompting us to speculate that the state has been used as a means to personal ends with little regard to the human costs of prolonged conflicts and the embezzlement of large amounts in government funds.

One of the main problems of the post-colonial state can be summarized as the contradictory demands of accumulation and political control. (Midgal et al., 1994: 10-11) The beginning of the independence period in Africa could have provided the necessary backdrop for a separation or purging of colonial economic practices. However, most African states rather than distancing themselves from colonial economics, further entrenched colonial forms of economic activity from export dominated, primary goods production. Colonial

merchant capital was replaced with state marketing boards, which continued to expropriate surpluses from peasant farmers and redistributed the gains to other emerging sectors of society. Examples of this type of economic policies can be seen in the post-colonial development plans of Tanzania, Kenya, Senegal, Cote d'Ivoire, and in turn had serious political and social effects. (Boone, 1994: 111-13) The political theories of Ake (1996) best articulate the essence of the conflict and contradiction that has taken place in post-independent Ghana. Ake states that in the post-independent environment in Africa "[t]he struggle for power was so absorbing that every else, including development, was marginalized". (Ake, 1996:7)

### **Strong and Weak States**

A current debate taking place among political economists surrounds the nature of the African State, and whether the state as an institution is too strong or too weak. With such terms used as 'over-developed', 'over extended', 'weak', 'strong', to name just a few, valid arguments can be made to support these positions.

Theorist of the 'weak state' position assert that chronic absences of legitimacy, low degrees of national integration, poor governance and management combined with the inability of the state to maintain a monopoly on force are characteristics of a weak African state (Osaghae, 1999:184-85). Further indication of a weak state include: a chronic crisis of legitimacy; a void in state-

wide support for the government; a lack of national integration, and penetration of government programs and activities; poor governance and management stemming from a lack in transparency and accountability, in which case corruption has a tendency to become rampant; and an economic weakness and widespread poverty. (Osaghae, 1999:188-190) Consequently the state will usually need to revert to prebendal tendencies in order to maintain its power base. In this way, the weak state becomes a 'redistributor' of public goods to citizens that are well connected to the state.

A state that matches these characteristics will have difficulty implementing national economic and development programs, assuming they even have a national development strategy. This weakness will leave the state vulnerable to co-option from both internal and external forces. The absence of a national development project and a failing economy allowed J.J. Rawlings to not only capture power for the second time in 1981, but also to alter Ghana's economic and political landscape without a legitimate mandate from the Ghanaian population. (Rothchild, 1995:56-57)

This vulnerability has a tendency to be accompanied by personal rise to power, as politics is often seen in Africa as a means to economic prosperity. Ironically, the weakness of the state leads to 'strong arm' tactics. Referring again to Rawlings, after his seizure of power he used his military backing to push through sweeping economic liberalization while at the same time repressing opposition. (Dzorgbo, 2001:281) This has been termed as a 'personalized' state,

where an individual is almost embedded within the state. (Villalon and Huxtable, 1998) Sandbrook suggests the problem of institutional capacity as a cause of the weakness of the African state, but ultimately sees the failure of capitalism as the source of the crisis. (Sandbrook, 1985) Davidson (1992) is even so bold to as to claim that the nation-state in Africa is a curse. Villalon, (1998) on the other hand does not seem to be able to pin down whether the African state is too weak or too strong. Arguments are made for both these positions but he does manage to decide that the African state is at a 'critical juncture'. (Villalon, 1998:15)

The irony of this debate is that the conditions previously mentioned can apply almost equally to either an overdeveloped or underdeveloped state. For though a state may appear to be 'strong', 'over-extended', or 'hard' through patrimonial and authoritarian measures, it is ultimately acting out of a place of weakness. This demonstrates weakness because of the government's inability to penetrate all sectors of the state without having to resort to coercion or bribery. Heavy-handed state control is only necessary where there is an absence of legitimacy in a regime. (Zartman, 1995:5-6) This last point accentuates the difficulties of labeling a state as either too weak or too strong. It is often that a 'strongman' emerges out of a weak or collapsing states which leaves the impression that the state is strong. (Ng'ethe, 1995:251-52) However, the 'strongmen' may become the structural linchpin which is actually holding the state together where the underlining state is weak.

A word or two needs to be written on the concept of legitimacy, as it is of paramount importance on the issues of states and governments. Legitimacy is about the nature of rule and the relationship between a country's citizens and the state that is supposed to represent them. Herein lies one of Africa's political dilemmas, in that the degree to which citizens, and politicians for that matter, support the right of a government to rule is directly dependent on whether one feels represented by the government in power. An absence of legitimacy can lead to the downfall of governments through peaceful or often violent means. It can also lead to the isolation of leaders, who remain in power but no longer represent the citizens of their country, who then will often abuse power for personal gain with little accountability. This problem is cyclical in nature, and mutually reinforces the notion of politics as a zero-sum game.

Munro (1997) goes a step further in adding a moral dimension to the concept of legitimacy in what he terms the moral economy of the state. He states that the legitimacy of a government is inversely related to the level of coercion needed to implement policy and represent the whole of the society. (Munro, 1997:41) He emphasizes the moral assertion of the right to rule of a government as being at the centre of legitimacy. The source of this legitimacy is through a moral right to govern as opposed to political power or military coercion. Without this right to rule, a regime will have difficulties penetrating into all parts of a society, and will be forced to spend more time convincing citizens that they have a right to govern rather than on governing per se. He also states

that " [o]ne of the principal paradoxes of African polities is that their state structures were externally imposed". Along with prolonging a crisis of legitimacy, the former can also point towards why allegiances to the newly emerging states were weak, both for citizens and politicians alike.

Khadiagala (1995) asserts that phrases like underdeveloped and overdeveloped states are merely 'academic depictions' and masks the real issue of the state's limited capacity for managing society and directing change. (Khadiagala, 1995:35) Whether a state is said to be too 'weak' or too 'strong' are both symptomatic of the failure of the government to negotiate an acceptable social construct with its citizens. Many African states have sought to compensate for this by over-employing people within the public sector, both as a means of asserting influence over the populace as well as generating badly needed employment. Attempts at creating an African version of a command economy have been met with internal difficulties along with external resistance. The internal difficulties have often come from the lack of a bureaucracy able to sustain such a system, and from external sources where economic and political pressure has been applied. The importance here lies in the inability of the state to function in a role that redistributes public goods, maintains law and order, and possesses a significant level of legitimacy.

## **The Prolonged Effects of Colonialism in Africa**

The current crisis of the state in Africa is directly related to the nature and form of the state structures that were inherited with African independence. There is a subtle myth within some African literature that the newly independent countries started with a clean slate; this could not be farther from the truth. With the exception of Algeria, all African independence movements were negotiated settlements. (Rooney, 1988:279-80) In short, this means that the economic structures of the emerging African countries were to maintain their role as suppliers of raw materials for the 'Industrializing North', and that while the racial lines began to be blurred within elitist institutions, the institutions themselves that separated the Europeans from Africans were perpetuated. These institutions ranged from different schools, to separate social settings, to different political rights based on whether one was a citizen or a subject.

The influence of the colonial period is paramount to understanding where the state in Africa stands today, and for examining the prolonged legacy of the social and economic dimensions of colonialism. There has been much discussion and debate amongst scholars as to the nature, depth, and scope of the impacts of European colonial rule in Africa.

The colonial state could be more aptly described as an administration in which the main goals were attaining production levels of raw materials at the least possible cost, and maintaining a standard of law and order that allowed for the maximum amount of output. (Brown, 1996:21) Social order and control were

centred upon these attitudes, and any disruptions to production were met with force. The lasting effect of this is that political and social decisions were based on economic output. What emerged was a country whose railroads go to fields rather than towns as they were used for transporting cocoa.

The British ruled Ghana indirectly (from 1830 in the South, and from 1896 in Ashanti to 1957), which means that they used the chiefs to maintain discipline and control for the extraction of materials. (Boahen, 1975:73-74) The point mentioned above needs to be qualified in that the British never actually conquered the Ashanti, but that they surrendered after Kumasi fell in a military battle and the Ashantihene sent into exile. Indirect colonial control was built around a relatively small administration that required a standard of cooperation between the chiefs and the British administrators. Those chiefs that refused to cooperate were removed from office. When Ghana won independence in 1957, the country did not possess most of the essential components of a functioning state, specifically the government lacked both a strong judiciary and legislature. As such, the executive branch of government lacked the restraint that aforementioned branches are designed to provide. Also, the absence of a professionalized, independent civil service meant that there was little separation between the day-to-day functioning of the state and the government of the day.

Underdeveloped institutions left the state weak, and contributed to lapses in the protection of political freedoms, the provision of basic services, relatively equal access to the state, and an overall lack of separation between the state as

an institution and the government of the day. (Osaghae 1999:188-191) For most post-colonial states, criticisms of newly formed governments were viewed as an attack on the state. Thus there was left a void in political hegemony and legitimacy. This left the first post-colonial states vulnerable to political instability, as newly evolving institutions could not be significantly entrenched while attempting to undergo economic transformations. Huntington's (1968) thesis in regards to the negative effects of attempting massive political and economic transformations simultaneously applies in this situation.

The positions represented by Basil Davidson and Mahmood Mamdani are indicative of the tone and nature of the debates in question. (Davidson, 1992, 1994; Mamdani, 1997) For Davidson, the issue of colonialism surrounds the role of the African elite in the foreign domination experienced in Africa and the 'Westernization' of African elites. (Davidson, 1992:47) Davidson also places considerable emphasis on the distinction between the urban and rural colonial experiences, seemingly assuming that just because a few Africans were in the urban areas they were privileged over those who were not. Further, Davidson avidly defends his notion that the position that post-colonial Africa found itself in was quite similar to that of Eastern Europe after the fall of the Berlin Wall. (Davidson, 1992:266) Given the varying paths that got them to their perspective places in history, this analogy is troublesome at best.

Mahmood Mamdani (1997) has argued that the segregation in colonial Africa was based not on a rural urban split, but between citizen and subject.

According to Mamdani, the colonial state was a bifurcated state where there were two spheres of activity and involvement. The European administrators and settlers populated one sphere, and a separate sphere existed for the Africans. In the words of one British colonizer "Equal rights for all civilized men"; this civilized world included many of the amenities one would have expected in England during this time: private schooling, western medicine, and political rights. (Mamdani, 1997:17) However, those not allowed to participate because they were not 'civilized' enough were ruled through authoritarian measures and treated like subjects. The subjects were to be ruled over. Lying within this divide was a group of urban natives, Davidson claims are an African elite. This group did not enjoy the rights of full citizenship and also did not have access to customary law. If this group were guilty of complicity with the African colonizers, as Davidson seems to suggest, it was out of necessity for their own livelihood and through learning the politics of exclusion to which the British colonizers were all too willing to demonstrate by example.

Mamdani de-emphasizes the distinction in methods of colonial rule. He further states that all the independence movements, with the exception of Algeria were negotiated agreements, with the colonial rulers leaving on their terms, with much of their economic interests still intact. (Mamdani, 1997:20) Mamdani argues that African history has often been misinterpreted as an analogy where it is assumed that Africa could repeat the European state-building experience following the same route. Mamdani rejects this, and in its place talks

about African history as a process and the current state of African affairs is as a result of the historical processes that have preceded – especially colonialism.

One of the most entrenched legacies of British indirect colonial rule was that of eschewing traditional social structures in Ghana. Chieftancy, which predates colonialism by many centuries, was also based on a system of hierarchy and a social system of knowing one's place within that system. However, there also existed within chieftancy dispute settling mechanisms including destoolment which coincided with a sense of responsibility on the part of the traditional 'Big Man'. British colonial rule was based upon absoluteness and its arbitrariness, where chiefs were rewarded or removed based on the whims of the colonial administration. (Ake, 1996:12) The importance of this point lies in what social and political 'hangovers' the newly emerging states had at the time of independence. For the most part, the chiefs that remained, particularly within the indirect system of colonial rule, had paid at least lip service to the colonial rulers and had served to advance the cause of colonialism.

Colonialism, which was steeped in the philosophy of 'Bula Matari' (literally, "he who crushes rock"), was based on an exclusionary way of life, where the British administrators lived a separate life from that of most Africans. (Young, 1994, 1) There was a small portion of Ghana's population that benefited from, or at least was not entirely hampered by colonial rule. Often referred to as the political class or 'Big Men', which consisted of lawyers, doctors, a few businesspeople, and others possessing professional titles or occupations. "State

control over rural surpluses – and the weakness of local capital – provided the material and political base for incorporating heterogeneous elements of the independence era elite into new ‘political classes’ linked to the state.” (Boone, 1994:132)

The sentinel work of Bayart (1993) effectively highlights the dichotomy of accumulation and political control in post-colonial African state. This has led to the vulnerability of the state to external influence as well as to personal agendas of charismatic leaders. Bayart presents the concept he terms as ‘the politics of the belly’ (Bayart, 1993:228) in which he describes the African State as operating a sphere of networks that dominate society and are complicated with foreign commercial interests that replicate inequality within the state. Bayart concludes that the ability of various class groupings to co-opt state power to maintain and/or advance their advantage through securing direct access to state decision makers has been at the heart of the crisis of the state in Africa. This privileged access to state policy makers increases the wealth and power of a class, or even shifts class structures if a regime is ruthless enough.

### **Corruption and the State**

One of the primary methods utilized by elites to maintain or increase their position has been through corruption. The importance here lies in the connection between the role of corruption, and the maintenance of a socially stratified society based on one’s ability to access the state apparatus for personal gain. A

simple definition of corruption is "the misuse of public power for private profit." (Theobald, 1990:2) This can range from bureaucratic corruption, like the adding of a small fee for government services where there is not an official fee, to political or 'grand' corruption where the pilfering of government funds goes directly from the state treasury to an individual's foreign bank account. Bayart claims that the post-colonial African state has been used by 'political entrepreneurs' at the expense of the larger development picture. Political entrepreneurs can drain resources through unequal access to the state apparatus or more overtly through the pilfering of government coffers.

The term used to describe this phenomenon is often termed patrimonialism. That is where it is more important to know someone in positions of authority and decision making than personal merit. "The salient feature of patrimonialism ... is that its authority is vested in the person rather than the office and ... it is routinized into social and political order." (Dzorgbro, 2001:51) When an entire state apparatus is infected with this, class divisions are often redrawn with the new lines drawn based on one's ability to access the state. Those that criticize the government, or do not have the same access to the state are shunned in such situations, often resulting in hardship due to the absence of a clear separation between what is 'private' and what is 'official'. While Africa does not hold a monopoly on patrimonialism or corruption, the acuteness of Africa's economic and political struggles highlight the destructiveness of political leaders. This also gets to the heart of Bayart's theory of the state in Africa, which

he entitles 'the politics of the belly'. That is the tendency of politicians to use their position of power to elevate their and their associate's status with little regard for the larger socio-economic impacts of their actions.

Another dimension to the corruption debate pertains to the growing conditionalities surrounding governance and foreign assistance. "Africa's development crisis has intensified dependence on the political domain even more and increased conflict as claimants fight over a diminishing pool of resources. Far from arresting the upward spiral of corruption, liberalization and governance measures have encouraged the development of new forms of corruption." (Szeftel, 2000:438) Szeftel argues that anti-corruption schemes may eliminate essential sources of capital accumulation needed by the petty bourgeoisie as a critical component of class formation. This can threaten the viability of this emerging class of Africa's economy as the appropriation of public goods for private investment is substantially reduced. He further argues that the increased emphasis on corruption clampdowns can actually increase the level of political corruption.

"The shrinking of the state sector, without any complementary strengthening of state institutions and skills, turns a bloated weak state into a small weak state, further reducing its capacity to check corruption." (Szeftel, 1998:226) Political conditionalities that have been bundled with predominantly economic reforms are leaving the state without the necessary regulatory capacity to monitor state-business relations. One of the main casualties of the latter has

been the divestiture process, where millions of dollars of state invested funds have been diverted, with the result that instead of the funds going to national development projects the spoils have gone to bribing politicians and multinational managers. The importance lies in the diverting of development plans and funds to fuel individual greed and power, at the cost of the state's overall wellbeing and growth.

Campbell continues on the theme of governance, and in particular the role of foreign interference. (Campbell, 2001:166-67). She argues that political reforms now embedded with economic aid packages infringe on the already shrinking political space of Third World institutions. Further, she states that structural adjustment has aided in the political process of solidifying leaders' hold on authority.

### **Role of Elites**

The importance of elites to the discussion at hand lies in the somewhat fragile process of state-building Africa has been undergoing in the last four or five decades. Coupled with this, limited economic growth and diversification has maintained the importance of the state as an important source of wealth accumulation and a source of serious conflict over scarce resources. A select few have fought for control over the state, and have left the majority of Africans marginalized from the process of state-building and development. The following

section describes the role of elites within African society specifically and in the context of an elitist and globalizing world.

Price introduced the concept of the 'Big Man-Small Boy' condition, "where a social hierarchy exists based on a series of factors including: wealth, education, occupation, age, and one's position of institutional authority (either traditional or modern)" (Price, 1974: 75). Rather than an either/or situation, a continuum exists where a person may be a 'Big Man' in one situation i.e. with a subordinate worker, and a 'small boy' in another such as with an older relative or superior at work. The biggest of the 'Big Men' within Ghanaian society will possess sufficient influence and authority, either through direct or indirect channels, to maintain or increase their position within Ghana's class structure.

According to Nugent, there is also an authoritarian nature to the 'Big Men' complex, where their word is generally taken as being fact. (Nugent, 1995:6) There are however, positive dimensions to having 'Big Men'. Traditionally, with the privilege of being a 'Big Man' came responsibilities as well, particularly within the social areas of Ghanaian life. A 'Big Man' would be expected to assist their extended family members and fellow villagers who were unable to provide for their own means of existence. This long-practiced tradition is still practiced and does provide a pseudo-safety net for those close to a Big Man', but it has been eroded through a series of factors, including the colonial influence, and a more individualistic view within Ghanaian society. This refers directly to the previous discussion on Munro's theory of a moral dimension to legitimacy. Traditionally,

authority in Africa was based on some form of chieftancy, in which one person was to rule the people or kingdom he represented. In return for this privilege it was the chief's responsibility to care for the welfare of their citizens.

Nafziger discussed the nature of the emerging 'bourgeoisie' in Africa which was much broader than a pure private class, and included politicians, high ranking military officers as well as senior civil servants. This group, which should be more aptly described as elites because of their relationship to the means of production, has utilized the state in Africa for accumulating wealth and power. (Nafziger, 1988:80) Nafziger also argues, as have many theorists such as Ake and Bayart, the connection between transnational capital and local elites within Africa and how these groups have used politics in order to secure their position within African society.

There is, however, a significant movement within Africa attempting to mitigate the affects of globalizing forces on African states. (Mkandawire & Soludo, 1998; Cheru, 2002) The importance of this discussion within the larger framework of this thesis is to say that alternative strategies are being investigated and that there is hope in moving beyond the crisis of the state. Cheru argues that Africa is no stranger to globalizing effects and that historically the vast majority of Africa has failed to benefit substantially from it. (Cheru, 2002:2) This latest round of globalization seeks to further integrate the world economies together, with the vast majority of the spoils going to the industrialized North. Cheru clearly states that African governments need to direct

efforts to their own advantage. His underlying prescription involves "the guided embrace of globalization with a commitment to resist". (Cheru, 2002:30) Amongst the 'guided embrace' is the increase in South-South economic relations, fully exploiting trade and investment opportunities, and expediting the process of stable democracies and improving the regulatory quality in order to provide a solid economic environment for domestic entrepreneurs in which to operate. (Cheru:30-31)

Mkandawire and Soludo provide a critical, African-based analysis of more than twenty years of structural adjustment within Africa. They argue that structural adjustment has focused too narrowly on scaling back the state and emphasizing the role of the private sector while ignoring the intricacies of economic growth, equity, economic stability and political legitimacy. (Mkandawire and Soludo, 1999:89) More often than not, political legitimacy and equity have been sacrificed at the altar of efficiency and 'economic rationality' to the detriment of human-centred development. Even with a leaner and more 'efficient' state apparatus, there is no guarantee that this will not produce a poor but stable government in Africa. (Mkandawire and Soludo, 1998:91) However, scarcity tends to be a catalyst for instability, which means that fragile political institutions could be threatened under the burden of poverty.

## **Hypothesis**

It is my contention that the quasi-permanent crisis of the state in Ghana, as well as much of Africa, has been a major inhibitor of development. The crisis of the African State did not happen by accident or was 'caught' like one catches a cold. It is the logical outcome of a complex and interwoven set of factors including the colonial legacy, state mismanagement, elitist politics, and foreign interference. A main contributor to state decline correlates to the view of the African State as a major source of wealth accumulation. Politicians, bureaucrats and businesspeople alike (sometimes all in one) have operated under the impression that state resources were to be used for personal advancement and private gain. This has had the effect of distorting government priorities and policies to the detriment of national development plans, and where development ideology has been used to strengthen various leaders' grip on power. The view of the state apparatus as a means of accumulation is an unfortunate holdout from the colonial period where the colonial administration was the central collector, distributor and arbitrator of all major economic decisions. The legacy of colonialism remains an obstacle to stable and responsible states, as centralized authoritarian governments have been the rule rather than the exception in Sub-Saharan Africa. This has been the case for most of Ghana's independence period. The basis for the authoritarian rule in Africa can be seen through the centrifugal nature of the 'Big Man' syndrome; the moral dimension to legitimacy and authority in Africa; and the perspective that envisages the state as a major

source of wealth accumulation. This has led to a fragmented state, where the state as a whole has often been neglected for narrower and personal interests.

It is also my contention that Ghana's post-independence experience is representative of the larger development picture in many UDCs where state sovereignty and independent policy making has been manipulated and coerced by external forces. This in turn has eroded legitimacy from many regimes, as policy options tend to decrease when countries are fully exposed to market pressures. The erosion of legitimacy is a source of instability, which tends to attract more foreign intervention completing a vicious cycle of instability and foreign interference. However, a certain portion of the UDCs population must be benefiting from foreign influence, and thus lies the greatest paradox for the upper classes of UDCs. While attempting to solidify their economic position through collusion with multinationals and international financiers, they have increased the dependency on foreign intervention. Ultimately this leads not only to a weakening of the state as an institution, but their own position is also in jeopardy through the increased instability that arises from the polarization of wealth between the rich and the poor.

## **Methodology**

The methodology for this thesis will be based on a case study format based on the country of Ghana. A case study approach has been chosen in order to provide a relevant and quite applicable context to the aforementioned issues

in my hypothesis. Within the case study, a typology approach will be undertaken within Ghana. The typology will be utilized in order to explore similar themes and questions within different periods in Ghana's history. As such, five periods of Ghana's history will be examined, each of which will be analyzed to establish the nature of the state during that period; how the group in power achieved control of the government; the degree to which the state was used in fulfilling personal agendas; the portions of Ghanaian society represented through the regime in power; and subsequent development policies that were articulated via the state. Within the typology will be a particular focus on two Ghanaian leaders, Kwame Nkrumah and Jerry John Rawlings. Kwame Nkrumah served as leader of government business from 1951-1957 – prior to Ghana's independence, and from 1957-1966 as prime minister and president. Second is J.J. Rawlings who assumed power in a military coup in 1981, and was elected in 1992 and 1996. These two leaders embody the themes and undercurrents of Ghanaian politics as I have previously described and I will now turn to elaborate briefly on how my hypothesis has been articulated through these leaders.

Since its inception as an independent state in 1957, Ghana has often played the role of test case for the African sub-continent. Ghana was the first Sub-Saharan country to win independence from their respective colonizer after the Second World War; Ghana engaged in monetary policy with the IMF as early as 1966; and Ghana was one of the earliest adopters of Structural Adjustment

Programmes (SAP) - after a decade of economic decline. Thus, it is only fitting then that Ghana be the subject of this case study.

Ghana is a great case study in that its political and economic history is an accurate indicator of the ebb and flow of political thought and development theory of the past four decades within the developing regions. From Nkrumah's vision of a socialist state through to Rawlings adoption of structural adjustment, these events have patterned external movements in theoretical perspectives within world development thought in particular, and politics in general. The reciprocal of the former is also true, where international trends in how to 'develop' states have greatly affected Ghana's domestic policy decisions.

To this end, the following pieces of information will need to be obtained for each of the periods. An account of the various political activities during the time periods in question, including the numerous coup d'états, attempted coups, assassinations, as well as other forms of political turmoil will be compiled. A thorough examination of the historical accounts taken from the last fifty or so years of Ghana's history with a particular focus on the events just prior to and after major upheaval's in Ghanaian history will be undertaken. The main source of this will be secondary sources, with a few government documents and local newspapers.

## **Chapter 2**

### **Ghana: Kwame Nkrumah and The Early Independence Years (1957-1979)**

"[S]ocialism is a system in which if you have a lot of money you can still keep it".  
Krobo Edusei, Kwame Nkrumah's Minister of Industries (Osei, 1999:66)

The following chapter will discuss the first 20 years of Ghana's independence, from Kwame Nkrumah as Ghana's first president to the events prior to J.J. Rawlings first coup. It will be shown that Kwame Nkrumah utilized the state for his own agenda and for the accumulation of wealth for himself and his followers. Nkrumah also used the state to promote his socialist ideology, which had mixed blessings for Ghana. Nkrumah's support for other independence struggles, however noble, deflected resources and energies away from Ghana's development. Ultimately, though a great visionary, it will be argued that Nkrumah was to be corrupted by power and his legacy tainted by scandals and the authoritarian methods he felt necessary to use in order to implement his vision for Ghana. The regimes following Nkrumah would have mixed results, but they too would eventually succumb to utilizing the state for wealth accumulation and/or for transforming 'small boys' into 'Big Men'. In particular, this will be shown through a brief explanation of the rule of General I.K. Acheampong.

To provide a proper context for examining Ghana's political economy, its place must be situated within the wider global economic and political trends in

which Ghana emerged as an independent state and began its pursuit of developing into a fully functioning state.

### **Nkrumah's rise to power**

Behind the celebrations of independence there was already deep division in Ghana's political space, a rift began before Ghana received independence in 1957. Several scholars suggest that the seeds of the 1966 Coup that overthrew Nkrumah were sown as early as in 1949. (Buah, 1998; Frimpong-Ansah, 1991; Osei, 1999) This was the year that saw the split of Kwame Nkrumah from the United Gold Coast Convention (UGCC) – after the organization sponsored Nkrumah's return to Ghana and appointed him secretary-general. The UGCC was an established political organization with strong ties to mercantilist-style business, and had a vested interest in moving a slower pace towards self-governance. Nkrumah was much less patient and pushed his philosophy of 'self-government now'. (Boahen,1975:181) This was the only acceptable goal in his mind and was the rallying point that would lead Ghana to independence. The UGCC no doubt took Nkrumah's vision as not only an affront to their privileged organization and position, but as a pseudo-coup d'état.

Nkrumah used his position in the UGCC to gather mass support, only to be ousted as general secretary in 1949. He then formed his own party – Convention People's Party (CPP) and won elections the same year, which gave him and his CPP and not the UGCC control of internal self-governance. (Rooney, 1988:61)

Nkrumah received the first fruits with the attainment of internal self-rule, and for the first time Ghanaians were exposed to and had direct influence into the internal workings of the colonial government. (Frimpong-Ansah, 1991:67) It was also at this point that the remnants of the UGCC diverted some of their focus from the progress of the emerging independent country to the downfall of Nkrumah's government, and Nkrumah himself.

Nkrumah preached and implemented largely populist policies, and as such, the CPP was largely comprised of urban youth, the unemployed, and the generally less educated elements of society – what would normally be considered the lower and middle classes. (Dzorgbo, 2001:150) In contrast to this, the UGCC, the CPP's main competition, was a compilation of small merchants, lawyers, architects, doctors, businessmen, educators and rich cocoa farmers. The conflict between these groups, given the titles of 'verandah boys' and 'Big Men' respectively, has been a hallmark of Ghanaian politics, and reflective of broader social divisions, since independence and has perpetuated divisions that diverted much attention away from Ghana's long term development.

The animosity of the 'old guard' of the UGCC was not without some merit as the CPP under whom the leadership became increasingly centralized and authoritarian. Evidence can be seen through the increasing use of the Preventative Detention Act, passed in 1958. (Boahen, 1975:194) One example of this is that J. B. Danquah, one of the founders of the UGCC and the man who originally invited Nkrumah back to Ghana to lead the UGCC, died in prison in

1965 while being held by the PDA. (Boahen, 1975:212) Even before independence, Nkrumah fought very hard to centralize political power with its base in Accra and limit the power of Ghana's traditional forces, namely the chiefs. In turn, some chiefs became increasingly hostile to the CPP especially because of Nkrumah's aggressive campaign to limit the powers of the chiefs and essentially strip them of all but ceremonial duties. Opposition to CPP policy by the chiefs was epitomized in the 'Okyenhene' Nana Sir Ofori Atta II, chief of Akyem Abuakwa – part of the Akan peoples. (Rathbone, 2000:39) The Okyenhene was also the half brother of W.E.A. Ofori Atta, one of the founding members of the UGCC.

The main stage for the battle between the 'holdout' chiefs and the CPP took place between the time when Nkrumah took control of internal business of the Gold Coast (1946), and when Ghana officially received independence in 1947. While this interim period in Ghana's history is fascinating to study, it is enough to say here that after independence Nkrumah used his political powers, after winning elections in 1946 and 1947, to crush the chiefs that still dared oppose him after 1947. With the passing of the Preventive Detention Act (Boahen, 1975:194), Nkrumah was able to either isolate, imprison or deport those that opposed Nkrumah's policies, with over 200 political deportees within the first two years of passing the PDA. (Rathbone:104, 2000) As for the Ofori Atta II, he was destooled in a somewhat suspect fashion, as many of the local council members were not present at the destooling. The CPP would soon

remedy this, destooling or removing from office 100 local chiefs and leaders in Ofori Atta II' region in the six months that followed after his destoolment.

There was not a consensus within Ghana towards the development policies that should be pursued. There was a substantial movement from the 'Big Men' of Ghana's colonial days that wanted to keep many of the structures in place for their own benefit. Furthermore, those represented in the conservative party of the United Gold Coast Convention (UGCC) and later the National Liberation Movement (NLM), wanted to maintain, if not expand, the foreign influence and capital flows within Ghana. Indeed, much of Ghana's inconsistency in development policy stems from this rift in Ghanaian politics. After Nkrumah's overthrow in 1966, the old guard of the UGCC in the form of the NLM had their chance at ruling Ghana and pursued very 'market-friendly' policies, and invited the assistance of the International Monetary Fund (IMF).

### **Kwame Nkrumah and the CPP**

On March 6, 1957 Ghana became an independent state, taking its name from an ancient West African empire. (Boahen, 1975:4) Kwame Nkrumah served as Prime Minister of a parliamentary democracy of the Westminster Tradition, and was leader of the Convention People's Party (CPP). The CPP won the 1956 elections running up to Ghana's independence from British Colonial rule. Nkrumah and the CPP represented a populist approach to government at the

dawn of the independent state of Ghana, in which mass participation was highly encouraged, at least formally.

To say that Ghana had high expectations at its time of independence is a gross understatement. The excitement and fervor that independence brought coupled with the 300 million pound sterling in foreign reserves, provided a backdrop for very high expectation from the emerging state. The socio-political spotlight in Sub-Saharan Africa was on Ghana as well, as it was the first post World War II African country to have won independence from its colonial ruler. It was with this air of expectancy that Kwame Nkrumah and his government formed from his CPP that independence dawned on March 6, 1957. (Boahen, 1975:191)

The new country faced the arduous task of building a functioning government and state out of a colonial administration that was designed to be authoritarian in form and practice, and was economically dependent on Britain. (Ninsin, 1989:5) What was left in the wake of the colony was an administration based on the extraction of resources, and was highly centralized and absolutist in its power. Ghana's economy was based on resource extraction and exportation of primary products. Cocoa was the dominant export, representing the backbone of the foreign exchange revenues, a large supplier of Ghana's employment, and 68% of value of exports in 1955. The price of cocoa was high at independence with 247 pound sterling per tonne. By 1962 the world price for cocoa had fallen to half of the its 1957 value. (Dzorgbo, 2001:167) This would be a precursor to

the decline in Ghana's development fortunes; for countries that are dependent on raw materials for the majority of their export income will live and die based on the market price of those commodities. This also serves as evidence to the vulnerability of the emerging states to external market shocks and the economic legacy of colonialism in Africa.

### **The Role of the State in the Economy – 1950-60s**

The 1950-60s was an expansionary period in the world economy with the rebuilding of Europe and the growing hegemonic rivalry between the USSR and the US. Coinciding with this, the peripheral states, those marginalized by the politics of the two world wars and the newly independent former colonies, were attempting to catch up with the more technologically advanced industrialized countries. The prevailing theory on how the more marginalized states were to attain modernization was through industrialization, which was equated with development. A major contributor to this theory was W.W. Rostow, who advocated a unilinear modernization process based on a series of stages in which modernizing states were to pass through. Rostow envisioned states progressing from a traditional or backward society (stage 1), to the age of mass consumption (stage 5), with the state being the primary vehicle for passing through the various stages. (Rostow, 1971:4)

This basic theoretical framework greatly influenced policy decisions, particularly in regards to the role of the state as taking a leading role in

development. The most contentious of the stages was number three, in which a 'big push' involving massive capital infusion from the state, was needed in order to propel the modernizing states towards modernization. As a result the state was entrenched within the economy, through large-scale industrialization projects, the control of financial sectors such as banking, and import and export sectors, as well as entrenching the state in the agricultural sector through the establishment of marketing boards.

As modernization was equated with development, large industrialization projects were implemented such as hydro electric dams, manufacturing plants, other large-scale projects that were employed both for their utilitarian value as well as symbols of economic nationalism and prosperity. This focus did not include a widespread revision of the agricultural sector and thus was largely overlooked and, agricultural practices, which were largely the backbone of the colonial economy in Africa, were left intact. The development policies of Kwame Nkrumah, Ghana's first president were subject to influence by the aforementioned theories.

Nkrumah's view was representative of development theory of the 1950s, namely that of the 'Big Push' concept that was expounded by theorists like W. W. Rostow. Coupled with the 'Big Push' theory were the influences of Keynesian economics and the corresponding view that the state was the primary vehicle for development. These policies were also fueled through economic nationalism and

attempts at loosening the dependent relationship between the former colony and the industrialized world.

The philosophy of the CPP can be summed up in Nkrumah's famous proverb "Seek ye first the political Kingdom, and all things will be added unto you". (Bing, 1968:125) This reflected the thought that the process of state building was viewed as a means to an end, and the belief that politics drove the economy and centred his policies on this perspective. In practice this translated into the pegging of cocoa producer prices with the difference between prices received by the government on the international market and that of those paid to producers destined for the government coffers.

A dimension of the immediate post-colonial political economy was the government's subduing of local capital – this was in part due to Nkrumah's unwillingness to risk the rise of power from a local indigenous capitalist class who might prove to be a threat to the CPP's hold on power. It was also in part due to the quite obvious colonial tendency of favouring international elites to local elites. In this regard it should be also noted that Nkrumah was in power for a full six years, as leader of internal business – all but prime minister but in name, and had already experienced first hand colonial rule and the attitudes embedded within colonialism when it came to the relationship between economics and politics.

Nkrumah always assumed that the outside world was hostile to this approach. This was based on the view that politics was the main staging ground

for the struggle against neo-colonialism. His policies reflected contemporary development ideas, which stated that a 'big push' was needed to overcome underdevelopment. This was coupled with socialist ideology and Keynesian economics. Nkrumah sought advice from the Caribbean political economist Sir Arthur Lewis. Lewis' advice to Nkrumah was threefold; increase food production, invest in public services, and develop physical infrastructure. (Dzorgbo, 2001: 159) Lewis further suggested that Ghana limit its involvement in Import Substitution Industrialization (ISI) while Ghana's economic and social base was still being solidified. Nkrumah did accept much of Lewis' recommendations, but not when it came to the pace of industrialization in that Lewis advised a more gradual process of industrialization. The reason for this was Nkrumah's belief that industrialization was the key to lessening independence and without it would potentially lose the hard fought independence Ghana had won. The role of the state within Ghanaian society was soon a primary focus and vehicle for economic and political development. This was a major flash point for Ghana's ideological struggles.

Nkrumah's vision also went beyond the borders of Ghana, and as such he diverted millions of pounds worth of Ghanaian funds to other African independence movements in Angola and the Congo, and lent 10 million pounds each to both Guinea and Mali. (Frimpong-Ansah, 1991:76) By 1960, Ghana's budget allotment for defense and foreign affairs more than doubled that spent

on internal policing and justice.<sup>1</sup> Nkrumah believed that Ghana's independence was useless if the rest of the continent was still enchained in colonial rule. Though this type of action is not generally associated with political corruption, and as noble as Nkrumah's intentions might have been, the funneling of millions of pounds to aid other African 'revolutionary struggles' still amounted to a diversion of funds that could have aided in Ghana's development.

### **Major Economic Policies**

The earlier periods of Nkrumah's policies (1957-1961) centred on structural transformation, and economic nationalism. The main vehicle for this transformation was through state-led industrialization and large-scale capital intensive agricultural schemes. The government of the CPP had a distinct disdain for peasant agriculture, and implemented policies that focused on state-led regulation and control over this vital sector of the economy. The revenue from cocoa was used as a means to fuel development throughout Ghana. Other policies initiated during the early independence period included social redistribution and egalitarian system, all with an edge that was designed to inhibit the growth of local capitalism. (Dzorgbo, 2001:164-65)

It is important to highlight that the CPP began its term in the late 50s as a moderate left-leaning government in that it, at least on the surface, encouraged

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<sup>1</sup> In 1960, 4.1 million pound sterling was spent on defense and foreign affairs, in the same years as 1.5 million pound sterling was spent on justice and police. (Frimpong-Ansah, 1991:79)

a role for the private sector within the Ghanaian economy, the CPP was leftist in that it had strong redistributive policies. Here also lies one of the greatest paradoxes of the CPP's policies, in that foreign investment and control over commerce was acceptable, but for Ghanaians to get directly involved in this process was greatly discouraged, particularly with larger scale enterprises. It must be noted though that even in 1965 after significant expansion by the government into the Ghanaian economy, only 17.2% of the manufacturing sector was owned by the public sector. The size of the private sector in manufacturing fell from 81% in 1962 to 72.5% in 1965, but this represented the majority of ownership. (Dzorgbo, 2001:151) Of the private ownership, nearly 75% was non-Ghanaian or mixed ownership. (Osei, 1999:67) This hardly coincides with Nkrumah's vision of an economically viable and independent state, but expressed Nkrumah's growing agitation and paranoia surrounding the strength and tactics of Ghana's indigenous capitalist class.

The CPP professed to be a party of the masses and socialist in theory, but egalitarian policies were far from actual practice. The opposition laid accusations of corruption as early as 1954, while Nkrumah was Leader of Government Business still under British rule. Though the records demonstrate that Nkrumah himself was relatively 'clean' until very late in his presidency, this was not the case with some of those he chose as ministers in his cabinet. One allegation stated that his Minister of Industries, Krobo Edusei imported a gold bed for his wife using government funds totaling 3,000 pounds sterling. (Jones, 1976:188)

After Nkrumah's overthrow in 1966, more concrete evidence of the scale of corruption emerged, with ministers accumulating sums in foreign bank account in the range of hundred of thousands of British pounds to at least one minister with over a million pounds taken from government coffers. To put this into perspective of the day, a million pounds sterling represented approximately one percent of Ghana's capital expenditure in 1958. (Osei, 1999:61)

### **Major Achievements**

The capital-intensive projects undertaken by Nkrumah's regime were unequalled in Ghana two decades after his forceful removal from office. Nkrumah's vision, which was largely based on industrialization blinded him to the realities of Ghanaian life, and the position that the former colony found itself in the late 1950s. Namely, the country's inability to rapidly modify the economic composition in Ghana given the dependence on cocoa for revenue. There was a general absence of adequate bureaucratic capabilities and expertise to properly manage the massive expansion in the manufacturing and industrially-based state-run companies. The size and scale of state expansion and operation resulted in the squeezing out of the private sector from taking a substantial role in the development process. Though the following list of accomplishments are extensive, the state was for the most part the primary mode of production during the late 1950s to the middle of the 1960s.

Despite these problems, an impressive list of infrastructure improvements were implemented during Nkrumah's time in power. Between 1951 and 1960, Ghana's road system was extended by 1000 miles, with another 1000 miles of existing roads tarred. (Buah, 1998:174) Railways were extended to further cocoa producing areas. The Adomi Bridge was built – an 800-foot bridge that crossed the Volta River. Other developments included the establishment of Ghana Airways, the national airline, and Black Star Lines – a maritime company designed to serve the shipping needs of Ghana. A nautical school was established to train national merchant seamen to provide employment for Ghanaians. Enrollment in middle school and secondary school increased 150 percent and five-fold respectively. Other improvements involved more telephone lines, the creation of a second university located in Kumasi, a teaching hospital and corresponding university facilities. (Buah, 1998:173)

The single biggest modernization project was the Akosombo Dam located on the Volta River. At the time of its completion, it created the world's largest human-made lake. It was to provide the vast majority of Ghana's electrical needs. However, to accomplish this enormous project, Nkrumah had to look outside Ghana to provide the necessary funding for a project of such magnitude. The extent of the role played by foreign influence in this project cannot be overemphasized. The American President John F. Kennedy personally involved himself in insuring that an American company was part of the financing for the Volta Dam project. (Osei, 1999:63) Kennedy believed that U.S. involvement

might steer Nkrumah away from a more socialist path. Eventually, the United States aluminum firm Kaiser Aluminum underwrote US\$30 million towards the project. In return for the funds, Kaiser was given very generous concessions on taxes, allowances for the repatriation of all profits for 30 years, the provision of low cost hydro going to smelt, and the use of non-local bauxite. (Rooney, 1988:162) The deal that Nkrumah secured in order to build the dam became a point of major division within Ghana. J.J. Rawlings, who would lead Ghana some 20 years later, had to deal with the details of the settlement Nkrumah agreed to, so wide was the scope of the concessions.

### **Political Trouble**

One of the clearest signs of trouble in the newly independent country was that the United Party (UP), the official opposition, never really accepted their position as an opposition party within the parliamentary framework. The precise reasons for this have already been discussed, but at the core of their protest was the animosity that had been fostered towards the CPP in that Nkrumah had succeeded in capturing the reigns of power first and had an agenda quite different from the original 'Big Men' of the UGCC and National Liberation Movement (NLM). Not unlike the consortium of the CPP, the United Party – which was the main opposition group at the time of independence, was a general mish-mash of interests. (Austin, 1976:98) With this taken into consideration, and the moral defeat of having to watch Nkrumah raise the flag

on the dawning of the new state of Ghana this did not sit well with the opposition, however there was very little that could be done at this point in history. The backbone of this opposition group was the intelligentsia, which in 1957 was quite small given the limitation on tertiary education under colonialism, and could not radically alter the support for Nkrumah, given that it was his leadership – for better or for worse – that allowed Ghana to become an independent state in 1957.

Having not accepted their role as official opposition, opponents of Nkrumah's socialist program chose to supercede parliamentary methods of expressing displeasure to his policies. The 'Big Men' did everything in their power to undermine the policies of the CPP, and they specifically targeted the rule of Kwame Nkrumah. There are several accounts of assassination plots on Nkrumah as early as 1958, some with alleged foreign. (Hansen and Ninsin, 1989:20) Nkrumah grew increasingly paranoid of opposition to his populist policies and government. (Hansen and Ninsin, 1989; Rothchild, 1991; Osei, 1999) The relentless pressure put on Nkrumah to accept Western economic 'assistance', coupled with pressure from Ghana's capitalist class was a perpetually increasing burden that led Nkrumah towards greater and greater isolationist policies.

In 1962, Nkrumah made a decision to significantly alter his economic and political plans, in which he moved from being moderately socialist, to overtly and militantly socialist. The government moved away from a gradualist attitude towards development in favour of a more intensely state-led industrialization due

to, at least in part, the absence of the foreign investment dollars that were expected. (Dzrogbo, 2001:154) Some analysts suggest that the 1964 Seven-Year Plan was modeled around and partially borrowed from Soviet history and politics. (ibid:154) One of the main reasons for shifting to an Eastern influence was the increasingly fractured relations with the Western bloc countries. Coinciding with this, was the assassination of Nkrumah's political ally, Patrice Lumumba in the Congo, whom Nkrumah had supported heavily, both through moral and financial support. (Rooney, 1988:205-14) The importance of this in terms of policy implications was the growing isolation that Nkrumah felt from the West. This left him seeking out refuge from the political storm with new allies from the socialist Eastern bloc countries – after being forced to abandon expectations of solidifying a substantive non-alignment movement. That same year Ghana became a republic with the constitution suspended and opposition parties banned. Nkrumah altered his title from Prime Minister to President, signaling the end of the short-lived attempt at the Westminster parliamentary system. (Botchway, 1972:89-91) These measures were taken with the intent of retaining political power and economic control, to which Nkrumah essentially equated as representing the struggle against economic foreign domination which Nkrumah equated to neo-colonialism.

Nkrumah most likely had just cause to feel threatened, both politically and personally. These fears were further heightened by the aforementioned assassination of Patrice Lumumba. (Rooney, 1988:212) From this time to the end

of the CPP government in Ghana in 1966, the sight of open defiance by opposition groups in Ghana was met with increasing hostility by the CPP, particularly opposition from the university, which Nkrumah claimed was "a breeding ground for unpatriotic and anti-Government elements." (Nkrumah quoted in Austin, 1964: 364) Further evidence of Nkrumah's hostility to opposition was the increasing use of the Preventative Detention Act, which was passed in 1958 and used only 70 times up to 1960. After a somewhat restrained start to the draconian legislation, in 1960 it was used 174 times, and 311, 254, and 586 times in the next three years respectively. (Boahen, 1975:212)

By the early 1960s the CPP or simply 'the Party' and Ghana were essentially used interchangeably within government circles. (Botchway, 1976:103-4) Nkrumah himself assumed a saviour-like role within Ghanaian society, including a speech of praise delivered in the National Assembly that was a perversion of an Anglican prayer. (Jones, 1976:65) The devotion of the 'masses' to Nkrumah along with his authoritarian tendencies fueled calls for Nkrumah's ouster as president within Ghana's persecuted but not comatose opposition and contributed to the fall of Nkrumah's popularity and legitimacy, and ultimately to the ease in which the 1966 military coup was accomplished.

### **Corruption and the Political Fallout**

A rather unfortunate trend that began with Nkrumah's regime was the utilization of political power to transform 'small boys' into 'Big Men'. This was

accomplished through a variety of methods, but the vast majority came from the use of public office to reward personal favours, and for private enrichment of politicians and bureaucrats. The most glaring example of this was the National Development Corporation (NADECO) that was established by Nkrumah for streamlining the bribery and corruption process in Ghana. In one such transaction 90,000 pound sterling went to Nkrumah's personal bank account. (LeVine, 1975:29) Nepotism and patronage were inseparable characteristics of the CPP. "Corruption was one of the means through which the CPP ensured political followers. The patrimonialization of the state was also manifest in patron-client relationships that made the survival of civil organizations dependent on the state and the CPP." (Dzorgbo, 2001:178) These problems came to be serious drains on the party's credibility, not to mention the state's resources and resulted in a significant decrease in legitimacy. Corruption on the size and magnitude siphoned off scarce resources during this period greatly affected the further development of the country.

For Nkrumah's part, his complicity in the mass exodus of public funds involved his collusion with the perpetrators. Nkrumah concealed those accused of corruption, to the extent that he sacked his Finance Minister over Nkrumah's unwillingness to expose the culprits. As early as 1952, five years before officially taking office, small boys of the CPP were already transforming themselves into 'Big Men' via their political position. (Austin, 1976:68-69) This was accomplished

through outright corruption and manipulation of their political position, to the point where patronage and clientelism were a mainstay of politics in Ghana.

The CPP developed money-making into a fine art, becoming a self-financing machine bringing in several million [pound sterling] each year. The principal source of its cash came from 'commissions' paid over to it by local and foreign companies in return for the award of government contracts. The value of the commissions varied between five to ten percent of the value of the contracts. (Jones, 1976:182)

A commission set up after the 1966 coup found that Nkrumah had control of over two million pounds sterling in assets. Included within these assets were control over businesses, various real estate properties, and a substantial amount in cash; this after coming to the country in 1949 without a cent. (Jones, 1976:179-80) Part of this sum included 750,000 pound sterling that had been taken from a trust fund for the advancement of Ghana. (Boahen:1975:209) A blatant example of gross abuse of public power came from Krobo Edusei, Nkrumah's Minister of Industries, who was once quoted as saying "socialism is a system in which if you have a lot of money you can still keep it". (Osei, 1999:66) Edusei was an exceptionally entrepreneurial-minded politician and had accumulated 64,000 pound sterling in foreign bank accounts through various political dealings. However, this was not what eventually got him removed from his post in 1962. Edusei was caught importing a gold-plated bed from England for his wife with the cost to the taxpayers at 3,000 pound sterling. (Jones, 1976:200) Though the government tried to backtrack and claimed that this one

incident was an anomaly, retrospectively this was simply not the case and the government was indeed utilized as a major source of wealth accumulation.

By the end of Nkrumah's regime, identification with the 'Party', as all other parties were declared illegal in 1962, was essential for job promotion and maintaining one's position. "The patrimonialism of the state was ... manifested in patron-client relationships that made the survival of civil organizations dependent on the state and the CPP". (Drzogbo, 2001:178) Also by this time, most critical voices inside Ghana had been silenced, even those coming from within the CPP. For example, J.B. Danquah, Nkrumah's main rival at the time of independence, died in prison, after being detained under the 'Preventative Detention's Act' of 1958. (Omari, 1970:212) Though the CPP claimed to be socialist in nature and a party of the "masses", it did manage to isolate and marginalize much of Ghanaian civil society. This includes the "virtual disenfranchisement" of the substantial middle class, who were represented through the former members of the UGCC, most of the organized labour, and particularly the cocoa farmers whose real wages were being eroded by the state for the sake of 'national development' . (Omari, 1970:28; Frimpong-Ansah, 1991; Osei, 1999)

### **Inflexibility in Nkrumah's Ghana**

Opposition to the 'Party', which came to be synonymous with Nkrumah, by the early 1960s was not acceptable. Those that did speak out were ostracized from society, through the blocking of promotions as a beginning, right through to

imprisonment and deportation. One might even suggest that Nkrumah employed a modern form of 'Bula Matari' (with obvious limitations to the analogy). While the remnants of Ghana's independent "professional class" suffered under Nkrumah's regime, the group that suffered equally, if not more, was the cocoa-producing peasant farmers. The reason for this was due to the erosion of the standard of living of this class, as the surplus generated in cocoa was siphoned towards the centre, which used the funds to finance large-scale modernization projects.

As Ghana's economic situation deteriorated after independence, particularly after 1960, the state's control of the cocoa sector increased through larger tax impositions with a corresponding decrease in the income level of cocoa farmers. This left the peasant cocoa farmers in a particularly bad economic position. The Cocoa Duty and Development Funds Bill (Amendment) of 1954, three years before Ghana's formal independence, introduced a price ceiling on the amount paid to cocoa farmers. This ceiling of 268.8 Cedis per tonne represented less than half of the world price for cocoa of 637 Cedis per tonne. (Frimpong-Ansah, 1991:85) Put another way, in 1959 the price that Cocoa Marketing Board (CMB) paid to farmers was reduced from 72 shillings to 60 shillings per 60 lb load. The reduction was rationalized by the government as the cocoa farmer's 'voluntary' contribution to the national development. This trend continued throughout the CPP's reign, as the price paid to farmers continued to decrease as the economic situation in Ghana deteriorated to the point that in

1966 the amount paid to farmers was 40 shillings per 60 lb load as compared to the 1959 price of 72 shillings per load. (Dzorgbo, 2001:167) There was the obvious protest from the cocoa farmers to this deep incursion into their trade. However, these protests were not heeded and the working arrangements between Nkrumah and the cocoa farmers regressed further during Ghana's post-independent period. The importance of this discussion lies as an example of the type of extension and incursion of politics into the economic realm, and the impact of this on the quality of life for Ghana's cocoa farmers.

### **Economic Consequences of Ghana's Politic**

Ghana' experienced economic turmoil in the 1960s and the situation got worse as the decade continued. The economic difficulties were caused by a myriad of factors: government mismanagement and nepotism, a deteriorating terms of trade as the world price of cocoa drastically fell, and Nkrumah's (unsuccessful) investment in foreign colonial struggles. As an economy based largely on a single commodity for its exports and foreign currency, Ghana's economic fate has been tied with the world price and the steady production of cocoa. In 1962-63, the price paid per 30 kg was 4.99 Cedis, by 1966 (using 1963 prices) the price was 2.33 Cedis. (Huq, 1989:110) At this point, Ghana's output as a percentage of world production in Cocoa was still quite high (36.5% in 1963), however lingering disincentives to producers would continue to decline long past Nkrumah's overthrow through to the early eighties. (Huq, 1988:110)

One of the biggest causes of the economic decline stemmed from the scarcity of imports, which caused a subsequent rise in prices and continual shortages of the most basic of goods. The shortage of imports was directly related to the corruption that was pervasive at the end of Nkrumah's regime. Import licenses were being sold to private business people, who in turn re-sold them or charged astronomical prices. (Jones, 1976:206) This shows the correlation between corruption in Ghana and hardship experienced by the vast majority of the Ghanaian population.

In Nkrumah's relentless drive towards economic nationalism, industrialization was a key focus of his political and economic plans. As a result, Nkrumah moved very quickly towards industrialization, which was not out of the ordinary for the time period. He tried to quickly implement grandiose plans, not just for Ghana, but for the continent as well. These plans may have harmed his vision, or drawn his attention away from emerging domestic issues that were left to fester. Amongst this diversion of funds was the loan of 10 million pound sterling split between Guinea and Mali. (Dzorgbo, 2001:179) Economic problems included deteriorating economic conditions, and an increasing amount of corruption and nepotism because of the people Nkrumah associated himself with – some of which were using the state to prosper themselves. The latter came to the point where the party was synonymous not only with wealth, but as Ghana's lifeblood. The CPP and Ghana were used interchangeably. Nkrumah's vision for Ghana did not allow for any significant opposition, either from within his party or

externally. (Dzorgbo, 2001:176) This was one of his biggest weaknesses and contributed to his downfall in 1966.

Despite the infrastructure developments in Ghana that came from the Nkrumah and CPP, it became quite clear the Nkrumah was settling in for life as leader and that beyond-constitutional means were going to be necessary to remove him as leader. In the words of Ghana's most prized historian "[Nkrumah] was a great African and future generations will find him greater still. But as a Ghanaian leader, he was in the end a failure." (Boahen, 1975:225) On February 24, 1966, a coup d'état overthrew Nkrumah's CPP regime while he was abroad on a diplomatic mission in China. The originators of the coup, headed by high level military and police officials, considered it a revolution and gave the following reasons for their actions: human rights abuses, rampant corruption, dictatorial style of leadership, and a deteriorating economic situation. (Osei, 1999:77-79) The new regime, the National Liberation Council (NLC) claimed to be acting in the best interest of most Ghanaians, and the best for the country as a whole. This act brought to an end Ghana's single largest period of infrastructure growth, and would eventually prove to only deepen Ghana's economic woes, rather than lift the country out of the balance of payments, and fiscal crisis that Ghana faced prior to 1966.

## **NLC and Ghana**

The National Liberation Council (NLC), comprised of senior police and military officers, almost immediately began to roll back socialist policies. The NLC was represented largely by business interests, and thus the majority of their policies represented a pro-business, anti-state approach to development. In the next few years the NLC had a few major objectives before eventually handing over power to an elected civilian government. First, as is often the case in a military coup, the military got a substantial raise in pay, as well as tax breaks, increases in housing allowances, and other similar benefits. As such, Ghana's national defense budget more than doubled from 1965 to the end of 1966. (Osei, 1999:82; Dzorgbo, 2001) This is another example, this time from a military regime, of the state in Ghana being used to turn relatively small boys into 'Big Men'. The seamlessness in which corruption flowed from one regime to another was ruthlessly exposed in Armah's The Beautiful Ones are not yet Born. (Armah, 1968) Though Nkrumah did manage to alienate large portions of the military through the hiring of his own private guard and through a series of cuts to the military, the raise in pay is questionable at best. The pay raise was questionable because of the timing of the increase, which coincided with a strong decline in the overall Ghanaian economy, and because the military did not deserve to be on a higher footing than the rest of society. Despite objections, Ghana's 'biggest trade union', namely the military, was able to create a wider political space in which to operate. In words of the NLC, a loss of 4.8 million Cedi's a year was not

too high a price for the 'true freedom' brought by the regime. (Dzorgbo, 2001:190)

As for the NLC's policy prescriptions, under a mask of 'liberating' Ghana's population from the Nkrumah's socialist, the regime actively worked towards dismantling much of the CPP's infrastructure and existing projects. It was fairly obvious that there were problems with some CPP projects, as nepotism and kickbacks had become standard practice in most government contracts. However, there were projects nearly or fully completed that were scrapped for no other apparent reasons than they were Nkrumah's projects. (Dzorgbo, 2001:197) For example, two tractor assembly plants scheduled to be built in Kumasi were shelved, along with many rural industries – such as bakeries and furniture factories that were abandoned because they were state-owned and tainted by socialism. (Dzorgbo, 2001:198) These were not isolated incidents, and revealed more deep-seated objectives and personal agendas of the new regime than that of 'liberating' Ghana's population. It was this kind of frenzied and some times illogical action that kept Ghana in a period of economic decline, and depreciated the value of Ghana's weak but emerging infrastructure. The above is evidence to the use of the state for limited agendas, and being more interested in erasing Nkrumah's legacy rather than the long-term growth of Ghana's infrastructure and development. Many of the projects scrapped could have provided a necessary basis for an economic recovery, but this objective was sidelined for the purposes of trying to negate Nkrumah's influence on Ghana.

## **Economic Policy and the NLC**

In an effort to broaden the expertise of the makeshift regime, civilian experts were given responsibilities in such areas as the economy, foreign relations, and administration. Nkrumah's main rival, K.A. Busia, was given the responsibility of educating the public on their civic duties. This equated to a 'deprogramming' of Ghana's citizenry of CPP thought and practice. (Pellow and Chazan, 1983:51) Through the actions described above, and the arrival of an IMF mission two weeks after the coup, the deeper ambitions of the NLC were revealed. Nkrumah had resisted the penetration of the IMF into the Ghanaian economy. By contrast, in 1967, Ghana's budgets and financial reports were being forwarded to IMF headquarters prior to implementation. The actions taken by the NLC, on consultation with the IMF and with the full support of Ghana's old 'political class', imposed tight new spending regulations, embarked on a series of currency devaluations, liberalized both internal and external trade, reduced government expenditures, privatized some state-run companies and reduced employment in the civil public service. (Dzorgbo, 2001:193-94)

One of the consequences of the government scale downs was a series of layoffs from a bloated bureaucracy. While these cuts were probably necessary, the NLC saw no reason to stagger these cuts, resulting in over 60,000 layoffs within the first two years of the regime's rule. At the same time as these layoffs were occurring, senior civil servants were receiving a salary 39 times that of lower paid workers. (Osei, 1999:83) This regime had the backing of Ghana's

previous establishment of the UGCC, and implemented policies that reflected this. These policies included economic gradualism and free market economics, restricted state sector activities to infrastructure and utilities, and the promotion of private foreign and domestic investment.

In spite of the government's claims of cleaning up the government, a scandal arose in 1967 where the chair of the NLC, General Ankrah, who effectively was the leader of Ghana at the time, was forced to resign over allegations that he was receiving bribes from foreign companies. (Osei, 1999:83) It was around this time that the NLC began making plans to hand power over once again to a civilian regime. This happened in 1969, when Busia of the Progress Party won elections leading up to the change in power.

At this time Ghana's economy had suffered from decreased government spending, 27% unemployment, and a worsening balance of payments crisis – this is after a 44% devaluation in the Cedi. (Frimpong, 1991:107) However, given the fear mongering that was initiated after the coup, and the close proximity of the CPP, Busia and his Progress Party (PP) had little trouble being elected. Many of the civilian leaders of the NLC came to hold important positions of power within the new civilian regime. Thus, despite the deep economic crisis Ghana was facing, there was a substantial degree of continuity to the policies of the previous regime, that is of business-friendly economics.

## **Busia and the Progress Party**

Similar to the beginning of Nkrumah's regime, the return of civilian government in 1969 brought increased expectancy on the Progress Party, led by K.A. Busia. This heightened sense of expectancy would later prove to be detrimental to the government's legitimacy and its ability to conduct government business. The government was not able to control inflation or provide the necessary employment to retrenched government employees. Another blow to Busia's legitimacy came when he took on a similar authoritarian style to Nkrumah, though he claimed to be a defender of 'true democracy'. (Osei, 1999:84-86) An example of this is the case where over 500 civil servants were rather randomly dismissed. Busia then proceeded to ignore a Supreme Court ruling demanding the reinstatement of the dismissed government employees. (Osei, 1999:86) Actions of this nature quickly led to a deficiency in legitimacy that followed him through his brief term in office

Ghana's return to civilian rule came during very turbulent times, and any stability that the NLC regime was able to obtain came crashing down. After the election, the emphasis on the private sector became stronger with specific emphasis on the development of an indigenous entrepreneurial class. (Dzorgbo, 2001:205) However, from 1969 to 1971, Ghana's short-term foreign debts increased by 79%. (Frimpong-Ansah, 1991:105) Instead of riding out a stormy economic climate, the government sought external assistance from the British of US \$360 million to mitigate the growing crisis – namely the balance of payments

crisis that enveloped Ghana by 1971. Busia was informed that such a large request for assistance would be best handled through the IMF. The advice given by Britain represented a broader trend towards multilateral financial agreements, and foreshadowed the institutionalization of development within the framework of the international financial institutions (IFI).

One of the main difficulties for the PP was the continued economic decline facing Ghana's politic. The private sector had yet to fill the void left by the retraction in government spending and employment. Having opened Ghana to the international marketplace through deregulating import licenses and increased foreign ownership, this left a fragile Ghanaian economy exposed to external economic shocks, such as the increased competition from imports and deregulation, and fluctuation of world cocoa prices. And yet in spite of the economic difficulties, the government had a very ambitious plan to "end economic stagnation and resume economic expansion". (Frimpong-Ansah, 1991:107) The government policy makers were no doubt feeling the legacy left by Nkrumah and his ability to increase Ghana's economic base, though at the cost of a ballooning national debt.

Despite continuous warnings from internal and external advisors, Busia clung to the theory that the balance of payments crisis was only a short-term problem. In an effort to relieve the fiscal crisis, and in response to one of the recommendations of the IMF, the government implemented a 42% devaluation of the Cedi in 1971. (Frimpong-Ansah, 1991:107) This seemed like an extreme

measure to many of Ghana's citizens, and the military agreed, and shortly after in 1972, Busia was relieved of his duties through another military coup. (Chazan,1983:46) This time the coup was carried out by the National Redemption Council (NRC) led by General I.K. Acheampong. Thus, Ghana returned to military rule, and would remain that way for the decade of the 1970s. (Frimpong-Ansah, 1991:108)

A brief postmortem of the Busia led Progress Party isolates two major issues that brought about the fall of the government. First was the inability to make tough decisions for the good of the economy, and the delayed reaction when the government decided to act in such a way as not to disturb the valuable import sector, from which its small but powerful supporters were benefiting. Coinciding with this, the government had suffered a substantial loss of legitimacy in its inability to carry out the austerity measures necessary for the private sector approach to development that the government attempted to introduce. The period also demonstrated the difficulty a civilian government has in introducing adjustment policies prescribed by multilateral institutions. This was a contributing factor to the overthrow of the PP civilian government.

### **The Role of the State in the Economy – 1970s**

Throughout the developing world, the seventies have been termed as the lost decade of development. (Leys, 1995:7) State decline followed from the disillusionment from the realization that even with modernization, which most

states were not terribly successful at, the corresponding increases in the standard of living for the majority of citizens of the developing world did not happen.

For Ghana, the 1970s were indeed a step backwards rather than forwards. During this period Ghana's GDP per capita lost ground through government mismanagement, poor policy decisions, and outright corruption through the Supreme Military Council I&II (SMCI&II). For example, in 1972 the GDP per capita was 256 Cedis, but by 1979 it had dropped to 215 Cedis. (Huq, 1989:288) Accompanied by poor development policy, there was also the 'boom/bust' nature of the world economy. Western banks were looking for money to give out as loans, and much of this money went to developing countries, at very low interest rates due to the over-supply of money in the developed world. The loans flowed so freely that accounts to where the money went were not always available, resulting in often inefficient development projects, or the 'misplacement' of a substantial amount of funds. (Ward, 1989; LeVine, 1989, Theobald, 1990; Umez, 1999) The end of this decade saw the interest rates quadruple in a very condensed period of time due to the oil crisis, and left many countries with crippling debts and not enough to show for the debts incurred. As we will see in the next section, Ghana's development was hindered by another military government and would eschew development plans for personal benefit.

## **Ghana's Second Military Government**

The return to military rule in Ghana brought with it a return to socialist-style policy similar to that of Nkrumah's policies in terms of its redistributive dimensions and also the view of the state as central to development. Though the country was in the grips of an economic crisis, the new regime under General I.K. Acheampong was able to record trade surpluses every month of 1972. Through reducing the level of imports and the temporary repudiation of much of Ghana's foreign debt load, the government was left in a more favourable position to spend the country's scarce resources on national development rather than financing developed countries. Due to the repudiation of foreign debts, the government and the Bank of Ghana agreed that funding for development projects should come from internal sources, as external sources would be hostile to further loan requests. This was also conducted in an effort to be more self-sufficient.

NRC policy focused on increasing self-reliance, which was a pillar of Nkrumah's political philosophy. In this regard, Operation Feed Yourself and later the Operation Feed Your Industries, encouraged the local production of food stuffs and inputs to local manufacturing companies. (Osei, 1999:89) Though these efforts were quite successful in temporarily turning the economic tide, internal and external pressure on the subject of the country's foreign debt led the government to quietly resume talks with their international creditors. The political philosophy of the NRC was that of "capturing the commanding heights of

the economy”, and based on socialist-led model. (Osei, 1999:88) The NRC quickly found civilian advisors problematic, and reconstituted itself as the Supreme Military Council after having purged itself of civilian policy advisors.

The firing of the government’s civilian advisors turned out to be a tragic mistake for Ghana’s development. The decay in Ghana’s economy is illustrated through the decline in cocoa production, as the incentives to produce diminished in the face of deteriorating economic conditions. The price paid to farmers per 30 kg bag in 1974-75 was 3.67 Cedis, by 1977-78 it was less than half of this at 1.51 Cedis. From a high of 470,000 tonnes produced in 1971-72, cocoa production fell to 271,000 tonnes in 1977/78. (Huq, 1989:110) Or put another way, in 1962 Ghana produced 36.5% of the world output of cocoa, by 1977 this fell by half to a mere 18%. Over the 1970s the GDP growth rate was 0.4% and per capita GDP averaged –2.2%. (Huq, 1989; Frimpong-Ansah 1991)

In the 1977-78 budget Acheampong made a dramatic shift towards liberalizing price controls. Up to this point, the SMC had subsidized the price of gasoline and the level of the Cedi which had resulted in the deficit rising from 17 million Cedis in 1971 to 781 million Cedis in 1977. (Hutchful, 2002:12) As a result of liberalizing of subsidies the 1977-78 financial year shows that the government’s current expenditures (2.8 Billion Cedi’s) doubled that of the revenues (1.41 Billion Cedi’s) for the same year. (Chazan, 1983:174) Put another way, the current expenditures of 1977-78 were greater than the total revenues from the previous three years combined. (Huq, 1989:300) There was a slight

increase in capital expenditures from 1974 to 1978, but the 30% increase cannot match the tripling of current expenditures in the same period. (Chazan, 1983:174)

Though claiming socialist leanings, the regime had encouraged the development of parallel or kalabule economy. The characteristics of kalabule economy were hoarding, profiteering, and smuggling all with the collaboration of the Ghanaian state. The Ghanaian populous dearly paid the price for the regimes irresponsibility. Between 1970 and 1984, the average real income of industrial workers fell to 1/7 of 1970 levels. (Huq, 1989) During this time, the consumer price index (CPI) increased astronomically; with the base year as 1970 in 1975 it was 216.9, 1978 it was 1,271 and 1,960 in 1979. (Huq, 1989:304)

By 1978, an advanced state of economic and political collapse marred Ghana. The massive amount of corruption that dogged the second half of the Supreme Military Council's rule was met with increasing resistance and strikes. The dissidents within most of the country managed to temporarily unify the country, however it was against the regime. General Acheampong was placed under house arrest after a palace coup took place in an attempt to appease growing concerns about the regime. This effort to restore some level of legitimacy took the form of a re-constituted Supreme Military Council II (SMCII). This did not appease the Ghanaian citizenry however, many of whom were struggling to survive, while the country's leaders were driving late model Mercedes-Benz. In the face of nearly perpetual strikes, the regime began

preparing to hand over power to another civilian rule. However, as the following section details, the newly formed SMCII would not get the chance to hand over power to a new civilian government. In its stead, a young flight lieutenant named Jerry John Rawlings from the junior military ranks of the Ghanaian army would intervene through an internal military revolt.

## **Conclusion**

To conclude this examination of the early period of Ghana's independence, we need to return to theories that have been outlined within my hypothesis. A main contributor to state decline has been the African State by elites as a major source of personal wealth accumulation. Whether this has been through blatant corruption or seizing the reigns of power and transforming oneself from a 'small boy' to a 'Big Man', development has taken a back seat to politics in Ghana for far too long. This has been demonstrated through the rule of Kwame Nkrumah, who though implementing a serious platform of infrastructure development, ultimately utilized the state for his own agenda and for the accumulation of wealth for himself and his followers. Nkrumah used the state to promote his socialist ideology, which had mixed blessings for Ghana, but would ultimately prove to be his undoing as his focus and vision could not be contained within Ghana. Nkrumah's support for other independence struggles, however noble, deflected resources and energies away from Ghana's development. Ultimately, though a great visionary, Nkrumah would be corrupted

by power and his legacy tainted by scandals and the authoritarian methods he felt necessary in order to implement his vision for Ghana. An example of this is that a commission set up after the 1966 coup found that Nkrumah had control of over two million pounds sterling in assets. Included within these assets were control over businesses, various real estate properties, and a substantial amount in cash; this after coming to the country in 1949 without a cent.

The government that replaced him did not do much better in separating the state from the corruption that became entrenched during Nkrumah's rule. The Busia administration also vastly altered economic policy, to the benefit of big business – who were some of the main supporters of the Busia government. Busia's government was overthrown in a military coup led by General I.K. Acheampong, who would not only prove to be corrupt as well but also vastly altered the structure of Ghana's economy towards a parallel or kalabule economy based on hoarding, smuggling, and other corrupt practices. All this led to the deterioration of the Ghanaian economy, the physical infrastructure, and most of all the standard of living for most Ghanaians. This part of Ghana's history was marred by personal rule, drastic power shifts, and the overarching view of the state as a source of wealth accumulation.

**Chapter Three**  
**Ghana: J.J. Rawlings and The Latter Independence Years**  
**(1979-2001)**

"We are looking for nothing more than to organize this country in such a way that nothing will be done from the Castle [Ghana's traditional seat of power] without the consent and the authority of the people"  
J.J. Rawlings (West Africa, 11 January 1982)

Carrying on from the last chapter will be an examination of the rise to power and rule of J.J. Rawlings. It was argued in the previous chapter that the state was utilized for personal wealth accumulation and to transform 'small boys' into 'Big Men'. This chapter will continue to examine this in the rule of J.J. Rawlings. It will be demonstrated that Rawlings' utilized the state for his own benefit, and to the detriment of cohesive national development plans. Further it will be argued that when Ghana's development priorities clashed with Rawlings hold on power, it was the latter that prevailed; this will be shown through Rawlings adoption of structural adjustment, his ruthless persecution of Ghana's indigenous community, and through the corrupt practices of the Provisional National Defense Council (PNDC) and the National Democratic Congress (NDC).

J.J. Rawlings is the second half of the typology established in this thesis. As such, this chapter will examine the period in Ghana's history marked by the rule of J.J. Rawlings. This will start with his rule as chairman of the Provisional National Defense Council (PNDC) (1981-1992), his populist/revolutionary beginnings and his somewhat sudden adoption of Structural Adjustment Programs (SAP). This will be followed by examining Rawlings' two terms as

president of Ghana (1992-2000) and the policies his governments pursued. At the end of this chapter there will be a brief section on the current leader of Ghana, President John A. Kufuor. As he was only inaugurated in 2001, this section will not be able to provide an in-depth analysis but will elucidate as to the development policy direction the current government is pursuing and the current conditions facing Ghana.

### **Ghana prior to Rawlings**

Although Ghana experienced four regimes in this brief time period (1978-1981), for simplicity's sake and for clarity, the political activities of this period should be briefly told as part of the unfolding of a political story that would eventually leave J.J. Rawlings as chairman of the Provisional National Defense Council (PNDC) and firmly in command of Ghana's politics at the end of 1981.

With preparations underway in 1978 for civilian elections to take place, and lingering accusations surrounding corruption and the SMC I & II, J.J. Rawlings, a junior military officer led an unsuccessful coup and was imprisoned. He later escaped from jail during a second coup attempt in 1979, and assumed control of the state. The new regime, formed by lower ranking military officers, was in fact an internal struggle within the military, as the senior officers were viewed as corrupt. The new regime, the Armed Forces Revolutionary Council (AFRC) had a simple mandate of purging the military, and Ghana at-large, of

corruption. (Dzorgbo, 2001:257) The ruthlessness of the regime sent a clear signal of the intentions of the regime to proverbially 'clean house'.

Following the coup, Generals Acheampong and Akuffo – both former heads of state, were publicly executed by firing squad along with General Afrifa, and other top members of the military. The AFRC, having no plans to retain, planned parliamentary and presidential elections in 1979, and later in 1979 J.J. Rawlings handed power back to another civilian regime, led by President Hilla Limann. Despite the short time in office, Rawlings managed to secure a substantial level of discipline into public affairs. He also managed to alienate most of the indigenous capital that existed within the country since the AFRC had responded to the corrupt society by violently suppressing traders and those deemed to have 'excessive' amounts of wealth. "Economic saboteurs" and other enemies of the people were publicly flogged, stripped naked, and otherwise humiliated. (Dzorgbo, 2001:259)

On August 18<sup>th</sup>, 1979 soldiers blew up Makola Market in Accra, the largest market in the country. It was said to be corrupt and part of the 'Kalabule' or parallel market. Other markets in the key cities of Kumasi, Koforidua, and others were also damaged, lit on fire, or otherwise destroyed.(Dzorgbo, 2001:259)

After a series of such incidents, the movement of goods especially food items from the rural to the urban areas slowed dramatically. The market women, who are the backbone of local food distribution, were a main target for their

'economic crimes' of making illegal profits, and the end result was large-scale food shortages in urban areas. (Dzorgbo, 2001:276-76) While it was the intention of performing 'house-cleaning' operations within Ghana, ie. purging corruption, the economic situation was not aided by the fanaticism of the AFRC and some of their supporters. The economic instability that had been built up through the 1970s and culminated with widespread persecution of Ghana's private sector during the AFRC's short reign would resonate through Ghana through much of Rawlings' second reign as military ruler of the PNDC.

### **President Limann**

Meanwhile, as the AFRC were purging Ghana of 'economic crimes', a new round of elections was being held. Dr. Hilla Limann was a surprise winner in the 1979 elections, and had a diverse but convoluted power base. The new constitution had a very rigid set of checks and balances, which left the new president with limited powers and an economy plagued by hyper-inflation, and chronic shortages of the most basic of services. As a result of these conditions, Limann was left with quite limited political space in which to maneuver. As such his policies were gradual in form and function. (Chazan, 1983:311)

The class base of this regime was mixed, but Limann did not present a strong ideology stance, which under different circumstances would have been appropriate. He sought to reform agriculture by increasing incentives to rural farmers, and by increasing rural infrastructure. He also sought foreign

investment in order to rehabilitate Ghana's fragile private sector. However, the tirade that the AFRC went on in 1979 had scared off most foreign investors. In Limann's defense, he did try to lay the foundations for the long and arduous process of rebuilding Ghana's economic infrastructure. However, an incremental approach to managing Ghana's economy was not what was needed at this point in Ghana's history. From 1970 to 1980, Ghana's GDP growth rate was 3.7% for the entire decade, as compared to the 31.8% increase during 1960-70. Ghana's GDP per capita by 1980 had actually fallen slightly below 1957 levels. (Huq, 1989: 288)

The coup came on New Year's Eve 1981, and this time it became quite clear that the new military government headed once again by J.J. Rawlings had no intention of relinquishing power. There had been ideological struggles between Limann's gradualist, private sector approach to dealing with Ghana's ailing economy and the left represented by Rawlings who never disappeared fully from the political spectrum during the 27 months of Limann's civilian government.

Within Ghanaian history, the utilization of the state in the transformation of a 'small boy' into a 'Big Man' is no more evident than in the rule of J.J. Rawlings. When Rawlings first took power in 1979, he was a junior, non-commissioned military officer who rose up and led a violent rebellion. His second coup came after just 27 months of democratic rule – in which Dr. Hilla Limann was constantly under the scrutiny of Rawlings. There can be little argument that

Rawlings was essentially a small boy when he first entered Ghanaian politics, and there should be even less disagreement about the fact that he left politics as a 'Big Man' within Ghanaian society.

It is my contention that while Rawlings may have acted in the best interests of the country the majority of the time, his first and foremost concern after 1982 was to remain in power. When the priorities of development and politics clashed, it was the latter prerogative that took precedence. Most of these clashes were quite subtle and nuanced, but remained nonetheless. For example, the pronouncement of a 'People's Revolution' to the people of Ghana New Year's Day 1982, which was neither initiated nor endorsed by the people of Ghana. This can also be seen through the somewhat haphazard implementation of structural adjustment in Ghana, particularly after democratizing in 1992. But before delving further into the idiosyncrasies of Rawlings, a brief investigation into the economic and political climate that Ghana found itself in the early eighties is necessary.

### **The Role of the State in the Economy – 1980-90s**

The focus on the state as developer lessened as the debts of Under Developed Countries (UDCs) mounted and Developed Countries (DCs) financiers came looking for loan payments. This began a shift in focus from the state to the private sector as the primary mode of development, which is representative of shifting mainstream development thought. In the last two decades, Structural Adjustment Programs (SAP), sponsored by the World Bank (Bank) and the International Monetary Fund (IMF), have become a standard remedy to the

various economic maladies experienced by UDCs. As SAPs have evolved, the Bank and IMF have imposed further conditions. These conditions have ventured from more economically-based conditions to the political and social realms. Though the connection between politics and economics is invariably strong, as it is the basis of this thesis, the intrusion into issues of governance and social spending have extended the influence of the Bank and IMF beyond simple development assistance and economic territory.

The intrusion of the Bretton Woods Institutions (BWI) into the political sphere has eroded the capacity of the state to act independently of foreign economic and political interests. One of the difficulties that stems from external influence on internal policy arises from the state's inability to make major policy shifts without first consulting with external donors and 'stakeholders'. (Mkandawire & Soludo, 1999:28; also see Barratt Brown, 1996) An unintended consequence of this can lead to a loss of legitimacy for the ruling regime, and therefore undermining democracy by contributing to malcontent within the state, through the lack of viable alternative policy options. (Konadu-Agyemang and Takyi, 2001:22)

In 1983 Ghana began an austerity program in conjunction with the IMF called the Economic Recovery Program (ERP). Ghana was one of the earliest adopters, once again leading the way in Africa.<sup>1</sup> The adjustments undertaken by

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<sup>1</sup> Ghana had earlier dealings with the IMF, including attempts to introduce monetary reform during Nkrumah's time in Ghana. There was also extensive IMF involvement in Ghana's policy making from 1966-1972. (See Brydon and Legge, 1996) The point here is that from 1983 onwards, the IMF policy would become entrenched within Ghanaian economic policy.

the Rawlings' regime were typical of now standard Bretton Woods Institutions (BWI) adjustment programs. Some of the conditionalities required for such programs include downsizing of the civil service, reducing and eliminating subsidies on consumer and basic goods, currency devaluation, and trade liberalization leading to an infusion of imports. (Kapur et al, 1991:1-3)

### **Rawlings' Rise to Power**

Most discussions on this period in Ghana's history focus on events from 1983 (the year structural adjustment began) and onward. However, it is important to recall the period of fifteen months or so between Rawlings' second coup on December 31, 1981 and the beginning of structural adjustment in Ghana in March of 1983. The significance of this period surrounds both the method of how Rawlings came to power as well as the initial socialist propaganda that were typical of the earliest period of the PNDC.<sup>2</sup> Rawlings had come to power with a military coup late in 1981 which had overthrown an elected government that had been in power but 27 months. The period in question could be termed Rawlings' initial 'revolutionary' socialist phase. (Nugent, 1995:40-49) The philosophy and policies pursued were statist in nature, and the rhetoric was a throw back to the days of Nkrumah, with terminology used like neo-colonialism, populism, and many Marxist references.<sup>3</sup>

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<sup>2</sup> This initial period began in 1982 and continued until April 1983 when the budget was presented signaling the shift to neo-liberal economic policy. (Rothchild, 1991:6)

<sup>3</sup> The utilization of 'Nkrumahist' terminology may have been implemented on purpose as a throw back to the 'glory' days of the CPP. However there were major differences in ideology between Rawlings and

Shortly after seizing power, Rawlings defined the goals of the PNDC as "the rearrangement of the foundations of Ghanaian politics through the transformation of social, economic, and political relationships." (Rothchild, 1991:24) I do not think that even Rawlings himself could appreciate how extensively his reign would indeed penetrate into, and alter, the social, economic and political fibre of Ghana.

During this brief period of populist propaganda, Rawlings supposed aim was in rooting out injustice and inequality. One of the main targets of these were the owners of factories and wealthy Ghanaians – many of whom were deemed to be economic criminals. (Nugent, 1991:74) Along with those who were said to have excessive bank accounts (the equivalent of around two thousand American dollars) had assets seized or destroyed, nearly all traders were suspected of 'economic crimes'. (ibid:75) The former refers to the entrenchment and proliferation of a parallel or kalabule economy during the 1970s. Kalabule came to represent a drain on the government's tax base as well as the inability of the state to penetrate into certain sectors of Ghana's economic and social life. The government's tax base dwindled during this period because of the size and number of transactions taking place outside the state's ability to regulate and collect revenue. One estimate put the total value of the parallel economy at approaching 40% of the country's economy in 1982. (Huq, 1989:313) The causes for the rise in the former are many, the clearest indications come from

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Nkrumah which would lead one to suggest that Rawlings was merely telling people what he thought they wanted to here.

the size and value of cocoa smuggling, the inaccuracies in the Ghanaian Cedi, and the loss of control of the centre over the (non)functioning apparatus of the state bureaucracy.

While corruption, smuggling and black market trading of the Cedi had drained the economy of badly needed resources, Rawlings' initial response to the crisis was nothing less than violent and destructive. Both in Rawlings' first junta in 1978 and again in 1982, one of the main targets for abuse from his regimes was traders and the indigenous business community who were, if nothing else, considered guilty by association and subject to somewhat random and quite violent confrontations. Rawlings' disdain for the indigenous business class would prove to be one of the greatest paradoxes during his time in power. This point will be returned to when examining the latter period of Rawlings' presidency.

In short, the productive capacity of Ghana was badly damaged further through much of 1982. The cost of locally produced food rose 600% from the beginning of 1982 to the start of SAP in April of 1983; urban inflation rates ranged in the neighbourhood of 200% per annum and the GDP per capita fell by 20% from 1981 to 1983. (Dzorgbo, 2001:279) Owners and managers of businesses were harassed by workers defense committees (WDC), comprised of ad hoc groups bent on administering 'justice' and resulted in massive strikes, plant seizures and a general halt in production in most of the country. Traders were intimidated and assets confiscated by people's defense committees (PDC).

For example, the TATA Brewery Company in Accra was seized for economic 'irregularities', and was later sold to foreigners and renamed.

In 1982, Rawlings froze all bank accounts in the country over 50,000 cedis or about \$US 1870. (Dzorgbo, 2001:289) Attacks against private business in Ghana included the government's seizure of a brewery in Accra, and a textile printing plant in Tema. The government condoned vandalism against businesses including a warehouse that was burnt to the ground. (ibid:275) While there may have been inequalities prior to 1983, the agitation or destruction of much of the Ghanaian business infrastructure did little to ease Ghana's economic woes. By early 1983, the deterioration of the Ghanaian economic infrastructure was advanced and the PNDC had little to offer in place of the collapsing economy. If the neglect and corruption of the 1970s under the SMC had not ground Ghana's economy to a halt, the early days of the PNDC finished this task.

### **Rawlings' Shift in 1983**

The economy was in tatters, with a 3.7% annual decrease in GDP from 1970-81. (Kraus, 1991:121) To make matters worse, in 1982-83, Ghana was in the grips of a massive drought on such a scale that the bush fires that followed from the drought destroyed large areas under cocoa cultivation. Smuggling of cocoa represented 15% of the country's production for 1981-82. However, it is actually surprising that this number was not higher, given that Ghana's price for

a tonne of cocoa in 1982 was roughly one-third of the price paid in Togo, and nearly one-quarter of the price in the Ivory Coast<sup>4</sup>. (Nugent:72, 1991)

There were major shortages in nearly all basic commodities, which was worsened exponentially when one million Ghanaians were deported from Nigeria early in 1983. (Dzorgbo, 2001:280) The political spectrum was looking equally bleak. After Rawlings' coups in 1979 and 1981, legitimacy was not commonly associated with the rule of the PNDC under Rawlings, with his second military coup coming after just 27 months of civilian rule. The impression was left that Rawlings and his Provisional National Defense Council (PNDC) were not prepared to return Ghana to civilian rule despite the absence of a mandate from the people. The PNDC populist platform stated their rule was based on the rule of people, and nothing would happen from Osu Castle (Ghana's traditional seat of power) without the will of the people. (Hansen, 1987:173-74)

In 1982, Ghana was rife with instability and political violence with several counter-coups as well as the kidnapping and murder of three high court judges. Rawlings faced not only political turmoil, but was also fighting for his own livelihood as being an African leader is often seen as an avenue to economic wealth. Rawlings had to do something, for his country and, particularly if he wanted to keep his job and his life, for that matter. Admittedly, the options available were limited, but after the ruckus that Rawlings started in the first

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<sup>4</sup> In 1981/2, the Ghanaian price for Cocoa was 5,330.5 Cedis per tonne. In Togo, the equivalent price was 14,914.72 Cedis per tonne, and in the Ivory Coast the price was 20,338.25 Cedis. (Nugent, 1991:72)

fifteen months of his rule, few outside the immediate circle of his economic advisors could have envisioned what would come next.

As one commentator succinctly stated "Rawlings signaled left and turned right" (Ninsin, 1996:29), referring to Rawlings initial turn to a Neo-Marxist stance after the 1981 coup. What was quite clear was that just a year after the coup Rawlings was quickly losing control over the 'revolutionary forces' that he had helped create. In order for Rawlings to retain power drastic changes were required, and as such he made a about-face turn to the adoption of structural adjustment programs after taking power in a coup claiming a revolution based on socialist and populist policies. In the aftermath of implemented SAP, Rawlings also directly interfered with and weakening the size and effectiveness of labour as a political voice through violence and intimidation. He also aggressively targeted the national bourgeoisie, ie medium to large land owners and any remnants of an indigenous capitalist 'class' in an attempt to decimate, if not totally eradicate them as a political force in Ghana. Though the public sector was being retracted, the indigenous private sector was not given the political space to maneuver and this led to a two-fold condition. First, the massive control of Ghana's economy by foreign interests. Secondly, the decline in the formal sector as a viable employer, where some estimates put the informal sector employment at 75% of urban employment. (Huq, 1989:313)

The policy pendulum swings represented through actions like Rawlings took in 1983 have swung several times in the last thirty years. Unfortunately, the

Ghanaian populous has borne the brunt of these policy shifts. During the rule of J.J. Rawlings, who while retracting the public sector, persecuted Ghana's indigenous entrepreneurs, leaving a tremendous void in clear policy and commitment to Ghana's development as an independent and economically viable state. Much of Ghana's time as an independent country has been as a weak state, with a chronic absence of legitimacy.

### **Major Economic Policies**

At the recommendation of the PNDC's Economic Advisory Committee, Ghana began to undertake a series of measures in order to attract the aid of the Bank, the IMF and other international donors. (Kraus, 1991:124-5) These measures included a substantial devaluation to the Cedi, Ghana's currency, which was highly inflated in value. The official rate had long been pegged at 2.75 Cedis to \$US1, however the parallel or black market price was closer to 20 to 1. Other steps involved price increases to cocoa producers, containment of government budget deficits, a gradual move towards loosening price controls, a reduction of price subsidies on commodities like gasoline and electricity, and the introduction of some user fees for education and health services. Some accounts of Structural Adjustment in Ghana place the initiative squarely with Rawlings and his PNDC party (Brown, 1996; Konadu-Agyemang, 2000), while others place the proposed changes as being IMF initiated and driven. (Leechor, 1994; Nugent, 1995; Armstrong, 1996) It is my opinion that it was a mutually beneficial arrangement

in which both parties wanted to entrench themselves within Ghana's political economy landscape.

Rawlings was successful in attracting IMF and World Bank support, and thus in 1983, structural adjustment became the guide to fiscal policy, government spending, and monetary policy in Ghana. There was also a gradual privatization of publicly-owned companies, but this happened at a much slower pace than international donors would have wished. (Konadu-Agyemang, 2000:473) The program was designed with the aim of inducing economic growth and productivity, the key to development according to this model. (Leechor, 1994) However, one of the lingering paradoxes of Ghana's SAP experience has been the lack of involvement by the private sector in the planning and implementation of economic policy during the adjustment process. (Amponsah, 2001:373)

### **Major Achievements**

An examination of the early years of Structural Adjustment (1983-1987) brings a curious assortment of results, which vary partly by statistics, and part by the source one chooses to listen to. (See Rothchild (ed.), 1991; Brown, 1996; Armstrong, 1996) First, it does need to be stated that Ghana stabilized politically after seven regimes in just over a decade, Rawlings' regime did provide a measure of stability. While this may not have been a direct objective of the SAP via the IMF, for Rawlings' sake, and for the sake of the country as a whole,

Rawlings was able to consolidate his power, and restored at least a superficial stability to Ghana, albeit through a military regime. Given the political and economic life of Ghana at the time of adopting the IMF's programs, this was not a small victory. To what degree did structural adjustment assist in the political stabilization of Ghana? This can be debated, but Rawlings did provide a vision for Ghana's future.

Ghana's GDP grew at an average of 4-5% per annum during the early eighties. It does appear that Ghana somewhat stabilized economically, and there are many reports of IMF and World Bank congratulating themselves for the stabilization that occurred in Ghana through structural adjustment. (Leechor, 1994:153) While GDP was rising decreasing during the eighties and nineties, the actual amount consumed per person, based on gross national product was actually decreasing. Also, through these two decades Ghana's currency has decreased in value 120,000%. (Konadu-Agyemang and Takyi, 2001:28)

One of the first measures undertaken was a substantial devaluation of the Cedi. Within the first year of the program, the Cedi was devalued from 2.75 Cedis to the U.S. dollar to 8.83 Cedis in 1983. By the fall of 1986, the exchange rate was 90 Cedis to 1. (Leechor, 1994:159) The devaluation of the Cedi was enacted to support the sale of exports abroad. The initial response was supportive of this theory with an increase in export earnings with cocoa production increasing almost 100% from 1983 to 1988. (Kraus, 1991:123) However, following a steep decline in the world price of cocoa, Ghana's main

export and source of foreign currency, the price decrease negated some of the possible benefits of the currency devaluation. This event, according to the World Bank was an 'unforeseen' circumstance. (Brown, 1996:79)

As with all countries that rely on only a few exports as their main source of foreign currency, they live and die with the world price of the commodities they produce. For Ghana, the Economic Recovery Programme emphasized the importance that cocoa played within the economy, and incentives were introduced and enhanced in order to improve the cocoa output. (ibid, 1996:81) Through the decreasing of overhead costs, cocoa farmers received gradual but steady increases in their share of cocoa proceeds, from 20% in 1983 to 30% in 1993 to 58% in 1998. (Hutchful, 2002:68) While this did encourage a slow growth in cocoa production the incentives biased towards cocoa production proved to be a serious disincentive for the farmers producing food for the domestic market. (Leechor, 1994:167) Thus hunger grew dramatically in many places in Ghana, especially in the rural areas, during the initial phases of the ERP.

### **Social Impacts**

The social impact of the adjustment policies was tremendous and wide reaching. As a result of a massive reduction in government expenditure, in an effort to control what was perceived to be a bloated government budget, the costs for basic services such as education, water and electricity were passed on

directly to the end user. (Konadu-Agyemang, 2000:470) This was particularly detrimental to the poorest segments of Ghana's population, who were further marginalized if not totally excluded from the more modern sectors of Ghana. Even for those with a salary, a United Nations Children's Fund (UNICEF) study found in 1987 that a family could not live on one minimum wage salary and those which would be considered moderate salaries in the public or private sector were not able to maintain a living wage. (Hutchful, 2002:121) Coupled with this was the strain placed on society by inflationary pressures. For example there was 64.5% inflation between 1987 and 1989 (World Bank, 1997:46) The volatility in the CPI would amount to a serious strain on any economy, and given the structural overhaul that was being attempted in Ghana, the people of Ghana, particularly in the rural areas suffered tremendously. For example, a 1988 statistical survey of Ghana found that 43% of rural inhabitants lived below the poverty line, where as only 27% of non-Accra urbanites were below the poverty line, and only 4% of Accra residents. (Hutchful, 2002:120)

If macro-level indicators showed Ghana's situation improving, with 4-5% increases in GDP during the 1980s, one was hard pressed to find this on the ground in the villages and towns in Ghana. (Kapur et al., 1991:6) Peasants and the working poor were particularly hard hit by. The removal of government subsidies greatly affected the every day life of Ghana, and especially those on or below the poverty line experienced great hardships. For example, in order to recuperate costs, fees for health services were introduced and increased; a

survey in 1985 found that only a quarter of Ghanaians said they consulted a doctor while ill. In the same survey, 52% said they sought no medical treatment at all while ill with the rest either consulting a medical assistant or a nurse. In 1979, outpatient attendance at Accra's Korle Bu hospital was 198,000, however this dropped to 117,000 in 1983. (Hutchful, 2002:128) In 1987, the initial consultation fee for a doctor was nearly two days' work at minimum wage, and in order to be admitted for inpatient procedures, a patient had to submit a deposit worth a week and half's wages. Equivalent fees were introduced for education, utilities, and water supplies; for example the government implemented in 1986 a 19,000 Cedi annual fee on village boreholes. (Kraus, 1991:141-42) Many villages could not pay for this fee, abandoned the boreholes and as a result of the ensuing increase in guinea-worm disease thousands of local farmers were too incapacitated to tend to their fields. This example demonstrates the devastating nature of fee increases to preclude many Ghanaians from accessing government services approximately 60% of Ghana's population are peasant farmers.

### **Program to Mitigate the Social Costs of Adjustment**

In an effort to alleviate some of the hardship caused by SAP, the Program to Mitigate the Social Costs of Adjustment (PAMSCAD) was introduced in 1988 – five years after SAP was introduced. This program sought to target Ghana's poorest segments of society who had been further marginalized by the decrease

in the government's provision of basic services. With US\$60-70 million designated for PAMSCAD, the program was designed to deliver rapid relief for retrenched workers, the working poor, and the chronically poor. (Brydon and Legge, 1996:89).

The devastating social impact of the Economic Recovery Programme was not significantly recognized until 1987 and the response was slow in coming. (Armstrong, 1996:106) The introduction of a program to soften the impact of structural adjustment was very much an afterthought to the framework of SAP. The concept of mitigating the devastating impacts of SAP to the poor never appeared in any policy document on Ghana until civil unrest brought it to the attention of the Ghanaian policy makers who were under strict guidance by IMF and the World Bank's adjustment 'specialists'. In response to massive protests and demonstrations against the deep cuts made through structural adjustment, Rawlings, along with the World Bank, introduced a series of measures Programs to Mitigate the Social Costs of Adjustment (PAMSCAD) (Hutchful, 2002:116) While the government should be commended for attempting to address the negative repercussions of structural adjustment programmes, bureaucratic wrangling and an absence of standardized implementation would limit the effectiveness of the program.

The first step of this program was to do extensive surveying towards understanding just who was suffering the most from the impacts of adjustment. (Armstrong, 1996:108) After identifying the most pressing needs, PAMSCAD

targeted key sectors that were deemed to be most vulnerable to the short-term pains of structural adjustment. The components of this program included the following projects; employment generation, retrenching workers, basic needs – which consisted of providing drugs and nutrition to young students, aid for the education sector, and community initiatives. (Armstrong 1996:106-7)

It was later admitted that the program failed in its objective to mitigate the social costs of adjustment as the program provided a valuable framework on how not to conduct development projects. Specifically, the needs were addressed after much suffering had already taken place, the financial backing for the projects was late getting there, and there were often several donor agencies involved in a single project which made collaboration muddled at best. In the words of the World Bank, the program failed to achieve the objectives of softening the blow of the ERP to the citizens of Ghana (ibid:106)

Despite the tremendous social impacts, the ERP program in Ghana was considered a “flagship in the efforts to counter critique of structural adjustment”. (Armstrong, 1996:106) In this same report, produced by the World Bank, it is stated quite proudly that by 1990 Ghana “had attained the status of a model client”. (ibid:44) This is from the same report that declared PAMSCAD to have failed in its mission to soften the impacts of SAP. It makes one wonder whether anyone is really listening to the people on the ground who were affected by structural adjustment.

It should be conceded from the start that reform was indeed desperately needed within various sectors of the civil service. For instance, auditors of COCOBOD, the state-run cocoa board found that there were 15,000 employees who were actually 'ghost' workers, those who received pay checks and whose names were on the books, but did not actually work for the marketing board. (Leite et al, 2000:44) It was this sense of zealousness towards cutting government 'fat', whether real or imagined, which served as the driving force of structural adjustment in Ghana throughout the 1980s.

The cutting led to fifty thousand 'unskilled' workers finding themselves out of work. (Leechor, 1994:181) This created a tremendous stress on the entire Ghanaian economy, but particularly in the urban areas where many of these positions were located. The effects of these layoffs, however necessary, would be felt long after the terminations due to the absence of comparable positions in the private sector. The latter example demonstrates that the cutbacks in employees did expose a serious level of corruption and mismanagement, as for the former example, the likelihood of finding replacement positions given the unskilled nature of the workers was highly unlikely. It is measures of this nature within the adjustment policies that led to a dramatic increase in the poverty rates in urban areas of Ghana, especially in Accra, where poverty rates increased from 7% to 21% in less than a decade. (ibid.:55)

## **Economic Consequences of Ghana's Politic**

In less than a decade, Ghana's economy was transformed from a largely state-run economy with fixed currency rates and a plethora of state-owned companies, to a system with a floating currency, massive government downsizing, and the introduction of a pay-as-you-go system for many health and educational services. (Konadu-Agyemang, 2000; Leite et al., 2000) One of the cumulative effects of the retraction in government services was the further marginalization of those that could not afford the new fees for social services.

There was, however, a disruption in the ERP in 1992, whereby government expenditures increased dramatically, and the fiscal conservatism of the previous decade was temporarily set aside. There was a shift about to take place as Rawlings was relinquishing his military regime of the PNDC to shift power to a democratically elected government with elections that were held in 1992. However, Rawlings was not going to be undone as leader without a fight. In this regard, Rawlings cashed in some of the savings of the previous decade in order to maintain his role as the leader of Ghana. After holding the government deficit to around 2-3% of the GDP for the years 1987 to 1991 inclusive, in 1992 the government deficit ballooned to 9.4% of the GDP. (World Bank, 1997:178) There was a marginal decline in revenues in 1992, but nothing on the scale to warrant such a discrepancy in the budgetary deficit encountered by Ghana that year.

Rawlings decided that just before the elections of 1992 that the civil servants in the country were to receive an 80% pay increase. (Leite et al., 2000:30) This not only had an impact on Ghana's bottom line, but also effected IMF & World Bank relations with Ghana. Accounts differ as to the causes for Rawlings' decision, even amongst World Bank and IMF officials. One report simply states that this was all Rawlings' idea, and that he was to be held responsible, while an IMF document states that Rawlings was forced into this decision because of growing civil unrest leading up to the 1992 elections. (Leite et al., 2000 :30) There were large demonstrations and strikes leading up to the 1992 elections, however the pay raise given to the civil service had political consequences, and there can be little doubt that the pay raise was initiated at least in part politically motivated given how close it came to the elections.

Whatever the case may be, to solely vilify Rawlings for his actions during 1992, leading up to the presidential elections, maybe too strong a criticism. The transition to democracy is a difficult process after any significant period of time under military rule. The essence of the matter as far as SAP and Ghana's economic recovery is concerned is that the costs and shocks to the economy that came from the uncertainty and political transition were not fully accounted for by the IMF and Ghana's policy makers. The 1992-93 period was a significant setback for the economic reforms, and prolonged the short-term pain, to use IMF terminology, caused by the structural reforms. (Mackenzie et al., 1997:2) The transition to democracy was a serious test to the stability of a country that had

been gripped with political instability and economic hardship. No matter the actual cause for the sudden increase in civil servant wages in 1992, it demonstrated the fragility that still marked Ghana's somewhat sputtering economy. The causes of Ghana's continuing economic difficulties will be where the discussion will turn to next.

### **Private Sector Results**

Structural adjustment, as it is proposed by the IMF and The World Bank, seeks to shift the focus away from the state as the vehicle for economic growth and development, and emphasize the role of the private sector in this capacity. In this regard, a main prescription of the adjustment programs is to divest many government services, especially in the realm of social services, to which the private sector is highlighted and expected to fill the void left by the retreating state. Thus, the performance of the private sector, in terms of investment and job creation, serves as an essential linchpin in the overall schematic of the SAP.

Ghana's private sector results have been less than stellar during the past two decades of adjustment. There were modest gains in terms of value-added agriculture and industry, but it was the service industry that was responsible for the majority of what little growth that can be accounted for, with growth rates of value-added in the service sector ranging between 6-8% per annum. (World Bank, 1997:20) A look at the statistics on the composition of Ghana's work force showed that there has been little change in terms of shift from agriculture to

either the industrial or service sectors despite the increase in valued-added in the service sector. There was a slight shift from agriculture to the services sector, but in 1990, 59% of the work force was still employed in the agricultural sector compared to 60% in 1970. In an enlightening study into this issue, Nicholas Amponsah undertook an examination into the causes of the lack luster performance by the private sector. (Amponsah, 2001:371) Within Amponsah's study, he surveyed Ghanaian entrepreneurs to get their impressions as to the business climate that existed within Ghana. The information provided by this study sheds considerable light on the topic at hand. Out of the 445 of business owners and entrepreneurs sampled, almost fifty percent either agreed (30.8%) or strongly agreed (19.1%) to the question "To what extent would you agree that the state can seize your business or property at any time without any justification?" (Amponsah, 2001:378) It is no wonder Ghana's private sector has failed to generate the anticipated results. A negative perception as to the security of operating a business goes a long way to determining whether to begin the process at all, and whether profits are reinvested to expand operations. In the study, 54% of the respondents said that they did not find it prudent to reinvest accrued profits into their business given the current political climate in Ghana. The other two questions involved in this study concerned the arbitrary nature of the governments under the (P)NDC and administrative bottlenecks. The results of these question reflected a general distrust in the security of their businesses and Ghana's institutional framework.

One of the main causes for fragility of the private sector can be directly tied to Rawlings' disdain for the private sector in Ghana and the subsequent institutional instability felt in Ghana. This presents a curious paradox within Ghana's adjustment experience. Put succinctly, SAP is supposed to emphasize the private sector as the primary vehicle for economic growth, however Rawlings personally persecuted Ghana's small capitalist class and stunted much of the potential growth potential. It is my contention that this persecution directly relates to Rawlings' unease around his political leadership, and that he used his political power to propagate his own interests at the expense of Ghana's national development. On the day before the PNDC handed power over to a democratic regime, which was also led by Rawlings under the newly constituted National Democratic Council (NDC), a decree was issued (PNDC Law 325 or the Removal of Doubt Law) confiscating business and personal property in Ghana. (Ninsin, 1996:29) Specifically, the decree named 175 businesses whose property had been confiscated ranging from business properties, to farms, houses and industrial properties. Further, another nearly 400 individuals named in the act had their personal assets confiscated. This attack on the Ghanaian capitalist class did not stop with an elected government. Another 23 other decrees were published retroactively dating back to 1982 after the government of Rawlings 'transformed' into a democratic government.

The enmity of the PDNC and the NDC towards the private sector has led to a stagnation and the lack of investment in Ghana, and the absence of any

increase in high employment-generating ventures. These are needed both for the secondary school students, of which there is a glut of underemployed graduates, and for the university-trained students who often go abroad in the hope of finding better employment opportunities. While Ghana undertook a significant divestiture of state-owned enterprises during the 1990s, the lack of private sector confidence has been detrimental. After the 1993 elections divestiture was a major priority of the adjustment programs and was pursued with increased enthusiasm.

### **Divestiture in Ghana**

There was a strong push after Ghana's democratic elections in 1993 to divest of the plethora of state enterprises that existed in Ghana. Divestiture is intertwined with the previous discussion on the private sector, or more accurately an extension of the discussion into the role of the private sector. In response to the economic difficulties Ghana faced in 1992, which was mentioned earlier, the IMF pressed harder for the sale of government enterprises. In fact, between 1994-96 no less than 79 state enterprises worth over U.S. \$500 million were divested.. (Leite et al., 2000 :54)

However, the pace of divestiture could not be maintained at this level for a prolonged period, and the next two years saw but a tenth of previous number of companies divested. (ibid, p54) This was due in part to fatigue in the economy after the 'fire-sale' of state owned companies, and in part because the choices as

to which companies to divest were becoming increasingly difficult. (Leite et al, 2000:52) Specifically, many of the first companies to go were small to medium size companies that the government found easier to part with. However, when it came to divesting of a few of the giants in this category, the state had more difficult decisions to make. These included Ghana Airways, Tema Oil Refinery, Ghana Commercial Bank, and the state run electric, railways, shipping and insurance companies. (ibid:52)

Since then few of these have in fact been divested, although one was Ghana Airways. After being divested, the company has faced increasing difficulties, as it no longer has the luxury of government coffers to fill the gaps in its bottom line. Recently, Ghana Airways applied for government assistance in propping up the beleaguered airline. (UCOMedia, 2003) Specifically the request this time, as this is not the first time the company has requested government assistance, was for financial assistance to pay for airport fees that were overdue since a few of their planes were prevented from completing their scheduled journeys. (UCOMedia, 2003) In short, while divestiture may bring in valuable income for the government through the sale of the companies, it does not insure the viability of the company simply by changing ownership from public to private hands. This ultimately comes back to the issues raised by the Amponsah's study, to which he points towards institutional deficiency as being a serious impediment to the growth of the private sector in Ghana.

The void in the success of Ghana's indigenous entrepreneurs has been filled by two contradictory experiences; the marginalization of much of the Ghanaian labour force, which has coincided with a large increase in the foreign ownership of Ghana's private sector. As for the former, through the contraction of government employment, employment in the private sector became all the more important and increasingly competitive as well as scarce. This has caused an exponential increase in the size and pervasiveness of the informal sector in Ghana.

The overwhelming size of the informal sector can be linked directly to an underlying lack of security felt by private enterprises. One cause can be traced to J.J. Rawlings, and specifically his time as chairman of PNDC, when he aggressively persecuted private business in an attempt to minimize the size and effect of an emerging national bourgeoisie. This allowed for the rise of other 'Big Men' who possessed a greater capacity to access the state apparatus and has allowed for small boys to transform themselves in 'Big Men', using their access to the state as a primary vehicle for economic advancement.

Since the transfer of power from Rawlings' government to Kufour's in December of 2000, there have been several allegations of corruption within the divestiture program in Ghana. Several former ministers are currently before the courts in Ghana on trial for accepting bribes and receiving large kickbacks during the divestiture process. Two particular divestiture cases need mentioning here; first is the sale of Ghana Rubber Estates Limited (GREL), and secondly the deal

between Telekom Malaysia and Ghana Telecom. In the former, it is alleged that Emmanuel Amuzu Agbodo, former Executive Secretary of the Divestiture Implementation Committee (DIC) and three other citizens accepted bribes in return for advising the government to divest GREL to a French company Societe Industrielle Plantation Herea. (GRI, 2003) Agbodo is reported to have accepted 25 million Cedis (approximately \$USD 10,000) in return for his services to the French company.

One of the most scandalous stories to emerge in post-Rawlings' Ghana was of the deal between Telekom Malaysia and Ghana Telecom. It is alleged that government officials received millions of Cedis worth of bribes in return for Telekom Malaysia purchasing a minority share of the Ghanaian company. Telekom Malaysia paid 38 million US for a 30% share in Ghana Telecom, however the company was valued by one market analyst firm as being worth upwards of 380 million US. (Haruna, 2001:124) Where the missing 60-100 million dollars went is still being investigated. The controversy increased when Kufour, after assuming power, had the deal squashed and now the Malaysian company is suing the Government of Ghana for breach of contract. The company was supposed to triple the number of telephone lines in Ghana, and had already invested millions in Ghana. Telekom Malaysia alleges that it lost \$US 100 million in the deal, between the government pull out and the plunge in the Cedi that occurred in 2000. (Cellular.co.za, 2003) The current charges pending stem from activities after Rawlings' second election victory in 1996, which is more than a

little ironic in that democracy and elections are supposed to promote governmental transparency. Transparency was not a strong suit of the PNDC or NDC governments. In fact there is a National Reconciliation Council that began in January of 2003 with a mandate to investigate human rights abuses during the reign of Rawlings.

Hitherto, the majority of the discussion has revolved around the various stages of the last twenty years in Ghana. Now it the time to bring the threads together, in an attempt to examine the broader impact of Rawlings' rule and SAP in Ghana. What was the overall sense of Ghana's economy during the period of SAP? Ghana's GDP did actually grow at an average of 4-5% per annum during most of the eighties and nineties. It does appear that Ghana somewhat stabilized economically, and there are many reports of IMF and World Bank patting themselves on the back for the great job they have done in Ghana, for Ghana has been widely advertised as the poster child for Structural Adjustment in Africa. (Leechor, 1994; Armstrong, 1996; Leite et al., 2000)

Some progress was made development-wise during this period. Ghana's Human Development Index has increased slowly but steadily during the last two decades. The HDI is based on a collective of data based on GDP per capita figures, education, and health figures. Most of this growth has been slow enough that it has been hard to detect, but Ghana did manage to move up into the middle grouping of countries based on their HDI ranking, for which Ghana stood at 119th in 2000. (UNDP, 2000:147) This goes along with the government's goal,

also known as Vision 2020, which is aimed at Ghana being a middle income country by 2020. However, it also needs to be stated that what progress that has occurred, has come at a very high price.

Through the two decades in question, Ghana's currency has decreased in value from 2.5 Cedis to the \$US dollar in 1983, to its current position at about 8,400 Cedis for one \$US dollar (Amponsah, 2000:35). During the political transition in 2000, the Cedi lost almost 50% of its value in that year alone. Ghana's external debt more than quadrupled from 1980-1998, from US\$ 1.398 billion to US\$ 6.884 billion in 1998. (ibid: 176) Thus, any progress that has been made has to be taken in the light of such harsh realities, as outlined above.

SAP did result in a substantial shift in the Ghanaian economy, and did manage to stabilize a faltering economy – at least temporarily. The primary method for both the transition and the stabilization were through the funding from external sources. Ghana's economy is now just as entrenched in foreign markets and institutions as it was at independence. Rawlings' governments have left the state with major foreign economic players in practically every industry. This along with a spiraling national debt approaching US\$7 Billion has left Ghana in a very dependent position. (Konadu-Agyemang and Takyi, 2001:25) It can be quite unequivocally said that Rawlings' governments have, at least for the short and medium term, arrested any chance of Ghana being an independently strong and economically viable state. Ghana's recent admission into HIPC, the World Bank initiative for heavily indebted poor countries is a clear illustration of the

failure resulting in the dependence that has been created and fostered over the last twenty years. There are no sign of this lightening as the new president John A. Kufuor seems to be more intent on imposing austerity programs than Rawlings was.

### **Ghana 2001 and Beyond**

In December of 2000, Ghana witnessed its first democratic transfer of power one regime to another in the country's post-independent history. The new leader, John A. Kufour is the leader of the New Patriotic Party (NPP). His policies represent a switch back to the days of the Busia government of the Progress Party and Ghana's more conservative political roots. While it is quite early in his term, a few observations can be made re his policy position on Ghana's development, and where Ghana as a country stands twenty years after SAP began. It is not hard to discern from Kufour's comments where his position lays in terms of Ghana's future development. Kufuor has said that the IMF was a 'partner' in development with Ghana, and just two weeks after Kufuor's inauguration, meetings were being held between the new president, his chief economic officials, and IMF authorities. (AllAfrica Global Media, 2002) However, it remains to be seen whether Kufour's commitment will be matched by that of the IMF's. After a shaky economic period in 2001-2002, the IMF has quietly threatened to withdraw from Ghana, sighting financial irregularities. This less than convincing support for Ghana's development is frightening, and should send

a signal that a change in policy is in order to more of a Ghana-first type approach in which Ghana's development is held in the highest regard, rather than Ghana's further integration into the world market, where Ghana has little control.

The new government under John Kufour does appear to be actively trying to reach out to the Ghanaian people in an attempt to not only legitimize the political process to the citizens of Ghana, but also to work on the transparency of the government. An example of this is the 2003-2005 Poverty Reduction Paper that the government has produced. The appendices of this document include five pages or so of questions that citizens, advisors, etc had regarding the document to which the creators of the document have responded. This demonstrates a genuine willingness on the part of the government to open itself to the people of Ghana, and let people see how the government actually operates. However, this does illustrate one of the weaknesses of the SAP, as they are still based on the extraction of raw materials, which was a hallmark of the colonial economy.

## **Conclusion**

This chapter has demonstrated how the Ghanaian state has been utilized by 'small boys' to transform themselves into 'Big Men'. Central to this transformation was the rule of J.J. Rawlings, as chairman of the PNDC as well as his presidency under the NDC. Rawlings captured the reigns of power through violence and coercion, removing a democratically elected government that had

been in power only 27 months. Rawlings implementation of structural adjustment policies (SAP) must be seen, at least in part, as an attempt for him to hold onto power. The external flow of resources that came from SAP's cemented Rawlings reign within Ghana, in spite of the fact that he was a military ruler. It has also been shown that though Rawlings adopted SAP's, he did not provide the necessary institutional environment necessary for the growth of the private sector. Essentially, the void left by the retreating public sector has yet to be suitably filled by the private sector, which has further entrenched the informal sector within Ghana's economy. It has also been demonstrated that corruption has limited Ghana's development through the utilization of patron-client relationships, and through corruption of the divestiture process which has diverted scarce state resources away from potential development programmes to the private gain of those close to Rawlings governments.

Finally, the current government, led by John Kufuor, has been briefly outlined within the final section of this chapter. Kufuor's government appears to be open to more voices than under Rawlings government's. An example of this can be seen through the repealing of the criminal libel law, which was aimed at preventing journalists from reporting overly critical information about the government. The Kufuor government has similar economic policies to the previous government, though the current administration appears to be more willing to allow a wider space in which the indigenous business community can

function. This is something Rawlings never allowed, to the detriment of Ghana's overall development.

## **Chapter 4**

### **Conclusions and Recommendations**

The central objective of this thesis was to investigate the development failures in post-colonial Ghana. More specifically this study focused on the role of politics within Ghana and how this affected and hindered Ghana's development. Throughout this thesis I have attempted to demonstrate that the state, and more specifically state co-optation for personal wealth accumulation and power, has been a major inhibitor of development within Ghana. The development failure is evident through Ghana's 134<sup>th</sup> place on the UNDP's Human Development Index in 2000. (UNDP, 2000) This is not to say that Ghana's independence experience has been an outright failure, but that too much potential has been wasted, too many lives put through unnecessary misery and instability, and that Ghana now finds itself massively in debt.

Since Ghana first received independence in 1957, the state has been utilized by leaders and politicians as a major source of wealth accumulation, and also to propagate personal and/or limited agendas at the expense of clear development policies. Development policies, which ideally should provide the greatest good for the greatest number, have been largely limited in focus and vision, and subsequently impeded Ghana's development. Furthermore, since the ouster of Kwame Nkrumah in 1966, Ghana's many leaders have often lacked holistic development strategies and sought to

enrich class consortiums represented by the particular regime in power and through the pursuit of personal agendas.

Evidence of the utilization of Ghana's political bodies for limited gain has been shown through many of Ghana's post-independence leaders. Kwame Nkrumah used the state to promote his socialist ideology, which had mixed blessings for Ghana, but would ultimately prove to be his undoing as his focus and vision could not be contained within Ghana. Nkrumah's support for other independence struggles, however noble, deflected resources and energies away from Ghana's development. Ultimately, though a great visionary, Nkrumah would be corrupted by power and his legacy tainted by scandals, the use of the state for wealth accumulation, and the authoritarian methods he felt necessary in order to implement his vision for Ghana. Nkrumah came to power as a 'small boy' and would eventually use the state to transform himself into a 'Big Man'.

The decade and a half after Nkrumah would bring a blend of elections and coups in a proverbial jousting match between elites within Ghana. The source of this struggle would prove to be the state and control of government, with the brunt of the consequences felt by the people of Ghana. The National Liberation Council and the following Busia government spent much of their time trying to backtrack from Nkrumah's socialist path, while courting international capital as the key to solving Ghana's economic woes. The tables turned once again, with another military coup and a return to

'Nkrumahist' strategies, at least in theory. However, General Acheampong would prove to further weaken Ghana's development position through corruption and the exponential increase in the parallel or kalabule economy. Within the kalabule economy, hoarding, smuggling, and illicit trading became the norm with the collaboration of the paralyzed Ghanaian state.

After years of neglect, a relatively 'small boy' in the name of J.J. Rawlings assumed the rule of Ghana through a military coup. Rawlings' adoption of structural adjustment programmes must be seen, at least in part, as an attempt to save his own place of power within Ghana. Over the next two decades Rawlings would vastly alter the face of the Ghanaian development and the economy, but he also utilized the state to transform himself from a 'small boy' to a 'big man'. Though the Rawlings' government was able to stabilize economically through a massive infusion of foreign capital, Ghana's economy has yet to fully adjust to the private sector approach to development that is promoted through SAPs. This has left Ghana in a paradoxical and troubling position where the size and influence of the public sector has been limited, but the private sector has yet to fill this void due to Rawlings' persecution of the indigenous business class and the fragility of the institutional and business environment. The new government under John Kufuor has made clear attempts to build stronger ties with Ghana's populous, and seems to be more committed to Ghana's development than any other government in recent history. What this means for Ghana's long-

term development remains to be seen but it is the hope that the use of the state for wealth accumulation and the control of power will be limited.

On a broader scale, the crisis of the African State, of which Ghana is representative, did not happen by accident or was 'caught' like one catches a cold. It has been and continues to be the logical outcome of a complex and interwoven set of factors and historical events including the legacy of colonialism, and state management – especially the view of state as a major source of wealth accumulation, elitist politics, and foreign interference. The state apparatus that the emerging African countries inherited resembled less a fully functioning institutions than an authoritarian administration that was designed to extract raw materials, and their policies were implemented on an absolutist and arbitrary method.

The legacy from colonialism of centralized and absolutist rule remains an obstacle to stable and responsible states, as centralized authoritarian governments have been the rule rather than the exception in Sub-Saharan Africa. This has been the case during much of Ghana's independence period. The basis for the authoritarian rule in Africa can be seen through the centrifugal nature of the Big Man syndrome; the moral dimension to legitimacy and authority in Africa; and the perspective that envisages the state as a major source of wealth accumulation. This has led to a fragmented state, where the state as a whole has been often neglected for narrower and personal interests.

Ghana's post-independent experience is indicative of the larger development picture in many UDCs where state sovereignty and independent policy making has been manipulated and coerced by external forces. This in turn has eroded legitimacy from many regimes, as policy options tend to decrease when countries are fully exposed to market pressures. The erosion of legitimacy is a source of instability, which tends to attract more foreign intervention completing a vicious cycle of instability and foreign interference. However, a certain portion of the UDC's population have benefited from foreign influence, and thus lies the greatest paradox for the upper classes of UDCs. While attempting to solidify their economic position through collusion with multinationals and international financiers, they have increased the dependency on foreign intervention. Ultimately this leads not only to a weakening of the state as an institution, but their position is also in jeopardy through the increased instability that arises from the polarization of wealth between the rich and the poor. In the case of Ghana, Chairman and President Rawlings altered the economic makeup of Ghana, not only through structural adjustment, but also through the marginalization and alienation of Ghana's private productive sectors.

Mahmood Mamdani talks about African history as a process, and it is only when the proper process and context have been elucidated can we begin to understand the development problems and issues facing Ghana, and Sub-Saharan Africa today. In Ghana, as in much of Africa, for far too long the

political arena has been over-utilized as the scene of personal advancement and patronage at the cost of the African populous. The former has taken place with great injury to Africa's development process.

The Ghanaian state has been utilized for purposes other than Ghana's national development. Specifically, the state has been used to change certain 'small boys' into big men the utilization of the state. The former has taken place through outright corruption, as well as the ambition and manipulation of political state by politicians, and entrepreneurs masquerading as politicians. The exploitation of the state as a major source of wealth accumulation has led to a nearly chronic absence of legitimacy, where it has almost been assumed that politicians will be corrupt, at least to some degree.

Amongst the difficult path to the people's trust of the state, the government needs to extend a proverbial olive branch to the citizens of Ghana. Specifically, there is a need to bridge the chasm between 'civil society', ie the people of Ghana, the market women, the small-scale cocoa farmers, the private businessperson and the state. Hopefully this will come with the growing political stability in Ghana. In particular, having a relatively open government, and an independent judiciary where the executive respects and abides by the decisions of the country's judges. This also includes freedom from fear of random and unreasonable persecution by the government. And above all else, an absolutely essential component of political stability is the embedding of Ghana's political institution into the

state's overall framework, resulting in a freedom from the fear of military coups.

The new government of John Kufuor seems to be turning a corner in terms of appearing more transparent. They repealed the criminal libel laws that have for too long been used to repress and persecute the press in Ghana. For too long government officials in Ghana have had a tendency to view the state as something that was to serve them; instead politicians need to be servants of the people they have sworn to serve. Just as important as the actual results that take place with such changes is the image that is portrayed by the state to the people.

Where might Ghana go from here? The words of Fantu Cheru seem the most appropriate, in that Africa needs "a guided embrace of globalization with a commitment to resist". (Cheru, 2002:30) What this will translate into in terms of practicality in Ghana will hopefully be determined by the Ghanaian people, whose political voice has been largely silenced over the last fifty years. It must be said that Ghanaian people are resolved and proud people who have been the galvanizing force amidst massive upheaval. The erosion of legitimacy is a source of instability, which tends to re-enforce chronic poverty, which completes the vicious cycle of instability, poverty and foreign interference. The extraction from such a cycle requires a concerted and collaborative effort from countries in Africa, where the process of globalization is guided more towards the benefit of the developing regions

and coinciding with this a commitment to resist change that is detrimental to the developing world.

However, there may be a time where Ghana may reach a plateau in its development without the collaborative efforts of strong, economically viable neighbours – especially Nigeria. With assistance from Nigeria and possibly Senegal, this may allow Ghana to have a more effective voice and stronger leverage within the international economic market place. It is the hope that greater economic leverage would in turn lead to more flexibility in making internal policy decisions that would lead to an even stronger, more economically viable Ghanaian state. While the time may have come and gone of the state being the central pillar in the development process, the state still has a vital role to play besides that of a manager that exists for the whims of the international marketplace. A healthy, strong and economically viable state is vital to the long-term development planning and growth in Sub-Saharan Africa.

As for what the focus of future research may entail, there are several options. First, for Ghana itself a comprehensive study on Ghana's classes and the role of government in effecting class shifts. Specifically, this would entail examining not only the state, but how Ghana's internal economic relationships, and Ghana's relationships with external forces have been shaped through politics, and how politics has been molded by external pressures. Secondly, still within Ghana, a significant void in the literature on

structural adjustment is the impact of the adjustment on women within Ghanaian society. As women play a vital role in the growing, distribution, and selling of much of Ghana's indigenous food supply, the effects of adjustment on this group have yet to be fully explored. A third area of possible study would be to explore alternative growth models and economic theories for the developing region, and Sub-Saharan Africa specifically in order to challenge the hegemony of the Washington Consensus. While there has always been criticisms of IMF led adjustment policies, the voices are getting louder and stronger as countries suffer from adjustment fatigue – to which Ghana is a case in point. Finally, taking a similar line to the previous point, is the need to investigate and propose alternative strategies for successful statehood in Africa. Just like African development strategies must differ from Western methods, so must the emphasis and role of the state within Africa.

It should be painfully obvious that Western liberal political ideologies have not resulted in the quick fix to development. Overuse of terms like 'democracy' and 'good governance' masks the underlying issues of determining what African statehood should entail. This, however, cannot and should not be simply a debate that takes place within academic institutions. The only people that have any right to determine the future course of African states are Africans themselves. It is the hope of this author that the path that lie ahead for the continent may be smoother and kinder than that of recent history.

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