

APPARENT CONTRADICTIONS IN POLICY REFORMS BETWEEN
ECONOMIC AND POLITICAL LIBERALIZATION:
A CASE STUDY OF DEBATES IN GHANA

by

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for the degree of Doctor of Philosophy

at

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To Hannah, Diana and Daniel

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ABSTRACT

The relationship between the market and democracy has traditionally been assumed to be harmonious and mutually reinforcing. In the liberal cosmology, one is both a prologue and a precondition for the other's existence. Statist policies are generally considered incompatible with democracy and dictatorship injurious to the market.

Informed by these assumptions, African governments since the 1980s, have been compelled by international donor conditionalities to pursue IMF-sponsored structural adjustment programmes (SAPs) which sought to liberalize the state-controlled market, and to advance political liberalization which aimed at dismantling the authoritarian state and establishing democratic conditions.

Between April 1983 and November 1992, Ghana, then under a military dictatorship, implemented a comprehensive SAP which international donors rated as highly successful, yet a success that was clearly predicated on the autocratic nature of the state. In November 1992, the government grudgingly held competitive multiparty elections under domestic and especially international pressures.

However, contrary to conventional assumptions, the transition to democracy neither fostered harmony with the market nor reinforced it. What rather emerged were tensions between the market and democracy, tensions that translated into a virulent relation between the state and society. In fact, the inception of formal democracy placed the state in a perplexing dilemma as it was ideally loosing those autocratic powers required for the implementation of SAP, while at the same time requiring creditor support. The Ghanaian experience seems therefore to challenge conventional assumptions about the market-democracy partnership and suggests the need for a fundamental rethinking of Bank/Fund conditionalities for Ghana and Africa in general.

LIST OF ACRONYMS

ACO	Aliens' Compliance Order
AFC	Alliance for Change
AFRC	Armed Forces Revolutionary Council
AGM	Ashanti Gold Mines
AIDS	Acquired Immunity Deficiency Syndrome
ANC	African National Congress
ARPB	Association of Recognized Professional Bodies
ASEAN	Association of Southeast Asian Nations
CCG	Christian Council of Ghana
CDR	Committee for the Defence of the Revolution
CFAO	Compagnie Française d'Afrique Occidentale
CID	Criminal Investigations Department
CPP	Convention Peoples' Party
CVC	Citizens' Vetting Committee
DFI	Direct Foreign Investment
DWM	31 December Women Movement
EACM	East African Common Market
ECOMOG	ECOWAS Ceasefire Monitoring Group
ECOWAS	Economic Community of West African States
EGLE	Every Ghanaian Living Everywhere
EU	European Union
GBA	Ghana Bar Association
GDP	Gross Domestic Product
GICP	Ghana Investment Centre Promotion
GIHOC	Ghana Industrial Holding Corporation
GLSS	Ghana Living Standard Survey
GNAT	Ghana National Association of Teachers
GNPC	Ghana National Petroleum Corporation
GNU	Government of National Unity
GPRTU	Ghana Private Road Transport Union
IBRD	International Bank for Reconstruction and Development (World Bank)
ICWU	Industrial and Commercial Workers' Union
IDC	Industrial Development Corporation

IEA	Institute of Economic Affairs
IFIs	International Financial Institutions
IFP	Inkatha Freedom Party
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
MP	Member of Parliament
INEC	Interim National Electoral Commission
JFM	June Fourth Movement
KNRG	Kwame Nkrumah Revolutionary Guards
LPA	Lagos Plan of Action
MFN	Most Favoured Nation
MIGA	Multilateral Investment Guarantee Agency
MNC	Multinational Corporation
NAFTA	North Atlantic Free Trade Agreement
NCD	National Commission for Democracy
NCO	Non-Commissioned Officer
NCP	National Congress Party
NDC	National Democratic Congress
NDM	New Democratic Movement
NGO	Non-Governmental Organization
NIC	National Investigation Committee
NIDL	New International Division of Labour
NIDP	New International Division of Power
NLC	National Liberation Council
NLM	National Liberation Movement
NPFL	National Patriotic Front of Liberia
NPP	National Patriotic Party
NRC	National Redemption Council
OAU	Organization of African Unity
ODA	Official Development Administration
OFY	Operation Feed Yourself
OPEC	Organization of Petroleum Exporting Countries
PAMSCAD	Programme of Action to Mitigate the Social Cost of Adjustment

PDA	Preventive Detention Act
PNDC	Provisional National Defence Council
PNP	People's National Party
PP	Progress Party
SADC	Southern African Development Community
SAL	Structural Adjustment Loan
SAP	Structural Adjustment Programme
SFC	State Fishing Corporation
SMC	Supreme Military Council
SOE	State-Owned Enterprise
SPLA	Sudan People's Liberation Army
SSS	Senior Secondary School
TUC	Trades Union Congress
UAC	United Africa Company
UK	United Kingdom
UN	United Nations
UNIGOV	Union Government
UP	United Party
US(A)	United States (of America)
UTAG	University Teachers' Association of Ghana
VALCO	Volta Aluminium Company
VAT	Value Added Tax

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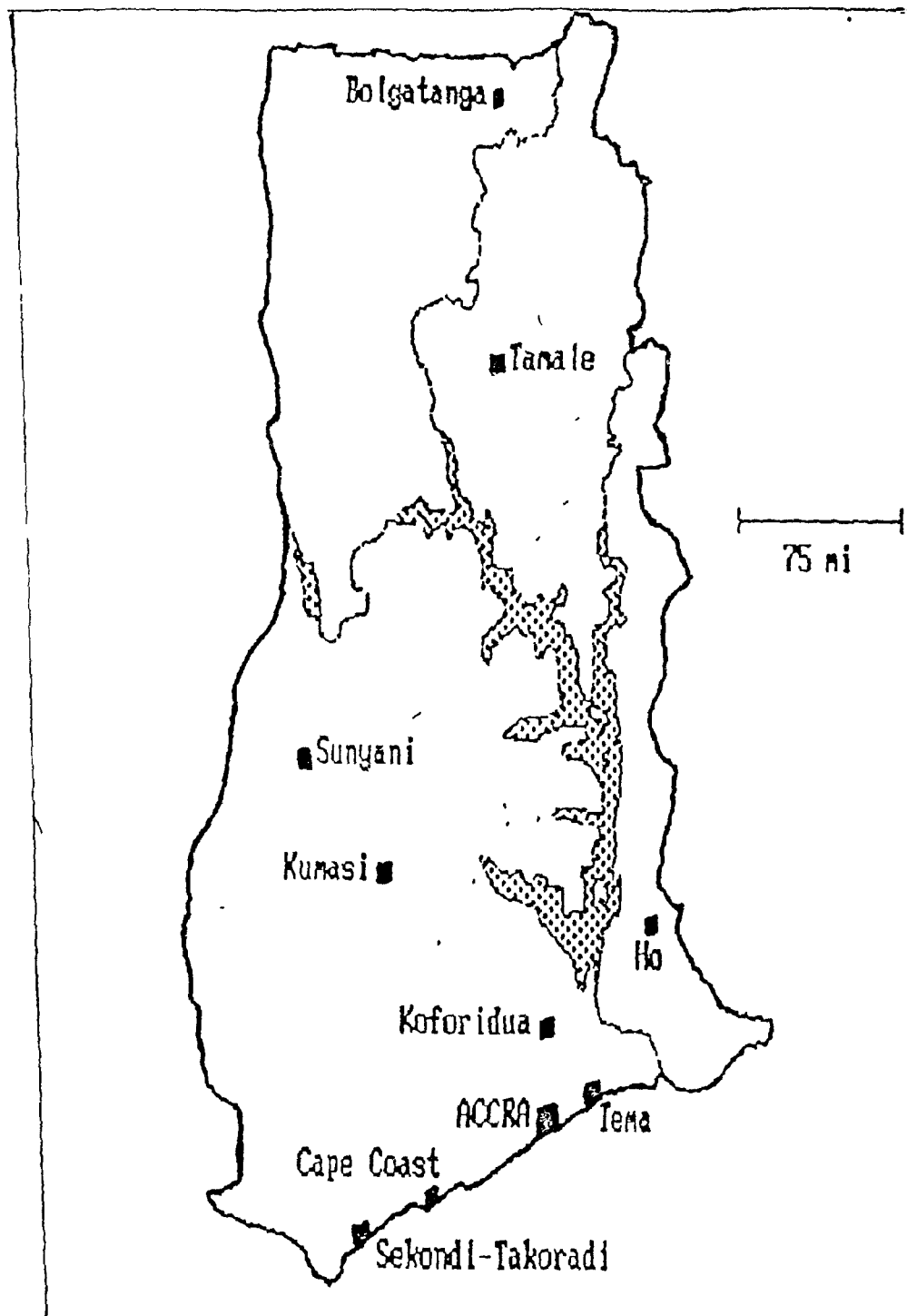
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John K. Akokpari

GHANA



Chapter 1

INTRODUCTION

From 1992, with the inception of political liberalization, the Ghanaian state, hitherto thought unassailable, began to lose its autocratic powers. Between 1983 and 1992, the state had been autocratic, preoccupied with the implementation of market reforms under a structural adjustment programme (SAP). Yet not only was the state losing ground under the new political dispensation, but it was also to face a major dilemma as the international donor community institutionalized economic and political reforms as conditions for receiving economic aid and foreign investments.

From the hegemonic neoliberal perspective, economic liberalization and political liberalization are two separate, but harmonious and mutually reinforcing processes. However, as these two sets of reforms were implemented simultaneously in Ghana in the 1990s, tensions, rather than harmony, characterized their relationship. Profound contradictions became evident as political reforms undermined structural adjustment. Such tensions and contradictions also translated into a tenuous relation between the state and society.

At a broader level, economic and political developments in Ghana cannot be divorced from the wider African continent which was similarly gripped by the adjustment and democratization fevers in the 1980s and 1990s, respectively. In order to fully understand the conjunctural developments of

economic and political liberalization, it is germane to situate the study of Ghana within the broader context of Africa's political economy since Ghana's problems were a reflection of a more general continental crisis. In this vein, it is compelling to review the developments setting the stage for structural adjustment and democratization in Africa.

1:1 Economic reforms

As noted, the World Bank (IBRD) and the International Monetary Fund's (IMF's) adjustment programmes rapidly became the conventional developmental paradigm from the beginning of the 1980s.¹ The hegemony of these institutions and structural adjustment reflected their triumphalism over statism which had been dominant in the 1960s and 1970s in Africa. As well, SAPs' ascendancy marked a victory for the IFIs in the light of their debate with the UN Economic Commission for Africa (ECA) in the 1980s on the causes of and prescriptions for the African crisis. In a broader sense, that debate represented a reformulation of earlier polemics between modernization and dependency; orthodoxy and radicalism; free trade and interventionism.

Notwithstanding their hegemony, the results of SAPs still remain major subjects of debate between their advocates and critics. According to conventional wisdom, the essence of

¹ Paul Mosley et al Aid and Power: the World Bank and policy-based lending (two volumes) vol. 2 case studies (London: Routledge, 1991)

adjustment is to reverse Africa's declining economies, stimulate growth, promote development and improve upon the living conditions of the broad masses of the population whose living standards had plummeted with the escalation of the continent's crisis.² However, critics view adjustment with considerable scepticism and cynicism. For example, in the mid-1980s, Nyerere warned of

"an increasing determination by donors to use their aid for ideological and foreign policy purposes [as] monies are now set aside to be allocated just to such African countries as accepted an untrammelled capitalist economy."³

In terms of tangible results, Adebayo Adedeji, the ECA's former chief has noted that

"there is documented evidence that in many cases [of SAPs] sustained economic growth has not materialized, the rate of investment rather than improve has tended to decrease, budget and balance of payments deficits have tended to widen after some temporary relief and debt service obligations have become unbearable."⁴

In point of fact, growing debt, devaluations, rising unemployment, income maldistribution and increased impoverishment of a greater majority of the African population have been the more manifest consequences of adjustment. Yet as a condition established by powerful institutions, African

² John Loxley Ghana: the long road to recovery 1983-90 (Ottawa: North-South Institute, 1991), p. 15

³ Julius Nyerere "Africa and the Debt Crisis" African Affairs 84(337) October 1985, p. 492

⁴ Adebayo Adedeji "A Decade of Disappointed Hopes" The Financial Gazette July 21, 1989, p. 4

countries, lacking "debtor power" sufficient to threaten the stability of the international financial system, are powerless individually, or even collectively, to resist the imposition of adjustment.

The insistence by the Bank and Fund on the adoption of market economies by adjusting countries, when the evidence is clear that such reforms have impacted negatively on the continent's development, appear to vindicate the suspicion of cynicism. As Sandbrook notes,

"it would be naive to treat [SAPs' main proponents] the World Bank and the IMF as non-ideological agencies open-endedly searching for cures for Africa's financial disequilibria, stagnation, poverty and oppression... Since their creation, the IMF and the World Bank have consistently aimed to integrate as many national economies as possible into a multilateral global capitalist economy."⁵

Caught in a teleological illusion of establishing a "new world order" based on the market and free trade, the IFIs enforce market reforms on client economies, their devastating effects on the population notwithstanding. Indeed, getting African economies perpetually hooked on to primary production, tends to offer credence to the suspicion of a hidden conspiracy to graft African economies more tightly yet unequally into the wider global economic system.

These weaknesses notwithstanding, advocates of adjustment and, particularly the Bank, consistently extols SAPs as the best alternative out of the still-prevailing economic malaise.

⁵ Richard Sandbrook The Politics of Africa's Economic Recovery (Cambridge: Cambridge University Press, 1993), p. 4

Referring to sub-Saharan Africa, it noted in 1989, for example, that "reforms and adjustment generally have led to better economic performance in the region."⁶ It asserts further on the opening page of its 1994 policy research report that

"In the African countries that have undertaken and sustained major policy reforms, adjustment is working."⁷

Yet, even in Ghana, where reforms have been acclaimed to be successful by the IFIs, improvements in living conditions and the alleviation of poverty still remain a dream, never a reality. In the majority of adjusting countries, economic growth has been an exception and not a rule.

Yet, while the IFIs may be blamed for adjustments and their deleterious effects, Africa's debt debacle which had reached crisis proportions by the late 1970s, was the main precursor to structural adjustments. The debt itself is the result of the interplay of both external and domestic factors, although the IFIs are apt to emphasize the latter. The debt problem was complicated further by the sharp decline in direct foreign investments (DFIs) on the continent which as a percentage of gross domestic product, fell from 31 percent in the 1960s to a staggering 2.5 percent in the 1980s. This was in sharp contrast to South Asia, whose DFI rose from 21.3 to

⁶ World Bank, Africa's Adjustment and Growth in the 1980s (Washington, D.C.: World Bank, 1989), p. 27

⁷ World Bank, Adjustment in Africa: reforms, results, and the road ahead (Washington, D.C.: World Bank, 1994), p. 1

22.4 percent during the same period.⁸

Prior to the 1980s, Western private banks were Africa's major creditors. These institutions offered short to medium term loans based on the recipient country's credit worthiness. However, as the African crisis deepened, reflected in escalating balance of payment deficits, rising inflation, mounting external debt, in turn leading to growing uncertainty, private banks became increasingly selective, lending only to the few countries, including Cameroon, Gabon, Nigeria and Zaire, then considered to possess the potential for development. Paradoxically, as Riley notes, some of these supposedly credit-worthy countries are now among the "most problematic African debtors".⁹ Consequent on the persistent economic crisis, Western private banks had almost totally withdrawn from Africa by the late 1970s.

The ending of commercial lending marked a critical phase in Africa's recovery efforts. Limited in options and threatened by an ever deepening crisis, Africa turned more comprehensively to multilateral donors, especially the World Bank and the IMF. From the early 1980s, therefore, the twin Washington-based institutions became the economic crisis managers of almost the entire continent of Africa. As

⁸ Thomas M. Callaghy "Africa falling off the map?" Current History 93, January 1994, p. 32

⁹ S.P. Riley "Debt, Democracy and the Environment in Africa" in S.P. Riley (ed) The Politics of Global Debt (London: Macmillan, 1993), p. 114

managers, these institutions exercised virtually unlimited control over Africa's economies, setting policy agendas and prescriptions such as those outlined in adjustment programmes. The 1980s could therefore be said to have ended with the established hegemony of the IFIs and SAPs as actors and paradigms respectively in Africa.

1:2 Political reforms

The beginning of the 1990s also saw the revival of democracy across the so-called Second and Third Worlds. The Berlin Wall had crumbled; the Soviet Union, the patron of a once influential alternative credo, had disintegrated; socialism as a state ideology has been discredited beyond redemption; and Russia, along with its former allies had acquiesced in the effectiveness of both market and democracy as superior modes of organizing economy and society. These conjunctural developments spilled over to Africa.

For Africa, these new developments could not have occurred at a worse time; with the exception of Botswana, Mauritius and Senegal, generally commended for remaining democratic since independence (even though their democratic credentials are strictly speaking questionable), the rest of Africa was a theatre of political repression and human rights abuses under civilian and military dictatorships.¹⁰

¹⁰ Richard Sandbrook "Liberal Democracy in Africa: a socialist-revisionist perspective" Canadian Journal of African Studies 22(2), 1988, p. 243

Yet, despite ideological claims to the contrary, repressive regimes in Africa have been capable of little but reckless economic mismanagement, economic stagnation, political disintegration and social decay. It is in this regard that democracy was thought to have brought a "second independence", this time from the various "home-bred dictators, generals and self-styled prophets."¹¹ From 1990, almost all African countries were caught by an "election fever" driving them towards some form of democratic governance.

Yet any optimism and euphoria about this second independence need to be tempered with caution as the democratic wave has already produced mixed results. While in Benin, Burundi, Cape Verde, Congo, Lesotho, Madagascar, Mali, Niger and Zambia old-styled one-party, one-man or military dictatorships were replaced with elected governments, in Cameroon, Gabon, Ghana, Kenya and Togo, old civilian and military dictators were returned under highly managed elections. In others such as Djibouti, Sudan and Zaire, the regimes have consistently resisted democratic pressures, while in the isolated yet crucial cases of Gambia, Niger and Nigeria, a retreat to the old-style military dictatorship is already evident.

¹¹ G.J. Schmitz and D. Gillies (1992) The Challenge of Democratic Development: sustaining democratization in developing societies (Ottawa: North-South Institute, 1992), p. 72. Also see Richard Joseph "Africa: the rebirth of political freedom" Journal of Democracy 2(4), Fall 1991, p. 11

The lack of a universal motivation for democratization, reflected in its repudiation in Nigeria and other intransigent, democracy-resisting countries, confirm earlier pessimistic scholarly views about sustaining democratic rule in Africa. Patrick Chabal, for example, is highly pessimistic about the sustainability of democratic institutions on the continent. In his words,

"it is not only that hopes for democracy seem to have faded completely; the very basis for effective government seems scarcely to obtain in Africa today."¹²

Others, optimistic but with caveats, including Bjorn Beckman and Issa Shivji, premise democracy's survival on a radical distinction between "popular" and "bourgeois" democracies, the latter having little chance of survival.¹³ Similarly, Richard Sandbrook maintains a strong vision of democratic development in Africa conditional on a reformulation of the current adjustment programmes.¹⁴

For the purpose of this study, "political liberalization" and "democracy", though they overlap, need to be clearly

¹² Patrick Chabal "Introduction: thinking about politics in Africa" in P. Chabal (ed) Political Domination in Africa: reflections on the limits of power (Cambridge: Cambridge University Press, 1986), p. 2

¹³ Bjorn Beckman "Whose democracy?: bourgeois vs popular democracy" Review of African Political Economy 45/46, 1989, pp. 84-97; Issa G. Shivji "The Democracy Debate in Africa: Tanzania" Review of African Political Economy 50, 1991, pp. 79-91

¹⁴ This view is evident in Sandbrook's "Liberal Democracy in Africa: a socialist-revisionist perspective" and in The Politics of Africa's Economic Recovery

differentiated. While the former involves the unconditional opening of "closed" political systems to competitive party politics and elections, democracy is a much broader notion, involving such political liberalization plus the creation of representative institutions; open and accountable government; high levels of political participation; the guarantee of basic liberties including press, and association; an independent judiciary and the "civilian control of the military".¹⁵ Formal political liberalization therefore constitutes only a small component of democracy. The two are not necessarily the same, for it is possible to liberalize a political system and yet stall democracy. Ideally, political liberalization should lead to genuine democratization but as Prezworski et al have noted, the former could be "intended by dictatorial regimes to be a controlled opening of the political space."¹⁶ Thus, although Ghana and Kenya, for example, held multi-party elections, they still retain most of their former authoritarian structures; intolerance of dissent, and the intimidation of political opponents have only been muted, not

¹⁵ Larry Diamond et al Democracy in Developing Countries volume 2 Africa (Boulder: Lynne Rienner, 1988), p. xvi; Michael Bratton "Comments on 'Political Liberalization and Economic Policy in Africa' and 'Political Liberalization and the Politics of Economic Reform'" in Economic Reform in Africa's New Era of Political Liberalization Proceedings of a Workshop for SPA Donors hosted by the US Agency for International Development (USAID), Washington, D.C., April 14-15, 1993, p. 40

¹⁶ Adam Prezworski et al "What Makes Democracies Endure?" Journal of Democracy 7(1), January 1996, p. 51

eliminated.

Generally speaking, Africa's political reforms could be seen to be the result of global and continental factors. The interrelated events of the abatement of the Cold War and the Soviet Union's demise were clearly the first important external developments crystallizing agitation for the restoration of democratic rule in Africa. Consistent with previous Cold War logic, the US and its western allies had protected and propped up dictatorial regimes such as those in Kenya, Zaire and Malawi. The demise of the Soviet Union and the emergence of an American-Russian rapport, however, made such protection redundant.

A corollary development was the repudiation by Eastern European countries of communism along with the chronic crisis of their command economies that resulted from the force of popular protests. This demonstrated the power of popular opinion and inspired the civil constituents in Africa demanding similar changes.

A further external factor was the unprecedented growth in the concern by the donor community for human rights as key to development from the 1990s. Barber B. Conable, the former president of the World Bank, noted that

"The development of many Sub-Saharan African countries has been quite unnecessarily constrained by their political systems...People need freedom to realize individual and collective potential...Open political participation has been restricted...I fear that many of Africa's leaders have been more concerned about retaining power than about the long-term development

interests of their people..."¹⁷

Accordingly, democratic reforms or "good governance" became a condition for access to the institution's credit, a policy which heralded what Qadir et al have aptly described as a "new form of intervention".¹⁸ Sharing similar views with the Bank, political conditionality was also adopted by the major bilateral donors, the IFIs' leading members. The UK, for example, was in accord, as illustrated by former Foreign Secretary, Douglas Hurd's, address to a conference on debt:

"Countries tending towards pluralism, public accountability, respect for the rule of law, human rights and market principles should be encouraged. Governments who persist with repressive policies, with corrupt management, or with wasteful and discredited economic systems should not expect us to support their folly with scarce aid resources."¹⁹

France, the US, Canada and lately Japan, all joined the chorus in making accountable governance, democratization and respect for human rights the cardinal conditions for aid, although there is a tendency for these creditors to be lenient towards recipient countries considered economically strategic.²⁰

¹⁷ Quoted in Thomas M. Callaghy "Africa and the World Economy: caught between a rock and a hard place" in John W. Harbeson and Donald Rothchild (eds) Africa in World Politics (Boulder: Westview Press, 1991), p. 59

¹⁸ S. Qadir et al "Sustainable Democracy: formalism vs substance" Third World Quarterly 14(3), 1993, p. 420

¹⁹ Africa Research Bulletin 1990, p. 9963

²⁰ Generally, donors tend to ignore human rights abuses in countries considered economically important. A classic example of this was President Clinton's surprising decision to renew China's most favoured nation (MFN) trading status in June 1994 and to delink future renewals from its improvement

Caught in a condition of desperation in regards to financial aid, African regimes were compelled to politically liberalize even if that was to contradict the logic of the on-going economic reform programmes.

Yet external pressures alone do not explain the political transformations in Africa. Indeed, within the African continent, certain developments were providing the impetus towards political liberalization. First, the state-led development strategy, dominant since the early 1960s, was by the mid-1970s showing signs of failure to meet popular, let alone regime expectations. In response, society began to undermine the state's legitimacy through popular protests, strikes and in some cases (as in the Horn, Uganda, Sudan, Liberia and Rwanda) armed rebellion. Reaction to the state's failure also found expression in the resurgence and expansion of the informal sector, which was in a sense replacing both the productive and distributive roles of the state.²¹

Second, the one-party system, dominant since the 1960s,

in human right records, a linkage he had insisted upon a year before. China's growing market is vital for the US economy. In 1993, for example, US exports to China were estimated at over \$8 billion in value and accounted for about 150,000 jobs. See Drew Fagan "US extends MFN status for China" The Globe and Mail May 27, 1994, p. B1. Similarly, Canada's economic aid policy towards Indonesia and some of the emerging industrialized states in Southeast Asia also tend to follow this trend. See Katherine Fierlbeck "Economic Liberalization as a Prologue to Democracy: the case of Indonesia" Canadian Journal of Development Studies 15(2), 1994, pp. 151-169

²¹ Christopher Clapham "The Collapse of Socialist Development" Third World Quarterly 13(1), 1992, pp. 13-25

failed to fulfil conventional promises. In the past, single parties were rationalized on grounds of promoting national unity, economic development, and internal democracy. However, by the end of the 1980s, the fallacy in this argument had become evident: single-parties rather presided over economic decline and poverty as in Tanzania and Zambia; clan warfare as in Somalia under Mohammed Siad Bare; and human rights abuses as in Nkrumah's Ghana, Sekou Toure's Guinea and Mobutu's Zaire.²² With such dismal performances, the one-party ideology ceased to be defensible.

Third, the crumbling of apartheid around the turn of the decade did not help African dictators. African leaders had used various regional, continental and international fora to denounce apartheid for limiting democratic opportunities for the majority black population yet maintained regimes that marginalized their broad populations in decision making. But as President de Klerk was brought under the pressure of international sanctions to dismantle Apartheid, the hypocrisy of most African leaders was laid bare and their authoritarianism rendered even more indefensible. Social movements across the continent accordingly intensified demands for representative institutions and the ending of dictatorship.²³ Arguably, then, the conjuncture of external

²² Peter A. Nyong'o "The Failure of One-party Rule" Journal of Democracy 3(1) January 1992, pp. 90-6

²³ Joseph, "Africa: the rebirth of political freedom", p. 13

and internal developments explain the political liberalization wave in Africa.

1:3 The problems

Contrary to the assumption of liberal orthodoxy, this study seeks to demonstrate that market liberalization and democratization are contradicting, not harmonizing with each other. As Ghana's experience shows, market liberalization succeeded in the 1980s at the cost of basic freedoms for Ghanaians. IMF-styled economic reforms were everywhere met with popular protest because of their inherent social consequences. Under dictatorship, the state could defiantly institute these reforms because of its capacity to terrorize and suppress opposition. However, under political liberalization, overt suppression of dissent became difficult.

Moreover, political liberalization may mitigate state dictatorship as the former offers new freedoms under which society can not only openly oppose unpopular programmes, but can also challenge the state's hegemony. As a rule, for fear of losing support, governments faced with strikes hesitate in implementing adjustment reforms. Thus, following protests in their respective countries, Arap Moi annulled the key elements of Kenya's economic reform programme; Kenneth Kaunda repudiated Zambia's SAP in May 1987; and Jerry Rawlings withdrew the new Ghanaian Value Added Tax (VAT) in May 1995.

Ideally, political liberalization was expected to deal a

blow to the African state. Elected parliaments may decline to approve reforms threatening further hardships on the population. This, along with the demands of civil constituents for consultation, will ideally set limits to the state's powers and authority.

Freedom of the press, accompanying political liberalization, did not help the situation either. Spurred by their new freedoms, independent press houses have become a thorn in the flesh of governments. In Ghana, the private media has become highly critical of structural adjustment by constantly drawing attention to the plight of the exasperated, vulnerable and impoverished. The Rawlings government has been quite uncomfortable with this and is employing a variety of methods, including intimidation and harassment, to paralyse the press.

Clearly, then, a contradiction between economic and political liberalization has become inevitable for adjusting regimes. Indeed, some donor countries have lately become aware of this deadly scenario as Joe Clark, a former Canadian External Affairs Minister, candidly admitted:

"we recognize that there can be a contradiction between our demand for democracy and our insistence on structural adjustment... Our financial institutions should...ensure that structural adjustment preserves the social foundations for future growth."²⁴

It is not immediately clear how the state can manage this

²⁴ Quoted in Schmitz and Gillies, The Challenge of Democratic Development, p. 98

contradiction, although this is not impossible. However, the strict insistence on conditionalities by donor agencies has sharpened this contradiction and reduced the state's ability to balance the effects of the two sets of policy reforms adequately. The central thrust of this study, then, is to explore further the causes and dynamics of these contradictions and tensions.

Alongside the noted contradictions, one may also highlight certain critical questions spurred by the new thrust towards political liberalization and democratic governance: First, given democracy's chequered history, is it now feasible in Africa and Ghana in particular? Second, is economic development possible or sustainable under structural adjustment? This study seeks to answer such questions as well.

1:4 Ghana as a case study

Using Ghana as a case study is appropriate and timely for at least two reasons. First, the country has been consistent in implementing the IMF-styled economic reforms and following modest growth, is widely acclaimed to represent adjustment success in Africa throughout the 1980s.²⁵ Ghana was projected to illustrate the efficacy of neoclassical economic policies in generating growth. Moreover, Ghana's acclaimed success was the source of renewed optimism about the universal

²⁵ World Bank, Adjustment in Africa: lessons from country case studies (Washington, D.C.: World Bank, 1994)

applicability of market-led development in Africa. As Seung Hong Choi, the World Bank's Ghana representative noted, "if [the miracle] can happen in Ghana, it can happen in any African country,"²⁶ though it remains uncertain how many African communities can bear the high cost of reforms for the same length of time as have Ghanaians. As a leader in adjustment, Ghana provides firm basis on which to analyze the relationship between democracy and the market under conditions of structural adjustment.

Second, as a dependent peripheral state, Ghana's political economy captures the dominant characteristics of a developing economy. Ghana can therefore be used to illustrate the influences of the global political economy on its domestic policies. As a dependent peripheral economy, its peculiar weakness is revealed in its dealings with the more powerful IFIs. This point was vividly amplified in 1983, when desperation drove the PNDC to first seek a deal with the IMF. Instead of consisting of a compromise, the resultant adjustment package reflected in its entirety the preferences of the latter. A negotiated compromise package with the PNDC would have been somewhat sensitive to its social implications.

Again, as a dependent economy, Ghana is unable to determine the price of cocoa, its chief export up to the end

²⁶ Quoted in James Brooke "Ghana Once 'Hopeless,' Gets At Least the Look of Success" New York Times 3 January 1989, p.

of the 1980s.²⁷ The commodity has therefore suffered tremendous price fluctuations caused mostly by falling world demand. Gold, which has emerged as the major foreign exchange earner, similarly has its prices determined either by the multinationals who prospect it, or by the world market. This is in sharp contrast to the North's industrial goods whose prices are determined more by their producers and less by the international market. Ghana is particularly disadvantaged in this regard because unlike oil, which because of its indispensability gives the OPEC some control over its prices, cocoa or gold is not. And, because the prices of Ghana's main primary products and hence its revenue are externally determined, the country has come to survive at the mercy of the North and the international market.

As noted earlier, although autocratic, domestic and international pressure convinced Rawlings and the Provisional National Defence Council (PNDC) of the expediency to yield voluntarily to political liberalization rather than to force. Thus, after initial attempts to resist democratic pressures, and after unsuccessful efforts to overtly educate the Ghanaian mind on the "evils" of multiparty politics, the PNDC initiated constitutional arrangements in the middle of 1992 to liberalize the political system.

²⁷ In 1993, for example, gold fetched the country \$468 million compared to \$280 million and \$153 million from cocoa and timber, respectively (See country report on Ghana in The Courier April-March, 1994, p. 25)

The preparations and changes leading to the general elections, including the laws relating to the registration, financing, and operation of political parties were, however, carefully designed by the PNDC. This was not only meant to emasculate the other parties and deprive them of "the oxygen of publicity", but also to enhance the chances of the PNDC, which had transformed itself into a political party, the New Democratic Congress (NDC), of winning the elections.

Notwithstanding the managed transition, presidential elections went ahead on 3 November 1992 in which Rawlings won amid controversy about their lack of transparency. The subsequent parliamentary polls were, however, boycotted by the opposition parties because of alleged electoral irregularities in the preceding presidential elections.²⁸ Ghana was, nonetheless, ushered once again into a supposedly democratic period, a Fourth Republic, on 7 January 1993 under President Jerry Rawlings and the NDC. As this study shows in chapter six, the state's failure to ensure a genuine transition subsequently impacted adversely on the fortunes of Ghana's democracy and intensified tension between the state and society.

Ghana's experience with adjustment also highlights the need for a rethinking of orthodox assumptions that depict economic liberalization and political pluralism as mutually

²⁸ Richard Jeffries and C. Thomas "The Ghanaian Elections of 1992" African Affairs 92(368) July 1993, pp. 331-66

reinforcing processes. As I argue elsewhere, Ghana's economic reform implementation success has been achieved at an immense political cost; an authoritarian political framework reinforced by repression, terror and intimidation.²⁹ This perspective clearly contradicts the view championed by Haggard and Kaufman which dismisses any conclusive correlation between regime type and successful reform implementation.³⁰ Haggard and Kaufman, however, recognize the peculiar problems encountered by new democracies in implementing adjustment reforms.

Ghana's experience with adjustment and political liberalization, by every account, questions the feasibility of economic liberalization under a truly democratic environment. Rather, it reinforces the view that economic liberalization and political pluralism are, to a greater degree, incompatible, particularly during the initial stages of economic development.

As a rule, economic reforms entail costs which are often unsustainable for a long period. Such sacrifices can hardly be made under democratic conditions for a sustained period of time without protests undermining the legitimacy of the

²⁹ John Akokpari "Structural Adjustment in Africa: rethinking the Ghanaian 'success story'" Paper presented at the African Studies Seminar, Dalhousie University, Halifax, March 17, 1994, pp. 16-7

³⁰ S. Haggard and R.R. Kaufman "Economic Adjustment and The New Democracies" in Joan M. Nelson (ed) Fragile Coalitions: the politics of economic adjustment (New Brunswick: Transaction, 1989), pp. 57-78

regime. This is particularly true in Ghana where reforms did not result from consultations and discussions. Accordingly, governments necessarily require "iron hands" to institute such reforms and to maintain stability.³¹ It is at the same time difficult to conceive how a regime can simultaneously be ruthless and democratic, or how a government pursuing harsh austerity measures can remain popular, especially so when reforms fail to produce expected results. Since, as Nelson has noted, the public's image of the government and economic reforms is shaped by their own situation, continued support for a regime often depends on manifest results.³² It is, moreover, unclear how the Ghanaian state can continue to endear itself to creditors if it were to relax economic reforms to placate the suffering and exasperated components of the population.

In whatever direction the state moves, then, the contradictions are real and the choices difficult, reminiscent of the dilemma faced by the biblical Israelites, who saw in front of them the wide and stormy Red Sea, and behind, the furiously pursuing Egyptian army. Yet the Israelites were treated providentially for in their predicament, God miraculously provided a land path through the sea. Ghana's

³¹ V. Rao "Democracy and Economic Development" Studies in Comparative International Development 19(4) Winter 1984, p. 75; Paul Mosley et al Aid and Power, vol. 2.

³² Joan M. Nelson "Overview" in Joan M. Nelson (ed) Fragile Coalitions: the politics of economic adjustment (New Brunswick: Transaction, 1989), p. 7

situation is, however, worse; unlike the Israelites whose journey was divinely inspired and who therefore had to be led out, no such celestial help is anticipated for Ghana as it journeys through adjustment and democratization. Even granting that neoliberalism embodies "divine" elements as some of its more fundamentalist advocates would want us to believe, it is unclear if any market-god possesses a saving hand capable of disentangling the dense web of contradiction in which Ghana is caught.

Russia's difficulties in forging ahead with economic and political reforms in the 1990s clearly amplify this contradiction. Communists and nationalists, the main advocates for a return to state planning and communism in Russia, appear to have gained grounds in recent months.³³ The reason for this had to do with the pains accompanying market reforms. A population already impoverished by decades of communist rule was less receptive to reforms that entail further austerity. The Russian experience clearly depicts both the precarious position of a reforming regime and the tension between political and economic reforms.

Focusing on Ghana is compelling, moreover, because despite its remarkable strides in adjustment, no systematic

³³ Boris Yeltsin, the pro-reform candidate, won the July 1996 presidential polls mainly because of American and Western influences. American and Western governments have been concerned with the implications of a Yeltsin defeat and helped the Russian president in various diplomatic ways, including pledges of aid, to win the presidency.

study has as yet been made on the relationship between the market and the democratic reforms being instituted. Not even Herbst's comprehensive study of Ghana's structural adjustment, to which references will later be made in this study, adequately analyses the dynamic relationship between economic and political reforms.³⁴ Many of the assumptions relating to economic and political liberalizations tend largely to reflect opinions rather than facts. Since these are merely speculations, they must either be confirmed or refuted and this is exactly what this present study seeks to do.

Equally true, but also disastrous, is the tendency to conjecture the relationship between economic and political liberalization for Ghana based on a generalized perception of Africa as a whole. There is a temptation, for example, to assume that the results derived from, say, Kenya will be the same as those in Ghana in terms of the interplay of democracy and the market. This assumption is presumably premised on the notion that African countries share common characteristics. While this cannot be seriously disputed, there are still differences among them. This is why, for example, Ghana has been more successful in implementing its adjustment programme than Nigeria or Sierra Leone. Such differences may be explained in terms of the strength and autonomy of the state,

³⁴ See, Jeffrey Herbst The Politics of Reform in Ghana 1982-1991 (Berkeley: University of California Press, 1993). The fact that Herbst's book went to press before Ghana embarked upon its journey to democracy may probably explain its silence on the SAP-democracy impasse in Ghana.

the state's economic capabilities, leadership style, and commitment to reforms.³⁵ It is thus vital to recognize the possibility of variations in the results if political liberalization is regressed against economic liberalization for different African countries.

Even granting that the direction of the results can be correctly predicted in advance, differences in the magnitude of the effects can still be expected. Clearly Botswana and Zimbabwe, with relatively stronger economies, are better able to cushion the effects of adjustment on their populations than, say, Ghana whose economy has been teetering on the brink of collapse for years. Accordingly, it could be misleading to generalize for or from Ghana based on assumptions about Africa.

Furthermore, little or no attention is given in the literature to certain forces that have emerged and which are shaping Ghana's contemporary political economy; in particular the informal sector and the role of women.³⁶ Although some of these issues have been dealt with more generally at the

³⁵ Thomas M. Callaghy "Lost between State and Market: economic adjustment in Ghana, Zambia, and Nigeria" in Joan M. Nelson (ed) Economic Crisis and Policy Choice: the politics of adjustment in the Third World (Princeton: Princeton University Press, 1990); Also see, the "Conclusion" by Joan Nelson in ibid.

³⁶ Timothy M. Shaw "Revisionism in African Political Economy in the 1990s" in Julius E. Nyang'oro and Timothy M. Shaw (eds) Beyond Structural Adjustment: the political economy of sustainable and democratic development (New York: Praeger, 1992), pp. 49-70

continental and regional levels, very little has been done on Ghana as a unit and in particular its relation to political liberalization and structural adjustment. A study informed by these "missing" issues is sure to set itself apart from previous studies which have remained essentially formal in approach, focusing on government, economic adjustment, institutions, regimes and the military.

1:5 Framework

This study is informed by "dependency" theory. Although somewhat out of vogue, the dependency paradigm, in my view, still illustrates and estimates the range of implications for dependent political economies. The dependent position of adjusting countries on the North in the new age of neoliberalism seems to revive the relevance of dependency theory. For this reason, it is compelling to review, even briefly, the assumptions of the dependency paradigm and to illustrate its relevance in the age of structural adjustment.

In retrospect, the dependency paradigm arose in reaction to the modernization theory which, following the independence of most colonies in Africa, Asia, Latin America and the Middle East in the early 1960s, provided the intellectual explanations for the underdevelopment of these newly emergent countries. At the core of the modernization paradigm is the view that the institutions and values of the United States in their idealized forms represent the appropriate models to be

emulated by the less developed societies. This thinking was in a sense influenced by growth theories in which societies were seen as moving from "primitivity" to "modernity". Underdevelopment was therefore considered one of the stages towards modernity.³⁷ The movement towards modernity could be hastened by international trade and foreign investments.

By the early 1970s, however, the validity of these assumptions were being questioned as poor economic performance, dramatized in stagnation and decline, became evident everywhere in Latin America. This was in spite of the region's deep involvement in international trade and its receipt of heavy foreign investments. It was largely the disappointment spawned by international trade that constituted the backdrop to the dependency paradigm.³⁸ Dependency was therefore an attempt to provide alternative explanations for the region's underdevelopment. Yet it was not without antecedents; its immediate precursor was structuralism represented by Raul Prebisch and the UN Economic Commission on

³⁷ See, for example, Walt W. Rostow The Stages of Economic Growth: a non-communist manifesto (Cambridge: Cambridge University press, 1960), p. 4

³⁸ Some have criticized the modernization paradigm for lacking clarity on the concepts of "modern" and "traditional" as well as making sweeping assertions on these concepts. See, for example, Dankwart A. Rustow A World of Nations: problems of political modernization and the structure of societies (Princeton: Princeton University Press, 1966); Philippe C. Schmitter and Terry L. Karl "What Democracy is ... and is not" Journal of Democracy 2(3) Summer 1991, pp. 75-88; Reinhard Bendix "Tradition and Modernity Reconsidered" Comparative Studies in Society and History IX (April 1967), pp. 292-364

Latin America (ECLA), which provided the first intellectual challenge to orthodox economic theory.

ECLA rejected the liberal thesis on international free trade, arguing that the latter was largely responsible for the underdevelopment of the region. Latin America's problems were structural and were perpetuated by the international division of labour which imposed on it a role to supply raw materials to the metropolitan countries in exchange for industrial goods. Such an exchange relationship created unfavourable terms of trade that stalled development in the region. For ECLA, then, the solution to this disturbing phenomenon lay in the adoption of an import-substitution industrialization strategy. Faith in structuralism, however, rapidly faded as import-substitution failed to generate economic growth.³⁹ It was mainly the frustration engendered by its dismal performance that prompted the complete rejection of import-substitution as a strategy and structuralism as a paradigm.

On the whole, however, the central arguments of structuralism conformed with the thinking of some neo-marxists who were at the same time concerned with explaining underdevelopment in the South within a dependency framework.

³⁹ Cardoso has noted that import-substitution failed in part because the emergent local bourgeoisie turned out to be one devoid of initiative and hence became heavily dependent on the state and foreign capital. Accordingly, it was unable to create the sound basis for capitalist development. See F.H. Cardoso "The Industrial Elite" in S.M. Lipset and A. Solari (eds) Elites in Latin America (Oxford: Oxford University Press, 1967), pp. 94-114

Although they differ in analysis, dependency theorists generally explain underdevelopment in the South within the broader historical context of the spread and functioning of capitalism. In the process, colonies were incorporated into the global capitalist system which established conditions of dependence for the former on the latter.⁴⁰ As Dos Santos has noted, dependency,

"mean[s] a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected."⁴¹

Baran and Sweezy, for example, have noted that through such dependence and unequal relationships, the centre siphons the periphery's potential surplus thus halting capital accumulation in the latter.⁴² The result of this process has translated into underdevelopment in the periphery. Development in the centre and underdevelopment in the periphery are thus closely linked; in fact, they are opposite faces of the same coin.

This central assertion of the dependency theory came to

⁴⁰ A. Gunder Frank Capitalism and Underdevelopment in Latin America (New York: Monthly Review press, 1967), pp. 7-8

⁴¹ Theotonio dos Santos "The Structure of Dependence" American Economic Review 60, (May 1970), p. 231

⁴² Paul Baran and Paul Sweezy Monopoly Capital: An Essay on the American Economic and Social Order (New York: Monthly Review Press, 1966), p. 9. The relationship between the concepts of actual and potential surplus on the one hand and development on the other, were analyzed in Baran's earlier work, The Political Economy of Growth (New York: Monthly Review, 1957)

be shared by a good number of Third World economists and social scientists including Sunkel, Emmanuel, and Amin to mention but a few.⁴³ Sunkel argued that the penetration of foreign capital into Third World economies thwarted development and reinforced ruling classes to the disadvantage of the vulnerable and more marginalized population. Arrighi Emmanuel notes that an "unequal exchange" is inherent in the relationship between the centre and the peripheries. The partnership based on trade is skewed to the disadvantage of the periphery.

This position is also akin to Samir Amin's "unequal development" thesis which posits that the spread of capitalism to the periphery had devastating consequences for the pre-capitalist formations of the colonies. Capitalism destroyed indigenous crafts and killed young local industries. In the process, it reproduced patterns of uneven distribution of productive resources between the centre and the periphery thus causing "uneven development" between the two poles.

Moreover, with the incorporation of the periphery into the global economy, a new class structure emerged in the latter which affected the nature of its production. Accordingly, the political economy of the periphery was shaped

⁴³ Osvaldo Sunkel "Big Business and 'Dependencia'" Foreign Affairs L (April 1972), p. 519; Arrighi Emmanuel Unequal Exchange: a study of the imperialism of trade (New York: Monthly Review Press, 1972); Samir Amin Unequal Development: an essay on the social formations of peripheral capitalism (New York: Monthly Review, 1976)

by and large by the dominant social and economic forces, namely, multinational corporations (MNCs) and the local bourgeoisie which emerged in the new socio-economic formation and which also became the harbingers of foreign capital. From the dependency perspective, therefore, the solution to underdevelopment involves not only a delinkage from the external economy, but also liberation from the internal control of the dominant economic actors whose activities tend to perpetuate the periphery's dependence on the centre.

Yet, while the periphery remains dependent on the global economy, a certain kind of "dependent development" can occur within it. This phenomenon is the progeny of the emergence of a "triple alliance", involving MNCs, the state and the local industrial bourgeoisie, which promotes a kind of diversified capital accumulation and industrialization.⁴⁴ Although members of the alliance share common interests in capital accumulation and the subordination of the mass of the population, they also hold conflicting interests, especially seen between MNCs and the local capitalists. As a rule, the relative dominance of any member of the alliance may vary by industry, country or over time.

Generally, the phenomenon of dependent development has tended to affect the coherence of the periphery as a whole. As Wallerstein has noted, the periphery is being stratified as a

⁴⁴ Peter Evans Dependent Development: the alliance of multinational, state and local capital in Brazil (Princeton: Princeton University Press, 1979) especially pp. 32 and 52

result of the variations in the overall impact of the triple alliance and dependent development. While some enclaves of the periphery have become relatively advanced, and thus occupy a somewhat intermediate position between the centre and the periphery, the bulk of the peripheral states have declined further in economic fortunes as development in the centre continued.⁴⁵

Despite approximating reality from the perspective of the periphery, dependency as a theoretical model was losing its appeal by the close of the 1970s as liberal criticisms of it became overwhelming. Among other things, critics maintained that the concept of "dependence" was over-stressed and misused. For example, Lall contends that there are countries, including Canada and Belgium, whose economies are more dependent on foreign investments than others like Pakistan or India and yet the former cannot be categorized as "dependent countries".⁴⁶

Others, including Bill Warren and Robert Gilpin, also contend in separate works from very different perspectives that contrary to dependency assertions, the causes of underdevelopment are rather to be found in the internal contradictions of the developing economies. They note further

⁴⁵ Immanuel Wallerstein "Semi-Peripheral Countries and the Contemporary World Crisis" Theory and Society 3(4), 1976, pp. 461-483

⁴⁶ Sanjaya Lall "Is 'Dependence' a Useful Concept in Analyzing Underdevelopment?" World Development vols 3, 11 and 12, 1975

that rather than thwarting industrialization, capitalism on the whole promoted it in the Third World.⁴⁷ As the Asian "Tigers", who were largely dependent, began to rapidly industrialize from the late 1970s, dependency theory received the last nail to its coffin.

In the 1980s, however, the realities of structural adjustment have reinvigorated the central assertions of dependency. Adjustment reforms, along with their conditionalities, compelled indebted countries to involuntarily intensify reliance on the industrial North and the IFIs. Market liberalization was predicated on the broader logic of comparative advantage under which the production and exportation of primary agricultural crops were rationalized for adjusting countries who, in turn, must depend on the North for industrial goods. Also, the IFIs finance projects in adjusting countries through loans which the former take back in the form of interest payments. As I note in chapter three in this study, recipients of such loans end up becoming more indebted and worse-off in the long run. And, because they require more loans to service old ones, a permanent condition of dependence of adjusting countries on the IFIs is established.

Adhering to adjustment conditionalities has meant that

⁴⁷ Bill Warren "Imperialism and Capitalist Development" New Left Review 81 (September-October 1973), pp. 3-4; Robert Gilpin The Political Economy of International Relations (Princeton: Princeton University Press, 1987), especially chapter 7

Ghana's economy is becoming more tightly reintegrated into the global economic system, a situation that makes the former much more dependent and vulnerable. Clearly, no situation can better dramatize dependency than the logic of the free market providing opportunities for MNC investments and exploitation, and establishing Ghana as a market for the North's industrial goods.

Adjustment has also facilitated the recolonization of the Ghanaian economy by international creditors to a degree where economic sovereignty for the former has become an illusion. In no situation can the loss of sovereignty be better conceived than the Ghanaian Finance Minister seeking prior approval from Bank officials in Washington on the year's budget before it is implemented; or when the Bank specifically dictates macro-economic policies.

Dependency as a framework thus offers better descriptions and explanations of international power relationships, insecurity of Ghana and other Third World adjusting countries, their tenuous sovereignty and marginalization in the contemporary world economy than conventional liberal theories of free trade and modernization.

To be sure, every economy is dependent to one degree or another on the global economic system which offers both benefits and constraints. However, the degree to which a country benefits from the global system depends on the

specific place it occupies.⁴⁸ Weaker peripheral states, whose survival on the margins is increasingly threatened, are generally unable to make any impact on the global system as they lack the necessary "power" both politically and economically, individually and collectively, to effect significant changes in the international divisions of labour and power. Moreover, their heavy dependence on other state and non-state actors is not reciprocated. Hence, they are unable to set the agenda as do some of the more powerful members in the system such as members of the G-7.

Being a peripheral and dependent political economy, Ghana's choices in the international arena are severely circumscribed by its weaker position in the often hostile international economic environment. More importantly, its domestic politics and economics are affected by the global system which dictates the nature and pace of reform. Accordingly, an understanding of the dynamics of both economic and political changes in Ghana requires a prior recognition of the operation of the global economic system which characteristically sets the agenda for it.

1:6 Research Methodology

The methodological approach adopted in this study is inductive in which I proceeded from a set of assumptions and hypotheses

⁴⁸ Immanuel Wallerstein The Modern World-System (New York: Academic Press, 1994), p. 162

on the relationship between economic and political liberalization to the field to collect data aimed primarily to either confirm or refute the stated assumptions.⁴⁹ Induction, as opposed to deduction, was chosen because of the former's advantages over the latter. Two of these advantages were particularly germane.

First, the inductive approach saved time. Because the study was premised on a core hypothesis, it facilitated the direction of the research by enhancing the identification of the most relevant data for evaluating the central thoughts. This removed, or at least minimized, the danger of expending time and energy in seeking information that would be irrelevant in the end. For this particular research project, time was extremely crucial as the dissertation needed to be completed within a specified time frame.

Second, and probably more important, the inductive approach was financially less exorbitant. Since the hypothesis and the type of data required were already known, money was saved by adopting the least costly of the strategies to obtain them. For this reason, the research was mostly based in the two major cities of Ghana - Accra and Kumasi - instead of travelling to, for example, Walewale or Kumindi where the majority of the population are barely aware of the inception

⁴⁹ A succinct summary of the merits and demerits of the inductive and deductive approaches to research are set out in James E. Dougherty and Robert L. Pfaltzgaff, Jr. Contending Theories of International Relations, third ed. (New York: Harper and Row Publishers, 1990), pp. 19-22

of economic liberalization. This particular consideration was compelling given the budgetary limitations within which the research project was conducted.

Researching into the relationship between economic and political liberalization required data that provided deeper insights into why and how a particular course of action was chosen instead of another by the Ghanaian government. In explaining these "why" and "how" questions, it was necessary to rely on a wide range of sources - primary, secondary and observations. Interviews were also necessary to elicit the contemporary views of respondents on the subject. Accordingly, the research relied on three main methods of data collection - library research; observations; and interviews. The latter two were undertaken during my field trip back to Ghana in early 1995. Through library research, the study utilized both primary (documents, newspapers and speeches of policy makers), and secondary sources (books, journals and newspaper articles).

While in Ghana, I observed at first hand the unfolding of developments triggered by economic and political reforms. It became clearer to me, for example, that contrary to Bank and neoliberal assertions, structural adjustment was impacting negatively on development as growing unemployment, rocketing inflation and rising crime spread despair everywhere.

These trends ignited a spate of popular protests starting with the university teachers in early April for better wages,

and then by the public at large against the introduction of the VAT and general economic hardships. Such protests, along with the growing societal pressures on the state, supported my own views that tension between economic and political liberalization was real and that an authoritarian state was necessary in Ghana if structural adjustment were to remain strictly on course.

As well, while in Ghana, officials of donor countries, aid agencies and some members of the business communities and non-governmental organizations (NGOs) were interviewed especially on their views on the nature of the relationship between adjustment and political liberalization. Most respondents were candid in their admission that the relationship between the two sets of reforms was far from harmonious.

Yet, the interview project in Ghana was not without difficulties. Apparently, I arrived in Ghana at a most inauspicious time; a time when the combined effects of economic and political reforms had heightened tension between state and society, particularly between the government and its opponents. In a state where information is highly controlled, where even basic figures on the country's indebtedness are classified, it was characteristic of state officials to grow suspicious of academics engaged in projects involving documentation. Fearing the consequences of leaking out information to the opposition, public officials frequently

declined to grant interviews. Those who were willing to answer questions preferred to remain anonymous. In fact, as part of this fear, junior bureaucrats in the Ministry of Finance deliberately frustrated my attempts to gain access to the minister.

Yet, this lack of cooperation exhibited by these bureaucrats reflected a general phobia towards Ghanaian intellectuals. As one junior bureaucrat at the Finance Ministry confided in me,

"if you were a foreigner, you would have no difficulties seeing the minister... European and American researchers who come here do not take ten minutes to meet the minister and for most of the time, they do not require prior appointments..."⁵⁰

It is unclear why Ghanaian intellectuals usually face a tough time obtaining basic data on their own country. One reason stands out clearly, however. The government appears to be feeling increasingly uncomfortable with the international praise of Ghana's adjustment vis-a-vis the deteriorating conditions in the country. With a pre-conceived mind depicting adjustment as successful, most foreign researchers are generally likely to turn a blind eye to the costs of adjustment and emphasize its supposed gains. On the other hand, being themselves victims of adjustment's dangerous fangs, Ghanaian intellectuals may provide a more balanced account of the results of the reforms. As the government tries to endear itself to external creditors, it will, as a rule, be

⁵⁰ interview, Accra, 10 July, 1995

more cooperative with foreigners, who are certain to praise it, than with its own intellectuals.

1:7 Synopsis of the study

For purposes of coherence and logic, the study is organized into chapters with further sub-sections. Each chapter addresses specific issues which all together illuminate the major problems under investigation. Chapter one sets out the historical context and offers the background to the study. It presents a brief overview of Africa's political economy as well as defining the central problems of the study. In addition, it outlines the structure of the thesis.

As the work involves theoretical issues and paradigmatic debates, chapter two introduces and defines the major theoretical concepts in the study; namely, structural adjustment and political liberalization. As well, it explains their interlinkages. The chapter also examines the strengths and weaknesses of these concepts.

As structural adjustment was predicated on the intent to reverse economic decline, it seems appropriate to examine the causes of the decline in the first place. Hence, chapter three reviews the dominant arguments on the causes, nature and extent of Ghana's economic decline. The debates are reviewed within the context of the domestic and the international political economy.

Similarly, since political liberalization was instituted

as a conditionality by donors in response to democratic decay in recipient countries, I examine the causes of failures of democracy in Ghana in chapter four. Given the succession of regimes, this is done by reviewing the democratic performance of the various governments.

Chapter five examines the tension between economic and political liberalization. Ideally, these reforms ought to be harmonious as chapter two suggests but the nature of politics seems to inform the relationship between them. The chapter therefore investigates the causes of such tensions. Because the tensions stem essentially from the failures of democracy and economic growth, chapter six examines the prospects for abating such tensions by considering the wider possibilities of democratic sustainability and economic revival.

Chapter seven outlines the possible scenarios emerging from the bleak Ghanaian political economy as well as recommending certain policy options designed to assist Ghana in coping with such political and economic traumas.

Finally, I must admit that on the whole, Ghana's problems are so immense that this study cannot in any way claim to be comprehensive, not even on the narrow theme of tension between economic and political reforms. The study is intended, rather, to provoke novel but sceptical thinking on the market-democracy relationship thereby breaking new ground for further studies on Ghana's political economy.

Chapter 2

THEORETICAL OVERVIEW

2:1 Introduction

Structural adjustment has become a household phrase in Ghana, not so much because liberalization has helped flood the market with goods, but because it is being associated with poverty, misery and unemployment. Advocates of the market paradigm maintain that adjustment is the elixir for Ghana's economic problems - the way out of economic malaise, social decay and developmental stagnation. Yet, with the inception of political liberalization, it has also become a source of tension between the state and society although liberal assumptions project the two as harmonious.

In this chapter, I review in separate subsections the theoretical foundations of structural adjustment and political liberalization, pointing out some of their loopholes.

2:2 The theory of economic liberalization

In simplistic terms, we can conceive structural adjustment as the central economic conditionality set by the World Bank and the IMF for Third World countries seeking credit lines given their characteristic indebtedness. In a broader sense, it represents an economic constitution imposed by these IFIs, the essentials of which are formulated without regard to the social, economic and political implications for the countries to which they apply. Adjustments set forth the economic agenda

of the IFIs, the main thrust of which is economic liberalism. Since the late 1970s, the Bank and Fund have emerged as the dominant policemen espousing and effecting the structural adjustment paradigm, though the latter's theoretical foundations date back much earlier.

In retrospect, the conventional wisdom on structural adjustments can be understood within the broad framework of the liberal assumptions on trade informed by two distinct, yet interrelated, theories: the theory of the market on the one hand, and that of comparative advantage on the other. Based on Adam Smith's thesis of the "invisible hand", the market theory posits that it makes the most efficient allocation of resources to ensure productivity, growth and the maximization of consumer satisfaction.¹

The market, according to this thesis, has a self-regulating mechanism that moves resources to where they are most needed and are most efficiently used. Consistent with this principle, the theory calls for the removal of all "obstacles", the state included, from involvement in the market. External interferences are tantamount to a subversion of what Hayek calls the market's inherent "spontaneous order".² Thus, whether at the national or international

¹ Adam Smith An Inquiry into the Nature and Causes of the Wealth of Nations (New York: Modern Library, 1937)

² F.A. Hayek Law, Legislation and Liberty (Three volumes), vol. 2. (London: Routledge and Kegan Paul, 1982), pp. 142-3

level, the free market is trusted to allocate resources efficiently, distribute rewards, maximize individual utility, and provide the engine for growth. This theory is important as it provides the liberal explanation for the economic crisis in Ghana and the subsequent prescriptions embodied in stabilization and structural adjustment reforms.

Paralleling the market theory is the thesis of comparative advantage originally developed by David Ricardo. In its simplest formulation, the theory posits that a country's consumption level can be significantly raised if it specializes in the production and foreign sale of commodities in which relatively and comparatively it has the lowest cost of production. Pierro Sraffa states the conventional wisdom of the theory thus:

"It is quite important to the happiness of mankind, that our enjoyments should be increased by the better distribution of labour, by each country producing those commodities for which by its situation, its climate, and its other natural or artificial advantages, it is adapted, and by their exchanging them for the commodities of other countries, as that they should be augmented by a rise in profit."³

Trade based on the market, underpinned by comparative advantage, was supposed to ensure that factors of production including technology, capital, technical skill, and machinery would be available to countries which originally lacked them. International trade would promote competition among producers

³ Pierro Sraffa "On the Principles of Political Economy" in Pierro Sraffa (ed) Works and Correspondence of David Ricardo (Cambridge: Cambridge University Press, 1962), p. 132

leading to efficiency which would in turn raise welfare levels in participating countries. There would also be a reduction in wage differences among countries through an international redistribution of income, all of which would culminate in growth and development.⁴

Comparative advantage posits a division of labour on a global scale in which countries produce according to their specialities determined by the cost of production. This is the philosophy that has historically provided the basis for the establishment of the international division of labour between the developed economies of the north on the one hand, and those of Africa on the other; the former producing industrial goods, the latter agricultural and mineral raw materials. This global economic arrangement ensured that Ghana, like most African countries, became dependent on one primary export crop - cocoa, which remained vulnerable domestically to climatic failures and internationally to world price fluctuations.

Even in the 1990s, as exclusive reliance on primary commodity production has proved increasingly precarious in the new international divisions of labour (NIDL) and power (NIDP), the IFIs continue to espouse the merits of comparative advantage, reinforcing the neo-colonial status of Ghana. For example, in its 1993 report, one supposed to set out policy

⁴ See, for example, the argument in M. Blomstrom and B. Hettne, Development Theory in Transition (London: Zed Books, 1984), p. 15

guidelines aimed at "setting the stage for accelerated growth and poverty reduction", the World Bank exhorted:

Ghana [must] take advantage of its comparative advantage in off-season production for European markets. The best prospects at present seem to be in pineapples and a wide variety of specialty vegetables for minority ethnic markets in Europe."⁵

Since the late-1970s, when the neoliberal decade effectively began, the IFIs and the West have been remarkably active in projecting the merits of the market and comparative advantage, with the US being the vanguard of the initiative. As the biggest contributor to the IFIs, the US has projected its vision with astonishing success via the Bank and Fund. This success was in part the result of its domination of the affairs of the institutions right from their birth. As Mason and Asher point out, even the proposals and the final version of the Articles of Agreement that culminated in the creation of the Bretton Woods institutions essentially reflected the views of the US.⁶ The disquieted British representative, Sir Roy Harrod, revealed his reaction:

"Stripped, as it had long since been, of all exciting features, this document was an uninspiring one. The Bank had been dressed, with an eye to Congress, to look as orthodox as possible."⁷

⁵ World Bank Ghana 2000 and Beyond: setting the stage for accelerated growth and poverty reduction (Washington, D.C.: World Bank, 1993), p. 40

⁶ E.S. Mason and R.E. Asher The World Bank Since Bretton Woods (Washington, D.C.: The Brookings Institution, 1973), p. 12

⁷ ibid.

The facts of being located in Washington and the superior voting power exercised by the US have made it all the more easy for Washington to use these institutions as a vehicle for disseminating the ethos of American world-views.

To be sure, although both the Bank and Fund emerged as the creation of Bretton Woods in 1944, they were ideally quite autonomous entities established for distinct and specific objectives. The Fund was to provide funds to assist countries deal with short term balance of payments problems. As a result, its credit was to be available only on a short-to-medium term basis, usually three to five years. It was also to offer advice on fiscal matters to finance ministries and central banks aimed at addressing international payment imbalances. The Bank, on the other hand, was to provide long-term loans to support reconstruction and development efforts of countries, a fact necessitated by the devastation caused by World War II.⁸

In practice, however, the lending behaviour of the institutions has increasingly blurred their distinctiveness so that within the broader context of structural adjustment, the two institutions are seen as pursuing similar objectives. For example, the Bank does not only support conditions set by the IMF for recipients, but it also makes access to its credit

⁸ Joan E. Spero The Politics of International Economic Relations 4 ed. (New York: St. Martins, 1990), chapter 6

conditional on a country having prior agreement with the IMF.⁹ Thus, for instance, when the Bank established the Structural Adjustment Loans (SAL) schemes in 1979, beneficiaries needed to accept IMF prescriptions prior to obtaining them. Since the 1970s, emphasis has rapidly shifted from automaticity of access to the Fund's credit to conditionalities.

Even though an agreement is normally reached between the Bank/Fund and recipients, conditionalities usually enable the twin Washington-based institutions to interfere in the internal affairs of the former. In the process, the latter contravene a fundamental clause of the Article of Agreement; Article IV Section 10 explicitly states that:

"The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decision by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose stated in Article I"¹⁰

Since the late-1970s, however, the regime of conditionalities has significantly undermined the ideal of impartiality that ought to govern the Bank's operations. Today, as the Cold War has abated, economic factors have yielded to ideology as the overriding consideration in the making of Bank and Fund's decisions. These institutions now require all their Third

⁹ Mason and Asher, *op. cit.*, p. 554; Michael Hodd "Africa, the IMF and the World Bank" *African Affairs* 86(344) July 1987, p. 334

¹⁰ Mason and Asher, *ibid.*, p. 768

World clients to adopt market-led strategies of development notwithstanding the often damaging ramifications.

Yet comparative advantage and the market paradigm, the principal theoretical assumptions spurring adjustments, are not sacrosanct. In the first place, technological advances are increasingly eroding the importance of comparative advantage as a basis for international economic relations. Control of the environment has been significantly enhanced by technological improvements such that previously wasted resources are now transformed into productive uses. Technological progress has, for example, transformed Japan, endowed with virtually no natural resources except technology, into one of the world's leading exporters of automobiles and electronics. The dramatic transformation of Korea as a primary producer in the 1950s and 1960s to a near industrial giant in the 1980s is supportive of the view that the theory of comparative advantage is not static.

Furthermore, the adverse effects of unregulated trade was noted with regards to the economies of Latin America in the 1960s. Such deleterious impact of international trade largely explains why adjustment-inspired trade liberalization has so far not increased the economic fortunes of adjusting countries in Africa in the 1980s.

Nor are the assumptions on the maximization of utility and the allocative efficiency of the market devoid of weaknesses. On the contrary, these philosophies are

increasingly discredited, interestingly even by liberals. As Macpherson contends, the utility maximization claim is spurious not only for suffering a major logical weakness, but also because of the particular problem of measuring utility. In his words,

"... the claim to maximize the aggregate of individual utility involves an insuperable logical difficulty. The satisfaction that individuals get from particular things cannot be compared on a single measuring scale. Therefore they cannot be added together. Therefore, it cannot be shown that the set of utilities which the market actually produces is greater than some other set that might have been produced by some other system. Therefore it cannot be shown that the market maximizes aggregate utility."¹¹

In addition, some neopluralists contend that there are limits on the extent to which the market's allocative mechanism is effective. The market may prove particularly inferior as a mode of organization where, for example, there is much uncertainty about future prices of products; or when an economic exchange involves participants who, because of their peculiar positions, are able to exploit the exchange to their advantage. Hence, as circumstances dictate, state intervention in the market is often necessary to promote economic stability.¹²

The inequitable distribution of income characteristic of capitalism and the tendency of the market to reinforce that

¹¹ C. B. Macpherson Democratic Theory: essays in retrieval (Oxford: Clarendon Press, 1973), p. 7

¹² See, for example, E.O. Williamson Market and Hierarchies: analysis and anti-trust implications (New York: Free press, 1975), chapters 1-3; Charles Lindblom Politics and Markets (New York: Basic Books, 1977)

pattern are clearly some of the discernible weaknesses of the market.¹³ It is paradoxical, if not hypocritical, that countries actively preaching the market gospel do not themselves rely exclusively on it. On the contrary, there has been in these countries, various modifications of the market through government intervention ranging from the overt, corporatist system of the Scandinavian countries, Germany, Austria and the Netherlands, to the more fragmented systems of the US and Britain. Japan and the US have been engaged in a long-drawn out trade dispute whose ending is nowhere in sight, all over the question of protectionism. If the merits of the free market were so obvious, then it is unclear what the objectives of that economic war are.

While modern welfarism remains essentially capitalist in character, its preservation and the trend towards establishing social programmes to protect the vulnerable in most capitalist societies where the sanctity of the market is taken for granted is a tacit recognition that far from being the best, the market can be a dreadful master of resource allocation.

In short, then, the philosophical assumptions underpinning structural adjustment are themselves weak and anachronistic. Accordingly, as a paradigm, adjustment is predicated on a weak foundation. This is one of the core reasons why, contrary to conventional wisdom, market reforms

¹³ Robert Dahl "Why Free Markets are not Enough" Journal of Democracy 3(3) July 1992, p. 83

have impacted rather negatively on adjusting economies. Yet an even more questionable dimension of the adjustment discourse for Africa in recent times is the link it is assumed to have with political liberalization.

2:3 The theory of political liberalization

According to traditional liberal thought, political liberalization, or democracy in the broader sense, is necessary to provide the political framework, an "enabling environment" for the market. The ideal of the liberal state which finds expression in the notions of free choice and competition in the marketplace requires that choice also translates into the political realm. The market and democracy are therefore posited as interrelated concepts and practices reinforcing one another. Yet historically, they did not emerge simultaneously; neither did capitalism initially perceive democracy as friendly. Indeed, as Macpherson and John Dunn note in separate works, the capitalist market system had long predated democracy in Western societies although the latter had emerged as a system of governance several centuries before.¹⁴

Democracy was a political invention of the Greeks designed to ensure popular participation in the affairs of the

¹⁴ See C.B. Macpherson The Real World of Democracy (Toronto: CBC Publications, 1965); John Dunn Western Political Theory in the Face of the Future (Cambridge: Cambridge University Press, 1983)

city-states. It was a system whose ethos was to empower the majority of the ordinary people, to determine their own affairs including governance. In other words, it implied self-government, a government of the people. As the people's government, democracy represented an emancipatory force that enabled the masses to claim popular power, a connotation it carried during the French Revolution that rocked the foundations of the oppressive ancien regime. Such an emancipatory connotation was also evident in Marx's discussions on democracy. In his scheme, a democratic state was not established until the destruction of bourgeois domination and exploitation of the proletariat were complete:

"the first step in the revolution by the working class, is to raise the proletariat to the position of ruling class, to win the battle for democracy."¹⁵

The emancipatory imperative of democracy had, by the seventeenth century, established it as a dreaded concept in Europe as its doctrines posed a threat to the existing monarchies.¹⁶ The established social order did not extend the vote to wage-earners, whose livelihood was largely dependent on property owners. Ruling aristocracies had accepted the norm that wage-earners were incapable of exercising a vote. A century later, however, democracy had ceased to be an awful spectre; it had become a cherished and loved virtue capable of

¹⁵ Karl Marx The Communist Manifesto (Harmondsworth: Penguin, 1977), p. 104

¹⁶ Dunn, Western Political Thought, chapter 1

galvanizing the allied powers during World War II against the combined threat of nazism and fascism. It was from the mid-nineteenth century that the notion of democracy began to appear as a necessary correlate of the capitalist system.

Prior to this period, however, the liberal state had already been established, finding expression in the capitalist mode of production and in the system of free exchange where the "have nots" exchanged their labour for a wage. By emphasizing free choice and exchange, the capitalist state was liberal, but by no means democratic. Governments during this period remained essentially arbitrary, unresponsive and unaccountable. Moreover, non-property owners and women neither had a vote nor a say in government. However, the thought that a responsible government was necessary to give full meaning to the liberal state led to the introduction of the democratic franchise, when the vote was extended to non-property owners. Women, nonetheless, had to wait a little longer to receive it. The movement towards the embrace of the franchise was further hastened by the revolutionary upheavals in the seventeenth, eighteenth and nineteenth centuries in England, America and France, respectively. Thus, only after the introduction of the universal franchise was the liberal state democratized; it became a democracy, or in philosophical terms, a bourgeois democracy.¹⁷

Marx had earlier on predicted that growing impoverishment

¹⁷ Macpherson, The Real World of Democracy, p. 5

of the working class would result not only in an industrial explosion, but would ruin the capitalist system. This prediction, however, never came to pass. With the introduction of the universal franchise, the proletariat used its newly acquired rights and voting power to agitate for improvements in working conditions rather than to question the basis of the socio-economic system. As it turned out, democracy did not destroy, rather it came to serve the needs of capitalism and in the process, strengthened it.

Until the collapse of the Soviet bloc, liberal democracy was only a competing alternative to other variants of democracy - the communist and the Third World brands - all of which, like the classical Greek democracy, made claims to liberate the deprived and the oppressed. The Third World variant, shared by most African statesmen during the immediate post-independence decade, needs further elaboration.

For Africa, independence from colonial rule brought with it even greater challenges than the mere attainment of statehood. The challenges of economic development, the alleviation of poverty, ignorance and disease all captured the attention of the emergent governing elites. These elites therefore offered an alternative definition, a developmental meaning to democracy. As a Tanzanian journalist argues, democracy should not only be a political term, but should also address the economic life of the people:

"Any political party's major objective should be to devise a life system which will afford maximum happiness

and security to the maximum number of citizens, while at the same time safeguarding justice and freedom and the right to a say in decisions affecting one's life. The best form of democracy is one which fulfils these goals, whether it is in the one-party or in the multiparty system."¹⁸

According to this perspective, democracy entailed maximizing opportunities for rapid and sustainable economic development. While this notion did not necessarily preclude emphasis on individual liberties, it placed more weight on collective rights or social justice. This perception translated into the dominance of the single party systems that dotted across the continent from the mid-1960s and which were thought to symbolize the developmental aspirations of African states. To a greater extent, this connotation of democracy provided the strongest rationalization for the one-party system as depicted in the following question posed by Mkali, an obvious advocate of the single-party system:

"Why should there be antagonistic political parties aiming to fulfil almost identical development programmes and yet wasting precious time and resources on campaign expenses?"¹⁹

In the 1960s and 1970s therefore capitalism and the market order, with their attendant notions of individualism and competition, were considered alien and injurious to the traditional virtue of collectivity characteristic of the African society. Above all, capitalism was not only denounced

¹⁸ H. Mkali "Delusions about Democracy" Africa, 156, 1984, p. 53

¹⁹ ibid.

as inconsistent with African democracy, but as a system potentially dangerous to development. In short, the African concept of democracy prioritized societal interest, defined in terms of development, above everything. Anything short of this generally acclaimed noble objective was considered anti-developmental and *ipso facto* undemocratic.

Time has, however, proved the single-party project wrong as it failed to produce development. One-partyism as a state ideology was further weakened and significantly discredited by the combined effect of the Soviet Union's collapse and its former satellites' repudiation of that ideology. More importantly, the break-up of the Soviet Union has led to a policy convergence in the meaning of democracy; it is now a notion synonymous with economic liberalization.

From the late 1980s, a strong partnership was being forged between structural adjustment and political liberalization. In the liberal orthodoxy, an automatic link is assumed to exist between economic and political liberalization. Liberalism does not only present economic liberalization as a prologue to political liberalization, but it also asserts that the two processes are complementary and mutually reinforcing.

In general, political liberalization is posited as an inevitable offshoot of economic liberalism for at least three reasons. First, there is an assumption that a market-driven economy generates rapid economic growth which in turn produces

both winners and losers. The former form coalitions to defend their newly attained opportunities; the latter coalesce to seek improvements in their condition. The key idea is that the consequent emergence of multiple groups, irrespective of objectives, provides a basis for political pluralism and subsequent democratic development. In other words, a certain degree of automaticity is presumed inherent in the partnership between the two processes. As Francis Fukuyama asserts with regards to the NICs,

"The economic successes of the other newly industrializing countries (NICs) in Asia following on the example of Japan is by now a familiar story. What is important from a Hegelian standpoint is that political liberalism has been following economic liberalism, more slowly than many had hoped but with seeming inevitability."²⁰

Second, the market enhances democracy in the sense of decentralizing power in the state. A deregulated market system ensures separation between political and economic power and as each acts as a countervailing force on the other, political dictatorship is prevented from emerging as the basis of its establishment is constantly undermined by the growing economic power of the bourgeoisie.²¹ It is in this respect that a dynamic bourgeoisie is deemed to be a precondition of a

²⁰ Francis Fukuyama "The End of History?" The National Interest 16, Summer 1989, p. 277

²¹ See, for example, M. Friedman Capitalism and Freedom (Chicago: University of Chicago Press, 1962), p. 9; Richard Robison "Authoritarian States, Capital-Ownning Classes, and the Politics of Newly Industrializing Countries: the case of Indonesia" World Politics 41(1) October 1988, p. 57

sustainable democracy.²² Implicitly, economic development, the womb that bears the bourgeoisie, stands out as another precondition for democratic development, as Lipset succinctly notes: "the more well-to-do a nation, the greater the chances that it will sustain democracy."²³ Furthermore, as a countervailing force to the state, the bourgeoisie is capable of unseating political elites deemed threatening to the market, and replacing them with market-friendly elements.

Third, a flourishing market usually requires that individuals maintain a certain degree of freedom from the state. Liberty is defined in both political and economic terms. Political liberty is meaningless without corresponding guarantees of freedom in the economic realm. As Hayek notes, the two spheres are cognate: "freedom under the law implies economic freedom, while economic control, as a means for all purposes, makes a restriction of all freedom possible."²⁴ Democracy is therefore a necessary function of the market and any state interference with the market is a step towards the establishment of authoritarianism. As a rule, dictatorship breeds uncertainties which in turn create insecurity in the national economy. Private investments are unlikely in an

²² Barrington Moore Social Origins of Dictatorship and Democracy (Boston: Beacon Press, 1966)

²³ S.M. Lipset Political Man (London: Heinemann, 1960), pp. 49-50

²⁴ Friedrich Hayek New Studies in Philosophy, Politics, Economics and the History of Ideas (Chicago: University of Chicago Press, 1978), p. 132

economy clothed in governmental arbitrariness. An accountable regime is thus necessary to attract investments and technology.

The assumptions about the market-democracy partnership are lucid, yet the extent to which they are universally provable remains in question, particularly so in the Third World, where these logics do not seem valid. In fact, rather than promoting political development, the peculiar political culture of developing societies brings economic and political liberalization into collision. Lucien Pye has noted that,

"in the less developed countries, we find that expanded political participation may conflict with economic development, not, however, because of the presumed greater efficiency and rationality of the authoritarian governments, but rather because increased political participation gives more scope to the latent feelings of hostility and aggression which are part of the general spirit of distrust and suspicion in the culture."²⁵

Although it is observable that all liberal democracies have fairly liberalized economic systems, the converse is not necessarily true. The Asian "Tigers" have witnessed a remarkable economic development of late modeled more or less after the market system, yet in terms of political governance, they are anything but democratic. Japan knew only minimal democracy during the Meiji period, a time when the country's capitalism was consolidating; Indonesia has had over the years a regime that consistently stifled civil liberties; Singapore

²⁵ Lucien Pye "Introduction: political culture and political development" in Lucien Pye and Sidney Verba (eds) Political Culture and Political Development (Princeton: University of Princeton Press, 1965), p. 25

has been a *de facto* one-party state for the past thirty years; and until recently, South Korea has been an authoritarian state. In all these countries economic growth and development failed to produce any genuine democracy.

Elsewhere, in Africa, economic liberalization in Kenya, Cote d' Ivoire and recently, Ghana, did not automatically produced the much envisaged political pluralism. Kenya's capitalism achieved nothing but political repression, governmental dictatorship and the inflaming of ethnic violence, nor did the Ivorian publicized "economic success" of the 1970s confer any significant democratic fortunes on the population other than one-party rule.

Again, it is critically important to emphasize, as indeed Fukuyama admits, that the link between capitalism and democracy is far less direct than is traditionally depicted.²⁶ The market can flourish both under a democracy and authoritarianism and, in the case of developing countries, often does better under the latter. Democracy can therefore not claim a monopoly over the market, or vice versa. Indeed, history is replete with examples of countries that have maintained democratic institutions over reasonable periods of time, yet have failed to overcome their developmental malaise. India, Costa Rica, Gambia and Senegal, still in the low income group, are just a few of the countless examples.

²⁶ Francis Fukuyama (1992) "Capitalism and Democracy: the missing link" Journal of Democracy 3(3), July 1992, p. 108

Table 2:1
Selected average annual rates of growth
of GNP per capita: 1965-1990 (%)

<u>Democratic regimes</u>		<u>Non-democratic regimes</u>	
Jamaica	-1.3	Zaire	-2.2
Trinidad & Tobago	0.0	Nigeria	0.1
Venezuela	-1.0	Zambia	-1.9
Senegal	-0.6	Libya	-3.0
India	1.9	South Korea	7.1
Sri Lanka	2.9	Taiwan	7.0
Malaysia	4.0	Indonesia	4.5
Costa Rica	1.4	Brazil	3.3
Botswana	8.4	China	5.8
Mauritius	3.2	Algeria	2.4
Singapore	6.5	Thailand	4.4

Source: World Bank World Development Report 1992 (Washington, D.C.: World Bank, 1992); A. Leftwich "Governance, Democracy and Development" Third World Quarterly 14(3), 1993, p. 614

Nor does political liberalization provide a unilineal path to economic development. Rather interestingly, studies have shown (see table 2:1) that the correlation between democracy or authoritarianism on the one hand, and development on the other, is at best inconclusive.

As stated earlier, market liberalization did not automatically lead to political pluralism anywhere in Africa. In the particular case of Ghana, economic liberalization in the 1980s rather brought along intense concentration of political power in the state leading to dictatorship and political repression.

The fact that the dominant IFIs intervened in what was otherwise a natural process to impose or speed up the process of political liberalization in Africa in the 1990s, is a further testimony of the invalidity of the market-democracy partnership in Africa.

2:4 Conclusion

A mix of economic and political reforms is now shaping the political economy of Africa. These reforms have themselves evolved from the tradition of neoliberalism and have been justified and sustained by neo-conservative theories. The theory of the market is flawed in practical application in a peripheral political economy like Ghana. And so is the theory of comparative advantage which has continued to influence the global division of labour. The theory has not only sealed the neo-colonial status of Ghana and perpetually provided the international justification for Ghana's reliance on agricultural materials, minerals and timber, but it has rationalized the continued dependence of Ghana on international capital and technology.

The logic of liberalism has necessitated a new emphasis on political liberalization as the market's partner in development. Yet, its exponents have failed to recognize the wide gap existing between theory and practice. In the latter, and for a developing country like Ghana, the automatic link between the market and democracy does not exist, nor is it expected to emerge in the foreseeable future given the particular characteristics of the country's economy. Indeed, the market-democracy link will become meaningful only with the emergence of an indigenous middle class. But Ghana's economic reform experience show that this is still far from practical achievement. And, even more sadly, the relationship between

political and economic liberalization in Ghana is one of tension rather than harmony.

In the next chapter, the social and economic conditions leading to the Ghanaian crisis and which have ultimately engendered external involvement in Ghana are examined.

Chapter 3

THE POLITICAL ECONOMY OF DECLINE IN GHANA

3:1 Introduction

Nyerere's speculation about the existence of "a devil somewhere in Africa" must be true, otherwise the Ghanaian nationalists' preference for "self-government with danger to servitude in tranquillity" was a fundamental mistake.¹ If not, how is Ghana's massive economic decline by the early 1980s to be reconciled with the abundance of its natural and human resources at independence?

When Ghana emerged from colonial rule, it displayed tremendous potential for development: it had over half a billion dollars (about £200 million) in foreign reserves - more than India had - and with only a small countervailing external debt of £20 million. At the same time, its average income per head of £50 was twice that of Nigeria and equal to that of South Korea. It was also supplying 40 percent of the world's cocoa and was the world's fifth exporter of gold in addition to being endowed with large deposits of diamond and bauxite. Total foreign investments in Ghana at this time were valued at over \$151 million. In terms of human resources,

¹ Nyerere's quote is cited in The Reporter 18 November, 1966, p. 11. We prefer "self-government with danger to servitude in tranquillity" became the official slogan of Nkrumah and the CPP. It was also the motto of the Accra Evening News, the party's newspaper during the immediate pre-independence years. See Timothy Bankole Kwar Nkrumah: his rise to power (London: George Allen and Unwin Ltd, 1963), p. 125.

Ghana had more secondary, technical and university graduates than several African countries, and it was even claimed that it had the best civil service in black Africa.² It was little wonder that Ghana was then described as "the richest-looking West African country."³ By every indication, then, Ghana looked set to prevail on the path of development.

But, alas, "not all that glitters is gold" and indeed, as Sandbrook cautions, the mere abundance of resources does not automatically guarantee development.⁴ History teaches that the availability of resources count only little, if at all, in development. The economic successes of Japan, South Korea or Singapore, endowed with few natural resources, in contrast to the stagnation, even regression of Nigeria, Zaire and most African states wallowing in resources, support this assertion. In the case of Ghana, the abundance of resources did not confer any advantages; by 1966 when the Nkrumah regime was overthrown, Ghana's once prosperous-looking economy was well on the highway to decline. The enormous reserves had transformed into external debts and the abundance of basic goods to scarcity. Moreover, Ghana's external debt (capital

² Scott Thompson Ghana's Foreign Policy 1957-1966: diplomacy, ideology and the new state (Princeton: Princeton University Press, 1969), p. xvii

³ "Out of the Black" Economist 24 April 1965, p. 392

⁴ Richard Sandbrook The Politics of Africa's Economic Stagnation (Cambridge: Cambridge University Press, 1985), pp. 17-18

plus interest) had reached £255 million.⁵ During the late 1960s, decline gathered momentum and in the 1970s, became more egregious. By the early 1980s, it was fashionable to write Ghana off; economic regression was nearly complete and Ghana in the words of Jeffrey Herbst,

"had completed the transition from a prospering middle-income developing country with great hopes at independence to a nation suffering from Fourth World poverty".⁶

The critical question then is what happened? Why did South Korea, for example, become a near economic giant in the 1980s and Ghana a failure when both seemed to have started from similar circumstances? What went wrong in the case of Ghana is an issue I shall return to shortly.

Meanwhile, the extent of Ghana's decline by 1980 is now well-known. It was marked by worsening terms of trade and declining real per capita income which dropped to its lowest point by 1980. Export earnings dropped by 52 percent between 1974 and 1983 while GDP fell by a fifth. Within that same period, real minimum wages plummeted by 86 percent and per capita caloric intake, which had averaged 92 percent of the daily requirement during the 1970s, fell to 65.4 percent with a consequent upsurge in the infant mortality rate.

A combination of the absence of inputs and incentives

⁵ Andrzej Krassowski Development and the Debt Trap: economic planning and external borrowing in Ghana (London: ODI, 1974), p. 92

⁶ Jeffrey Herbst The Politics of Reform in Ghana 1982-1991 (Berkeley: University of California Press, 1993), p. 27

caused a massive drop in the production of cocoa from 557,000 tons in 1964-5 to 158,000 tons in the 1983-84 crop year. Ghana's share of world cocoa production consequently fell from 40 to 10 percent. The mining sector had also plunged into total disarray, producing at only between 20 and 25 percent of its capacity. With shrinking productive and revenue bases, Ghana's external debt soared from \$895 million in 1975 to about \$1.4 billion in 1979 along with a mounting debt service ratio. Inflation, which had averaged 40 percent in the 1970s, climbed to 123 percent and although primarily an agricultural country, food shortages became rife, forcing governments to commit large amounts of scarce foreign exchange into food importation.

Emmanuel Hansen's assertion that "there was no money even to print money"⁷, may be a hyperbole; nevertheless, it portrays the extent of the country's fiscal crisis. As the government showed a weakening capacity to service old debts, foreign loans to Ghana almost ceased. For example, while other low income Sub-Saharan African countries received on average \$26.1 million in aid between 1970 and 1982, Ghana received a staggering \$12.6 million during the same period, with \$11.6

⁷ Emmanuel Hansen "The State and Popular Struggles in Ghana, 1982-86" in Peter Anyang' Nyong'o (ed) Popular Struggles for Democracy in Africa (London: Zed Books, 1987), p. 192

million of this representing official development aid.⁸ Because there was no money to maintain it, the country's infrastructure had almost totally collapsed by 1983. In brief, by the early 1980s, Ghana's economy was in deep crisis.⁹

Yet, not only was the economy in shambles, the state and its institutions, still fledgling, were barely existing. According to one commentator, "Ghana, [by 1980 was] a state only because the outside world asserts that there is a Ghanaian state."¹⁰ The state had fallen into virtual disarray as governmental control appeared almost non-existent. Furthermore, because it had virtually lost its capacity to govern, function or to provide the barest minimum of services, the state faced a crisis of authority. Yet as the state grappled with the realities of shrinking capacities, even with its own problematic survival, its frailties were compounded further by a growing legitimacy crisis as society increasingly disengaged from it.

⁸ World Bank Ghana: Managing the transition Draft Report No 5289-GH (Washington: World Bank, 1984) Table A. Also see Ghana Economic Survey 1981 (Accra: Central Bureau of Statistics, 1983), pp. 13-4

⁹ For more discussions on the indicators of decline by 1980, see, for example, John Toye "Ghana" in Paul Mosley et al (eds) Aid and Power: The World Bank and Policy-Based Lending (two volumes) vol. 2 case Studies (London: Routledge, 1991), pp. 153-4; John Loxley Ghana: the road to recovery 1983-90 (Ottawa: North-South Institute, 1991), pp. 5-8; Jon Kraus "The Political Economy of Stabilization and Structural Adjustment in Ghana" in Rothchild, Donald (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), pp. 120-4

¹⁰ R. Hodder-Williams An Introduction to the Politics of Tropical Africa (London: Unwin, 1984), p. 233

Table 3.1

Year	Estimated losses of cocoa through smuggling to neighbouring countries ('000 tons)				
	Total prod'ion	To Cote d' Ivoire	To Togo	Total	As a % of production
1970/71	413	18	16	34	8.2
1971/72	454	21	18	39	8.6
1972/73	407	14	7	21	5.2
1973/74	340	9	5	14	4.1
1974/75	376	16	5	21	5.6
1975/76	396	21	8	29	7.3
1976/77	320	21	5	26	8.1
1977/78	271	38	8	46	17.0
1978/79	265	29	5	34	12.8
1979/80	281	32	8	40	14.2
1980/81	254	31	8	39	15.4

Source: Ernesto May Exchange Controls and Parallel Market Economies in sub-Saharan Africa (Washington, D.C.: World Bank, 1985); Paul Nugent "Educating Rawlings: the evolution of government strategy towards smuggling" in Donald Rothchild (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), p. 72

The combined effect of economic and political decay was to spawn the parallel economy which grew proportionally with the shrinking of state capacities. Smuggling across Ghana's borders, one of the lucrative "coping methods", increased to monumental proportions. Estimates put "illegal" trade between Ghana and Togo in 1981 at some \$27.5 million, while one earlier in 1980 had put the total cocoa grown in the Volta region of Ghana smuggled across the border to Togo, or left unharvested at 80 percent.¹¹ Table 3.1 above gives a general picture of the quantity of cocoa smuggled out of Ghana during the pre-adjustment years.

¹¹ Sandbrook, The Politics of Africa's Economic Stagnation, p. 142

As every Ghanaian (aside from the few beneficiaries of the decaying system) struggled against adversities, corruption or "kalabule" escalated with astonishing rapidity, becoming pervasive as though it was no longer a vice. Almost everyone, from the highest state officials in Accra to the poor unemployed person in the countryside, became involved. In the midst of a hopelessly chaotic economic situation, many Ghanaians with marketable skills such as teachers, nurses, and doctors exercised the "exit" option and voted with their feet. It was estimated that close to two million of the estimated eight million Ghanaian workforce left for other countries, including neighbouring Cote d' Ivoire and Nigeria. Others reached to the relatively richer countries in Southern Africa and the oil-rich Arab countries of the Middle East, while some ended up in Europe and North America. The population that remained behind simply disengaged from the state and resigned into the informal sector.¹² The question then is why did Ghanaians have to go through this nightmare?

Explanations for Ghana's economic decline have featured a debate between neo-conservatives or internalists, on the one hand, who point to domestic policy failures, namely interventionist policies; and radicals on the other hand, who,

¹² Chazan has described in great detail the amazing resilience of Ghanaians and the creative ways by which they coped with the difficulties of the times. See Naomi Chazan An Anatomy of Ghanaian Politics: managing political recession, 1969-1982 (Boulder: Westview Press, 1983), especially chapter 6

arguing in the dependency tradition, explain Ghana's decline within the context of the wider global political economy, in particular the asymmetrical relationship between Ghana and the developed economies.

The dominance of structural adjustment as a solution to the Ghanaian crisis attests to the triumph of neoliberals, not because they provided better explanations and prescriptions, but essentially because of the economic and political power their supportive institutions wield. Not only do neoconservatives provide their own exegesis, but they seek as well to invalidate radical explanations as for example, Richard Jeffries contention that:

"the frequently repeated assertion that there has been a long-term tendency for the terms of trade of primary commodities such as cocoa to decline as against manufactures is simply not clearly supported by the evidence..."¹³

Yet, this one-sided, rather uncritical view of the Ghanaian crisis cannot be accepted without question. The point is that even granting that the Ghanaian morass was primarily internally-initiated, it has been perpetuated by exogenous factors.

3:2 The neo-conservative perspective

Conservative arguments tracing Ghana's economic problems, like those of other African countries, to domestic policy failures

¹³ Richard Jeffries "Rawlings and the political economy of underdevelopment in Ghana" African Affairs 81(324) July 1982, p. 309

have traditionally been associated with the IFIs and Western creditor nations. Reflecting old beliefs in modernization and neoclassicalism, these identify state interventionism and the consequent stalling of market forces as the core of the problem. Such arguments have been expanded upon by Western, and even African intellectuals who share similar beliefs in the allocative efficiency of the market.¹⁴ In response to Africa's growing economic crisis, the World Bank in its well-publicized Berg Report of 1980, presented a set of recommendations to curtail the role of the state in economic activities as a way of reversing economic stagnation.

Again, in its 1981 report, the Bank became even more explicit about the factors accounting for the continent's economic crisis. The core of the problem, as usual, was state expansionism and intervention in the economic sphere. Specifically, it identified (a) the lack of emphasis on small-scale agriculture; (b) the over-ambitious inclination towards import-substitution industrialization and the consequent erection of tariff barriers; (c) the over-valuation of local currencies which in the process favoured manufacturing as

¹⁴ Notable Ghanaian intellectuals in this group include among others James Ahiakpor "The Success and Failures of Dependency Theory: the experience of Ghana" International Organization 39(3), 1985, pp. 535-552; Joe L.S. Abbey "Ghana's Experience with Structural Adjustment: some lessons" in J. Pickett and Hans Singer (eds) Towards Economic Recovery in sub-Saharan Africa (London: Routledge, 1990), pp. 32-41; Jonathan Frimpong-Ansah The Vampire State in Africa: the political economy of decline in Ghana (London: James Currey, 1991).

opposed to agriculture; and, (d) the expansion and inefficiency of the state.¹⁵ Structural adjustment was to remedy these specific lapses through emphasis on cash crop agriculture, trade liberalization, devaluation, and the shrinking of the state respectively.

In addition to the above allegedly "destructive" economic policies, the IFIs also identify political factors, in particular the twin phenomena of personal rule and clientelism which, with their attendant predatory and rent-seeking tendencies, undermined effective governance and facilitated economic decline.¹⁶ As Herbst notes,

"even though Ghana has received its share of exogenous shocks, including occasional price decreases for its major exports, domestic policy decisions are primarily responsible for its deterioration vis-a-vis other African countries."¹⁷

The pursuit of such then-fashionable interventionist policies began right from the First Republic and became distinct features of succeeding regimes. The following profile of post-independence regimes illustrate this.

¹⁵ World Bank Accelerated Development in sub-Saharan Africa: an agenda for action (Washington, D.C: World Bank, 1981)

¹⁶ Sandbrook, The Politics of Africa's Economic Stagnation, chapter 5; R.H. Jackson and C.G. Rosberg Personal Rule in Black Africa: prince, autocrat, prophet (Berkeley: University of California Press, 1982)

¹⁷ Herbst, The Politics of Reform in Ghana, pp. 17-18

(i) The Convention People's Party (CPP)

That Nkrumah and the CPP government expanded the state's role in the economy cannot be seriously disputed. Under the CPP, an increase in public spending and waste became evident. But this phenomenon reflected two central facts of the time. On the one hand, it revealed the new government's desire to fulfil nationalist dreams and independence expectations - rapid development through industrialization, the provision of infrastructure, and the creation of employment opportunities - after the political kingdom had been won.¹⁸ On the other hand, state expansionism reflected the hegemonic position of the socialist ideology in Africa at that time.

By 1960 it was clear that Nkrumah had repudiated capitalism and was bent on establishing state socialism. This position was emphasized during the CPP Congress in July 1962 where a renewed commitment to socialism was made. The Congress "accept(ed) full responsibility for promoting the well-being of the masses." Socialism, the Congress affirmed, "would remain a slogan until industrialization was achieved."¹⁹ Such social and welfare ambitions were vividly amplified in the comprehensive Seven Year Development Plan (1964-70) under which the state was to be deeply involved in agriculture, mining, infrastructure, and in the provision of a vast array

¹⁸ L.S. Kenworthy "Ghana: problems and prospects" Current History July 1959, pp. 17-22

¹⁹ Cited in Krassowski Development and the Debt Trap, p. 60

of public services including education, health and housing.²⁰

State expansion was also manifested in the growth in the number of state-owned enterprises (SOEs). For example, while there were virtually none at independence, SOEs numbered 19 (excluding public utilities, trading and marketing corporations and financial institutions) by 1961. This number rose to 53, excluding 12 joint state-private enterprises and 23 public boards by early 1966 when Nkrumah fell from power.²¹ But despite the colossal average sum of £27 million being infused into them between 1958 and 1965, chronic loss, not profits, remained their marked feature. Yet as the state needed them to fulfil employment promises, they were never liquidated and therefore continued to drain the national economy.²²

In providing employment, the SOEs also created avenues for rewarding loyal clients, individuals and groups, a trend that has remained widespread in much of Africa. In Ghana, this encouraged governmental interference in the management of the

²⁰ See elements of the Seven Year Development Plan in Krassowski, Development and the Debt Trap, pp. 61-8

²¹ Tony Killick Development Economics in Action: a study of economic policies in Ghana (New York: St Martin's Press, 1978), p. 217; See also Ghanaian Times 16 January 1964

²² There is an extensive documentation on the losses and economic nonviability of the SOEs in the 1960s and 1970s by Killick, including the bizarre case of the Bibiani Gold mines. Although this particular enterprise ran out of ore in 1968, it was never closed down and continued to maintain hundreds of workers by mid-1973. See Killick, Development Economics in Action, pp. 228-247

SOEs. An example cited in Killick is worth restating:

"The IDC (Industrial Development Corporation) has suffered greatly from outside interference, in the shape of Members of Parliament and other influential persons expecting staff appointments to be made irrespective of merit, redundant staff to be kept on the pay-roll, disciplinary measures to be relaxed in favour of constituents, business to be purchased at inflated prices, loans to be made irrespective of security, etc."²³

The tendency towards such interference was spawned by patron-clientelism. In clientelism, a symbiotic relationship develops between the client and the patron. The clients ensure the preservation of the patron's hegemony who, in return, rewards the clients with "lucrative" jobs such as those associated with strategic avenues for plundering the nation's wealth. Clientelism became almost an established institution in much of Africa because of the peculiar nature of the continent's politics. As Herbst notes,

"most African leaders operate in a political system where votes do not matter. Instead, rulers try to institutionalize their regimes by establishing patron-client relations to garner the support necessary to remain in power."²⁴

Consistent with its socialist ambitions, the Nkrumah government also sought to protect its frail infant industries from intense foreign competition, in pursuit of which objective import controls were instituted. But while such controls did serve their intended objectives, they also

²³ Cited in Killick, Development Economics in Action, p. 245

²⁴ Jeffrey Herbst "The Structural Adjustment of Politics in Africa" World Development 18(7) July 1990, p. 949

facilitated clientelism as they enabled the government to discriminate in the allocation of import licences. Controls also facilitated the government's capacity to offer different levels of protection to industries. For instance, under Nkrumah, manufacturing industries enjoyed greater state protection than the agro-based ones, the objective as elsewhere being to discourage imports in favour of local products.

An inevitable outcome of controls and regulations was the over-valuation of the cedi, the local currency, a policy also consistent with statism. Generally, post-independence governments have been reluctant to float the local currency because of the obvious political implications. As a result, not much devaluation was done until 1967 and again in 1971 and 1978. Even so, devaluations in these years were undertaken under IMF pressure. Thus, for example, the rate of ₵2.75 to US\$1.00 fixed in 1978 reigned until April 1983 when under adjustment conditionalities the PNDC devalued it to ₵24 to \$1. Thereafter, through a series of devaluations, the cedi had by 1987 fallen by 486 percent taking 1983 as the base year.²⁵

Furthermore, while there was little emphasis on agricultural development, government did not refrain from over-taxing the cocoa industry. This was achieved through the established monopsonistic institutions purchasing at fixed but

²⁵ See Jon Kraus "The Political Economy of Stabilization and Structural Adjustment in Ghana", p. 137

lower prices and selling at higher prices on the world market. The excess revenue was used to subsidize middle-class urban consumers whose quiescence was vital for regime stability. According to the World Bank, such bad pricing policy has been mainly responsible for the steady decline in cocoa production in the 1960s and 1970s; it either encouraged smuggling to neighbouring countries or induced farmers to switch to the production of untaxable food crops.²⁶ By all indications then, the state was interventionist during the First Republic.

(ii) The National Liberation Council (NLC)

While the socialist posture of the Nkrumah regime rendered it more prone to interventionism, its successor regime, the NLC, the self-professed pro-Western and market regime, did not reverse the practice of state interventionism. For example, though widely known to be the principal cause of government overspending, the NLC could not radically liquidate the SOEs or curtail overall state involvement notwithstanding a stabilization agreement with the IMF in early 1966. Characteristic of the IMF's stabilization conditionalities, the NLC was enjoined to cut back on public spending, ensure public sector retrenchment, make changes in import tariffs and devalue the cedi.

The NLC responded to such Fund requirements in its budget

²⁶ World Bank, Accelerated Development in sub-Saharan Africa, p. 27

statement of July 1966 but only cautiously. It introduced school fees and made modest cuts to the staff of the civil service and a few public corporations, resulting in savings of about £54 million a year. The cedi was also devalued by 30 percent in July 1967, while the producer price of cocoa was raised from ¢4.00 in 1966 to ¢6.50 in July 1967 and again to ¢8.00 in March 1969. But this was the furthest the NLC's economic reforms would go. The SOEs remained firmly under government ownership and very little effort was made to liquidate them. For example, out of the 46 SOEs bequeathed to it by the CPP, the NLC sold off only 7, of which 4 were either small- or medium-scale, hence, with little asset value. The NLC, even though it was a military regime, seemed to have sensed the importance of the SOEs in averting an explosive unemployment situation. Thus, in the 1966 budget speech, General Ankrah, the chairman of the NLC, justified the government's gradualist approach to reforming the SOEs:

"First, Ghana needs a rapidly expanding industrial sector in order to provide employment.... Secondly, industry and its related activities which are able to pay higher level of wages than the traditional rural sector must contribute an increasing proportion of total employment.... Thirdly, industry must produce for Ghana more of the commodities that are required to meet the needs of individuals, business enterprises and government.... As many industrial enterprises, therefore, as can be established must be encouraged.... Government is by no means withdrawing from the field of industrial development."²⁷

By all indications, the NLC's position was paradoxical in

²⁷ Cited in Krassowski Development and the Debt Trap, p. 118

relation to its pro-IMF stance. Given its attitude towards, and conception about the SOEs, one cannot but agree with Herbst's assertion that "the [NLC] had been able to overthrow Nkrumah, but [it] could only slow the momentum of his policies; [it] could not displace his ideology."²⁸

(iii) The Progress Party (PP)

Nor was Abrefa Busia, the beloved apostle of the market and capitalism, able or even willing to radically change previous statist trends. Sensing the country's growing unemployment problem, the Busia regime, an elected government, was even more ill-disposed to radically alter the position of the state in the management of the economy. Thus, although it reached a stabilization agreement with the IMF, it moved rather cautiously, or even timidly, with its implementation. Although it liberalized trade, it could not immediately devalue the cedi.

Furthermore, the PP government appeared unwilling to trim the public service or deal decisively with public sector overstaffing. Like its predecessors, it sensed the looming unemployment crisis. Rather, its response in this direction was the implementation of the Alien Compliance Order (ACO) which expelled aliens (most having entered Ghana during the buoyant days of the economy in the 1960s) from the country. While hailed by most Ghanaians, the policy seriously damaged

²⁸ Herbst, The Politics of Reform in Ghana, p. 22

Ghana's relations with its West African neighbours - particularly Nigeria, whose nationals were the most affected. The expulsion policy was also to be used later to justify the overthrow of his government.

The expulsion order itself became a subject of much debate. While official sources generally claimed that it was meant to alleviate the growing unemployment situation, some observers argued that it was primarily designed to divert public attention from the country's worsening economic situation and to give the government some breathing space in an increasingly tense social environment.²⁹ But if tackling unemployment or creating a breathing space were the objectives, it soon became clear that neither of these was fully achieved. Unemployment levels still remained at over 40 percent even after the aliens' departure. Consequently, public attention did not shift from the crisis in the economy. Indeed, labour agitations for high wages and salaries continued, compelling the government to adopt tougher measures to contain the situation.

Yet, not only was the regime unable to cut back decisively on public expenditures, but it indeed raised spending through its rural development programme. Under this programme, the government undertook to develop social

²⁹ See, for example, Margaret Peil "The Expulsion of West African Aliens" Journal of Modern African Studies IX(2) 1971, pp. 205-29; Margaret Peil "Ghana's Aliens" International Migration Review VIII(3) 1974, pp. 367-382

infrastructure including the provision of health services, schools, electricity, water and the construction of roads. In fact, as Frimpong-Ansah notes,

"as far as state industrialization [and spending were] concerned, the NLC and Busia did not destroy, rather they fulfilled Nkrumah's ambitions."³⁰

Furthermore, although devaluation was a key component in the conditionalities attached to the stabilization agreement, the government had been understandably hesitant with its implementation, fully aware of its damaging potential for inciting industrial tension and social riots. In the meantime, the balance of payment problem escalated, while shortages of basic goods became widespread. In mid-1971, as cocoa prices soared on the world market, the Busia administration thought it auspicious to devalue the cedi. This it courageously did by a massive 48.6 percent in December 1971. While the Fund praised it for the initiative, the devaluation turned out to be one of the regime's greatest policy mistakes. As was expected, the devaluation suddenly eroded purchasing power as prices rose. Not unexpectedly, barely three weeks after that fiscal reform, the PP government fell via a military coup.

(iv) The National Redemption Council (NRC)

General Kutu Acheampong, who headed the successor NRC government, was even more nationalistic, statist and interventionist. Having justified his coup by the devaluation

³⁰ Frimpong-Ansah The Vampire State in Africa, p. 102

and its effects, he quickly revalued the cedi to nearly its pre-devaluation level. Furthermore, he unilaterally repudiated and rescheduled some of the country's foreign debts, a policy that set his regime further at odds not only with the Bank and Fund, but with Western creditors.

That the NRC was nationalistic found concrete expression in its launching of the Operation Feed Yourself (OFY) programme shortly after assuming office. Under this programme, agriculture was to be developed to enable Ghana to reduce its reliance on foreign countries in food and raw materials supply. The programme achieved initial success, reflected in the national enthusiasm with which it was embraced.³¹ Rain, which had traditionally determined agricultural output, fell adequately and it was appearing that Ghana would soon be food self-sufficient. Yet, the OFY success turned out to be ephemeral; by 1974, the combined effects of poor planning and implementation, lack of effective control, smuggling and the frequent practice of misappropriation of funds meant for farmers, caused food shortages. This compelled the government to subsidize food prices and to enter into foreign agreements for massive food importation.

Not only was state participation visible in the agricultural sector, it was also clear in the area of

³¹ For some of the successes of the OFY, see, for example, Chazan, An Anatomy of Ghanaian Politics, p. 168; Maxwell Owusu "Economic Nationalism, Pan-Africanism and the Military: Ghana's National Redemption Council" Africa Today XXII(1) 1975, pp. 31-2

industrial production. The state itself acquired shares in timber, mining and oil industries. It nationalized certain foreign-owned companies and bolstered existing SOEs.³² The government crowned its statist policies with an indigenization decree in 1976 designed to bring the economy under total Ghanaian control. Such policies meant in reality a formal return to old-style controls. Thus, consistent with the indigenization thrust, import regulations were instituted in the same way as elaborate procedures were laid down for the issuance of import licenses.

The immediate effect of such controls was to exacerbate corruption and nepotism as import licenses, in particular, were issued not on the basis of merit and credibility, but "connections" and patronage. Genuine investors and manufacturers were by-passed in favour of "kalabule", self-styled businessmen, the regime's beneficiaries who exploited the economic situation to the full. Several women became contractors overnight as Acheampong fell deeper into moral ineptitude. "Fa wo to be gye Golf" - literally, exchange your body for a Golf car - became the popular, but unethical method by which attractive Ghanaian women acquired wealth overnight.

Acheampong's (mis)management of the economy vis-a-vis his cronies was a classic illustration of the patron-client syndrome. Acheampong became a strongman surrounded by cronies

³² See Chazan, An Anatomy of Ghanaian Politics, p. 165; Killick, Development Economics in Action, p. 317

who sung his praises primarily in return for his generosity and patronage, which were bestowed in the form of import license, loans, protection from tax evasion, and from prosecution. In a carefully orchestrated practice of recklessness, the cronies flocked around Acheampong, to borrow Peter Nyong'o's phrase, "like pilot fish swimming around a shark", plundered the wealth of the state and sank the economy into further decadence.³³ Thus during the rule of the military generals in the 1970s, not only did state intervention stall economic development but clientelism reached its climax to the detriment of the economy.

The consequence of mismanagement, controls and corruption was to cause a decline in agricultural production. In the 1970s cocoa production averaged below 400,000 tons, while timber exports fell to 25 percent of their 1973 levels. The production of gold and other minerals saw similar declines. Balance of payment problems deepened as imports completely outstripped exports. Shortages of basic goods became the rule with inflation ranging between 70 and 100 percent. In a desperate bid to counter budget shortfalls, the government printed notes which further fuelled inflation.³⁴ By the end of the NRC/SMC regime, the Ghanaian economy had almost totally

³³ Peter Anyang' Nyong'o "The Failure of One-Party Rule" Journal of Democracy 3(1) January 1992, p. 93

³⁴ John Toye "Ghana" in Mosley, Paul et al Aid and Power: the World Bank and policy-based Lending (two volumes) vol. 2 case studies (London: Routledge, 1991), pp. 151-200

fallen apart. The centre could no longer hold.

(v) The Armed Forces Revolutionary Council (AFRC)

In June 1979, the AFRC under Jerry Rawlings took power and although it did not establish new SOEs, it nonetheless pursued policies that exacerbated the already worsened economic conditions in the country. In a populist style, the new administration enforced price controls and meted out severe punishments to manufacturers and sellers failing to comply. Shortages of basic goods became much in evidence as a result and were compounded further by the closure of the country's borders and entry points.³⁵ Goods suspected of being hoarded were hunted for, seized and sold at the government's stipulated prices. Yet the precise extent to which the AFRC's policies adversely affected the economy is unclear since it succeeded, through threats of death and confiscation of assets, in getting full payment from individuals and businesses who had been in huge tax arrears. It can be speculated, however, that Rawlings' warning of military excesses "frightening the poor farmer[s] away"³⁶ was a clear indication of the extent to which military brutality and intimidation were hindering production and general economic activities.

³⁵ "How Flight-Lt. Rawlings won power" West Africa 11 June, 1979, p. 1013

³⁶ "Rawlings' view of Ghana's future" West Africa July 9, 1979, p. 1197

(vi) The People's National Party (PNP)

The PNP government under Hila Limann, apart from raising the producer price of cocoa, could not do much. Like Busia, Limann remained sensitive to public opinion, having been democratically elected. Moreover, the general populist and anti-IMF sentiments generated by the AFRC, coupled with the very presence of Rawlings, offered Limann very limited scope for flirting with the IFIs and implementing neo-conservative programmes in any serious way. Thus, although a secret stabilization agreement was reached with the Fund, it could not be implemented before Limann was overthrown.

In general, it must be admitted that the combined effect of state interventionism, policy failures, governmental inaction, corruption and mismanagement have played a part in Ghana's crisis. While state interventionism was dominant during the 1960s, clientelism and personal rule were the order of the day during much of the 1970s. Yet, Frimpong-Ansah and Krassowski, two of the most ardent critics of statism, admit that despite its lapses, statism was beneficial for creating jobs, building infrastructure and providing education.³⁷ From a general perspective, domestic policy failures were only a part of the story. There is an even more disturbing external dimension which neoliberal discussions frequently down-play.

³⁷ See Frimpong-Ansah, The Vampire State in Africa, p. 97; Krassowski, Development and the Debt Trap, pp. 94-95

3:3 The radical perspective

Contrary to the position of liberal orthodoxy, radicals explain the phenomenon of Ghana's decline within a broader historical context rooted in the dependency theory. At the core of such explanations is Ghana's incorporation into the global economy in which, while playing an essentially peripheral role, it also became overly dependent on the global capitalist economy. From this perspective, decline is seen as an inevitable consequence of the country's dependence and hence, its vulnerable position in a hostile global economy. Economic crisis in Ghana is therefore not discrete from the interrelated phenomena of colonialism, dependency and underdevelopment. Therefore, rather than finding simplistic explanations in the stalling of market forces, a much more complex analysis is involved in seeking to explain the process of decline in Ghana. What then is the essence of the radical perspective?

Exponents of this persuasion proceed on the premise that the incorporation of Ghana into the wider global economy reoriented the nature and content of production in a way that has adversely affected the country's developmental prospects. In specific terms, the logic of dependence transformed the otherwise strong-looking Ghanaian economy into a predominantly agricultural and an export oriented one designed to serve specific external economic interests. Ghana was made to remain agrarian and an exporter of primary products and this has been

the focus of the economy ever since. Evidence of this is seen in the fact that by the 1970s, 57 percent of the Ghanaian work force was engaged in agriculture compared to 12 percent in manufacturing and the remaining 27 percent in commerce, service, transport and communications. This trend has not changed since for, by 1990, agriculture still represented 43 percent of GDP, 50 percent of export earnings and 70 percent of total employment.³⁸

The paradox, however, remains that despite the predominance of agriculture in economic activity, production has remained low; and food shortages have remained a major feature of Ghana's political economy. This trend was itself a reflection of the mode of agricultural production as well as the peripheral role of Ghana in global production. In much of Ghana, agricultural production has remained on the subsistence level, characterized by the use of traditional tools. As cash crop agriculture has remained the main preoccupation of governments, food production has never received the right state attention. Moreover, agriculture in general has remained at the mercy of rains, making the sector highly vulnerable and harvest projections virtually impossible. With the exception of the short-lived OFY programme under Acheampong, none of the post-independence

³⁸ Rhoda E. Howard Colonialism and Underdevelopment in Ghana (New York: Africana Publishing, 1978), p. 228; World Bank, Ghana 2000 and Beyond: setting the stage for accelerated growth and poverty reduction, p. 29

regimes has made serious attempts to restructure agricultural production. Yet, the prospects for encouraging food production are much reduced under adjustment where undue emphasis is placed on the production of cash crops.

But colonialism left yet another legacy - the monocultural economy. Cocoa has, until the beginning of the 1990s, remained the mainstay of the economy - the major export and the principal foreign exchange earner. Prior to 1990, it accounted for over 20 percent of total government revenue and 60 percent of total foreign exchange earnings compared to timber's 19 percent, gold's 10 percent and other minerals' 3.4 percent.³⁹ The worrisome fact is the dangerous over-reliance on cocoa whose demand has remained inelastic and hence vulnerable to wide price fluctuations. In general, cocoa purchases on the world market do not significantly increase even with falling prices. The result is that in cases of increased supply, revenue from cocoa falls. The irony then is that Ghana is worse-off by increasing cocoa production. Table 3.2 indicates how cocoa revenue fluctuated with production during the pre-adjustment years.

At the same time, the five-year gestation period of the cocoa plant does not enable Ghana to take immediate advantage of rising world prices. This scenario, of course, leaves aside

³⁹ Howard, Colonialism and Underdevelopment in Ghana, pp. 223-4; Harold Alderman "Ghana: Adjustment's Star Pupil?" in David E. Sahn (ed) Adjusting to Policy Failure in African Economies (Ithaca: Cornell University Press, 1994), p. 25

the industry's precarious dependence on the increasingly erratic weather conditions.

Table 3.2

<u>Cocoa production in Ghana and world prices (1985)</u>			
Year	Prod'tion '000 tons	World price in cents/kg*	Total revenue in million \$
1965	401	36.6	14.7
1966	368	51.8	19.1
1967	315	59.7	18.8
1968	323	72.1	23.1
1969	403	90.4	37.9
1970	413	67.5	27.9
1971	462	53.8	24.9
1972	415	64.4	26.7
1973	349	113.1	39.5
1974	376	156.1	58.7
1975	394	124.6	49.1
1976	319	204.6	65.3
1977	271	379.0	102.7
1978	265	340.4	90.2
1979	296	329.3	97.5
1980	258	260.4	67.2
1981	225	207.9	46.8
1982	179	173.6	31.1
1983	159	212.0	33.7
1984	175	232.1	40.1
1985	219	225.5	49.4

SOURCE: World Bank World Tables Update (World Bank: Washington, D.C.: World Bank, 1989); Frimpong-Ansah The Vampire State in Africa: the political economy of decline in Ghana (London: James Currey, 1991) p. 126
* at current prices with 1985 as the base year

In the midst of fluctuating world prices and inconsistent production levels, Ghana has suffered deteriorating terms of trade vis-a-vis its trading partners. Unfavourable terms of trade have in turn translated into balance of payment difficulties which, as was noted, emanated from the low supply and demand elasticities of primary products vis-a-vis manufactured goods from the North. As Sandbrook notes in general about primary production,

"the pricing that the transnational corporations charge their African customers for manufactured imports are not immediately established by the laws of supply and demand in a free market. Increased costs can be passed on to consumers and productivity gains do not necessarily reduce proportionately the prices of products. On the other hand, the market does determine the world price of most of Africa's commodity exports. Therefore, higher production costs cannot necessarily be recouped."⁴⁰

The result is that primary producers are often at a disadvantage in relation to their more well-placed and, indeed, more powerful industrial producers.

The Ghanaian position is further weakened by the failure of cocoa producers to create their own cartel strong enough to influence global prices. International agreements on the commodity have mostly been ineffective over the years in stemming price fluctuations. In the main, cocoa prices have been determined by the laws of supply and demand. And yet still, there are no brighter prospects for future multilateral agreements on cocoa holding sway over market forces given the ascendancy of biotechnology and the discovery of an ever-growing number of substitutes for most primary commodities. Thus, the imbalance in global trade is poised to continue and Ghana's dependence on primary production, with all the attendant consequences, is certain to remain unchanged for, as Myrdal notes, the imperatives of international trade necessitate that it

"will generally tend to breed inequality and will do so

⁴⁰ Sandbrook, The Politics of Africa's Economic Stagnation, p. 24

the more strongly when substantial inequalities are already established."⁴¹

Once the country's major revenue base was being undermined by international trade, budget deficits were inevitable. On the one hand, it was impossible to cut down immediately on the overall government expenditure without creating major dislocations in the economy; and on the other hand, revenue to match such expenditures was being stalled on the international market. Budget deficits were therefore rife during much of the period between independence and the first three years of adjustment. For example, by 1980, government revenue was covering only 35 percent of expenditures, the remaining 65 percent made up for by internal and external borrowing.⁴² In actuality, a balanced budget was achieved for the first time since the early 1960s in 1986 - thanks to the PNDC's scrupulous adherence to reform conditionalities.

However, in 1993 as political liberalization emerged as a conditionality and as government began to be somewhat sensitive to popular grievances, state spending once more went out of control bringing in a deficit of C118 billion, although that year's budget had projected a surplus of C9.6 billion.⁴³

⁴¹ Gunnar Myrdal The Challenge of World Poverty (New York: Vintage, 1970), p. 279

⁴² Jeffrey Haynes "Ghana: indebtedness, recovery, and the IMF, 1977-87" in Trevor W. Parfit and Stephen P. Riley (eds) The African Debt Crisis (London: Routledge, 1989), p. 102

⁴³ See "Ghana economy appraisal" West Africa 28 February-6 March 1994, p. 365. For some of the claimed achievements of Ghana's SAP, see, for example, Republic of Ghana "Towards a

This was perhaps the clearest indication yet of the tension between economic and political reforms; that under a fledgling democracy like that of Ghana rigorous austerity is unfeasible.

Generally, borrowing from the central bank became the conventional method by which Ghanaian governments covered budget shortfalls. However, as deficits became chronic and grew massively in size, internal borrowing no longer sufficed, and governments had to resort to external borrowing - from Western government and multilateral agencies. Borrowing, however, created and, in fact, escalated the debt burden of the country. As a result of loans therefore, Ghana fell deeper into debt. For example, while total external indebtedness stood at \$895 million in the mid-1970s, it grew to \$1.4 billion by 1979 and was close to \$2 billion at the eve of adjustment in 1982. In 1987, it stood roughly at \$2.8 billion and by mid-1990, official sources were putting it at \$2.9 billion although other sources pitched it at \$4.1 billion.⁴⁴ Thus, the crisis engendered in the first place by dependence on external agencies translated into a cycle of interwoven, almost uncontrollable quagmires for Ghana.

New Dynamism" Report prepared by the Government of Ghana for the Fifth Meeting of the Consultative Group for Ghana, Paris February 28-March 1, 1989 (Accra: Government Printer, 1989); Toye, "Ghana", pp. 166-168

⁴⁴ West Africa 24-30 September 1990, p. 2525; Callaghy, "Lost Between State and Market: the politics of economic adjustment in Ghana, Zambia and Nigeria" in Joan M. Nelson (ed) Economic Crisis and Policy Choice: the politics of adjustment in the Third World (Princeton: Princeton University press, 1990) p. 283

But if balance-of-payments problems led to Ghana's initial indebtedness, the debt itself has also become a self-generating problem that brings to bear on the country an even heavier debt obligation. As it has become patently evident that many sub-Saharan African countries are increasingly incapable of repaying their debts under their current economic conditions, adjustments notwithstanding, they are faced with three options: (a) securing further loans and thereby remaining on life support; (b) rescheduling and; (c) defaulting. The latter is not encouraged as it undermines debtors' chances of securing new loans. Already entangled in an irresolvable debt web, negotiation and rescheduling with the London and Paris Clubs have become the popularly used options. The ensuing incongruity for Africa, however, is that while debt rescheduling has dominated its foreign policies, it has itself become "by far the most rescheduled region of the world."⁴⁵

In retrospect, Ghana has negotiated and rescheduled its debts a number of times since the 1960s. Shortly after ousting Nkrumah, the NLC negotiated new credits and rescheduled the payment of old debts with the Paris and London Clubs; Busia did the same, and so did Acheampong after his earlier unilateral rescheduling and debt cancellation rhetoric. Limann was no exception. The era of structural adjustment under

⁴⁵ Thomas M. Callaghy "Between Scylla and Charybdis: the foreign economic relations of sub-Saharan Africa" Annals 489, January 1987, p. 154

Rawlings has seen Ghana engaging in an endless round of reschedulings with the Paris and London Clubs.

Yet, the bitter truth is that debt rescheduling is neither an act of charity, nor is it synonymous with cancellation. Rather, it is only a postponement of repayment giving debtors some temporary breathing space. But precisely because interest on the loan continues to accumulate during the breathing space, the total debts in most cases eventually outstrip the original principal. Thus, in the four year period 1986-1990, for example, the IMF extracted from low income countries in sub-Saharan Africa (through debt rescheduling) over \$3 billion in excess of what it gave; and Zaire was reported to have paid \$191.5 million more to its creditors than it received in 1984.⁴⁶

Ghana's debt repayment story is not different. The experience in the 1980s offers a classic illustration of this indebtedness-through-debt syndrome and how it affected Ghana in earlier years. Between mid-1983 and the end of 1993, the World Bank injected \$8 billion in aid into the country to support reforms, while the IMF contributed a further \$1.3 billion. During the same period, however, the country paid back to, or repurchased from, the Fund more than that amount resulting in a negative net transfer which Ghana had to

⁴⁶ New African October 1991, p. 32; Trevor W. Parfit and Stephen P. Riley The African Debt Crisis (London: Routledge, 1989), p. 88

finance out of other available loans.⁴⁷ Thus, although foreign loans are supposed to alleviate a recipient's budgetary crisis, they have in practice tended to worsen the situation in a majority of the cases. Credit transfer therefore invokes the old familiar contradiction of digging a new pit to fill an old one; the irony is that a pit still remains to be filled and this time a wider and deeper one. This cycle of borrowing to service old debts became the lot of the country once it got entangled in the debt trap. In the end, Ghana's indebtedness only grew, aggravating its general economic predicament.⁴⁸

Unfortunately, this is a fact which market apostles fail to recognize; they refuse to accept the treachery and hypocrisy in the politics of aid. The dominant view that IFIs and donor countries are helping Ghana out of its crisis through aid packages has totally eclipsed the other side of the issue - the damaging consequences such credit agreements have on the national economy.

And the country's high debt service ratio arising from the debt has not helped either. Indeed, as governments strengthened their determination to demonstrate the capacity

⁴⁷ Jones Ofori Atta "The other side of the recovery" West Africa 11-17 October 1993, p. 1813

⁴⁸ A critical view of aid and the general IMF conditionalities is taken by Payer who exposes the cynicism of the IFIs and the rapidity with which these institutions undermine recipients' economies. See Cheryl Payer The Debt Trap: the IMF and the Third World (Harmondsworth: Penguin, 1974), chapter 2

to repay debt in order to qualify for rescheduling and fresh credits, a greater percentage of loans was committed to servicing existing debts. Until 1993, when the PNDC reduced the ratio to 27 percent, Ghana's debt service ratio had ranged between 50 and 88 percent. In layman's terms this meant that if Ghana sold cocoa in London and received \$1,000 and assuming the debt service ratio was 80 percent, only \$200 returned to Accra to pay for the fuel that took the ship to the UK in the first place, depreciation, machinery and everything that went into producing the cocoa, not to mention development. By every stretch of imagination, the debt service ratio was too high for Ghana's fledging economy.⁴⁹

While Ghana was already overburdened with debt and threatened by ever growing yearly budget deficits, its predicament was exacerbated by the two major oil shocks, first in 1973-4 and again in 1979-80, the years in which global recession drove cocoa prices down on the world market. A non-oil producing country, Ghana, even in normal times, was committing on average about half of its total export earnings to servicing energy bills. Thus, in an economy heavily dependent on oil for production and economic activities, energy bills have accounted in part for growing government expenditures and budget deficits.

Alongside debt and its related implications is international capital's exploitation of the Ghanaian economy

⁴⁹ West Africa 16-22 August 1993, p. 1459

through the activities of multinational companies (MNCs).⁵⁰ The history of MNCs' operations in Ghana dates back to colonial times, when formal colonial rule provided them with the needed "enabling environment". MNCs were involved mainly in the mining, shipping, retailing and timber industries. Many more MNCs, however, emerged after independence while existing ones expanded their operations. By 1966, well-established, profit-making foreign companies in Ghana included UAC, CFAO and VALCO. While some of these have remained entirely foreign owned, the state has, since independence, acquired shares, albeit small, in others like VALCO and Ashanti Gold Mines (AGM).

As Moran notes, everywhere in the Third World, concern about MNCs has focused on their practice of profit repatriation and the decapitalization of the host economy.⁵¹ As Howard has observed, foreign companies have exploited and decapitalized the Ghanaian economy and not even the socialist

⁵⁰ The debate about whether MNCs promote or hinder development in the Third World is an ever recurring one that has so far eluded a consensus. The dominant perception in the developing world about MNCs, however, seems to be that whatever positive contribution they make is negated in the long-run by destruction visited on the host economy. See, for example, the debate on MNCs in Joan E. Spero The Politics of International Economic Relations 4th ed. (New York: St Martin's Press, 1990), chapter 4.

⁵¹ Theodore H. Moran "Multinational Corporations and Dependency: a dialogue for dependentistas and non-dependentistas" International Organization 32(1) Winter 1978, pp. 79-100

policies of Nkrumah in the 1960s could mitigate their impact.⁵² It was estimated that an annual loss of £7 million was made to MNC profit transfers between 1958 and 1960. Nkrumah's apparent inability to deal decisively with the MNCs, agencies generally identified with capitalist exploitation, raised question marks concerning his socialist credentials. Some believed that his profession of socialism was more idealistic than real; ideological than practical.⁵³

Generally, successive governments have not been successful in stemming MNC exploitation, although some efforts were made. Under Acheampong, the state acquired 55 percent ownership in four timber companies in 1973, and in December 1975 took control over the Ashanti Gold Fields.

Given the number and the size of MNC operations in Ghana, these gestures were simply insufficient to minimize their impact. Even the violent anti-imperialistic rhetoric and threats by the PNDC to nationalize foreign firms during its pre-SAP years did not translate into practical action. In 1982, Rawlings threatened VALCO, one of the giant MNCs, with nationalization only to reassure its management a year later

⁵² Howard, Colonialism and Underdevelopment in Ghana, pp. 225-227

⁵³ See, for example, Judith Marshall "The State of Ambivalence: right and left options in Ghana" Review of African Political Economy 5 (January-April 1976), p. 53; Barbara Callaway and Emily Card "Political Constraints on Economic Development in Ghana" in Michael F. Lofchie (ed) The State of the Nations: constraints on development in independent Africa (Berkeley: University of California Press, 1971), p. 66

of the government's support and cooperation in its operation. VALCO and all MNCs were assured further that, "investors will not be frustrated when the time comes to transfer their profits and dividends to their share holders overseas."⁵⁴

Under adjustment, formerly state-owned enterprises are being liquidated. Forced by the imperatives of liberalization, the Ghanaian government has since 1994 reduced its 45 percent shares in AGM, now the most profitable enterprise, to 25 percent leaving the larger percentage to Lonhro, the dominant multinational partner. As a matter of fact, the speed at which foreign companies are rushing to obtain shares in AGM suggests that Ghana can expect only little returns from its large gold mines. The situation is worsened by the fact that very critical decisions about who should hold how much shares is determined not by the Ghanaian government, but by the EU or the Paris Club.

As trade liberalization under adjustment has presented fresher opportunities for MNCs, the unabated domination and exploitation of the Ghanaian economy will continue. At the same time, the poor development of the Ghanaian bourgeoisie, its fragmentation and a general lack of sufficient capital has made it impossible for it to acquire shares in the enterprises that are being liquidated. This phenomenon has given foreign

⁵⁴ West Africa 4 June 1984. p. 1155. For an account of the PNDC's initial hostility towards MNCs, see, for example, Ahiakpor "The Success and Failures of Dependency Theory", pp. 535-52

companies considerable advantage.

In addition to direct MNC exploitation, foreign capital has also consolidated a class structure that was beginning to form when Ghana came in contact with foreign rule. The imperatives of the colonial economy created three distinct classes: an entrepreneurial class, an indigenous bourgeoisie;⁵⁵ a stratified rural population consequent on the switch from food to cash crop (cocoa) production; and a proletariat which emerged in response to the demand for workers in the mines and on government projects.⁵⁶

Structural adjustment has also consolidated a bourgeois class made up of mainly foreign residents who operate businesses and a few Ghanaian middle class elements made up of entrepreneurs who are either connected with foreign companies or operate their own ventures. These are the few winners in adjustment whose gorgeous and well guarded residences around the Airport and MacCarthy Hill stand in stark contrast to the hastily erected shanties of Nima, Madina and the rest of Accra.

Yet, it is unclear whether under the current liberalization regime the few Ghanaian winners, already shrinking in size because of competition, can continue to

⁵⁵ This entrepreneurial class could not develop into a full-fledged bourgeoisie largely because of the competition it faced from the more powerful foreign bourgeoisie.

⁵⁶ Howard analyzes in great detailed the implications of such class formations for underdevelopment in Ghana. See Colonialism and Underdevelopment in Ghana, Chapter 6

enjoy their current status for long. As liberalization continues to threaten them, it is certain that a large middle class can never emerge to help consolidate Ghana's fragile democracy.

Briefly, then, foreign capital in various forms - loans and investments - has perpetuated Ghana's economic crisis and the chances that this will end have become even more minimal under structural adjustment where the dominance of the IFIs has become undisputed.

3:4 Conclusion

Clearly the trajectory of Ghana's economy is complex, rendering one set of explanations totally inadequate. Although it would be naive to totally discount the role of internal factors, it is equally misleading, as neoconservative analysis indicates, to assume that Ghana's economic decline was principally internally driven.

Even so, neoconservatives' obsession with the responsibility of the state in Ghana's crisis requires further comments. First, they are either missing a point or confusing issues by conflating state interventionism and inefficiency. The point is that the two are distinct. Was the decline the result of state interventionism or inefficiency? As the evidence suggests, the problem was with the latter. A state can assume an expanded role and still avoid waste. As Stein has noted, Asia's current development was premised on an

expanded role of the state.⁵⁷ Leaving aside the extreme welfarism of the Scandinavian countries, there are capitalist economies in which state expansion has been evident. It is not clear if the Canadian system, for example, could have survived without the expanded role of the state. The difference between Canada and Ghana is the level of waste which in the case of the former has been eliminated, or at least kept to a minimum. Thus, emphasis should be on reforming rather than withdrawing the state.

Second, state involvement in the economy was not instituted by the Nkrumah government; it was a practice of the colonial government. Under colonialism, administration was highly centralized and revolved around the governor who took responsibility for the development of infrastructure, agriculture, education and health. Sir Gordon Guggisberg, the inter-war Gold Coast governor (1919-1927) is still remembered in Ghanaian history for his excellent achievements in the development of social and economic infrastructure, although Frimpong Ansah maintains that Guggisberg's development initiatives were the outcome of his own thinking rather than a carefully orchestrated programme drawn-up by the colonial office in London.⁵⁸

⁵⁷ Howard Stein "The World Bank, Neo-Classical Economics and the Application of Asian Industrial Policy to Africa" in Howard Stein (ed) Asian Industrialization and Africa: studies in policy alternatives to structural adjustment (London: Macmillan Press, 1995), pp. 31-52

⁵⁸ Frimpong-Ansah, The Vampire State in Africa, pp. 19-23

Third, if failed state policies were the only causes of Ghana's economic difficulties, it is still a puzzle why after over a decade of implemented market reforms that curbed the state's role, the Ghanaian economy is still unable to stand on its feet. Advocates of the market create the impression that liberalizing an economy is the ultimate solution to all crises. If this were true Ghana would have long turned into a heaven on earth.

Fourth, and even more disturbing, is the fact that being absorbed in the obsession of market forces, neo-conservatives are blinded to the devastation caused to the Ghanaian economy by international capital. MNC operations are hardly mentioned in the same way as silence is maintained on the role of the comprador bourgeoisie. As well, not much notice seems to have been taken of the imbalances in the international economy which have defined a specific role for Ghana. Not only must Ghana continue to fulfil its responsibility to the global economy but it cannot unilaterally relinquish this particular role, notwithstanding the negative consequences.

Fifthly, and rather sadly, the craze for market forces and liberalization have eclipsed the exploitative character of loans and credits; the irony in debt negotiation and rescheduling, that once entangled in the debt net, a country becomes vulnerable to more debt. Thus, the claim that the causes of Ghana's crisis were principally internal can only be flawed. In fact, it makes sense to state that while domestic

factors cannot be entirely discounted, in particular in the initiation of the decline, external factors are central in perpetuating Ghana's economic crisis. It is these very external factors that are responsible for the inability of the Ghanaian economy to revive even with the so-called liberalization and privatization under adjustment.

Chapter 4

THE POLITICAL ECONOMY OF DEMOCRATIC DECAY IN GHANA

4:1 Introduction

Following the inclusion of political liberalization by international creditors as a condition for loans, the PNDC was compelled to liberalize the hitherto closed Ghanaian political system. In 1993, a transparent government of the NDC under President Rawlings was established after general elections at the close of the previous year. However, almost four years later, internal and external factors have rendered the Ghanaian democracy still fledgling. Yet, this was not Ghana's first attempted democratic experiment. Indeed, aside from the democratic institutions established by the departing British at independence, two other attempts in 1969 and 1979 were made at democratic governance. Both experiments, however, crumbled in infancy.

This phenomenon of unsustainable democratization was not peculiar to Ghana; it was visible across the African continent where many countries relapsed into either one-partyism or military dictatorship shortly after gaining political independence.¹ Yet still, Ghana represents an interesting case of a country with well-established democratic

¹ The exceptions to this are Senegal, Botswana, Zimbabwe, and Mauritius. See Richard Sandbrook "Liberal Democracy in Africa: a socialist-revisionist perspective" Canadian Journal of African Studies 22(2), 1988, pp. 241-3. The Gambia, which formally belonged to this category has seen its democratic fortunes reversed following the military take-over on 22 July 1994.

institutions at independence but which soon degenerated into authoritarianism just three years after. Succeeding regimes, with the exception of a few, fared no better in their attempts to build and sustain democracy.

This chapter is concerned with two things: it reviews first, the dominant explanations for the collapse of representative institutions in Africa including (a) the historical argument, (b) the modernization paradigm, (c) the personal rule thesis and, (d) the economic argument. Second, it examines the causes of the intractable failure of democracy in Ghana. I contend that in general, democracy failed in Ghana because of efforts by regimes to revive the economy. The exceptions to this were the Nkrumah, and to some extent, the Acheampong regimes. In the former, the dominant cause was the ideological shift of Nkrumah from capitalism to a command economy and the subsequent desire to establish a socialist state. In the latter, the regime's desire to centralize power and to keep the military permanently in politics, all made the demise of democracy inevitable.

In demonstrating this, each post-independence regime is profiled to highlight specific circumstances leading to the collapse of representative institutions. Although in general democratic institutions were muzzled, the degree of suppression varied from one regime to another.

4:2 The failure of pluralism: some general explanations

(i) The historical argument

Historical explanations about the collapse of democratic institutions in Africa are varied, yet they all link such failures to the imperatives of colonialism. One version posits that for limiting opportunities for criticism, colonialism left legacies of power centralization and intolerance of dissent in the colonies.² Moreover, colonialism lacked a practice of consultation as a result of which colonial authorities frequently passed and implemented legislation often injurious to native rights. Nationalists who opposed such policies were either exiled or detained. Where opposition was immense and threatened the status quo, typically a colonial army was brought in to quell rebellion and any expressions of disquiet. Thus, according to this perspective, this culture of indiscriminate suppression of dissent was bequeathed by the departing colonialists and internalized by the new African leaders. As Thomas Callaghy notes,

"the colonial state imposed the administrative structure of an authoritarian state on Africa. African rulers subsequently patrimonialized it."³

To the new African leaders, dictatorship was an equally

² Larry Diamond "Introduction: roots of failure, seeds of hope" in Larry Diamond et al, (eds) Democracy in Developing Countries: Vol. 2 Africa (Boulder: Lynne Rienner, 1988)

³ Thomas M. Callaghy "Politics and Vision in Africa: the interplay of domination, equality and liberty" in Patrick Chabal (ed) Political Domination in Africa: reflections on the limits of power (Cambridge: Cambridge University Press, 1986), p. 40

acceptable, morally legitimate system of governance. Repression was not malevolence as long as it ensured compliance and stability. At least, this was the understanding gained by the nationalists from the operation of colonial politics.⁴

A second variant of the colonial theory holds that the granting of political independence was hasty and because few Africans served in government, they were left practically inexperienced to assume the complex art of governance, particularly managing the intricacies of democracy. As Chazan et al have argued,

"The new leaders of political parties had earned their positions as a result of their ability to organize and capitalize upon anticolonial protest. They had little, if any experience in actually governing a small area, let alone an entire country. When they took over the reins of office, they were confronted with the paradoxical situation of having to operate with newly conceived pluralist institutions of alien derivation (including parties and parliaments), whereas the bulk of their own political standing had been molded in a centralized and authoritarian colonial context."⁵

A third variant of the colonial argument posits that the established colonial state acquired characteristics that gave little support to democracy. The carving out of states was hasty and ill-conceived. Boundaries parcelled out homogenous

⁴ Cited in Naomi Chazan et al, Politics and Society in Contemporary Africa (Boulder: Lynne Rienner, 1988), p. 40; See also, Michael Crowder "Whose Dream was it Anyway?: twenty-five years of African independence" African Affairs 86(342), January 1987, p. 15

⁵ Chazan et al, Politics and Society in Contemporary Africa, p. 43

groups into different states while simultaneously regrouping different, often mutually hostile, cultural entities within the same territorial boundaries, leaving a country of warring groups. As John Wiseman has noted, "almost all [African states] are archetypal examples of 'states without nations,' lacking the cultural glue to hold them together."⁶ Where constituent groups within a state share little in common except mutual suspicion and mistrust, unity and tolerance, not to mention peace and consensus, are rarely achievable.

Complicating such an already volatile social reality is the observable fact that politics has come to be organized along ethnic lines and because the stakes are high, it is viewed as a zero-sum game. Rather than a game of losers and winners, politics is conceived as a warfare of victors and vanquished; literally, a matter of life and death.

Winners, usually representing one ethnic group, monopolize political power while the losers, marginalized, are left with no other alternative but a resort to violence, sometimes armed rebellion, as a means of securing a share in power. Where some semblance of political order exists such as in Kenya or Burundi, ruling parties are usually from one ethnic group, the opposition the other or a coalition of the others. In general, such situations generate mistrust and leave political systems constantly under threat of

⁶ John A. Wiseman Democracy in Black Africa: survival and revival (New York: Paragon House, 1990), p. 14

instability. Moreover, they not only frustrate the development of democratic institutions, but, in many respects, they also undermine the legitimacy of the state as recent incidents in Liberia and Rwanda show. Thus, given the heterogeneity of African states, there is considerable pessimism about the new transitions to democratic rule. As Julius Nyang'oro has noted,

"As long as the Southern Sudanese or the Eritreans, for example, refuse to recognize the legitimacy of the state in which they are located, much of the talk about democracy will largely remain empty."⁷

In yet another respect, democratic decadence is linked to colonialism because the latter established conditions of dependence of Africa on Western countries, a relationship that has grown virtually impossible for the former to alter. This dependence has also triggered severe economic problems for the continent. As liberal theories posit, economic development is preconditional for the sustainability of democracy. Thus, as dependency stifles internal economic growth, democracy has come to have minimal chances of survival.

Yet, there is a limit to the validity of the historical argument. First, the paradigm cannot explain why Ethiopia and Liberia, which were never colonized, could not sustain their respective democracies. Moreover, it is a puzzle why ethnically divided states like Tanzania, Zambia or Senegal

⁷ Julius E. Nyang'oro "The Evolving Role of the African State Under Structural Adjustment" in Julius E. Nyang'oro and Timothy M. Shaw (eds) Beyond Structural Adjustment in Africa: the political economy of sustainable democratic development (New York: Praeger, 1992), p. 23

have been relatively stable, while socially homogeneous Somalia is at war with itself.

Second, it does not explain the persistence of democratic institutions in ethnically diverse states like Zimbabwe, Senegal, and until recently Gambia. Indeed, some argue that, rather than being a hinderance, ethnic diversity enhances democracy by militating against the emergence of dictatorship; it provides, albeit fragile, an already-made base for political pluralism.⁸ As the analysis of Ghana reveals, ethnicity has not been central to the collapse of the country's democratic system, although it featured in the politics of the Second Republic. It is undeniable, though, that the results of the 1969, 1979 and the 1992 general elections all showed correlational patterns between candidates and ethnicity.⁹

(ii) The modernization paradigm

The modernization paradigm locates the problems of democratic development in the nature of political institutions in African

⁸ Diamond, for example, contends that fully-fledged dictatorship has been difficult to establish in Nigeria because of the ethnic plurality of the society which necessitates a federal arrangement. See Larry Diamond, "Introduction: roots of failure, seeds of hope", pp. 10-12. This argument is being seriously undermined by the dictatorship of Nigeria's military generals in recent years.

⁹ See, for example, Naomi Chazan "Ethnicity and Politics in Ghana" Political Science Quarterly 97(3) 1982, pp. 461-85; Richard Jeffries and Clare Thomas "The Ghanaian Elections of 1992" African Affairs 92(368) 1993, pp. 331-66

societies. According to this classic 1960s proposition, African societies display features of praetorian polities characterized among others by parochial political cultures - low political participation, a fragility of political institutions, and where they showed a semblance of existence, lack differentiation. These deficiencies are compounded by the prevalence of such divisive centripetal forces as tribe and clan with which the citizenry identifies rather than the state.¹⁰ In principle, such polities are vulnerable to instability as institutions lack effective restraining mechanisms on the quest for power. As David Rapoport notes about military adventurism in such societies, "private ambitions are rarely restrained by a sense of public authority or common purpose; [and] the role of power (i.e. wealth and force) is maximized."¹¹ This culture partly explains the high frequency of military interventionism in African politics and the consequent suppression of democratic institutions.

Parochial political culture has also been reflected in a lack of commitment to democratic values. The ruling elites either do not understand its philosophies or do not feel

¹⁰ See, for example, Samuel P. Huntington Political Order in Changing Societies (New Haven: Yale University Press, 1968), chapter 1 and "Political Development and Political Decay" World Politics xvii (April 1963); Gabriel Almond and Sidney Verba The Civic Culture (Princeton: Princeton University Press, 1963)

¹¹ David C. Rapoport "A Comparative Theory of Military and Political Types" in Samuel P. Huntington (ed) Changing Patterns of Military Politics (New York: Free Press, 1962), p. 72

constrained by its precepts.¹² They seek to monopolize power and its trappings. Often perceiving themselves as heaven-sent "saviours", they personalize rule and transform themselves into life presidents either by presidential fiat or constitutional manipulations. Kamuzu Banda declared himself life president in 1971 and Nkrumah, who earlier in 1964 metamorphosed into a life president, only had his ambitions shattered by the coup of 1966. Because opposition is viewed as subversive rather than an alternative source of ideas, the relation between the two is one of suspicion and mistrust.

Yet the opposition's role is also frequently negative. It cries foul and refuses to accept defeat. And, rather than offering concrete alternatives to policies, it becomes engrossed in destructive criticisms that seek to bring down the government. From a modernization perspective, these developments are symbolically indicative of the absence of a "civic culture".

The modernization theory is not flawless. While Africa shares fairly common cultural characteristics, it is unclear from this paradigm why some countries succeeded, even with parochial cultures, in sustaining democratic institutions. Moreover, it appears more descriptive than explanatory. It does not, for example, explain the origins of the institutional immaturity in these societies but merely assumes an endless tautological cycle of cause and effect: democracy

¹² Chazan, "Ghana: problems of governance", p. 98

fails because of institutional decay and there is institutional decay because of the absence of democracy. These limitations, along with the inherent Western biases of the modernization orthodoxy, limits its utility as a universal paradigm.

(iii) Personal rule

If the historical and modernization explanations focus on colonialism and institutions respectively, the personal rule theory explains the demise of democracy in terms of the leaders' style of governance. This perspective, in a sense an extension of, or compatible with the modernization thesis, focuses on the predisposition of leaders to hang on to power.

In perspective, personal rule became a controversial expression precisely because of the varying degrees of coercion it entails in practice. For instance, while some leaders such as Nyerere have not been too autocratic, others such as Nkrumah, Mobutu, Banda and Amin - the classic African bullies - have been excessively dictatorial and outrightly repressive. Yet, insofar as personal rule militates against, and represents an antithesis to democracy, the definition of Jackson and Rosberg is appropriate for this analysis. Personal rule, they argue,

"[is] a system of relation linking rulers not with the 'public' or even with the ruled (at least not directly), but with patrons, associates, clients, supporters, and rivals, who constitute the 'system'. If personal rulers are restrained, it is by the limits of their personal authority and power and by the authority

and power of patrons, associates, clients, supporters, and - of course - rivals. The system is 'structured,' so to speak, not by institutions, but by the politicians themselves."¹³

Since personal rulers maintain their supportive clients on the basis of rewards, and therefore not amenable to institutions, they abuse office with impunity. Moreover, by concentrating on satisfying clients in return for support, personal rule compromises the principles of justice and equality, key to democratic theory; and by eliciting legitimacy from individuals rather than from the electorate at large, it defies the rules of probity and accountability.

Furthermore, by its very dynamic of privileging, in most cases enriching, selected individuals and constituents, personal rule presents involvement in the state as a short-cut to personal enrichment. Such an "extractive view of politics" explains in great measure why personal rulers elicit an ever growing number of sycophants and opportunists who help keep them in power.¹⁴

Until the end of the Cold War, personal rule was fuelled in part by Western powers who, in keeping with bipolar politics, protected dictators and more or less insulated them from popular accountability. Mobutu Sese Seko and Kamuzu Banda were noted beneficiaries of such Western protection. Not

¹³ Robert H. Jackson and Carl G. Rosberg, Personal Rule in Black Africa: prince, autocrat, prophet (Berkeley: University of California Press, 1982), p. 19

¹⁴ Hodder-Williams, An Introduction to the Politics of Tropical Africa, pp. 95-9

surprisingly, Zaire and Malawi, until the multiparty elections in the latter, were among the countries seeing the worst human rights abuses in Africa. In short, the crux of the theory is that democracy foundered because its development was countered by the imperatives of personal rule.

The major problem with personal rule as a theoretical tool, however, is its failure to specify the origins of the phenomenon. In the process, it has tended to be descriptive rather than explanatory.

(iv) The economic argument

The economic paradigm, by far the most popular, has two components. The first explains democratic decay in terms of an "ideology of development" that emerged immediately after independence and which was associated with the thinking that economic development should be the highest goal of government. Consequently, in the hope of benefiting society as a whole, human rights and competitive party politics were compromised in favour of single parties and dictatorship in order to pursue such developmental goals.¹⁵

The second component, traditionally rooted in liberal orthodoxy, posits that democracy fumbled because Africa lacked a capitalist class, the key economic prerequisite for sustaining democratic development. The middle class whose

¹⁵ See, for example, Callaghy, "Politics and Vision in Africa", p. 47

emergence has been critical for the development of pluralist democracy in Western societies has, for various reasons, failed to emerge. As Robert Fatton argues,

"Africa's capitalism has failed to generate the development of both a hegemonic bourgeoisie and a strong proletariat - the two classes whose conflicts and confrontations are critical in striking the political compromises and bargains necessary to the establishment of liberal democracy."¹⁶

There is broad consensus that this condition was primarily spawned by the economic stagnation of the continent, which was in turn a progeny of internal constraints, and, especially the nature of the international political economy. The latter did not only stall industrial development, but reduced African states to primarily agrarian economies. Paradoxically, agricultural production has remained at a subsistence level and has failed to foster the development of a credible agricultural middle class.

Though popular, this explanation suffers two major weaknesses. First, while the democratic stability of Botswana and Mauritius could, to some extent, be attributed to their relatively stronger economies, the paradigm cannot account for the democratic successes of economically poorer countries like Senegal and, until recently Gambia.

Yet, although each are beset with particular weaknesses, these theories nonetheless illuminate the challenges of fostering democracy in Africa. They suggest both the enormity

¹⁶ Robert Fatton Jr. "Liberal Democracy in Africa" Political Science Quarterly 105(3), Fall 1990, p. 457

and complexity of a crisis whose explanation requires not just one, but a plethora of theoretical perspectives. The above perspectives, along with others peculiar to various regimes, explain the crisis of democracy in Ghana.

4:3 From pluralism to autocracy: Nkrumah and democracy

The demise of Ghana's short-lived democratic institutions began with the CPP administration and centred mostly on Nkrumah's eccentricity. The independence constitution, a Westminster type, established a multi-party state and guaranteed a wide range of political, civil and economic liberties. Other essentials such as an independent judiciary and free press were also enshrined. Although the constitution was not presidential and therefore lacked the usual in-built system of institutional checks and balances, provisions for the establishment of regional assemblies were made. These regional institutions were to counter hasty and ill-conceived legislation in case the unicameral legislature became dominated by one party.

The provision for regional assemblies was itself compelling as it represented a compromise, albeit an uneasy one, between the dominant CPP's desire for a unitary state on the one hand, and the minority parties', particularly the Ashanti-based National Liberation Movement's (NLM's), demand for a federation on the other.

Within parliament itself, official opposition was

recognized and acted as a watchdog over public liberties. Ghana, then, at independence displayed credible democratic institutions and as one observer commented, it

"was widely recognized as Britain's model colonial possession on the [African] continent. It had.... an able administrative elite and a widespread respect for representative institutions."¹⁷

Yet, from 1958, only one year into independence, Ghana's democratic institutions were crumbling. In 1964, a referendum transformed Ghana into a *de facto* one-party state, and in practical terms, a one-man dictatorship of Nkrumah. Civil liberties were rapidly eroded through the passage of repressive laws. Through a mixed policy of suppression and intimidation, democracy suffered a fatal blow from which it was never to recover during Nkrumah's reign. In fact, by 1964 Ghana's transition from a democratic to an authoritarian state was complete.¹⁸ How then is Nkrumah's stalling of democracy to be explained?

Interpretations abound. However, it is here submitted that the failure of democracy under the First Republic was due to Nkrumah's ideological shift in 1960 from capitalism to socialism, from a free market to a command economy. The

¹⁷ A.H.M. Kirk-Green "West Africa: Nigeria and Ghana" in Peter Duignan and Robert H. Jackson (eds) Politics and Government in African States, 1960-85 (London: Croom Helm, 1986), p. 30

¹⁸ See, for example, Jackson and Rosberg Personal Rule in Africa, chapter 5; Henry L. Bretton The Rise and Fall of Kwame Nkrumah: a study of personal rule in Africa (New York: Praeger, 1966)

autocratic rule that occurred between 1957 and 1960 was intended to prepare the grounds for socialism.

To be sure, although Nkrumah had been converted to socialism as early as the 1940s, he did not really implement its precepts until 1960.¹⁹ The reasons for this were purely tactical. First, he was ultimately convinced about the crucial role of private investment in the development of the country and for laying the basis for a workable socialism. Second, he realized the need for continuous Western, especially British and American, financial support to complete the Volta dam project at Akosombo. Consequently, he refrained from moves that were potentially frightening to foreign investors or antagonistic to his Western creditor friends. Consistent with this tactic, Ghana did not open missions in either Eastern Europe or China until 1960. Third, to implement a socialist programme in a country where the elite showed great attachment to private property and individualism, autocratic powers were required, but these could not be developed under the reigning constitution. Nkrumah therefore had to wait for an opportune time, when democratic institutions had broken down and opposition had been enfeebled.

But while he distanced himself from practical socialism, Nkrumah gave clear signals of his preference for it. For

¹⁹ During the 1940s and 1950s, Nkrumah became an advocate of state planning and the eradication of foreign exploitation of African economies. See, Kwame Nkrumah Towards Colonial Freedom: Africa in the struggle against world imperialism (London: Heinemann, 1947)

example, addressing a CPP National Delegate Conference in February 1957, he hinted about the construction of a "socialist pattern of society" in Ghana as his ultimate goal.²⁰ In his view,

"Capitalism [was] too complicated a system for a newly independent nation. Hence the need for a socialist society. But even a system based on social justice and a democratic constitution may need backing up during the period following independence, by emergency measures of a totalitarian kind."²¹

By 1960, it was clear that the Nkrumah government had turned from the West and free market to the East and socialism. The reasons for this dramatic switch were clear. Criticisms from Western capitals were mounting against his gradual adoption of autocratic rule. Second, within the ranks of the CPP, there had emerged a group of extreme radical elements who favoured the government's programme of rapid establishment of socialism. And third, events in the Congo and Southern Africa increased Nkrumah's antipathy for the West.

Unfortunately for him, the quasi-federal provisions and the rigid revision procedures of the 1957 constitution limited his ability to construct the envisioned egalitarian society. Besides, opposition both inside and especially outside parliament to the CPP regime was mounting. In the south, tension between the government and the Ga people was reaching

²⁰ Cited in Adu Boahen Ghana: evolution and change in the nineteenth and twentieth centuries (London: Longman, 1975), p. 197

²¹ Cited in Bretton, The Rise and Fall of Nkrumah, p. 37

new heights; earlier, the people of Southern Togoland had rejected the independence constitution and had refused to take part in the independence celebration, having lost in an earlier plebiscite in 1956 to join Togo; in Ashanti, the stronghold of the NLM, a great deal of anti-CPP activities including physical attacks on CPP supporters were rife. Quite clearly, the atmosphere was most inauspicious for a socialist agenda. Fortunately for the CPP, it controlled 71 of the 104 seats in Parliament and this was to be Nkrumah's greatest tool in his campaign against opposition and democracy.

Using the CPP's majority, Nkrumah set out to employ "legitimate" means to eliminate opposition. The rather rigid, two-thirds majority vote required in Parliament to amend important clauses in the constitution was amended to require only a simple majority vote and, since the CPP commanded a majority, amendments became easy.²² Consequently, parliament passed an Act to suspend the Kumasi city council, then dominated by the NLM, and subsequently appointed CPP officials to serve as chief regional commissioners. This way, the government strengthened its hold on the regions. Then followed a series of Parliamentary Acts that weakened the opposition further.

In July 1957, a Deportation Act was passed under which certain foreigners, mainly Syrians and Lebanese who supported

²² Chazan *et al*, Politics and Society in Contemporary Africa, p. 47

the NLM, were deported. This was followed in December 1958 by the Avoidance of Discrimination Act which outlawed political parties and organizations based on tribe, religion or region. Under this law, almost all existing political parties but the CPP became illegal.

Alongside legislative instruments, intimidation and threats were also employed by the state to liquidate opposition. For example, the government not only withdrew recognition from chiefs who proved anti-CPP, but many such traditional leaders were actually dethroned.²³

The above authoritarian measures were crowned with the passage of the most dreaded, arbitrarily-used Preventive Detention Act (PDA) in July 1958. The PDA empowered the government to arrest and detain for five years without charge anyone suspected of acting in a manner prejudicial to the security of Ghana. Since the determination of what or who constituted a threat to the security of the state was the government's prerogative, this Act provided Nkrumah with considerable leeway to clump down on opponents.

Yet, the passage of the PDA was not accidental. The previous laws not only prove ineffective in silencing opponents, but galvanized opposition to the government. The Avoidance of Discrimination Act, for example, united the opposition groups into forming the United Party (UP) under the leadership of K.A. Busia. With its influence spreading

²³ See Boahen, Ghana: evolution and change, p. 194

rapidly, the UP sent cords of insecurity towards Nkrumah and his government. The PDA was therefore to counter such growing opposition influence.

But the regime was also concerned with the threat, whether real or imagined, posed externally. The government's draconian laws had driven several opposition elements into exile who operated from neighbouring countries. Nkrumah's suspicions about dissident activities were often fuelled by his feelings that such exiles received support from Western governments. The PDA, then, was to detain people suspected of maintaining any form of external links. As Boahen reports, by 1963 over 586 opponents, mostly UP members, were being held under the PDA, and by 1966 this number had doubled and included a fourteen-year old schoolboy.²⁴

By and large, the PDA came to constitute an arbitrary tool of governmental intimidation and the settlement of personal scores. As Major-General Ocran, an officer in the Ghana armed forces noted in his account of developments leading to Nkrumah's fall,

"Apart from him [Nkrumah] there existed no centre, no source of power. If satisfied that an order was necessary to prevent a person acting in a manner prejudicial to the security of the State, almost anyone in the Party hierarchy could order that citizen into detention. Consequently, to put away a boy in order to have access to his girl friend was easy--a resort to

²⁴ Boahen, Ghana: evolution and change, p. 212. Also see A.K. Ocran A Myth is Broken: an account of the Ghana Coup d'etat of 24 February, 1966 (London: Longman, 1968), p. 17

the PDA was all that was needed."²⁵

Through the PDA, Nkrumah had almost entirely annihilated opposition, even in parliament. For example, by 1966, 3 of the 32 opposition MPs had been detained, one was in exile and 12 had, suspectedly out of incessant intimidation, crossed the floor to the government's side. Outside parliament, opposition was effectively driven underground.

Nkrumah's second method of undermining democracy was to rewrite the constitution. As Jackson and Rosberg have noted, a personal ruler "can amend or rewrite [a constitution] to suit his power needs."²⁶ Nkrumah did exactly that. As the 1957 constitution proved unfitting for his agenda, a new one became imperative. With the CPP's majority in Parliament, a bill to introduce a new constitution in 1960 became a matter of course. This proposal was approved in a nation-wide plebiscite described by Chazan as "a carefully engineered executive coup carried through the ballot box".²⁷ By it and the subsequent 1960 constitution, Nkrumah effectively overthrew democracy and set Ghana firmly on the road to personal dictatorship.

Article 44 of the 1960 Constitution empowered the

²⁵ A.K. Ocran A Myth is Broken: an account of the Ghana Coup d'etat of 24 February, 1966 (London: Longman, Green and Co. Ltd., 1968), p. 17

²⁶ Jackson and Rosberg, Personal Rule in Black Africa, p. 16

²⁷ Chazan, "Ghana: problems of governance", p. 98

president to appoint and dismiss the chief justice, justices of the supreme court, public and civil servants as well as members of the judicial services. Moreover, under Article 55, he could rule by decree or by legislative instrument. In effect, by the 1960 constitution, Nkrumah's control over the state and its agencies was complete; the president had become virtually unassailable.

But, perhaps the last of Nkrumah's actions which established real autocracy in Ghana was the transformation of the country into an official one-party state. Consistent with his socialist ideology, he organized a plebiscite to "determine whether Ghana was to become a one-party state and whether the president should have powers to dismiss judges of the high court at any time for reasons which appear to him sufficient." Following an overwhelming, but questionable 2,773,920 "Yes" against 2,452 "No" votes, Ghana was declared a one-party state, aptly referred to by Dennis Austin as the "Convention People's Republic."²⁸ Autocratic rule had been established, and opposition had retreated underground.

Yet, even within the one-party structure, nothing close to choice was visible. Unlike the Tanzanian case, where three

²⁸ It was widely believed that the plebiscite was flawed as its results were massively rigged. Not only was it unthinkable that 92.8 percent of the registered voters turned out at a time when people had become increasingly disaffected with the regime, but most surprisingly, not a single 'NO' vote was recorded in Ashanti, the stronghold of Nkrumah's opposition. See, for example, Dennis Austin Politics in Ghana 1946-1960 (London: Oxford University Press, 1964) pp. 414-5; Boahen, Ghana: evolution and change, p. 211

candidates per constituency were presented under the country's one-party system from among whom the electorate elected one, this half-baked offer was non-existent in Ghana. In his usual autocratic style, Nkrumah unilaterally announced names of candidates to represent various constituencies many of whom, it was generally believed, did not know where the constituencies they were representing were even located.

By all indications then, President Nkrumah had effectively destroyed democracy and centralized power in himself; no conceivable legitimate method to challenge, let alone unseat, him existed. Only by unorthodox means could he be toppled. Not unexpectedly, Nkrumah became increasingly vulnerable to assassination attempts. Two such attempts on his life in 1962 and 1964 both failed with each instance being followed by renewed repression, intimidation, dismissals, arrests and detentions.²⁹ With all possible constitutional avenues to rival the president totally closed, it became clear that Nkrumah's regime could only fall via a military coup. As Colonel A.A. Afrifa noted,

"[as] there were no constitutional means of offering a political opposition to the one party government the Armed Forces were automatically made to become the official opposition of the government."³⁰

As an opposition group, however, the Armed Forces were more

²⁹ Austin, Politics in Ghana, p. 410

³⁰ Colonel A.A. Afrifa The Ghana Coup: 24 February 1966 (London: Frank Cass, 1967), p. 31. Afrifa was one of the architects of the coup that toppled President Nkrumah.

powerful and when they descended with arms on Nkrumah's regime, it crumbled while he was on a state mission to Hanoi in February 1966.

Arguably, then, the major explanation for Nkrumah's assault on democracy was the desire to construct a socialist state in Ghana which necessitated the elimination of opposition and the paralysis of democratic institutions. Using the CPP's majority in parliament, the passage of draconian laws, and the blessings of the 1964 Constitution as major weapons, democracy and its institutions offered little resistance.

4:4 Restoring order: the NLC and democracy

The CPP's successor regime - the National Liberation Council - was military in composition and character. In constitutional terms, it was illegitimate and lacked the moral basis to govern.

Yet, the NLC could still, compared to the Nkrumah regime, be seen as more inclined towards democratic rule. Unlike subsequent military regimes in Ghana or Nigeria, the NLC's intention to disengage from politics was not in doubt. Indeed, the greatest credit it could claim was the faith with which it honoured its promise to hand over power.

Its revulsion towards dictatorship was also evidenced by the speed with which it set out to undo Nkrumah's misdeeds. Within days of assuming power, the NLC restored basic freedoms

including, speech, assembly and expression. The Council also guaranteed public institutions which had previously suffered undue governmental interferences, freedom of action. In a sense, a democratic atmosphere was being reestablished - arbitrary arrests, fear and insecurity all gave way to the rule of law.

Much political destruction had been caused by Nkrumah and very little could be done by the NLC to right such wrongs. The best the NLC could do under the circumstance was to draw up a time table for the early return to civilian rule. On 1 October, the NLC handed over power to Busia and the Progress Party (PP) following general elections on 29 August 1969.

Four interrelated reasons explained the NLC's speedy disengagement from politics. First, ambitious politicians pressured the military junta for an early return to civilian rule on the grounds that the military was incompetent to govern, a sentiment shared by sections of the military itself. As Major-General Ocran argued,

"... soldiers should leave politics alone....[because] the number and complexity of modern governmental problems demand the collective effort of well-grounded institutions, well-seasoned civil servants, dedicated and critical citizens... Uniformed men have no political ideology; at any rate not those in Ghana; and therefore they can hardly plan and maintain any political action. They should never purport to govern; they cannot, because they generally lack the political education, the mentality and, above all, the flexibility of mind to approach governmental problems."³¹

³¹ Ocran, A Myth is Broken, pp. 94-96

Second, there was the related fear that prolonged military involvement in politics could create divisions in its ranks and precipitate counter-coups and further instability. Such fears were heightened by a counter-coup in April 1967 which, though a fiasco, claimed the life of General E.K. Kotoka, the main architect of the 1966 coup and then Chairman of the NLC. This development vindicated both civilian and military suspicion that a speedy military disengagement was in Ghana's best interest.

Furthermore, while the military rulers were quickly undoing Nkrumah's socialist policies, they could not turn the economy around. Unemployment continued to rise, the country's balance of payments worsened, and external indebtedness grew. These dismal economic indicators were in spite of the adoption of an IMF stabilization programme. The ensuing devaluation and the generally worsening economic situation generated a series of labour strikes which more than anything else convinced the military generals of their incapacity to redeem the sinking Ghanaian economy and hence the need for swift disengagement.

But perhaps what speeded the hand-over, most of all, was the proven allegations that Major-General Ankrah, the new chairman of the NLC, was receiving money in bribes to form a political party. Though General Ankrah resigned, the allegations seriously discredited the NLC and the military as a whole. Above all, it reinforced a view already gaining currency among the public that in matters of corruption,

military generals were no more sacrosanct than the civilians they toppled.³²

Although it was unclear if the course of the NLC's politics would have taken a different turn had the above scenarios not unfolded, it was evident, nevertheless, that the regime gave no reason to believe that remaining in power was its overriding objective. Perhaps the above reasons merely speeded up that process. At any rate, the NLC did lay the basis for the redemocratization of the Ghanaian political system and the onus now rested with Busia and the PP government to build upon that foundation.

4:5 Democracy under the Second Republic

As noted in chapter three, the Second Republic under Prime Minister Busia epitomised the contradiction between a contracting economy and respect for human rights; the tension between IMF-styled stabilization and democracy. Busia was a great admirer of Western liberalism and its institutions.³³ As an advocate of limited government, he had been an outspoken critic of Nkrumah's style of governance, a stance that eventually drove him into exile. Busia's love for democracy was, therefore, not in question. However, he compromised his democratic principles when the harsh realities of the economy

³² Boahen, Ghana: evolution and change, pp. 234-5

³³ This perception of Busia is favoured by Emily Card and Barbara Callaway "Ghanaian Politics: the elections and after" Africa Report 15(3), 1970, p. 13

began to unfold.

The 1969 constitution guaranteed a wide range of civil liberties. With the political excesses of the First Republic still fresh in memory, the constitutional drafters preferred a parliamentary system in which a cabinet headed by the Prime Minister would be responsible to parliament from where its powers would be drawn. In principle, the prime minister would not be a "lord", but rather a "first among equals." This arrangement was designed to limit the chances of the chief executive developing autocratic powers, as did former President Nkrumah.

Busia's government was conservative and showed strong inclinations towards capitalism and its related institutions. This position was evidenced by the readiness with which the new regime moved to conclude a stabilization agreement with the IMF. This move, however, represented the government's response to the growing crisis in the economy. Earlier IMF-styled austerity measures including devaluation, liberalization, and cuts introduced by the NLC did not alleviate the economic difficulties in the country. Busia's administration therefore inherited an ailing economy afflicted with budget deficits, inflation, high unemployment, balance of payments problems and growing external debt. It was this sorrowful state of the economy and the internal pressures it subsequently engendered that was to test the government's commitment to democratic values.

Meanwhile, Busia's government had sowed seeds of mistrust between the dominant Akan group and the remaining ethnic tribes. Its ethnic complexion was conspicuously Akan and Brong. Despite Ghana being a heterogeneous society, Busia made little effort to blur ethnic differences. Rather, he sought either revenge, or to promote Akan dominance in politics. Hence, shortly after assuming office, the PP government introduced amendments in the constitution empowering it to dismiss after a six-month term officials appointed by the NLC. Accordingly, 568 employees of the civil service were fired in March-April 1970. These victims all turned out to be members of either the Ewe or Ga tribes.³⁴ These dismissals heightened ethnic tension between Akans and Ewes, as the latter believed the move was politically motivated. Such suspicion was reinforced by the marginality of the Ewes in Busia's government. As Pellow and Chazan observed,

"During the Second Republic, not a single Ewe sat on the first cabinet. Busia's party structure was both ethnically slanted and elitist, and key party figures were all professionals from the Akan group."³⁵

It must also be recalled that in the 1969 general election, Busia's chief rival, Kobla Gbedemah, was an Ewe and as the results showed, the PP won no seat in the predominantly Ewe Volta region. In the Ga speaking areas of the coast, the

³⁴ Y. Petchenkine Ghana in Search of Stability, 1957-1992 (New York: Praeger, 1993), p. 49

³⁵ D. Pellow and Naomi Chazan Ghana: coping with uncertainty (Boulder: Westview Press, 1986), p. 48

party's performance was equally unimpressive. The dismissals could therefore have been orchestrated to punish these particular ethnic groups and possibly intimidate them into supporting Busia's party in future polls. It was unclear what the outcome in the next election would have been had a coup not occurred. However, given perennial mistrust between Akans and Ewes, it was almost certain that the dismissals would only have renewed Ewe resolve to turn against Busia or any other Akan candidate. This was precisely what happened in the 1979 general elections.

At the same time, Busia could not be entirely blamed for excluding Ewes from the cabinet. The 1969 constitution required cabinet ministers to be members of parliament and since the PP won no seat in any of the Ewe constituencies, by logic no Ewe could become a minister.

Anyway, the real test of the government's democratic temperament came when the victims sought redress for unlawful dismissals in the supreme court. In the test, Busia was found wanting despite his political and professional claims. The government flagrantly refused to comply with the Court's order to reinstate the dismissed, thereby interfering with the country's judicial process. This stance brought the government's respect for human rights under question.

Yet, such dismissals along with austerity measures notwithstanding, the economy continued to show signs of weakness, the effects of which were reflected in rising

inflation that translated in a wave of labour unrest.³⁶ Workers' agitation for higher wages escalated and provided yet another test of the PP government's spirit of tolerance. Here again, it failed. The government met workers' agitation with coercion and repression, arrested union leaders and curtailed labour rights.

Thus, although claiming to be a democrat, Busia did not always adhere to his democratic ideals, largely because of the forces unleashed by economic failures. The resort to arrests and dismissals to intimidate opposition to policies marred the democratic credentials of his regime; his disregard for judicial decisions weakened further his integrity as a true liberal; while his policies escalating ethnic mistrust brought into question his ability to govern a heterogenous society like Ghana.

Nonetheless, respect for human rights in the second republic was, on the whole, more assured than had been the case under the first. Freedom of speech, association, and press were respected although repression occurred in a much more muted form. No detentions of the Nkrumah type were repeated and an aura of security prevailed among a broad cross-section of the Ghanaian population. It can be plausibly argued then that Busia's resort to repression emanated from economic difficulties and the inevitable pressures engendered by it. It was also the attempt to revitalize the economy along

³⁶ Chazan, "Ghana: problems of governance" p. 105

IMF set prescriptions that caused his downfall, barely half-way through his term of office.

4:6 Battling with legitimacy: democracy under the NRC

Acheampong and the NRC did not restore the democratic structures ravaged by the coup, but instead worsened the political situation in a bid to devise an alternative to the Westminster system of democracy. The NRC's failure on the democratic front, it is posited, was the direct consequence of its capacity to worsen rather than ameliorate the country's economic predicament. In the process, the regime faced a deepening legitimacy crisis which culminated in the intervention of Rawlings in 1979.³⁷

Generally, the public euphoria that greeted the demise of the Second Republic in January 1972 was ephemeral. The exhilaration was itself a symbolic expression of growing public frustration with economic decline under Busia. Following IMF prescriptions, the PP government had desubsidized, deregulated and decontrolled - measures that combined to erode real wages. The situation was worsened further by the December 1971 devaluation. To many, therefore, Acheampong's intervention symbolized relief and hope. Yet, it was this very economy, and in particular, his incapacity to

³⁷ According to Hansen and Collins, the two most critical problems faced by Ghanaian military regimes are legitimacy, and disengagement. See Emmanuel Hansen and Paul Collins "The Army, The State, and the 'Rawlings Revolution' in Ghana" African Affairs 79(314) January, 1980 pp. 3-23

balance it, that later galvanized public revulsion against his regime.

As a military regime, the NRC lacked legitimacy. It banned political parties, overthrew the constitution and ruled by decree. But the regime's illegitimacy did not initially arise as an issue mainly because of its initial nationalistic stance. Having unilaterally repudiated some of Ghana's foreign debts - a move that met with popular approval - Acheampong emerged a hero. Moreover, the initial success of the OFY programme which not only improved upon domestic food supply, but also increased primary exports, excited hope. Above all, Acheampong rectified the grievances of the critical social groups that resulted from Busia's austerity programme. As Hansen and Collins point out, such correction was all-inclusive:

"To organized labour, he restored Trade Union rights... To the students, he restored their grants... To the farmers, he increased the producer price of cocoa... To the upper petty bourgeoisie located in the bureaucracy, he restored their housing allowance and other privileges... To the petty bourgeoisie located in commerce, the benefits of the New Investment Policy Decree (1975)...."³⁸

In doing these things, Acheampong elicited crucially needed support and postponed, for the time being at least, the question about the regime's legitimacy.

But the postponement of the legitimacy question could not continue for long. By 1975, the worsening economic situation

³⁸ Hansen and Collins, "The Army, the State, and the 'Rawlings Revolution'", p. 8

was weakening the regime's support base. The gains in the previous years were being rapidly offset by the effect of the oil shock, which along with falling domestic production, presented almost insurmountable economic challenges to the regime. Shortages of basic goods became widespread, inflation soared to over 100 percent, food prices rose by nearly 156 percent,³⁹ corruption became a national anthem, and almost inevitably, the hitherto supportive social groups began to abandon the NRC. By 1976, professional groups, religious leaders and students were all clamouring for a return to democratic rule. The legitimacy question had surfaced.

To tackle this question, Acheampong and the NRC, renamed the Supreme Military Council (SMC), mooted an idea of a union government (unigov) on 18 October 1976; a tripartite government to be composed of civilians, the military and the police but which would exclude political parties. Dubious and unclear, unigov was predicated on the belief that party politics had in the past been responsible for the country's political instability and economic decay. A non-party system of government would mitigate these. Proponents argued, moreover, that party politics was alien to the country and militated against national unity.

As was expected, opposition to the unigov idea was almost spontaneous. Professionals, students, and labour, who constituted the bulk of its opponents, suspected such

³⁹ New York Times 17 December 1977

proposals to be a cynical and legitimizing process by which Acheampong and the military sought to feature permanently in politics. Moreover, given previous experiences with Nkrumah's dictatorship, misgivings were rife about the possibility of a no-party system sooner or later transmuting into a one-man dictatorship.⁴⁰

Despite opposition towards the proposal, Ghanaians were to indicate their acceptance or otherwise of unigov in a national referendum on 30 March 1978. Given the deteriorating economic conditions in the country and the growing public resentment to SMC rule, the referendum was, in a sense, a test of the regime's public acceptability.⁴¹ Realizing that the odds were against it, the government sought to manage the referendum to its advantage.

Employing the state media, the SMC projected the arguments for unigov, while simultaneously harassing, intimidating and sometimes arresting opponents of the idea. Public gatherings suspected of fomenting anti-unigov sentiments were brutally broken up by security forces. Opposition nevertheless remained resilient.

⁴⁰ See a summary of the arguments for and against unigov in Maxwell Owusu "Ghana-Union Government or Party Government?" West Africa 25 April, 1977, pp. 807-810. For a critique of the government's rationalization of unigov, see W.B Ofuatey-Kodjoe "An Open Letter to the SMC on National Government" The Legon Observer 15 September, 1978, pp. 38-43

⁴¹ Naomi Chazan and Victor T. Le Vine "Politics in a 'Non-Political' System: the March 30, 1978 referendum in Ghana" African Studies Review 22(1) 1979, p. 180

The results of the unigov referendum, generally believed to have been massively rigged, was a victory for its proponents.⁴² The aftermath of the referendum saw a systematic clamp down on political opponents, but it also witnessed a wave of protests and strikes by students and professionals that almost paralysed the country. Tension between the military regime and society raised the political temperature in the country to a boiling point and not even the palace coup in July 1978, in which General Fred Akuffo ousted Acheampong, could lower it. The return to full multiparty democracy remained the public's cry. Under intense pressure, Akuffo declared a time-table to return Ghana to civilian rule by September 1979. Sadly, he did not live to see the transition whose basis he laid as he succumbed to Flight Lieutenant Rawlings in a bloody coup on 4 June 1979.

On the whole, the military junta had not fared well on the democratic scale. Unlike the NLC, the SMC appeared completely determined to remain in power; and not only that, but also to institutionalize the military in politics. But the state of the economy proved decisive. At a time when the acceptance of a regime had come to depend almost entirely on its economic performance, it came as no surprise that the SMC

⁴² The single fact that has never been controverted about the referendum was the fraudulence of the results. See, for example, Oquaye, Politics in Ghana, ch. 7; Maxwell Owusu "Politics Without Parties: reflections on the Union Government proposals in Ghana" African Studies Review 22(1) 1979, pp. 89-108; Chazan and Le Vine, "Politics in a 'non-political' system", pp. 177-207

was overthrown.

4:7 The AFRC and democracy

Nothing approximated democracy or respect for human rights during the three month rule (June-September 1979) of Rawlings and the Armed Forces Revolutionary Council (AFRC). Having been disenchanted by the disrepute into which the image of the military had sunk, through corruption and mismanagement, the AFRC sought to rectify the ills of society. It launched a moral crusade by which society was to be purged and transformed.

In furtherance of this objective, it made a frontal attack on black marketeering, hoarding and corrupt practices. As a deterrent to such economic vices, Rawlings publicly executed individuals suspected of having defrauded the state, including three former heads of state - Acheampong, Afrifa and Akuffo - after a hasty military trial. These trials, executions and subsequent investigations of public officials sent a clear message that responsibility and accountability were no longer separable.⁴³

In democratic terms, the AFRC's interregnum was replete with blatant human rights abuses. Suspected criminals were denied counsel and convictions were not subject to appeal. Goods and properties suspected of being illegally acquired were confiscated without legal procedure. Moreover, in a bid

⁴³ Chazan, "Ghana: problems of governance", p. 111

to enforce price controls, the military frequently subjected traders, landlords and sometimes members of the public to cruel treatment.⁴⁴

Nonetheless, the constitutional process already set in motion by Akuffo to redemocratize Ghanaian politics remained unaltered by the AFRC's populist-socialist outbursts. Elections went ahead as planned in August 1979 and in September Rawlings and the AFRC handed over to Hilla Limann and the People's National Party (PNP).

4:8 A fragile democracy: the era of the PNP

The Limann administration inherited a sickening economy which, like that under Busia, was to present the greatest challenge to the new civilian administration in its bid to nurture democracy. Economically, Ghana had neared the nadir of decline by the time the Third Republic was inaugurated. Production had fallen in virtually every sector of the economy, basic goods were scarce, inflation was in three digits, and unemployment was as high as the public expectations on the government. It was therefore apparent that the degree to which the administration could refrain from repression would depend on how quickly it transformed the economy to meet popular expectations and thereby deflate opposition pressures.

The Third Republican constitution provided for an

⁴⁴ Jon Kraus "Rawlings' Second Coming" Africa Report 27(2) 1982, p. 60;

executive president elected by universal suffrage and a wide range of freedoms. Government was therefore to function in a democratic environment, but it was sharply constrained by a transitional provision which disempowered it from questioning actions by its military predecessor, the AFRC.⁴⁵ In this regard, it was incapacitated to deal with grievances of abuse carried over from the previous administration.

But the Limann government had an even greater challenge to surmount. The AFRC had given a populist posture to the country, one jealously guarded by such leftist groups as the June Fourth Movement (JFM) and the New Democratic Movement (NDM), both of which advocated the continuation of the Rawlings-initiated moral revolution. This, in addition to Rawlings' constant criticism of the government, placed Limann in a perplexing dilemma. On the one hand, nothing short of drastic measures were required to resuscitate the economy; on the other hand, Limann was sensitive to the growing populist sentiments in the country. As it turned out, Limann's inability to adequately balance this contradiction led to the demise of his regime.

Under Limann, the economy did not make a dramatic turn around; rather, it continued the downward spiral spreading despair everywhere.⁴⁶ As Jon Kraus observed, "the Ghanaian

⁴⁵ Chazan, "Ghana: the problem of governance", p. 113

⁴⁶ Donald Rothchild "Ghana's Economy-An African Test Case for Political Democracy: President Limann's economic Alternatives" in Colin Legum (ed) Africa Contemporary Record

economy has an unerring capacity for dissipating public support for rulers"⁴⁷ and truly, in the face of growing inflation and deteriorating living standards, workers' strikes and agitation for higher wages surfaced. The prolonged Black Star Line marine officer's strike in 1980 and that by GIHOC workers were evidence of labour discontent with declining real wages.

Against a background of a shrinking economic base and growing demands, Limann responded to protests sternly with dismissals and threats. As criticism of the regime mounted, the government censored the press, and suppressed dissent although in a relatively benign form. But everywhere, it was clear that Ghana's democracy was fragile and vulnerable to the least shock. Such a shock came on 31 December 1981 when Rawlings, unsatisfied with the regime's performance and capitalizing on growing popular resentment, toppled it via a coup.⁴⁸

On the whole, however, the Third Republic respected democratic structures and institutions. Party competition and articulation were upheld and expression of dissent was initially tolerated. However, as the economy stubbornly continued to decline and patience grew thin, the collapse of yet another experiment at democratic development in Ghana

1979-1980 (London: Holmes and Meier, 1981), pp. A137-145

⁴⁷ Kraus, "Rawlings' Second Coming", p. 66

⁴⁸ Callaghy, "Lost Between State and Market", p. 273

became inevitable.

4:9 The era of the PNDC: dictatorship unlimited

The politics of the PNDC in regard to the suppression of civil society and liberties can best be appreciated within the broader context of the implementation of Ghana's economic reforms through which the country won the admiration of the international creditor community. This is dealt with in chapter five, but suffice it to say that the decade 1981 to 1992 was one of unprecedented dictatorship in Ghana as nothing close to free expression, dissent or association existed. The PNDC ruled by Decree and did not hold consultations with any constituencies. Representative institutions that had existed under the PNP administration were either brutally suppressed, or deliberately suffocated.

It is surmised that such suppression emanated from the PNDC's desire initially to establish a socialist state (i.e. between 1981 and 1982) and, when that proved unfeasible, to resuscitate the economy along the lines of neoclassical prescriptions (i.e. 1983-92). It was in regard to the latter that (a) the true colours of the PNDC's dictatorship were unveiled, and (b) the contradictions between economic reform and political liberalization were clearly manifested. These interrelated issues are analyzed in chapter five.

4:10 Conclusion

Democracy has not fared well in Ghana. Although this could be attributed to several factors, the dominant cause has been the fledgling economy of the country. As a matter of fact, the economy rather than human rights has always provided the measuring rod for the assessment of regime performance. Throughout history, economic hardships have bred frustration and instability and since fundamental internal and external bottlenecks have militated against economic revival in Ghana, regime after regime have had to battle for their very survival.

Nkrumah was engrossed with an obsession to establish an egalitarian state in Ghana and in the process stalled both the economy and democracy. He was toppled by the military which accused him not only of being dictatorial and socialistic, but also of presiding over a disintegrating economy. The NLC itself realized the magnitude of the economic crisis and rather than risk a counter coup, speeded up plans to restore constitutional rule in Ghana.

Busia, in addition to the persisting economic crisis, had to contend with the renewed spectre of ethnicity which was given state patronage under the Second Republic. As usual, with a shrinking economy and a rapidly deteriorating standard of living, the conditions for the demise of the Second Republic became clear.

The military generals of the 1970s were even worse than

earlier regimes as they demonstrated greater incapacity to manage an economy that was almost lifeless. Having tasted political power, the generals sought to entrench the military permanently in politics. In the process, they plunged the country into further political confusion and uncertainty. The brief interregnum of the AFRC did not abate the situation. If anything, it rather accentuated the already enormous economic dilemmas and political confusion of the country. Politically, dictatorship ruled supreme in the name of purges giving Ghana a first in the history of public executions based on economic-related charges.

Limann was ineffectual and inept; he made too little, too late efforts to address the economic problems of the country. As politics in Ghana has traditionally been determined by the economy, failings in the latter destined the Limann administration to a short lifespan. Rawlings, even more naive about the intricacies of a fragile political economy, returned. Having initially excited anxiety and expectation, he quickly realized how unworkable his populist agenda was. Without the pretence of shame or betrayal, he turned to the West for assistance which indeed came, but with profound reform conditionalities. The subsequent period 1983-92 therefore epitomized the trade-off between the implementation of such economic reforms and the revival of democracy - the subject of the next chapter.

On the whole, pro-IMF Ghanaian regimes after the Second

Republic did not seem to learn from history. As a result, history is always repeating itself. As Hutchful has noted, IMF-styled economic reforms have never proved an effective therapy to Ghana's economic ills.⁴⁹ Rather, they have always set regimes on a collision course either with society or the military. In most cases, as Busia and Limann's governments showed, they caused the collapse of the regimes. The Rawlings' government will make history if it does not end up succumbing to it.

⁴⁹ Eboe Hutchful The IMF and Ghana: the confidential record (London: Zed Books, 1987)

Chapter 5

ECONOMIC AND POLITICAL LIBERALIZATION IN GHANA

5:1 Introduction

In chapters three and four, I analyzed the causes of economic and political decay, respectively. With regards to the former, I argued that both internal and external factors were responsible for Ghana's economic decay. In terms of the latter, I argued that the collapse of democratic governance was spawned, in much of the period, by weaknesses in the economy and the consequent effort of regimes to revitalize it. In the process, autocratic measures were employed that undermined democratic institutions.

This chapter examines the interplay of economic and political liberalization in Ghana in the 1990s both of which are conventionally assumed to be necessary for economic growth and for sustaining democracies. The central contention here is that, rather than reinforcing economic liberalization, political liberalization undermines the state's capacity to pursue economic reforms with consistency comparable to what obtained during the pre-democratization years.

A cursory observation of the Ghanaian political system indicates a growing tension between economic and political liberalization. Among the many factors accounting for such tension is the autocratic methods under which the PNDC pursued economic reforms in the 1980s. Accordingly, this chapter also analyzes governance in the 1980s under two separate but

interrelated sub-headings.

5:2 Governance and economic reforms in the 1980s

(i) Reforms and pressures

As noted in chapter three, by 1982 the Ghanaian economy had declined to its nadir, reflected in negative GDP figures, a precarious balance of payments position, an escalated debt burden, rampant inflation and widespread scarcity of basic goods. The generally poor state of the economy carried over from the previous decade seriously incapacitated the government from meeting the country's official external debt obligations. As a result, not only did new foreign investments cease, but foreign aid substantially dwindled. Under a generally crumbled state, the economy unleashed severe hardships on the population, the majority of whom were barely existing, let alone living. Such were the conditions in Ghana when the PNDC assumed power on the eve of 1982.

Indeed, the acquiescence and exhilaration that greeted the in-coming PNDC reflected the public's frustration and desperation with several years of economic adversities. Yet the new military regime had scarcely begun to tackle the economic malaise in any decisive way when a devastating drought hit the country in 1982. In the process, thousands of acres of farms, including cocoa, were burnt by bushfires and set the stage for a subsequent famine. The drought also adversely affected the country's electricity supply as the

water level at the Akosombo dam fell below its minimum operating level. The dust of uncertainty had not settled down when in January 1983 over one million Ghanaian migrant workers were expelled from Nigeria. These two developments compounded further the country's already severe economic difficulties.

The critical question was how to obtain sufficient capital to revive the economy. Initially, the PNDC solicited financial support from the Soviet Union and the Eastern bloc as well as from radical regimes in the Third World, especially Libya. However, as the support from these radical comrades proved paltry,¹ the PNDC retreated from that initial radical posture and turned to the IMF and the World Bank.² According to Ninsin, this decision to collaborate with the Fund was not merely a wish of the PNDC leadership, rather it reflected strong persuasion from top bureaucrats within the central bank and the finance ministry who were bent on using their positions to shift Ghana towards a liberal economic order.³

Yet the PNDC was still very cautious with its new

¹ The Soviet Union was reported to have pointed to its own internal economic difficulties and therefore asked Ghana to approach the IMF for assistance but at the same time to keep on to the revolutionary track. See West Africa 25 February 1985.

² Matthew Martin "Negotiating Adjustment and External Finance: Ghana and the international community 1982-89" in Donald Rothchild (ed) Ghana: the Political economy of recovery (Boulder: Lynne Rienner, 1991), pp. 235-63

³ Kwame A. Ninsin "The PNDC and the Problem of Legitimacy" in Donald Rothchild (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), p. 53

alignment with the IMF. At a time when anti-IMF sentiments were strong in Ghana, the PNDC needed to create demonstrate a capacity to resist IMF conditionalities. Thus, against a background of its claim of a lack of alternatives, the PNDC drew up an economic recovery programme (ERP) designed for implementation in two phases for submission to the Fund for approval.

ERP I, implemented during the 1983-87 period, aimed at arresting the declining trend in agriculture, controlling inflation, stimulating exports and curbing the consumption of luxury imports, rehabilitating the country's infrastructure, mobilizing domestic resources and restoring overseas confidence in Ghana.⁴ ERP II, designed to build on the gains of ERP I, run from 1987-1989 and was aimed at ensuring an annual GDP growth of about 5 percent, stimulating savings and investments, improving Ghana's balance of payment position and improving public sector management. The government summed up the ultimate goal of ERP II as the creation of "a growth-oriented, competitive, efficient and integrated economy."⁵

The key components of ERP I were reflected in the government's budget of April 1983. The PNDC was keenly aware that the IMF was certain to reject any proposals falling short

⁴ Government of Ghana National Programme for Economic Development [Revised] (Accra: Government Printer, 1987), p. 3

⁵ Government of Ghana A Programme of Structural Adjustment Report Prepared for the Fourth Consultative Group for Ghana, Paris (Accra: Government Printer, 1987), p. i

of placing emphasis on the market. Hence, the 1983 budget included such austerity measures as tax increases on goods and services as well as on customs and a devaluation of the cedi from ₵2.75 to ₵20.00 to the dollar. The budget also established a system of bonuses for exporters and surcharges for importers. This budget, which reflected a new inclination towards market forces and hence a departure from previous ones, was presented to the IMF for approval.

Because the budget proposals were drawn up by the PNDC, it was frequently claimed that Ghana's ERP was home-grown. Yet we need to recognize that although technically PNDC-fashioned, the formulation of the ERP was influenced by a desire to elicit Fund support. Moreover, as Martin has noted, Fund officials disputed and eventually rejected the PNDC's data on inflation, balance of payments and the fiscal position of the country and proceeded to make their own estimations.⁶ It was largely the IMF's estimates that constituted the basis for Ghana's adjustment programme. Furthermore, the reform package that was eventually implemented was no different from the standard IMF-adjustment conditionalities. The PNDC's frequent complaints about the lack of flexibility on the part of the Fund would seem to suggest that the ERP reflected more the position of the IMF than Ghana.

By 1987, with the implementation ERP II, a full-scale

⁶ Martin, "Negotiating Adjustment and External Finance", p. 237

adoption of structural adjustment was under way. Since 1984, the PNDC had been effecting some key market reforms, including exchange rate (devaluation), internal and external trade liberalization and a process of subsidy removals on social services. From 1987, emphasis was placed on reforming the public sector. Accordingly, 34 SOEs were targeted for divestiture and 40 were designated to become joint ventures. In addition, 91 others were to be closely monitored. A freeze was also placed on employment (except for professionals) and there was to be a 5 percent reduction in staffing annually for 1987 and 1988.⁷

Because of the associated costs, the government was set to encounter opposition not only from the military, which had remained a powerful force in times of economic crisis, but also from society and from within the government itself, in the implementation of adjustment reforms.

Rawlings had justified the coup of 31 December 1981 by the need to resuscitate the ailing economy and to ensure the equitable distribution of the "national cake" believed to be monopolized by a "privileged few." In the opinion of Rawlings,

"... if ten percent of the people eat half of the national cake, and if it is agreed that it is unfair that the other half must feed the remaining ninety percent, we can only give more to the ninety percent by reducing the slice of the ten percent.... To try and rectify this imbalance is not war. It is social

⁷ Loxley, Ghana: the long road to recovery, p. 19

justice."⁸

The maldistribution of income was attributed to the operations of capitalism which was also blamed for Ghana's underdevelopment and its prevailing economic predicament.⁹ To a large extent, this perception explains the regime's initial anti-IMF stance. The sudden positional change of Rawlings to go along with the IMF and its conditionalities was therefore bound to elicit disapproval from some members of the ruling council.

Indeed, most members of the ruling PNDC felt gravely disappointed, if not betrayed, by the dealings with the IMF of a regime which in principle claimed commitment to the welfare of the deprived. Such feelings were heightened by the general belief that the Washington-based institution was the leading protector of international capitalism. Other members of the Council argued that IMF-style reforms were simply unworkable under the typically underdeveloped Ghanaian economic conditions. This lack of consensus was dramatised in suspicion, mistrust and outright opposition from some members of the Council who sought to unseat Rawlings as chairman of the PNDC. However, determined to follow the IMF after domestic

⁸ "Interview: Flt Lt. Jerry Rawlings" Africa Report March-April 1984, p. 7

⁹ This perception was clearly stated in one of the government's documents, Policy Guidelines of the Provisional National Defence Council, an excerpt from which is reproduced in Ahiakpor, "The Success and Failure of Dependency Theory", pp. 541-2

measures had proved inadequate,¹⁰ Rawlings responded to such internal opposition by purging the Council and replacing extreme anti-IMF elements with more benign radical and even conservative individuals. In this way, he stemmed the threat posed from within the PNDC.

Yet, an even greater threat to both the regime and its IMF-backed reforms came from the military, a threat that manifested itself in incessant coup plots. Military coups have been frequent in Ghanaian politics, yet the spate of attempted coups against the PNDC in the first half of the 1980s indicated the gravity of the threat to structural adjustment.

For example, in June 1983, a major unsuccessful coup occurred as the government concluded agreements with the Fund. By January 1985, two other coup attempts were uncovered as the effects of adjustment begun to bite. These excluded the countless, instantly crushed attempts which did not immediately come to public notice.¹¹ Subsequent failed coups were reported while others were not, for the obvious reason of not wishing to send disturbing signals to the Fund and other

¹⁰ These domestic measures mostly involved the mobilization of students to evacuate cocoa from the hinterland to the port for export; and, the intensification of the tax collection drive.

¹¹ A good chronology of failed coup attempts against the regime during the first few years of the reforms is provided by Donald Ray Ghana: politics, economics and society (London: Frances Pinter Publishers, 1986), pp. 103-112. For a broader picture of successful and failed coup d' etats since independence, see Nii Kwaku Sowa "Governance and Economic Performance in Ghana" Unpublished Paper No. 9403 Department of Economics, University of Ghana, November 1994, p. 28.

potential creditors. The PNDC's response to the growing military threat was to institute sterner disciplinary measures within the military structure including summary execution for suspected coup plotters.¹²

But by far the most deadly and sustained opposition to adjustment came from labour movements, professionals, ecclesiastical leaders, the media and students. These segments of the population became the most vulnerable but, unlike the military, their opposition to the reforms took the form of criticisms, protests and strikes. Although other reform policies came to be resisted as their effects began to bite, the initial protests essentially centred around the implementation of three key components of the reforms, namely, devaluation, desubsidization and retrenchment.

Advocates of adjustment maintain that devaluation is necessary to avoid the overvalued effects of a currency on economic performance. Accordingly, the cedi was devalued several times. The fixed rate of ₵2.75 to US\$1.00 prevailing since 1978 was devalued to ₵30.00 by December 1983, to ₵60.00 in October 1985 and then to ₵90.00 in January 1986. Partly in a bid to escape labour pressures often arising from devaluation to increase wages, the government in August 1986

¹² In June 1986, seven military personnel were executed after being convicted of plotting to overthrow the government. Subsequently, the government developed a method of using the term "armed robbers" for people convicted and executed on similar charges, obviously to lessen international concerns about the country's insecurity.

introduced a weekly auction system based on the market to determine the exchange rate. As a result, the local currency depreciated rapidly, pushing the exchange rate down to ₵1,500 by January 1996.

If unaccompanied by a corresponding wage increase, devaluation generally reduces the purchasing power of consumers. In Ghana, salaried workers, women, and especially rural dwellers, generally with low and irregular sources of income, were the hardest hit. Although liberalization flooded the Ghanaian market with previously scarce goods, the combined effects of devaluation and auction rendered them unaffordable to the majority of Ghanaians whose real incomes plummeted further with the depreciation of the cedi.¹³

Desubsidization also had the predictable effect of hiking prices of services, notably on education and health services whose cost rose beyond the reach of most people. For example, by 1994, the yearly expense of maintaining one child in a secondary school had exceeded US\$400. This was irreconcilable with most rural incomes which were well below US\$200 per annum. In 1993, the government got almost embarrassed by reports of some pupils' inability to sit for their final Basic School Certificate Examinations because their parents could

¹³ Nigerians have humorously, yet realistically suggested "See And Pass" as the new meaning for the SAP acronym which literally means one can find all the needed goods, but poor purchasing power compels one to pass these by. See "Wages of Democracy" West Africa 26 March-1 April, 1990, p. 479

not afford the examination fees.¹⁴ In the health sector, the story is no different. The increases in user fees have made health facilities inaccessible to a majority of the population. Many patients run away from the hospitals rather than visit them as they cannot afford the cost of a doctor's attendance even for the mildest headache.

Consistent with the reforms' thrust to cut down on public expenditure, an aggressive, highly unpopular policy of retrenchment was followed by the government. Between 1984 and 1995, Cocoaboard, for example, fired 45,000 of its 100,000 work force, while the civil service retrenched 60,000. As well, retrenchment occurred in all parastatal organizations and local government agencies. Suspiciously based on an IMF Consultants' advice, the PNDC cunningly sought to disaggregate retrenchment at the local government level from the general national staff reduction exercise. In this wise, it requested all District Councils to foot fifty percent of their wage bills. Unable to meet the requirement, most District Councils retrenched sizable percentages of their personnel.¹⁵

The excruciating effects of devaluation, desubsidization,

¹⁴ Kwesi Anyimadu "Management of the ERP" West Africa 10-16 January 1994, p 34

¹⁵ Kwasi Jonah "The Social Impact of Ghana's Adjustment Programme 1983-86" in Bade Onimode (ed) The IMF, the World Bank and the African Debt (London: Zed Books, 1989), p. 143. Cocoaboard effected its latest retrenchments of 15,000 employees in early 1995. See the Economist Intelligence Unit (EIU) Ghana, country report, first quarter (London: EIU, 1995), p. 14

liberalization and retrenchment sparked waves of protests and demonstrations among labour unions, students and professionals. In 1983 the country's universities were closed for nearly a year following student protests over desubsidization of meals and over the government's generally harsh austerity measures. Since then, university closures have become almost an annual ritual arising either from student protests, non-teaching staff's agitation for increased pay, or the University Teachers' Association of Ghana's (UTAG) demands for better remuneration. In 1994 the country's universities were closed for several months following UTAG's demand for a pay rise. This demand was pressed again in April 1995 and supported with a strike as devaluations and depreciation of the Cedi continued.¹⁶

Labour had not been quiet throughout this period. In fact, its strikes posed dangers to the reforms. Various studies on African labour unions indicate that despite their organizational and financial weaknesses, they still retain a capacity to threaten the stability of regimes through protests and strikes.¹⁷ As the most organized unions are usually based

¹⁶ In April 1995 the universities were closed once again as a result of UTAG's strike and did not reopened until December. Even so this was tentative. UTAG maintained that a conclusive agreement had not been reached with the government. Because of donor conditionality for cuts on public spending, the government-UTAG impasse is sure to be prolonged.

¹⁷ See, for example, Richard Jeffries "The Labour Aristocracy? Ghana Case Study" Review of African Political Economy 3 (May-October 1975); Richard Jeffries Class, Power and Ideology: the railwaymen of Sekondi (Cambridge: Cambridge

in the urban centres, African regimes have endeavoured to buy their acquiescence by subsidizing the cost of food, health, transport and other essential services in the cities, while over-taxing food producers in the rural areas through a policy of underpayment.¹⁸

Moreover, labour can be threatening because in most cases, its agitations reflect the grievances of the ordinary people, including the economically destitute. As Jon Kraus has noted, labour strikes in Ghana have always tended to "articulate the interests of the broadest spectrum of labour, the lowest paid and the minimum wage earners."¹⁹ Therefore, as economic reforms removed subsidies, threw many out of employment and increased the cost of living, protests and strikes among the growing anti-adjustment coalition of workers and professionals became inevitable. Faithful as the PNDC was to structural adjustment, it was determined to respond appropriately.

University Press, 1978); Richard Sandbrook "The Political Potential of African Urban Workers" Canadian Journal of African Studies 11(3), 1977, pp. 411-433; Jeff Crisp The Story of an African Working Class: Ghanaian miners' struggles, 1890-1980 (London: Zed Books, 1984); Jeffrey Herbst The Politics of Reform in Ghana, 1982-1991 (Berkeley: University of California Press, 1993), chapter 4

¹⁸ This is a major theme in Robert H. Bates Markets and States in Tropical Africa (Berkeley: University of California press, 1981)

¹⁹ Jon Kraus "Strikes and Labour Power in Ghana" Development and Change 10(2), April 1979, p. 281

(ii) The PNDC's response

An unaccountable government, the PNDC possessed a wide array of legislative and repressive instruments to deal with dissent. Two of these legislative decrees, PNDC Law 4 (Preventive Custody) and PNDC Law 42, were particularly notable. Under the former, promulgated on 2 March 1982, the PNDC could detain without trial and for an unlimited time, persons suspected of endangering the security of the state; while the latter, promulgated in February 1983 and retroactively from 31 December 1981, gave the PNDC absolute powers over economic, social, political and judicial matters. As the regime increasingly identified the sustainability of the reforms with its own survival, harassment, arrests, detention and executions were widely used under PNDC Law 4 in particular. This was especially the case after 1986 when protests were becoming widespread and attempted coups more frequent.

Since the government controlled the media, much of labour's disquiet and criticism did not always receive publicity. Organized groups therefore used their annual congresses to state their position.²⁰ For opposing

²⁰ See, for example, the Resolution Adopted by the 3rd Quadrennial Delegates Congress of the Trades Union Congress (Ghana) held at the University of Cape Coast, March 16-18, 1988; The Final Communiqué of the 23rd Annual Congress of the National Union of Ghana Students held at the UST, Kumasi, April 17-23, 1988; and Resolution Passed at the 1988/1989 Annual Congress of the Ghana Bar Association, Accra, Ghana Bar Association, 9 January, 1990

adjustment, the Trades Union Congress (TUC) often clashed with the state. In 1987, its offices were twice attacked by PNDC-organized thugs as it intensified criticisms of the reforms. Similarly, members of the leftist New Democratic Movement (NDM) and the Kwame Nkrumah Revolutionary Guards (KNRG), which had maintained a strong anti-IMF stance since 1984, became targets of systematized state terror.

As part of the general campaign of terror, the PNDC intimidated critics with a view of deflating anti-reform pressures. This was one of the many tools employed against labour. Nowhere was intimidation most dramatised than in a speech made by Captain Kojo Tsikata, a member of the PNDC, to a TUC delegates' congress set to elect its new leadership. Tsikata warned:

"The trade union movement is like a ship.... If we permit these infantile leftists, these super revolutionaries, these people who want to be more Catholic than the Pope to seize control of this ship....well for those of you who can swim 'good luck,' but for those of you who cannot swim, you better say your last prayers." ²¹

Since no one in his or her right mind would be willing to board a ship destined to sink on the high seas, the congress elected "moderate" leaders.

A second and covert strategy, what Ninsin has aptly called "divide and rule", was also employed to minimize labour and general unrest. This rather crude version of patronage

²¹ Quoted in K. Owusu "Caring and Sharing" West Africa, 23 July 1990, p. 2152

took the form of increasing some group's access to state resources while denying it to others. Such groups as the Civil Servants Association (CSA), mine and railway workers generally known for their militant protests, were given pay increases. Similarly, the Ghana Private Road Transport Union (GPRTU) also enjoyed special state favours in the form of subsidized tires, lubricants and vehicles for its general pro-PNDC posture.

A further comment is required on the GPRTU. In 1989, while the TUC, an umbrella organization to which the GPRTU belongs, denounced the government's District Assembly (DA) elections concept as a gimmick to legitimize PNDC rule, the GPRTU supported it. As a show of this support, it encouraged its members to release vehicles to transport voters free of charge to and from the polling stations thereby increasing the voter turn out. The GPRTU case provided clear evidence of how successful the PNDC was in dividing the ranks of its civil opponents.

Another notable associational group that enjoyed state patronage and support was the Mrs. Rawlings-led 31 December Women's Movement (DWM). This movement, in theory a Non-Governmental Organization (NGO), functions in practice as a political entity, extolling the achievements of the PNDC. With the inception of multiparty democracy, the DWM had become a de facto branch of the NDC, enjoying unlimited access to state

funds and vehicles.²²

By contrast, civil associations considered critical and anti-government, notably the Ghana Bar Association (GBA), the Christian Council of Ghana (CCG) and the Association of Recognized Professional Bodies (ARPB), were frequently intimidated, repressed and were often targets of obnoxious decrees. Moreover, their leaders were frequently the victims of arrests and detentions.

Alongside divide and rule, the regime also used a policy of inducement - the provision of sinecure appointments - to soothe extremely vocal union leaders when expedient. Thus, for example, Mr. Ambrose Yankey, the secretary-general of the TUC who in late 1985 warned that "workers out of frustration would be forced by their human instincts of survival to rise up against the government since it cannot ensure them their survival", was appointed a member of the National Commission for Democracy (NCD).²³

In the main, the PNDC sought to annihilate all enemies, real and imagined, within society. It banned press houses

²² E. Gyimah-Boadi "Associational Life, Civil Society, and Democratization in Ghana" in J.W. Harbeson et al (eds) Civil Society and the State in Africa (Boulder: Lynne Rienner, 1994), pp. 125-48; Ninsin, "The PNDC and the problem of legitimacy" p. 56

²³ The NCD is an agency created by the PNDC to oversee the formulation of new political and constitutional arrangements for the country. Mr. Yankey's pronouncements after assuming duty in his new post suggested an amazing pro-government stance. See Pioneer, 25 November, 1985. For evidence of Yankey's change of stance, see E. Dagadu "Labour Under Fire" West Africa June 5-11, 1989, pp. 918-9

critical of government and deliberately suffocated some out of print. For example, the weekly Catholic Standard, which had been exceptionally critical of the regime's human rights record, was denied an import licence for newsprint and thus went out of publication.²⁴ In a further move to silence the ecclesiastical establishment, churches were required to seek state approval for their operations through registration. Indeed, persistent criticisms convinced the PNDC that only through terror could the reforms succeed - not a mad rampant terror that destroyed indiscriminately, but one that promised dire consequences for dissent. It was a terror that allowed Ghanaians to exist as long as they acquiesced.

Thus, through a mixed policy of repression, intimidation, and divide-and-rule, the PNDC planted fear in the minds of Ghanaians and a "culture of silence"²⁵ in the country. As Adu Boahen noted in his Danquah lectures in 1989:

"We have not protested or staged riots not because we trust the PNDC but because we fear the PNDC! We are afraid of being detained, liquidated or dragged before the CVC [Citizens' Vetting Committees] or NIC [National Investigation Committees] or being subjected to all

²⁴ Baffour Agyeman-Duah "Ghana, 1982-6: the politics of the PNDC" The Journal of Modern African Studies 25(4), 1987, pp. 623-4

²⁵ In 1987 Rawlings in apparent astonishment at the population's aloofness to PNDC rule bemoaned the emergence of a "culture of silence". See People's Daily Graphic, 6 April 1987. In reality, this aloofness was a clear expression of fear of the iron rule of the PNDC.

sorts of molestations."²⁶

With fear instilled into the population, the government implemented the reform programme in a most scrupulous manner to the admiration of the Bank/Fund and the general international creditor community, which trumpeted out of proportion Ghana's reform achievements and turned a blind eye to the PNDC's repression and clear human rights abuses. As Haynes notes,

"To Western governments and financial institutions such as the IMF and the World Bank, Ghana is the 'success story' of West Africa. The paradox is that the PNDC government is doing all the 'right' things at immense political cost, yet failing to produce a speedy economic recovery."²⁷

From the stand-point of government and the reforms, given the incessant protests and strikes, such repression was necessary if the reform programme was not to crumble. Repression therefore insulated the government and created for it the necessary political space for the pursuit of the reforms.²⁸

While it is admitted that certain authoritarian regimes

²⁶ A. Adu Boahen The Ghanaian Sphinx: reflections on the contemporary history of Ghana, 1972-1987 (Accra: Ghana Academy of Arts and Sciences, 1989), pp. 51-52. Adu Boahen suddenly became popular after the lectures, apparently for breaking that "culture of silence."

²⁷ Jeffrey Haynes "Ghana: indebtedness, recovery and the IMF 1977-87" in Trevor W. Parfitt and Stephen P. Riley The African Debt Crisis (London: Routledge, 1989), p. 124; For the poor human rights record in Ghana under the PNDC, see, for example, J. Haynes "Human Rights and Democracy in Ghana: the record of the Rawlings' regime" African Affairs 90, 1991: 407-25; Amnesty International Report 1989 (London: Amnesty International, 1989)

²⁸ Callaghy, "Lost Between State and Market", pp. 271-86

had poor records at implementing stabilization programmes and that some new democracies are effective at implementation,²⁹ evidence from Ghana suggests a rather strong correlation between authoritarianism and successful reform implementation. As Martin has observed,

"....the unwelcome conclusion from Ghana's experience is that the less consultation a government allows, the better it will negotiate and implement adjustment as presently designed."³⁰

This view is substantiated by Zambia's failure to fully implement its reforms in the 1980s. Although a one-party state, the Kaunda government was not as insulated as was the PNDC in Ghana; while the former needed to strengthen its chances of winning future multiparty elections by remaining responsive to popular demands, the latter had no such concerns. Thus, violent protests over the removal of subsidies on food and the resultant price rises compelled Lusaka to jettison its reform programme in May 1987.

In a nutshell, right down to the end of the 1980s, the PNDC stemmed opposition to reforms. Through repression it suppressed critics and dissent, implemented reforms and became the "beloved son" of the IMF. In the 1990s, however, as political opposition became legalized and civil society was

²⁹ S. Haggard and R.R. Kaufman "Economic Adjustment and the New Democracies" in Joan Nelson et al Fragile Coalitions: The Politics of Economic Adjustment (New Brunswick: Transaction, 1989)

³⁰ Martin, "Negotiating Adjustment and External Finance", p. 244

being strengthened under the new political dispensation, the state was forced to balance on a dangerous high-wire tightrope as adjustment impoverished the population further.

5:3 Governance and economic reform in the 1990s

With the inauguration of the Fourth Republic on 7 January 1993 under President Jerry Rawlings and the PNDC-transformed NDC government, a new chapter opened in Ghanaian politics. In theory, dictatorship and the lack of transparency that characterized eleven years of PNDC rule had come to an end; restrictions hitherto placed on political activities were lifted and Ghana was to have a multiparty constitutional government and a democratic constitution. Yet, this change in the style of governance, contrary to neoliberal assumptions, produced profound implications for economic reforms.

The promulgation of the new constitution not only ended the prevailing authoritarian politics, but also provided avenues for free expression, dissent and association. Free expression ensured the resurgence of previously suppressed press houses and the emergence of new ones to challenge the dominance of the state-owned press whose sycophantic reporting had elicited the distaste of many Ghanaians.³¹

With the inception of the Fourth Republic therefore, the

³¹ The three state-owned papers are the Daily Graphic, Ghanaian Times and the weekly Sunday Mirror. The emergent private newspapers include the Democrat, Ghanaian Chronicle, Ghanaian Voice, Guide, Free Press, Pioneer and Statesman.

NDC government was placed in a perplexing dilemma. On the one hand, authoritarian powers were needed to implement its bitter economic reforms. On the other hand, political liberalization would erode the autocratic powers of the state. The ability of the state to pursue adjustment and simultaneously maintain a democratic posture therefore depended on how effectively it managed this contradiction. However, post-election developments showed clearly the state's preference for economic reforms.

Thus, although the country had moved from a "culture of silence" to one of free speech, this process was limited in practice as Mr. Emil Short, the Commissioner for Human Rights and Administrative Justice, noted in an address to a meeting of lawyers in London in February 1995:

"We have come a long way from the days of old when we had a culture of silence. People are no longer afraid to express their views. *The issue today is not about whether there is freedom of speech in Ghana but the extent of this freedom.*"³² (Emphasis added)

True to Short's assertion, freedom of speech and political transparency that was ideally to follow political liberalization, became limited. Almost four years after the transition, people and institutions are yet to reap the full benefits from democracy reminiscent of the West. The virtually no-opposition-parliament is an institution acting merely as a rubber stamp to executive decisions; the airwaves are still

³² Quoted in West Africa 27 February-5 March, 1995, p. 307

dominated by the state which refuses to grant broadcasting licenses to private individuals and groups suspected of being critical of government; the one-channel television station remains state-controlled; opposition rallies are covertly monitored by security agencies and opposition newspaper editors are constantly threatened with arrests and libel charges. In fact, one may correctly assert that despite the political liberalization, the state had still not shed its previous authoritarian character.

On a comparative note, however, the current level of transparency and accommodation seems significantly preferable to what existed in the 1980s. This is attested to by the manner in which hitherto suppressed constituents have become assertive. For example, labour unions can now openly denounce the government's retrenchment exercise as "an attack on trade unions' rights" while some retrenched workers can seek redress in courts for "wrongful and illegal dismissals."³³ In 1993, the Ghana National Association of Teachers (GNAT) threatened the state with court action if the latter changed to fifty percent an initial decision to pay pensioners seventy percent of their salaries. Also, in mid-May 1995, a combined union of teachers, civil servants, nurses and judicial employees issued

³³ "TUC jobs fight" West Africa 23-29 August 1993, p. 1500. In an unprecedented ruling, an Accra High Court ordered the State Fishing Corporation (SFC) to pay millions of cedis in compensation to its dismissed workers as well as for their wrongful dismissals. See "Parastatal to pay up" West Africa 13-19 March 1995, p. 386

a two-week ultimatum asking government to increase their salaries or face a serious strike action.³⁴

What is significant about these events is the fact that developments unthinkable in the 1980s are possible in the 1990s. A state once strong, repressive and feared is now enfeebled, and seemed to be besieged by its former victims.

In May 1995, a spate of demonstrations in protest against the introduction of a 17.5 percent value added tax (VAT), a key component of the government's fiscal reforms, showed further the destructive effect of political liberalization on structural adjustment. VAT was premised on the belief that as a tax on consumption rather than on investment, the state could generate much more revenue from a widened tax base; it was therefore to replace the long existing, pre-adjustment sales tax.³⁵ In a vulnerable economy, the introduction of VAT on 1 March sent prices of almost all goods sky-rocketing, some up to 70 percent. This was in spite of the exemption from the tax of certain items considered "socially sensitive" and the fact that only selected shops and manufacturers could charge

³⁴ See West Africa 27 September-30 October 1993, p. 1726 and West Africa 29 May-4 June 1995, p. 826.

³⁵ World Bank Ghana 2000 and Beyond: setting the stage for accelerated growth and poverty reduction (Washington, D.C.: World Bank, 1993), p. 55. Also see 'What is VAT?' Broadcast by the Minister of Finance and Economic Planning, Dr. Kwesi Botchwey, on the implementation of the Value Added Tax (VAT) and the Current Labour Situation 7 May, 1995

the VAT.³⁶

On 11 May, a group from the anti-adjustment coalition, the Alliance for Change (AFC), capitalized on growing popular discontent and organized a massive public demonstration in Accra to protest against the introduction of the VAT. The demonstration, code-named "Kume Preko" (kill me at once), left five dead and twenty-five injured.³⁷ Everywhere, the new tax was denounced as anxiety and tension rose; everywhere, it was clear that Ghana had shifted gear from a "culture of silence" to an era of turbulence.

Although the government still retained a capacity to break or even prevent this protest from occurring, it was restrained by the logic of democracy. Uncertain about the long-term consequences of growing public discontent, the government withdrew VAT at the end of May.³⁸ In spite of

³⁶ Eighteen items were to be exempted from the tax. These included: agricultural machinery and implements; water; rent and housing; domestic electricity; education; health; transport; land and buildings. As well, only 9,000 out of the 15,000 businesses registered by the Internal Revenue Service (IRS) for taxation purposes, could charge the VAT. See Botchwey, "What is VAT?", pp. 5 and 8

³⁷ As a further instance of continuous state control of the electronic media, this demonstration, strangely did not feature as a major news item on the Ghanaian television on May 11. It was only cursorily mentioned close to the end of the almost thirty-minute newscast.

³⁸ Unsure about the reaction of the military, President Rawlings addressed military officers at Burma Hall on May 12. He appealed for calm and cautioned them to be wary of certain politicians who had infiltrated into the ranks of the military. The president created an impression that the military was not itself feeling the economic torment intensified by the introduction of VAT.

VAT's demise, similar demonstrations code named "Sieme Preko" (burry me at once) and "Wieme Preko" (finish me at once) were held in Kumasi and Takoradi, the second and third largest cities respectively, to protest against the increasing economic hardships.³⁹

The fall of VAT was significant in a number of ways. First, it represented the first time ever that the PNDC/NDC government has been compelled by popular discontent to reverse a major policy. Second, it underscored the extent to which political liberalization can undermine economic reforms because had VAT been introduced in the 1980s, it would most certainly have survived. Third, it highlighted the tension between economic and political reforms.

As it is generally accepted, protests and tension are both inevitable and necessary for a healthy political system. An official of the Canadian High Commission in Ghana, noted in an interview after the Accra demonstration:

"I agree that there is a tension, but I have to think that it is a useful tension, an essential tension.... In order to have a successful economy you need an effective political system, you need people to think that they are involved in decision-making and, if that includes demonstrations, so be it..."⁴⁰

The tension in the Ghanaian polity, however, is not a useful one. A situation where public discontent can totally

³⁹ The local names given to these demonstrations are suggestive of the frustration of an exasperated population being killed slowly by the excruciating pains from adjustment.

⁴⁰ Interview, Accra, 22 June 1995

reverse, not just modify, a major economic reform measure, is clearly counter-productive. The damage caused by the tension is revealed in the fact that the state realized more than its projected ₵7 billion in revenue in the first month of VAT's introduction.⁴¹ Thus, if the objectives of adjustment include the mobilization of domestic capital, then nothing could be more devastating than the tension.

Yet, this is not to suggest that protests and demonstrations are necessarily deleterious. In fact, they are essential features of healthy political systems, reflecting the occasional divergence of civil society from the state on policy. While constituting avenues for the expression of disapproval, they enable responsive governments to reappraise policies. Ideally, then, demonstrations are barometers through which the state tests public acceptability or otherwise of its programmes. What is rather bizarre about the Ghanaian case is the potential for post-election demonstrations to undermine previous economic gains.

Should this happen, the blame is entirely the state's. African governments in general, and the Rawlings regime in particular, fear protests, hence they suppress them with all the necessary force. They do not learn from history that suppressed protests are generally more explosive, even destructive, when they resurface. Thus, in Ghana, the long period of PNDC suppression of legitimate grievances hardened

⁴¹ West Africa 29 May-4 June 1995, p. 826

Ghanaians like the proverbial dead goat which no longer fears the slaughter knife.

The Ghanaian situation, however, requires further exploration because ideally economic and political liberalization ought to be in harmony. For one thing, a freely elected government would have the legitimacy to govern and hence be free from the unnecessary obstruction that an unelected one would face in implementing programmes. For another, new social coalitions will emerge to guard their interests in a truly free society. Economic and institutional changes can be worked out through negotiations, compromises and consensus between the state and society. The question then is: why did tensions heighten in Ghana? I suggest four interrelated reasons: (a) the enfeebling of the state under adjustment, (b) the absence of true democracy, (c) the deteriorating economic conditions consequent on adjustment and, (d) donor conditionalities.

5:4 The roots of tension

(i) The enfeebling of the state

Much of the tension between economic and political reforms seems to stem from the new role assigned by the IFIs to the state. Informed by classical assumptions, the state is depicted as inefficient. This thinking is reinforced by the stigmatic characterization of the post-colonial African state

as exploitative, predatory, rent-seeking and corrupt.⁴²

Furthermore, as democracy is seen to complement the market in development, the state is to be diminished further because it is too powerful, too coercive to be compatible with a free society. As Berger notes,

"... because of modern technology, the state is already a fearsome agglomeration of power. Even the most restrained, democratic state today has more power at its disposal than the most efficient despotisms of premodern times.... To give the modern state direct control over the economy - that is, control of the very livelihood of all or most of its citizens - is to bring about a quantum leap in state power. Such extensive power is difficult if not impossible to reconcile with democracy."⁴³

Yet there is a tendency for advocates of the minimalist state to err in depicting the African state as too powerful. While the Western state was both powerful and capable, the post-colonial African state was generally weak and lacked the capacity to govern. For example, Jackson and Rosberg have noted that,

"in proportion to their territories and populations, African governments typically have a smaller stock of finances, personnel, and materiel than Asian or Western governments, and their staffs are less experienced and reliable. As a result, the concept of governmental administration as a policy instrument bears less relation to reality."⁴⁴

⁴² See, for example, Donald Rothchild and Naomi Chazan (eds) The Precarious Balance: state and society in Africa (Boulder: Westview Press, 1988)

⁴³ Peter L. Berger "The Uncertain Triumph of Democratic Capitalism" Journal of Democracy 3(3) July 1992, p. 13

⁴⁴ Robert H. Jackson and Carl G. Rosberg "Why Africa's Weak States Persist: the empirical and the juridical in statehood" World Politics 25(1), October 1982, p. 8

Similarly, Michael Bratton contends that,

"The harsh reality of state formation in post-colonial Africa is that, in many countries the apparatus of governance had begun to crumble before it had been fully consolidated. There is a crisis of political authority that is just as severe as the well-known crisis of economic production."⁴⁵

Moreover, Callaghy has argued that the dominant reason for the failure of African states to implement adjustment policies has been their weak institutional capacities, compounded by their failure to realize this weakness. He notes further in regards to Ghana that, despite its strides in the implementation of reforms, the state was still afflicted by administrative weaknesses.⁴⁶

In the contention of Patrick Chabal, the African state was both "overdeveloped" and "soft." He notes further that the post-colonial African state is a "leviathan, but a leviathan with the feet of clay."⁴⁷ Paradoxically, then, although all-encompassing and seemingly powerful, the African state is a lame leviathan. Enfeebling further an already weak state can only produce profound implications for political and economic reforms.

⁴⁵ Michael Bratton "Beyond the State: civil society and associational life in Africa" World Policy Journal 41(3) April 1989, p. 409

⁴⁶ Thomas M. Callaghy "Toward State Capability and Embedded Liberalism in the Third World: lessons for adjustment" in Joan M Nelson (ed) Fragile Coalitions: the politics of economic adjustment (New Brunswick: Transaction, 1989), pp. 125-31

⁴⁷ Chabal, "Introduction: thinking about politics in Africa", p. 15

The new obsession with the minimalist state also highlights one of the many paradoxes in adjustments, namely the advocacy of a strong civil society vis-a-vis a weak state. The Ghanaian case clearly demonstrates that an authoritarian regime is necessary if economic reforms are to be sustained.

Nor does the widespread poverty among the population make it appropriate for the state to withdraw. The African state has traditionally been looked upon as the provider of the bread, clothing and shelter. Evidence across Africa showed that where a state persistently failed to perform this role, the result has been the disengagement of society from it into informal activities and thereafter reengaging it through popular protests, in some cases, armed rebellion.⁴⁸ As Nyang'oro has observed, the provision of basic primary education, health care and basic infrastructure are some of the critical linchpins of a regime's legitimacy.⁴⁹ Many African regimes have collapsed for failing to provide such basic amenities. Thus although inefficient, corrupt and overextended, the African state still constitutes the "nexus of economic and social existence."⁵⁰

⁴⁸ See, for example, Michael Bratton and Donald Rothchild "The institutional bases of governance in Africa" in Goran Hyden and Michael Bratton (eds) Governance and Politics in Africa (Boulder: Lynne Rienner, 1992), p. 272

⁴⁹ Nyang'oro, "The Evolving Role of the African State", p. 24

⁵⁰ C.S. Whitaker "Doctrines of Development and Perceptions of the state: the World Bank and the fifth iteration of the African case" in Sklar and Whitaker (eds)

The importance of the state is further revealed by the weakness of the indigenous African bourgeoisie which itself requires the state to facilitate the accumulation process upon which its very existence depends. As Bayart has noted, "the success of businessmen in the private sector is highly dependent on the state because they need constantly to circumvent regulations and to obtain official permits."⁵¹ The state, then, is indispensable even to the private sector supposed to relieve the state of its duties. To argue for its retreat is to undermine the very logic of structural adjustment.

Furthermore, the resurgence of the private sphere advocated by the IFIs will make little impact on economic revival as long as the local entrepreneurs continue to lack the necessary capital base. This issue is acute in the light of the steady decline in foreign investments to Africa, notwithstanding devaluations and liberalizations. As a rule, local businessmen cannot deal directly with international financial institutions. Either individually or collectively, they lack the credit worthiness and recognition of the state to enter into agreements with foreign institutions. Rather, they need the state to act as an intermediary between them and international capital institutions by obtaining credit from

African Politics and Problems in Development p. 347

⁵¹ J. F. Bayart "Civil Society in Africa" in Patrick Chabal (ed) Political Domination in Africa: reflections on the limits of power (1986), p. 116

the latter and in turn lending to them.

If there is a lesson to be learnt from the NICs, it is that the private sector alone cannot promote development; it requires the support of the state. Both are complementary partners. The complexity of development demands an appropriate mix of the private and public sectors; the state and civil society. As Weffort notes,

"[The] modern democratic society is not a society of the 'minimal state', but on the contrary presupposes a strong state; at the same time, it also requires that civil society and democracy be strong enough to control the state. There is a permanent tension between the state and market, but each needs the other. No modern democracy can either do without the market as less thoughtful socialists claim, or get by with a 'minimal state' of the sort that neoconservatives idealize."⁵²

In brief, the massiveness of economic decline in Africa underscores the importance of the state. Under structural adjustment, where poverty and misery are being exacerbated, the state is needed to provide some cover for the vulnerable who constitute the majority. The state's failure to intervene in this way produces the tendency for society to pressurize it to act.

(ii) Absence of genuine democracy

The failure of the government to encourage public discussions on the economic reforms after the inception of political liberalization is another reason for tension in Ghana. As I

⁵² Francisco C. Weffort "The Future of Socialism" Journal of Democracy 3(3) July 1992, p. 98

noted earlier, throughout the 1980s, the PNDC never at any stage considered the economic recovery exercise as a national project that required public input. Because IMF-sponsored austerity programmes are generally politically dangerous to follow, negotiations with the IMF remained in tight secrecy.⁵³ The PNDC had not forgotten of the fall of Busia's government through a devaluation-precipitated coup. Accordingly, the tradition of secret negotiations continued even after the inception of the democratic era. But secret negotiations only heightened public suspicion about the terms of the loans and diminished the trust between state and society.

Aggravating the tension was that negotiations for credit and the management of the adjustment programme were done by a small team of economic experts who received instructions from no one, but the IMF.⁵⁴ The Ghanaian bureaucracy as a whole had virtually nothing to do with these issues except implementing the programmes agreed upon by the economic team and the creditors. In fact, as a governing body, even the PNDC had no control over adjustment.

Some supporters of free trade argue that critics of

⁵³ Eboe Hutchful "From 'Revolution' to Monetarism: the economics and politics of the adjustment programme in Ghana" in Bonnie K. Campbell and John Loxley (eds) Structural Adjustment in Africa (London: Macmillan, 1989), p. 102

⁵⁴ Prominent among this economic team were Joe Abbey and Kwesi Botchwey, who were also the leading architects of the ERP.

Ghana's reform programme have failed so far to offer any credible alternative to adjustment.⁵⁵ Nothing can be further from the truth. Unlike in Nigeria where Ibrahim Babangida played tricks by pretending to solicit alternatives from Nigerian intellectuals, no such perfidious opportunities were granted Ghanaians. Not only did the closed political system discourage free expression, but the state's indiscriminate exercise of its repressive powers rendered such a venture totally unsafe. State terror of the 1980s denied Ghanaians even minimal conditions for creativity.

Thus, although adjustment became the government's article of faith, Ghanaians were denied the opportunity to discuss its terms. The government does not realize that although there is a basic contradiction between economic and political reforms, some degree of political transparency could enhance its capacity to manage the tension.⁵⁶ As Whitaker has noted, because the Senegalese government encouraged debates on the country's adjustment, the initial protests following its introduction eventually subsided and the policies became

⁵⁵ See, for example, Richard Jeffries "Leadership Commitment and Political Opposition to Structural Adjustment in Ghana" in Donald Rothchild (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), p. 164

⁵⁶ This point is discussed at length with regards to Mexico and Poland in Joan M. Nelson "Comment on political liberalization and economic reform" in Economic Reform in Africa's New Era of Political Liberalization Proceedings of a Workshop for SPA Donors hosted by the US Agency for International Development (USAID), Washington, D.C., April 14-15, 1993 p. 101

somewhat acceptable.⁵⁷

In Ghana, by contrast, not only was the general public denied insights into the reforms, but, consistent with PNDC dictatorship, even very critical constituents such as business and labour were constantly marginalized. As one businessman remarked,

"...since the economic reforms are meant to enhance the growth of the private sector, the government would have been doing the business community more good if it could call us [businessmen] and brief us about progress on the reforms, and not even to solicit our suggestions. We just want to have a sense of what is happening..."⁵⁸

The point is that as knowledge, let alone inputs, into the reforms continued to remain the exclusive preserve of the PNDC and its economic technocrats in the Central Bank and Finance Ministry, labour grew increasingly suspicious of the government's dealings with the IMF. In 1987, the Industrial and Commercial Workers Union (ICWU), the biggest union in the country, enjoined the government to publish details of its agreement with the IMF and the World Bank, and tell the public of the extent of the country's indebtedness as well as the debt service ratio.⁵⁹ As expected, the government simply cracked the movement into silence.

The implication of all these developments was that when the rays of freedom dawned in 1992, labour effervescently

⁵⁷ See Whitaker "Doctrines of Development and Precepts of the State", p. 348

⁵⁸ Interview, Accra, 17 June 1995

⁵⁹ Callaghy, "Lost Between State and Market", p. 281

capitalized on these suppressed, unanswered concerns and engaged in a battle with the state.

The underlying cause of the government's refusal to allow even minimal public discussion on the reforms in an era supposed to be transparent lies in the culture of dictatorship established by colonialism and which was cherished by Rawlings as a military ruler. This was coupled with his distaste for dissent. In 1986/87 for example, the government introduced new educational reforms in spite of credible warnings from society and educational experts about the lack of adequate preparations (in terms of training teachers and acquiring logistics). In its usual autocratic style the PNDC defiantly pushed the reforms through only to plunge the country into a major educational crisis. When the first batch of students under the reforms sat their final Senior Secondary School (SSS) exams in 1993, the results were tragic; only 1,656 out of the 42,105 candidates passed, representing a staggering 3.9 percent.⁶⁰

Generally, it is far more difficult for a leader who gloried in dictatorship for an extended period to suddenly shed such dictatorial psychology and to accommodate dissent. For Rawlings, four years is simply too short for such a transformation. Although under the new political dispensation he claims to be a democrat, not many are convinced that he is

⁶⁰ "Poor exam results raise hackles" West Africa 6-12 June, 1994, p. 1006

the Ghanaian equivalent of Paul the apostle.

This attitude is shaped by his own perceptions that opposition elements are essentially a threat and not an alternative source of ideas; enemies in war and not opponents in a game. Because of this lack of accommodation and opportunities for dialogue, the state and society cannot find common grounds to resolve their basic differences. The result is suspicion and tension between the two.

The Ghanaian leadership's distaste for dissent is also revealed in its frequent accusation of the private press of "excesses" since 1992. While there could be some truth in the state's allegation, it is clear that the government seems to be haunted by its own shady past - the murders and executions - and the fear that the private press would immortalize such memories.

Yet if the emergent press was over-exuberant, this could not have been unexpected. Democracy strengthened the press and weakened the state. The tide has reversed; the former victor has been enfeebled, the vanquished emboldened. It is just natural that the vanquished, using its newly acquired power, should take advantage of its tormentor's weakness.

(iii) Deteriorating economic conditions

By far, the greatest source of tension is the growing cost of economic reforms. It will be recalled that the dominant features of Ghana's political economy on the eve of adjustment

were, poverty, misery, unemployment, malnutrition, inflation, debt and inequality. Thirteen years into adjustment, there is nothing to suggest that a reversal in these trends has occurred. What is rather evident is a worsening of these conditions. Poverty has been exacerbated by economic liberalization and currency auctions. Very few people in Ghana can honestly afford two square meals a day; the average salary can hardly last a fortnight; misery has intensified as a result of growing poverty, few can afford medical bills; unemployment, now about 30 percent, is alarming as a result of retrenchment and the freeze on new hiring.⁶¹

Malnutrition has come to reside permanently in most homes. While infant mortality, attributed to malnutrition, averaged 77.2 per 1000 during the 1983-87 period, it rose to 82.0 per 1000 by 1991. Furthermore, a 1993 survey on nutrition in children placed Ghana only above Niger with 21 percent in sub-Saharan Africa and well below war-ravaged Burundi and Rwanda which have only 6 percent of their children undernourished.⁶²

Inflation has risen dangerously beyond the control of the Central Bank and the Finance Ministry. Averaging 27.1 percent and 34.2 percent per annum in 1993 and 1994 respectively,

⁶¹ West Africa 15-21 May 1995, p. 756

⁶² The Institute of Statistical, Social and Economic Research (ISSER) The State of the Ghanaian Economy in 1993 (Accra: University of Ghana, 1994), p. 163. Also, see "Hardtimes" West Africa 26 June-2 July 1995, p. 999

inflation stood at over 50 percent in 1995, far above the government's projected average of 18 percent for the year.⁶³ Rampant inflation and devaluation have rendered the Ghanaian cedi a worthless legal tender, compelling even the one-sided parliament to break its silence and, reflecting popular concern, to request the Central Bank and the Finance Ministry to act as a matter of urgency to arrest the situation.⁶⁴

For the past three years, Ghana failed to achieve the projected 5 percent growth in GDP upon which much of its international praises have been based. In 1994, the country managed only 3.8 percent and economic experts project Ghana to be lucky to attain 3.2 percent in 1995. By the end of 1994, the country's external debt had increased by 7 percent from the 1993 level, reaching US\$5 billion.⁶⁵

The resignation of the astute and long serving Finance Minister, Kwesi Botchwey, in July 1995 was both a blow and evidence of the crisis in the economy. The minister's resignation is widely speculated to have been prompted by the mismanagement at the Ghana National Petroleum Corporation

⁶³ Business and Financial Times 17-23 July, 1995, p. 1; Free Press July 21- July 27, 1995, p. 7; Chronicle July 24- July 27, 1995, p. 8; Economist Intelligence Unit (EIU) Country Report, Ghana, First Quarter (London: EIU, 1996), p. 13

⁶⁴ "Sinking Cedi, MPs Get Serious" Daily Graphic July 1, 1995, p. 1

⁶⁵ See Chronicle 24-26 July, 1995, p. 8. In fact, the Economist Intelligence Unit (EIU) estimated it at \$5.3 billion by the end of June 1995. See EIU Country Report, Ghana Second Quarter 1995, p. 3

(GNPC), headed by Rawlings' kinsman, Tsatsu Tsikata.⁶⁶ The mess at the GNPC could only be a face-saving rationale. It is probable that he resigned because of his growing frustration with the results of adjustment. It was no longer justifiable to plead with Ghanaians to "tighten their belts" when austerity had long forced them into the last belt hole.

Further evidence of the crisis in the economy came in June when the government announced its decision not to host the 1995 Economic Community of West African States (ECOWAS) summit because of the financial burden it would impose on Ghana. By every indication, this decision was an open admission that all is not well with the Ghanaian economy.⁶⁷

Nor have the economic reforms stemmed inequality among Ghanaians. On the contrary, this has been worsened by excessive liberalization in almost every segment of the economy. Even the agricultural sector, particularly the cocoa industry, which was supposed to benefit immensely from the reforms' emphasis on cash crops, has not. A survey in 1988

⁶⁶ Besides being Rawlings' kinsman, Tsatsu Tsikata is the direct cousin of the president's chief security advisor, Kojo Tsikata. This tribe and clan connection most likely explained why President Rawlings refused to fire Mr. Tsatsu Tsikata when it was revealed that the latter had personalized and mismanaged the finances of the GNPC costing the country billions of cedis, and when the IMF was reported to have recommended his dismissal. See Free Press, 7-13 July 1995, pp. 1, 6, and 7.

⁶⁷ The summit was eventually held in Accra after Nigeria refused to host it at Ghana's request. The initial estimated cost of ₵8 billion was pruned to ₵500 million as no luxury cars were provided for the sixteen heads of states. See West Africa 24-30 July 1995, p. 1146

indicated that 32 percent of farmers received 94 percent of total cocoa revenue while the remaining 68 percent received only 6 percent. The survey also showed that real per capita income of 82 percent of non-cocoa growing farmers stagnated under the reforms.⁶⁸ This tendency towards income maldistribution in the cocoa industry is a reflection of a bigger dichotomy created in the Ghanaian economy by adjustment in which a majority of the population plunges deeper into the sea of poverty and deprivation while a few flourish in opulence on the shore. This phenomenon often makes it difficult to reconcile the negative effects of adjustment with the international praises of Ghana.

In general, it appears unclear how basic data on Ghana's economic performance is obtained. It is certain, however, that the praises of Ghana are in total dissonance with the true life situation. As a matter of fact, most creditor representatives visiting Ghana catch only an aerial glance of the country and its people. One Ghanaian journalist illustrated this phenomenon with the British Secretary for Overseas Development Administration's (ODA) visit to Ghana in July 1995:

⁶⁸ United States Government Report of a Staff Study Mission to Great Britain, Ghana, Senegal, Cote d' Ivoire and France, November 29-December 20, 1988, to the Committee on Foreign Affairs, US House of Representatives (Washington D.C.: US Government Printing Office, 1989). Inequalities among business engendered and exacerbated by trade liberalization has been analyzed in Kwame A. Ninsin The Informal Sector in Ghana's Political Economy (Accra: Freedom Publication, 1991)

"Linda Chalker has been to Ghana and has been driven through the streets of Accra in the black, shock-proof Mercedes Benz. She stayed in the best hotel and was welcomed and served by warm, ever-smiling people and might have loved the sunshine.

But that's about all. She did not go with us to Nima 441, Chorkor, Ashaley Botwe, she did not pass by the New Town toilet or the heaped 'bola' at the Mallam Atta market. Perhaps she did not see the pot hole-ridden roads, the open gutters and the over grown weeds."⁶⁹

Unable to familiarize herself with the actual life situation in the country, the Honourable Linda Chalker, as expected, returned to London praising Ghana's economy.

The critical point is that the strains in the economy have intensified the hardships, making life unbearable to most Ghanaians. When after thirteen years of belt-tightening, no gains to the ordinary person are in sight, and when citizens are seeing themselves worst off instead of better off, it is natural that with the newly acquired political freedoms, the worse affected constituents society will wrestle with the state.

(iv) International conditionalities

If the interplay of economic and political reforms is provoking tension and if there is little the state can do, then the proliferating conditionalities of the donor agencies are exacerbating the problem. Notwithstanding the economic costs and the spate of demonstrations in the wake of political liberalization, the IFIs and major creditor countries still

⁶⁹ "Touching a Mirage" Guide 25-31 July 1995, p. 9

maintain their position of insistence on conditionalities. For example, an official of the British ODA in Ghana reiterated in an interview after the "kume preko" demonstration:

"I am not sure if the United Kingdom or any other donors will continue to give aid to Ghana should the government retract from the current economic and political reforms."⁷⁰

This inflexible stance by creditors leaves the Ghanaian government with no choice but to press ahead with reforms irrespective of the political consequences.

In the meantime, the Paris Club is determined to make Ghana the success story of adjustment. Pledging a total of US\$1.6 billion at its two-day consultative meeting in Paris (13-14 June 1995) for Ghana, the Club urged the government to accelerate its privatization drive and not to bow to domestic pressures. It is as if the creditors are beginning to realize the blow which political liberalization is dealing to the economic reforms. By urging the state to press ahead with reforms, the creditors were sanctioning, albeit indirectly, a return to authoritarian rule.

This international support has renewed Accra's resolve to implement adjustment reforms no matter the degree of opposition.⁷¹ Since the rigorous implementation of the

⁷⁰ Interview, Accra, 22 June, 1995. This also seems to be the position of the country's other major creditor nations with the exception of Japan whose conditionalities have focused more on "good governance" than on market reforms.

⁷¹ "Ghana wins \$1.6b in aid pledges" Daily Graphic June 15, 1995, p. 1

economic reforms is one source of tension, it can be inferred that with the government's new determination, a further widening of differences between the state and society is inevitable.

5:5 Conclusion

The spectre of tension between economic and political reforms in Ghana is a real and ominous phenomenon because of the grave danger it poses to economic reforms and governance. The tension stems essentially from factors associated with structural adjustment. Under reforms, the IFIs are placing undue emphasis on minimalizing the Ghanaian state, an entity they consider the main obstacle to development. Simultaneously, these creditors are over-enthusiastic about freeing the Ghanaian market. The result is that as the transition to the market economy unleashed its inevitable effects - inflation, price rises, unemployment, etc, - society reacted rationally through protest.

But the contradictions between economic and political liberalization would probably have been lessened if the NDC government would allow some transparency and debate on the economic reforms. Although some limited degree of openness is now evident within the political realm, the economic sphere still remains closed. Not even parliament can claim to have control over major economic decisions which have remained with senior technocrats, remote-controlled by the IMF. The result

is that the reforms have become vulnerable to resistance, as they are perceived as being imposed.

Yet, the lack of openness is not an accident of history; it stems essentially from the insatiable delight which throughout the reforms the Ghanaian leadership has demonstrated in exercising dictatorial powers and which has blinded it to the advent of the new political era. Clearly, the state needs to convince Ghanaians that it understands the era of political liberalization to imply a shift away from authoritarian rule to democratic practice; an era to accommodate, not to suppress opponents.

The pain from the economy is not helping the tension either. As a matter of fact, the long period of economic difficulties exacerbated by market reforms has eroded public patience. The result of a continually depressed economy is for its people to rise up naturally to challenge the status quo. Rather sadly, the IFIs are still optimistic about economic successes in Ghana as a result of which they have continued to infuse massive capital into the country's recovery effort. Against the background of current protests, creditors are grudgingly beginning to realize the necessity for a strengthened state in Ghana. The fear, however, is that by the time such a state is reborn, economic reforms would have been long dead and buried.

On the whole, then, after twelve years of structural economic reforms, Ghana's economic future still looks bleak.

As the economy is supposed to constitute the bedrock for political liberalization, it seems plausible to suggest that the Ghanaian democracy is also resting on a fragile base. These interrelated issues are analyzed in the next chapter.

Chapter 6

PROSPECTS FOR ABATING TENSION

6:1 Introduction

In chapter five, the nature and causes of tension between economic and political reforms were noted. It was also noted that consequent on that tension, state and society were in collision. I argued that the lack of transparency, or more broadly, the absence of a genuine democracy was at the root of the tension. This was compounded by the fragility of the Ghanaian economy and the strict insistence on conditionalities by Ghana's creditors which compels the state to press ahead with reforms.

Since the prospects for reducing tension is contingent on the extent to which democracy and economic growth can be consolidated, democratic governance and economic decay require further analysis. Therefore, in this chapter, I address two interrelated issues: first, I examine the prospects for democratic consolidation in Ghana. Second, I examine the prospects for economic revival under adjustment. The central proposition is that both democratic consolidation and economic revival are unlikely under structural adjustment.

6:2 Prospects for democratic consolidation

From the late 1980s, when much of Africa was transiting from one-party and military dictatorships to multiparty democracy, very little, if any, optimism was held in several intellectual

circles regarding its sustainability. The artificiality of the African state, the fragility of its economies; the precarious over-dependence of its countries on one primary commodity all provided grounds for pessimism.¹

Pessimism about democratic sustainability was further crystallized by the fact that in a majority of the cases transitions were unnatural, as they did not originate naturally from economic liberalization and hence lacked the requisite structural base. Having originated from adjustment conditionalities, the emerging Africa democracies are vulnerable once conditionalities are loosened. Even with conditionalities, the social composition of African states is unsupportive of democratic sustainability.² Any hopes for long-term democratic consolidation will require a fundamental reformulation of adjustment policies to reflect Africa's social and economic realities. Leaving adjustment aside, there are other formidable obstacles to democratic development and it is these I analyze with regards to Ghana.

Any meaningful discussion on the future of democracy in Ghana requires a distinction to be made between a "transition" to democracy on the one hand, and democratic "consolidation"

¹ See, for example, Christopher Clapham "Democratization in Africa: obstacles and prospects" Third World Quarterly 14(3) 1993, pp. 423-38; Joseph, "Africa: the rebirth of political freedom", pp. 11-24

² Timothy M. Shaw "Revisionism in African Political Economy in the 1990s" in Julius Nyang'oro and Timothy M. Shaw (eds) Beyond Structural Adjustment: the political economy of sustainable development (New York: Praeger, 1992), p. 66

on the other. This is necessary to avoid the euphoric generalization that once elections were held, democracy was born. As Bratton and van de Walle have warned, "cracks in the edifice of autocracy should not be mistaken for fully fledged transitions to democracy."³ In this study, I take transition to mean the moving away, through a series of popular multiparty elections at several levels, from dictatorship and autocracy to political pluralism. On the other hand, I assume consolidation to mean the sustainability of democratic institutions and practices along with their capacity to withstand shocks and pressures over time.

Generally, a transition is easier to make since even an implacable dictator can claim to organize general elections of some kind. Consolidation, on the other hand, is difficult to achieve as it requires time, endurance and commitments. A transition has occurred in Ghana; therefore I shall focus more on its supposed aftermath - consolidation - which, in my view, is threatened by several interrelated factors, the dominant of which is economic.

(i) The legacies of the PNDC

The durability of democracy in Ghana will be affected by the legacies of the PNDC, in particular, the political culture it

³ Michael Bratton and Nicolas van de Walle "Towards Governance in Africa: popular demands and state responses" in Goran Hyden and Michael Bratton (eds) Governance and Politics in Africa (Boulder: Lynne Rienner, 1992), p. 29

bequeathed for the 1990s. As noted already, the current NDC government is the 1990s' version of the PNDC and has not changed much in philosophy. Hence, like its predecessor, the NDC government has continued with the politics of exclusion and lack of sincere political accommodation. This conception was well captured by Kwesi Jonah:

"For many Ghanaians the Fourth Republic has been an era of unfulfilled dreams, dashed hopes and aspirations... The only Ghanaians who appear to believe seriously that there has been a transition to democracy are the power holders themselves. For the rest there has been a transition from military to multiparty politics; democracy is still being waited."⁴

This phenomenon is reinforced by the continued existence of some "repressive" institutions such as the Committees for the Defence of the Revolution (CDRs) and the militias created by the PNDC during the pre-transition years. This in turn means that a truly free society that promotes genuine democracy has not yet emerged. Accordingly, tension between the state-promoted economic reforms and forces of democracy will continue to unfold. Democracy cannot thrive under conditions of tension between the state and society.

(ii) The process of transition

As Beetham notes, a factor likely to undermine the prospects for the consolidation of any democracy is the manner in which

⁴ Kwesi Jonah "Multipartyism: continuity in politics" West Africa 10-16 January, 1994, p. 17

the transition was made in the first place.⁵ As did most incumbent survivors of the democratic wave, the PNDC deliberately managed the transition process so as to exclude elements considered potentially threatening. For instance, the regional fora that discussed the subsequent political developments, the time-table for the transition, the composition of the Interim National Electoral Commission (INEC) to oversee the elections as well as the setting up of the Consultative Assembly to Draft the Constitution, were all done with the involvement of only known sympathizers of the regime.⁶ The fact of marginalizing society during the transition, is one explanation for its virulently antagonistic relations with the state.

Yet, the PNDC might have strong reasons for managing the transition. In the first place, it needed to ensure the victory of the Rawlings-led NDC in the subsequent election and once this was achieved, second, to ensure a more rigorous implementation of adjustment. For the PNDC, this was compelling given the high stakes of the Bank and Fund in Ghana and against the background of popular opposition to reforms. Third, the PNDC and, particularly Rawlings, appeared unsure, having created more foes than friends by his policies, of his fate should he fall from power. For Rawlings, a grip over the

⁵ David Beetham "Conditions for Democratic Consolidation" Review of African Political Economy 60, 1994, pp. 157-172

⁶ Kevin Shillington Ghana and the Rawlings Factor (London: Macmillan, 1992), pp. 171-76

transitional process was as necessary as an electoral victory.

The essential point for the analysis here is that rather than signalling the beginning of genuine participatory democracy, the transition and the subsequent election only "proved to be a conflict creating experience."⁷ It worsened the already stale relationship between state and society. The latter suspected the state of pursuing a hidden agenda whose central thrust was to continually suppress and marginalize it in political discourse; while the former feared the crumbling of economic reforms should the transition be hijacked by society and a new anti-adjustment regime came to power. This stand-off has continued and will most definitely undermine the long-term consolidation of democracy as the state continues to perceive society as threatening to the continuity of economic reforms.

(iii) Concentration of power in the state

Although a market economy is being re-established under structural adjustment which in theory was supposed to separate political and economic powers, democratic consolidation in Ghana is still being threatened by the concentration of power in the state. The state continues to assume rather erroneously, as in the 1980s, that to devolve power is to

⁷ Donald Rothchild "Structuring State-Society Relations in Africa: towards an enabling political environment" in Jennifer A. Widner (ed) Economic change and Political Liberalization in sub-Saharan Africa (Baltimore: Johns Hopkins University Press, 1994), p. 213

create space for opponents. As it centralizes power in itself, there is a corresponding weakening of other alternative centres of power. Thus, social groups remain cautious in their relationship with the state. As a member of the University Teachers Association of Ghana (UTAG) puts it:

"much of this talk about transparency in the Ghanaian political system is cosmetic; it is not real. No individual or group can genuinely criticize government policies without running the risk of being harassed..."⁸

This tendency towards power concentration in the state is enhanced by the absence of a vibrant indigenous bourgeoisie on the economic scene to provide a countervailing force. Thus, as the economic system continues to lack a strong middle class, we can only recall Moore's "no bourgeoisie, no democracy" dictum and be sure that the prospects for democratic sustainability are bleak in Ghana. Again, this implies that the market-democracy tension is far from over.

Some Ghanaian informants hold the view that pressure from their countrymen and women in the diaspora, coupled with a strong threat to withhold remittances, may restrain the state from becoming dictatorial and thus promote democratic conditions.⁹ At face value, this sounds logical, but such a project cannot, in practice, pressure the government to remain democratic for three reasons: First, foreign remittances do not officially pass through the state for the latter to feel

⁸ Interview, Accra, 12 June 1995

⁹ Interviews in Accra between May and July 1995.

the impact of their suspension. Second, remittances have always gone to the "fortunate" individuals and families, having relatives abroad. Government thus has no control over their distribution.

Thirdly, and more importantly, dictators in Ghana are hardly transformed by the moral pressure of the kind to be exerted by Ghanaians abroad. In the 1980s, pressure from Ghanaians in London and the US could not, for example, limit the political excesses of the PNDC. Similarly, when in mid-1992 Ghanaians resident abroad petitioned the PNDC to be allowed to vote in the impending general elections, this went largely unheeded. Since in the past the government got away with defying the opinion of Ghanaian nationals abroad, this can hardly be seen to have any effect now. It is rather the IMF-type of pressure, one backed with credible sanctions, that can compel the Ghanaian state to behave in a specific way.

(iv) Economic underdevelopment

Nor are Ghana's economic conditions providing any basis for optimism about democratic sustainability. As noted about previous regimes, economic underdevelopment remains the most inhibiting factor in Ghana's efforts to sustain democracy. Economic decline can affect democracy in a number of ways. For example, it can crystallize demands for democracy as well as delay pressures for democratic reforms. Zambia's swift shift to multiparty democracy in contrast to Kenya laid in the

difference in their relative economic declines. In the former, decline was massive and affected every strata of society hence demands for reforms became all-inclusive when they erupted. By contrast, Kenya's relatively stronger economy ensured that the middle class stood aloof, leaving agitations for political reforms to tribal group leaders and the ecclesiastical establishments.¹⁰

As well, economic malaise and poverty can either precipitate military intervention, or because of the inherent imperatives of economic survival, create societal apathy towards demands for democratic reforms. These two are probable scenarios in Ghana where poverty remains a common phenomenon. For the moment, I shall dwell on the questions of poverty and return to the military question later.

In Ghana, poverty is being intensified by devaluations and subsidy withdrawals that came along with economic reforms. The World Bank admits that despite gains from reforms, poverty remains a growing problem. About 35 percent of the population, representing over 5 million people, have incomes of less than \$25 a month.¹¹ Workers in both formal and informal employment

¹⁰ Michael Bratton "Civil Society and Political Transitions in Africa" in J.W. Harbeson et al (eds) Civil Society and the State in Africa (Boulder: Lynne Rienner, 1994), pp. 51-81

¹¹ World Bank Ghana 2000 and Beyond: setting the stage for accelerated growth and poverty reduction (Washington: World Bank, 1993), p. 8. Also see New African September 1995, p. 31. Earlier, Botchwey had attempted to shift blame, arguing that poverty in Ghana was not the making of structural adjustment, but was rather inherent in Ghana's

have suffered unremitting declines in real wages under adjustment. As early as 1984, only one year into economic reforms, the finance ministry conceded that workers' real wages had plummeted by 80 percent in real terms and by 1991, real incomes were estimated to be 125 percent lower than their real 1971 levels.¹² Poverty has manifested itself in malnutrition, disease, crime, inaccessibility to educational and health facilities, conditions which are much more pervasive in the rural areas.¹³

The implications of poverty for democratic consolidation are obvious: As most of the population cannot maintain minimally acceptable standards of living, its preoccupation tends to be with basic economic survival rather than with defending human rights. As Rawlings correctly notes, "a starving man has little interest in democracy."¹⁴ In a poverty-ridden society, there is a tendency to seek survival above everything. A taxi driver who suddenly realized that protesters against economic hardships had blocked the street on which he was driving illustrated this point when he

underdevelopment. See Africa Report November-December 1987, p. 49

¹² West Africa 26 March 1984, p. 655; Herbst, The Politics of Reform in Ghana, p. 154

¹³ Jon Kraus "The Political Economy of Stabilization and Structural Adjustment in Ghana" in Donald Rothchild (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), pp. 141-3

¹⁴ West Africa 10-16 January, 1994, p. 15

murmured in exasperation:

"We are already hungry and starving, why are these protestors blocking the roads again and preventing some of us from getting the day's 'chop-money'?"

Sitting by him, I asked the driver if he was not grateful that some of his fellow countrymen and women were sacrificially fighting a legitimate cause on his behalf. To this he replied:

"You see young man, these demonstrations only make things worse. For years there has been demonstrations, but nothing has changed.... We need to pay our children's school fees, we need to feed our families.... we need to eat first; it is when you are strong that you can march on the streets."¹⁵

This "survival first" idea also seems to be the thinking even of some of the more educated people. For example, a senior secondary school (SSS) tutor, a university graduate, admitted that he was "more concerned with [his] stomach than with human rights."¹⁶ Those who subscribe to the survival first principle seem not to realize the interrelatedness of physical survival and human rights; that the two are not mutually exclusive.

At a broader level, however, it would be naive to assume that these people have aversions towards democracy and freedom in principle. Rather, the fact is that economic adversities have proved so overwhelmingly severe that democratic rights have become a secondary matter; in fact, a luxury. For the impoverished majority, there is the overriding urgency to deal

¹⁵ Interview, Accra, 11 May 1995

¹⁶ Interview, Kete-Krachi, 15 June, 1995

with the more immediate concerns of basic existence before talks about democracy can be meaningful. As Herbst has observed, Ghanaians are "fire-fighters", concerned with tackling the more pressing problems.¹⁷ Sustainability is most unlikely in a polity where democracy is ranked in second place and where it is not perceived as a virtue worth dying for. Thus, Diamond and Linz's assertion that "economic crisis represents one of the most common threats to democratic stability", could not be more valid.¹⁸ No wonder that the state exploited economic crisis in the past and will most probably do so in the present to undermine democracy.

(v) Crisis of definition

A further damaging implication of economic underdevelopment for democratic consolidation is for leaders in Africa, already anxious to revert to dictatorship, to define democracy in developmental rather than in simply political or legal terms. By this, a ready justification is often found for the suppression of democracy. During the immediate post-independence years the overriding concern for African leaders was economic development, a concern that culminated in the creation of one party states. Nevertheless, the primary result

¹⁷ Herbst, The Politics of Reform, p. 101

¹⁸ Larry Diamond and Juan J. Linz "Introduction: politics, democracy and society in Latin America" in Diamond et al (eds) Democracy in Developing Countries: Latin America (Boulder: Lynne Rienner, 1989)

after several years of one-party rule was a fatal loss on two fronts: on the one hand, democracy turned out to be a lost paradise and, on the other hand, economic development, on the altar of which the latter was sacrificed also became an illusion.¹⁹

Rather than promoting development and democracy simultaneously, Ghanaian leaders have always prioritized economic development over democracy. Flt. Lt. Rawlings in particular has frequently justified the suppression of human rights by the need for development. He espouses a certain "socialistic" kind of democracy despite this being somewhat old-fashioned. This conception of democracy was clearly articulated in a speech he made shortly after taking power:

"....To many of us, if not all of us, democracy does not just mean paper guarantees of abstract liberties. It involves, above all, food, clothing and shelter, in the absence of which life is not worth living...."²⁰

Throughout the 1980s, this basic needs approach to democracy became the PNDC's guiding principle. This was so even at a time when the World Bank representative in Ghana, Mr. Ken Sigrist, seemed to have fully realized the importance of popular participation, warning that the government might base its "calculations on wrong premises" if economic policies were

¹⁹ Peter Anyang' Nyong'o "The Failure of One-Party Rule" Journal of Democracy 3(1) January 1992, pp. 90-96

²⁰ Quoted in Shillington, Ghana and the Rawlings Factor, p. 82

not informed by a wide public debate.²¹

More generally, the international donor community did not initially feel particularly concerned with the PNDC's approach to democracy. It had realized, in the light of civil strikes and protests, that even a limited degree of political openness was sufficient to throw adjustment overboard. Ghana would then falter as a "success story" and deny the creditor institutions the moral justification to push other African countries into rigorous adjustments. Thus the preference for economic success over political transparency intensified donor silence on human right violations.

Even as the wind of democratic change blew across Africa, with popular demands for transparency in governance, the government still clung to the socialistic version of democracy. For example, in an address at the opening session of an NDC-organized seminar in Sunyani on 5 July 1990, the Ghanaian leader reiterated:

"For us democracy cannot simply mean holding...elections periodically while we continue to endure poverty, misery, illiteracy, hunger and poor health facilities and while many of our able-bodied citizens are unable to find employment. We cannot divorce any discussion on the structures or processes of government from the economic necessity of providing for the basic needs of society."²²

Yet, in spite of its position on democracy, the PNDC

²¹ West Africa 6-12 January, 1992, p. 38

²² Gerald J. Schmitz and Eboe Hutchful Democratization and Popular Participation in Africa (Ottawa: North-South Institute, 1992), p. 16

succumbed to multiparty elections. But as I argued in the previous chapter, the Ghanaian leadership is not the flexible, easily-reforming type that adapts quickly to new situations, at least not in practice. Rather, it is the type that once engrained in a tradition does not readily relent. As Schmitz and Hutchful have cautioned, the tricks and antics displayed by many incumbents during the transitions show that they have been merely bowing to demands in theory; in practice, they have remained firmly in control.²³ Although transformed into NDC in a new political epoch, there were still few signs that the regime had shed its earlier perception of democracy.

It is striking though that, in spite of the state's repeated emphasis on improving the quality of life, a large percentage of Ghanaians still do not have the much talked-about access to good drinking water, education, shelter or good health. As a matter of fact, adjustment has rather tended to take away from many the little that they hitherto had of these social services. For some, gaining access to such amenities under these reforms is a nirvana.

Often, rhetoric on socialist democracy only tends to lay the foundations for the systematic crack-down on democratic forces. Nkrumah's "Dawn broadcast" of 8 April 1961 in which he outlined his socialist programme was followed by an assault on

²³ Schmitz and Hutchful, Democratization and Popular Participation in Africa, p. 18

democracy.²⁴ The 1990s is not likely to be different; it is likely to see a new aggression on democracy as there is little to suggest that the womb that conceived dictatorship in the 1980s is yet barren.

For the Ghanaian state, one disturbing factor in the new political dispensation is the critical role assumed by the private press. In recent times, the private press is not only exposing corruption involving high ranking public officials, but is unveiling the contradictions and fallacies in structural adjustment, developments that are increasingly becoming a source of governmental embarrassment. In response, the state is already seeking a pretext, albeit covertly, to curtail press freedom. This, surely, will be found in the invocation of its old and discredited notions of democracy. In his speech to the Ninth biennial Conference of the African Council for Communication Education in Accra, Rawlings depicted press freedom as a luxury:

"Let us not forget that African nations are plagued with countless developmental problems. Constructive discussion of these problems should be at the top of the agenda. In developed societies where people enjoy relatively many facilities, they in their boredom, have developed an appetite for certain kinds of media publications and stories. But we in the developing countries, faced with the harsh realities of the struggle to survive, need a media with a different agenda."²⁵

And, clearly, for the Ghanaian leader, this "different agenda"

²⁴ Chazan, "Ghana: problems of governance and civil society", pp. 99-101

²⁵ West Africa 21-27 November, 1994, p. 1993

should be nothing more than an uncritical press, one that would daily sing "haleluya" praises not to God, but to government and devote front pages to echoing illusory adjustment successes.

The central contention here is that democracy can rarely be consolidated where the state and society tend to hold different, often conflicting notions of it. The state is sure to prevail over society in its projection of an alternative interpretation of democracy. It is likely to employ a variety of methods including cooption, patronage and even intimidation to reestablish its domination. The result ultimately will be the stalling of democracy and the exacerbation of tension between state and economic reforms on the one hand, and society and democracy on the other.

(vi) Ethnicity

A factor that has also featured prominently in the democracy discourse is ethnicity.²⁶ As a rule, the success of democracy requires a degree of consensus and accommodation of the diverse elements in the state. In general, this consensus has been difficult to achieve in a great number of African countries where such diversities as religion, culture, language and history are deeply marked. Ghana, like most

²⁶ Larry Diamond "Introduction: roots of failure, seeds of hope" in Diamond et al (eds) Democracy in Developing Countries vol. 2 Africa (Boulder: Lynne Rienner, 1988), pp 10-12

African countries, is multi-ethnic.²⁷ Yet, the extent to which ethnicity has seriously threatened the country's democracy in the past is still debatable. Although as noted in chapter four allegations of Akan discrimination against Ewes in political appointments were made during the Second Republic, this did not constitute a particularly explosive force beyond creating suspicion between the two groups. During the 1980s, fresh complaints of discrimination were made, this time by Ashantis, who accused Rawlings and his Ewes tribe of monopolizing all the key public appointments. Adu Boahen, an Akan, stated this allegation rather bluntly in his Danguah lectures:

"Whether Rawlings is aware of this or not, this situation [where all top government positions are being held by Ewes] is creating the unfortunate impression that the country is being dominated and ruled by that single group, and this impression is causing....anger and irritation" ²⁸

Such "anger and irritation" did not change the fortunes of democracy in the 1980s, because democracy did not exist in the first place. However, ethnic chauvinism may be laying the

²⁷ Ghana's ethnic differences are principally defined by language as the linguistic groups tend to have certain cultures in common. Broadly speaking, four major linguistic constellations can be identified: the Akans (composed of Akwapim, Asante, Brong, Fanti, Nzima and other smaller groups) who together constitute 44.1 percent of the population; the Mole-Dagbani, inhabiting Northern Ghana constitutes 15.9 percent; Ewe in the east with 13.0; the Ga-Adangbe on the Coastline, 8.3 percent; the remaining 18.2 percent is a sum of minor linguistic groups spread across the country.

²⁸ Boahen, The Ghanaian Sphinx, p. 53

foundations for quakes in Ghana's democracy in the years ahead. For example, Ashanti elites in the predominantly Ashanti New Patriotic Party (NPP) boycotted the official ceremony inaugurating the Fourth Republic on 7 January 1993. It could be plausibly argued that the absence of an official NPP delegation at the ceremony was an extension of the opposition parties' boycott of the Parliamentary elections, which itself resulted from earlier allegations of unfair electoral practices in the preceding presidential polls. However, the boycott could also be logically interpreted in ethnic terms. Ashantis had labeled the PNDC an "Ewe government". The NDC, the "civilianized" PNDC that was being inaugurated was by implication an Ewe government. For the NPP, to be present at that ceremony would be to recognize or legitimize a government whose electoral victory it seriously disputed.

Ethnicity is gradually beginning to provide a reference point for social reality. This was evidenced during the anti-VAT protest in Kumasi, the capital city of the Ashantis and the strongest foothold of the NPP. Kumasi has generally seen the government as Ewe. It also identifies economic hardships caused by reforms with the government. In effect, Ewes were part of the cause of the hardships. One respondent confirmed this:

"All these troubles [economic hardships] we are going through are caused by the Ewes. We had the chance to remove Rawlings from power, but they [Ewes] voted for

him."²⁹

Thus, most Ashantis saw the protest not only against VAT and general economic hardships, but against the Rawlings regime, an Ewe government. Accordingly, some Ashantis considered the protests as providing occasion for vengeance against Ewes, as one protestor noted angrily:

"... today is the day, we [Ashantis] will bury them [Ewes] alive. ... They think the country belongs to them alone."³⁰

Historically, deep ethnic prejudice and animosity have existed between Ashantis and Ewes and this divide between these two large ethnic groups could precipitate serious dissension in the future.

While Ashantis and Ewes remained engaged in an ethnic "cold war", long-standing mutual suspicions have led to the intermittent eruption of bloody wars between ethnic groups in the north since 1980.³¹ These have been largely regional in

²⁹ Interview, Kumasi, 25 May 1995

³⁰ Interview, Kumasi, 25 May 1995. Apparently, government-organized thugs tried to counter the anti-VAT demonstration in Accra. Most people in Kumasi believed such pro-government demonstrators to be Ewes. This has, however, not been confirmed.

³¹ A list of such ethnic wars include Gonja and Battor in 1980; Gonja and Vagalla in 1980; Konkomba and Nanumba in 1980 and 1995; Konkomba and Bimoba in 1988; Gonja and Nawuri in 1991; and Nchumuru, Nawuri and Konkomba vs Gonja in 1992 and again in 1994. In all the cases, the wars were precipitated by a clash of interests: the desire of the minority communities to be autonomous, on the one hand, and those of the majorities to maintain the status quo. See, for example, Nana Brukum "Fifteen Years of Ethnic Conflicts in Northern Ghana: an appraisal" Paper Presented at the Canadian Association of African Studies meeting at McGill University, Montreal, 1-5

scale, and hence did not directly threaten national stability. Nevertheless, they have left permanent wounds in the relations among these neighbouring and adjunct tribes in northern Ghana that might take several decades to heal, if this is possible at all. Democratic consolidation requires compromises but where ethnic animosity makes this impossible, democratic development will be impossible to achieve as well.

As a rule, political instability is injurious to democratic development. Frequent changes in government through violence do not allow democratic institutions to consolidate. In countries like Burundi, Liberia, Nigeria and Rwanda to mention a few, military coups and armed rebellions tend to reflect ethnic configurations. However, any assertion that ethnicity was responsible for the demise of Ghana's democracy in the past will be incorrect. In fact, the causes of the country's five coups so far could all be explained more in terms of "ideology" or economic philosophies than in ethnic terms.³²

May 1996.

³² The group of military and police officers who overthrew Nkrumah, an Nzima, in 1966 was composed of Ewes, Akans and Northerners. As noted earlier Nzimas are a subdivision of Akans. Busia, who was deposed in 1972 by Acheampong, was himself a Brong, a component of the Akan group. Acheampong was an Akan and was removed from office by Akuffo, also an Akan, in 1978. Rawlings, who unseated Akuffo in 1979, however was an Ewe and Limann, whom Rawlings deposed again in 1981 belonged to the Mole-Dagbani. There does not seem to exist any clear correlational pattern between the coups leaders and tribes.

(vii) The military

While ethnicity may not constitute a direct and immediate threat to stability and hence to democracy, the military as an institution may. In the past the military has justified its intervention in Ghanaian politics on economic grounds, claiming to replace inept civilian regimes. There seem to exist further possibilities of this happening again. As Callaghy has warned, the distributional imbalances of the effects and benefits of structural adjustment make the reemergence of the military in Africa a real possibility.³³

It may be recalled that the military intervention in 1972 was based on the claim that the elected Busia government was "taking away the little amenities it enjoyed." Similarly, Rawlings in 1979 accused the Akuffo regime which he subsequently overthrew of "disgracing" the army. With donor conditionalities now extending to include cuts in military spending, this could crystallize military discontent.

Even more critical is the economic impact of reforms on the ordinary, non-commissioned officers (NCOs). Like members of the public, these people need to clothe, feed and educate their children. Therefore as real incomes plummet under devaluation and pressures from the market become intense,

³³ Thomas Callaghy, "Comments on Political Liberalization and Economic Policy Reform in Africa and Political Liberalization and the Politics of Economic Reform" in Economic Reform in Africa's New Era of Political Liberalization Proceedings of a Workshop for SPA Donors hosted by the US Agency for International Development (USAID), Washington, D.C., April 14-15, 1993, p. 106 [footnote]

interventionist motives may develop. As in the past, NCOs will perceive the government as both incompetent and inept and this could precipitate intervention. As Rawlings himself admits, "a soldier may be a professional fighter, but that does not take away his or her social and political responsibility."³⁴ Military intervention in the adjusting countries of Sierra Leone, Gambia and Niger in 1993, 1994 and 1996 respectively, all attest to the potential threat the military can pose to Ghana's fledgling democracy.

So far, I have argued that poverty and economic decline constitute the greatest obstacles to democratic consolidation. I have also implied that despite liberalizations, auctions and devaluations, the Ghanaian economy is still fragile. This means that democratic consolidation, which is to a very large extent contingent on economic growth, also remains uncertain. It is appropriate then to examine why the Ghanaian economy is not turning around so as to reduce tension between state and society.

6:3 Prospects for economic growth

In what follows, I examine why the Ghanaian economy is still in the doldrums and unable to alleviate poverty after more than a decade of structural adjustment. I contend that

³⁴ Quoted in Jeffrey Herbst "The Dilemmas of Explaining Political Upheaval: Ghana in comparative perspective" in Jennifer A. Widner (ed) Economic change and Political Liberalization in sub-Saharan Africa (Baltimore: Johns Hopkins University Press, 1994), p. 183

Africa's marginalization, political instability, low private sector response as well as certain inherent contradictions in adjustment are the main factors inhibiting economic growth.

(i) Africa's marginalization

I noted in chapter two that by their nature, adjustments were incorporating African economies more fully into the global economic system. The emphasis on the production of primary and exportable cash crops ensures that Africa plays its role as the supplier of raw materials, while liberalization ensures that the continent provides a market for industrial goods. Yet a paradox arises in that such incorporation of Africa into the global economy is occurring at a time when the continent is being systematically marginalized in the same economy. This marginalization is assuming several dimensions; yet the economic dimension, reflected in two interrelated developments, is critical for the analysis here: (a) shrinking direct foreign investments (DFIs); and (b) declining international aid flows (ODA) to the continent despite governments meeting the adjustment conditionalities. These developments are poised to adversely affect Ghana's economic recovery efforts.

It has become clear that the combined effects of the collapse of the communist bloc and Africa's economic crisis have accelerated a trend whereby foreign capital is gravitating away from the continent, possibly to the liberated

economies of Eastern Europe. For example, due in part to competition from imports engendered by trade liberalization, British companies investing in Nigeria, Kenya and Zimbabwe numbering some 139 declined to 96 during the 1980-90 period. Similarly, France, whose economic presence has been visibly heavy in Africa, had its investments shrink from an average of \$1 billion during the 1981-3 period to -\$438 million in 1987 and -\$824 million in 1988. As well, both Japan and the US have drastically reduced the volume of their investments even in an economically attractive country like Kenya.³⁵ Given its investment and resource potential, South Africa is the single country that may continue to attract foreign capital. Thus liberalizations and devaluations notwithstanding, there is a general trend towards economic disinvestment in Africa.

Even as Africa copes with shrinking foreign investments, the spectre of dwindling capital flows has become more real than ever. For example, despite meeting adjustment terms, net nonconcessional capital flows to Africa dropped from more than \$8 billion to a staggering \$1 billion during the 1983-1985 period.³⁶ Similarly, an IMF report shows that although new loan commitments by international banks to developing

³⁵ Nii Bentsi-Enchill "Franc Zone Turmoil" Africa Recovery 4(1) April-June 1990, pp. 18-19. For a fuller picture of the extent of Africa's economic, strategic and commercial marginalization, see Thomas M. Callaghy "Africa and the World Economy: caught between a rock and a hard place" in John W. Harbeson and Donald Rothchild (eds) Africa in World politics (Boulder: Westview Press, 1991), pp. 39-68

³⁶ Callaghy, "Africa and the World economy", p. 41

countries increased from \$20.6 billion in 1990 to \$28.1 billion in 1991, the proportion destined for Africa declined from \$0.6 billion to \$0.4 billion over that same period.³⁷

These twin developments, along with the declining importance of African primary products to the global economy, are seriously undermining economic revival on the continent. Generally, however, in spite of shrinking aid to Africa, Ghana is being rewarded for being a "strong adjuster", with a massive infusion of IMF and World Bank capital reflected in the latest pledges of the Paris Club. As Herbst humorously puts it,

"There is probably more than enough money in the World Bank for five or six more Ghanas (as long as one of them is not Nigeria) because the money provided to Ghana, while large in African terms, was not that significant to the World Bank.... The lesson for African countries is that it is important to be the second or third fastest reformer rather than the twentieth."³⁸

How much longer the IFIs will continue to finance Ghana's economic reforms in an age of marginalization is unclear, the desire to see Ghana through as a "success story" notwithstanding. Indeed, some observers are already forecasting a possible IMF retreat from Ghana. For example, Herbst notes that Ghana has transcended the stabilization stage (which required IMF involvement) to one of adjustment where it is supposed to be capable of managing its own fiscal

³⁷ International Monetary Fund International Capital Markets: development, prospects and policy issues (Washington: IMF, September 1992), p. 77

³⁸ Herbst, The Politics of Reform in Ghana, p. 133

affairs. An IMF retreat is therefore imminent in the years ahead.³⁹

Even this aside, post-elections developments in Ghana may frustrate the IFIs out much earlier. Economic indicators are discouraging; the Bank is getting increasingly concerned with the government's inability to control spending and political liberalization seems to be setting the limits for adjustment. Indeed, the recent call by the TUC on the government to convene a national forum as a matter of urgency "to find solutions to the country's economic problems",⁴⁰ is a clear indication that, far from improving, and despite heavy Bank/Fund involvement, the Ghanaian economy still remains in deep crisis.

Certainly, as a profit-oriented institution, the World Bank cannot rationally continue to pour money into a bucket with multiple perforations despite the amounts of money it still has available for the "five or six more Ghanas."⁴¹ In

³⁹ Herbst, The politics of Reform in Ghana, pp. 133-4

⁴⁰ West Africa 28 August-3 September 1995, p. 1346

⁴¹ The World Bank is already disillusioned with Ghana, seeing Uganda as having better chances of becoming a true success story of SAP. See World Bank News XV(1) January 4, 1996, p. 2. The Bank's realization should not be surprising: Uganda is not yet a multiparty state. Unlike Rawlings who lost much of his autocratic powers since 1992, Museveni still retains the capacity to quell opposition to Uganda's reforms. In a sense, this supports the view that effective adjustment in Africa is only feasible under an authoritarian regime. Once the Ugandan political system is liberalized and the new regime begins to feel democratic pressures, the Bank may yet find another country displaying greater potential for adjustment success.

the light of this, we can only assume a pessimistic future for Ghana's economy. This being so, poverty may never be alleviated and tension between political and economic reforms will remain prevalent.

Just as recession in aid to Ghana is likely to undermine economic revival in the years ahead, so is the dwindling international capital investments in the country. As Mosley et al have noted, Ghana, with its success in adjustment, has not been able to attract investors in proportion to the degree of liberalization it has undertaken.⁴² Consequently, the government has, since the mid-1980s, been engaged in a strenuous effort to attract foreign capital.

Alongside the creation of the Ghana Investment Centre (GIC) to speedily process applications for investments and thus eliminate earlier bureaucratic practices, the government joined the World Bank's Multilateral Investment Guarantee Agency (MIGA), which guarantees profit repatriation for investors. The government has also organized agricultural and industrial shows in a bid to advertise Ghana's resource potential. Moreover, it adopted the stock market system in a bid to finance the recovery effort and to project the country as an emerging market. Despite these incentives, DFI fell to \$4 million by 1987 although it rose to \$12 million a year during the 1988-9 period. Even so, these were mainly in the

⁴² Paul Mosley et al Aid and Power: the World Bank and policy-based lending (two volumes) vol. 1 Analysis and policy proposals (London: Routledge, 1991), p. 199

mineral and timber industries.⁴³

In the 1990s as the capital retreat from Africa assumed critical dimensions, the government resorted to two main strategies to attract foreign capital, namely, i) legislative incentives for private capital; and ii) the dispatch of state officials to Western and certain Asian capitals to promote investments in Ghana. With regards to the first, the government in September 1994 promulgated the Ghana Investment Centre Promotion (GICP) Act to replace the Investment Code of 1985. The new legislation introduced a list of new incentives to capital. Among others, it reduced the minimum capital requirement, in the case of joint partnerships between Ghanaians and foreigners, from \$60,000 set in 1985, to \$10,000; while that for wholly foreign-owned companies was reduced from \$100,000 to \$50,000. As well, with the exception of mining and petroleum areas where projects required prior approval from the Minerals Commission and the Ghana National Petroleum Corporation (GNPC) respectively, investors were free to establish companies without prior approval.⁴⁴

But, as the familiar adage goes, 'if [after all the fasting and praying] the mountains would not come to Mohammed, [then] Mohammed would have to go to the mountains'. The Rawlings' government is not the procrastinating type that

⁴³ Martin, "Negotiating Adjustment and External Finance", p. 255

⁴⁴ "Investment: Ghana 'means business'" West Africa 17-23 July, 1995, p. 1128

slumbers and is overtaken by events; it is, on the contrary, still an interventive regime. Thus, as investors' response continued to be paltry, even with liberal policies, the government adopted a more determined approach to attract investors. Since the beginning of the 1990s, it has been sending officials to Western capitals to promote Ghana's investment opportunities. This was crowned by the visit of President Rawlings himself to Washington and London in March and July 1995, respectively.

The combined effect of the two strategies seems to have yielded some fruits for, by the first quarter of 1995, the GIPC had recorded a total of \$495,480 in DFI against \$238,288 registered from September to December 1994.⁴⁵ Investors seem to have developed greater "confidence" in Ghana. This should not be surprising since, after all, they are constantly being (mis)informed that Ghana is a success story. Even so, this figure belies the high price Ghana is paying for such investments as an official of the tourist industry noted:

"Considering the amount of money the state has spent on officials travelling around the world to make personal contacts and promote investments in Ghana, the response is not really encouraging."⁴⁶

And not many encouraging responses can be expected in the future either. Economic performance in Ghana is unimpressive, many people are unemployed and thus lack purchasing power,

⁴⁵ West Africa 17-23 July, 1995, p. 1128

⁴⁶ "Ghana woos foreign investors" New African January 1994, p. 39

while devaluations are constantly eroding the purchasing power of both formal and informal employees. If after establishing a car assembly plant a Japanese company realizes that it is not selling its products, it will wind up. Both the government and its supporting IFIs do not seem to realize this logical inconsistency in the adjustment programme; the contradiction between reforms impoverishing the population on the one hand, and the latter being called upon to purchase expensive industrial goods on the other. In short, Africa's peripheralization with its attendant implications are poised to thwart Ghana's efforts at sustained economic growth.

(ii) Political instability

Another disturbing factor which foreign as well as national investors must contend with is the spectre of instability gripping the West African sub-region. Instability as reflected in political turmoil in Liberia and, more recently, in Cote d'Ivoire, Nigeria and Sierra Leone, has created an atmosphere of insecurity - potentially a severe disincentive to investment. Political turbulence in these neighbouring countries has proved particularly damaging to Ghana given the tendency for most foreign observers to identify African countries with the same set of characteristics. Ghana itself has been the theatre of bloody ethnic fighting in 1994 and early 1995, a situation that has seriously marred the country's serenity credentials. Generally, insecurity tends to

scare potential investors because, as Strange correctly notes, at times "it is the search for security more than the pursuit of profit that motivates firms to engage in international production."⁴⁷

(iii) Poor response from local capitalists

While threats of conflict scare foreign investors, potential Ghanaian entrepreneurs are also exhibiting an astonishing reluctance to commit their capital to domestic ventures. Some reasons could be suggested for this. First, prospective investors are still sceptical about the true intentions of Rawlings and his government given the latter's past hostile attitude towards private capital. For many potential investors, it is contradictory, even dangerous, to trust a leader who only a few years ago lambasted private capital with monstrous fury and who now turns round to woo it. And, surely, Rawlings seemed to have realized the seemingly irreparable damage his past policies have caused to state-private sector relations and the task his government now faces in regaining the trust of the latter. He frequently appeals to prospective investors:

"It is the government's belief that a dynamic private sector will be the engine of growth in the years ahead.... If in the past any impression was given that my government was against the private sector, I will

⁴⁷ Susan Strange "An Eclectic Approach" in C. N. Murphy and R. Tooze (eds) The New International Political Economy (Boulder: Lynne Rienner, 1991), p. 42

like to take this opportunity to dispel the notion as totally wrong and misconceived."⁴⁸

Unfortunately, that notion could not be easily dispelled when the ruthless treatment inflicted by the CVCs and other state agencies on entrepreneurs were still fresh in many minds. In fact, Rawlings' call on Ghanaians to boycott the products of Mr. Appiah Menka, a private Ghanaian soap manufacturer, because the latter was allegedly using his profits to support opposition parties, could only worsen state-capital relations.⁴⁹ Strangely, this was at a time when Ghana was supposed to have returned to a democracy and when the government was wooing private investors!

Secondly, real democracy is yet to take roots in Ghana to assure potential investors of a truly liberal environment, one that safeguards the institution of private property. Again, it is compelling to recall the near indiscriminate seizures of private property and the tracking down of individuals suspected of living above their known incomes in the early 1980s. As a London-based Ghanaian businessman warily puts it, "which investor is so foolish to invest his or her money today and have it seized tomorrow?"⁵⁰

Thirdly, alongside Rawlings' past shady policies are the many impediments posed by structural adjustment itself which

⁴⁸ New African January 1994, p. 39

⁴⁹ Daily Graphic 19 June, 1993

⁵⁰ Interview, Accra, 19 February 1995

militate against smaller private, particularly local, capitalists. For example, the frequent devaluations caused by the weekly auction are creating uncertainty for businesses as they constantly erode the capital base of industries and thus threaten their very existence. Thus, while devaluations claim to "strengthen" the economy, they simultaneously undermine private industries. In sum, poor private sector response - foreign and national, large and small - may undermine economic growth in Ghana.

(iv) Contradictions in SAP

Often not realized, yet thwarting efforts at economic revival are the contradictions in the reform packages themselves. Liberalization, for example, is daily signing the death warrant of many local industries as the latter are increasingly unable to withstand foreign competition. As early as late 1988, almost all Ghana's garment factories had closed down because of imported garments and secondhand clothing.⁵¹ Equally affected were the leather-processing, drugs and plastic industries. The story is similar in the agricultural sector, where it is saddening to observe many rice farmers abandoning production as imported rice has become cheaper or preferred to the locally produced variant.⁵² Here again, the

⁵¹ West Africa 12 September 1988, p. 1684

⁵² Some farmers in Boafri, a farming village in the Volta region, complained about the loss of their rice market to the long-grained rice from Europe and North America. Most of them

paradox is intriguing; the imperative of economic revival is urging the government to call investors in, the logic of liberalization is driving them out.

The difficulty faced by prospective investors in obtaining credit is not helping the situation either. This is either because of high interest rates imposed by banks or because of the discriminatory policies of the banks in favour of older customers.⁵³ The result is that few, if any, prospective investors can acquire the capital necessary to enter into actual productive ventures.

The implications of investors' torpid response for Ghana is that the economy may never turn around and unemployment will escalate. Also an indigenous bourgeoisie may never emerge to sustain democracy and the economy will continue to be dominated by foreign capital. Industries will continue to collapse (if there are any remaining at all) robbing the country of its productive base. If in the (un)fortunate circumstance foreign capital comes in, Ghana's economic recolonization by foreign capital would be quickly concluded. If this is unlikely given the imperatives of Africa's peripheralization, then one possible scenario would be the persistence of a poor Ghanaian economy and consequently a

have therefore shifted to yam and cassava production. Interview, Boafri, 30 April 1995

⁵³ See, for example, Kraus, "The Political Economy of Stabilization and Structural Adjustment in Ghana", pp. 134-5; West Africa, 10-16 January 1994, p. 34; The Courier, March-April 1994, p. 28.

growing tension between state and society. Either of these scenarios would be disastrous for Ghana as it enters the twenty-first century.

(v) The informal sector

Alongside the World Bank's emphasis on the private sector as an engine for growth in Africa is the vision of a vibrant informal sector providing alternative paths out of economic decay and for counteracting the activities of the notoriously ineffective African state. The informal sector is generally seen to be consistent with the broader logic of a market economy. In its 1989 report, the Bank discovered a certain potential for dynamism and entrepreneurial skills in the informal sector capable of generating employment and growth especially in sub-Saharan Africa.⁵⁴ This position was evidenced, according to the report, in the ability of the informal sector to flourish in the face of many state restrictions.

In this section, I contend that although potentially dynamic, the inconsistencies in structural adjustment are seriously undermining the informal sector and paralysing it from both growing as a sector and creating employment opportunities. Furthermore, rather than supplementing the formal as is commonly assumed, the informal sector is becoming

⁵⁴ World Bank Sub-Saharan Africa: from crisis to sustainable growth (Washington, DC: World Bank, 1989), p. 135

a completely different domain - a sphere of economic destitutes - forced into it by the logic of adjustment.

According to conventional thinking, the roots and persistence of the informal sector can be traced to state controls. Informal economic activities arise because by its action, the state stifles the "natural" course of the market and, consistent with the logic in the market, a "parallel" set of activities spontaneously emerge outside its purview.⁵⁵ Curiously, structural adjustment removed state restrictions yet there still persists a burgeoning informal sector in Ghana. As will later be evident, factors accounting for the growth of the informal sector go beyond state controls.

Informal economic activities, conventionally defined as economic activities "outside the state" are not a new phenomenon in Ghana. Rather, these have existed since the 1960s and were primarily a response to the incapacity of the formal sector to accommodate all aspirants. However, the informal sector expanded rapidly in the 1970s and 1980s as the country's economic crisis deepened and as the state exhibited a weakening capacity to deliver basic services. As a natural response, the citizenry receded into informal activities to acquire for themselves what the state was failing to provide. The imperatives of economic reforms reduced further the state capacity to employ, with the result that many more actors are

⁵⁵ See, for example, David L. Lindauer "Parallel, Fragmented, or Black? Defining market structure in developing economies" World Development 17(12), December 1989, p. 1873

being unleashed into the informal sector.

Ghana's informal sector is composed mainly of petty traders, small-scale producers, self-employed artisans and those providing services such as shoe shining and prostitution. Indeed, as Keith Hart notes in his seminal study on Ghana, the informal sector displays enormous amounts of initiative, drive, inventiveness and adventure.⁵⁶ In an increasingly competitive environment, informals require these qualities for survival. This is probably why the sector has remained resilient in the face of growing economic adversities.

Furthermore, existing outside state regulations, the informal sector displays considerable flexibility, a virtue reinforced by the fact that little or no formal education is required in the sector. Computations based on Ghana Living Standard Survey (GLSS) between 1987 and 1988 indicated that 92 percent of 3,024 sampled in self-employment had almost no formal education; while only 64.7 percent of another 2,078 sampled had secondary education.⁵⁷ In other words, it is the less educated that tend to engage in the informal sector. This correlational pattern between low education and engagement in

⁵⁶ Keith Hart "Small Scale Enterprises in Ghana and Development Planning" The Journal of Development Studies 6(4) July 1970

⁵⁷ James Cobbe "The Political Economy of Educational Reform in Ghana" in Donald Rothchild (ed) Ghana: the political economy of recovery (Boulder: Lynne Rienner, 1991), pp. 101-103

the informal sector is also the case in most East African countries where a study showed that most informals could barely "read the words written on their business licence."⁵⁸ Generally, because less formal training is required, informals could easily switch between occupations. Unable to stand competition, a seamstress, for example, can easily switch to hairdressing. The fact of informals' flexibility seems to be another explanation for the persistence of the sector in Ghana.

Yet, the lack of education among informal sector employees is also a handicap. Generally, most artisans tend to rely on "trial and error", a practice incompatible with the exigencies of today's complex and scientific world. As Ninsin notes,

"modern industrial societies are not built on the native intelligence of illiterate and semi-illiterate citizens. Rather, they are built on the basis of a thorough mastery of science and technology and their rational application to social problems....[Education] gives humans power over nature and the ability to improve upon conditions of life through improvements in the production of basic necessities."⁵⁹

This educational deficiency also means that the informal sector lacks the ability and innovation to adapt rapidly to changing conditions. This limitation, along with others,

⁵⁸ See, for example, Eva M. Rathgeber "Education and Employment in the Informal Sector: a review of some recent African research" Canadian Journal of African Studies 22(2), 1988, pp. 270-86

⁵⁹ Ninsin, The Informal Sector in Ghana's Political Economy, p. 88

leaves the sector unprepared to face the growing challenges precipitated by economic reforms.

Clearly, one of the challenges engendered by economic liberalization is increased competition and it is instructive to note that certain elements in the informal sector are already victims of the free market. The flooding of the Ghanaian market with foreign goods is adversely undercutting the informal sector. As one auto-mechanic complained, his business was on the verge of collapse because of liberalization. He explained that prior to adjustment, he often had to manufacture parts, a practice that constituted his major source of revenue. With liberalization and the preponderance of spare parts on the market, the requirement to manufacture parts was lost and his role was reduced to merely replacing.⁶⁰ The story is the same with the many self-employed artisans, including local soap makers who are losing grounds to superior imported products.

This precarious position of small-scale producers is complicated further by their inability to marshal sufficient capital to expand and better compete. This problem has been worsened even further by the introduction of the auction system in which foreign exchange is allocated by impersonal forces. Auction and devaluation have also weakened the ability of most informals to raise the cedi equivalent to import or acquire the machinery necessary to ensure their survival. The

⁶⁰ Interview, Accra, June 14, 1995

result is that most informals are gradually being squeezed out of existence. And the emphasis of structural adjustment on a shrinking public sector is not helping the informal sector's capital crisis either. As Whitaker notes, the informal sector is, in most cases, sustained by clientage networks of patronage since much of its capital come from public sector remittances.⁶¹ A shrinking public sector therefore means a contracting capital base for the informal sector. In practice, then, adjustment is undermining the growth of the very sector it is supposed to promote.

Besides scepticism about its ability to grow, the claim about the informal sector's capacity to create employment is also highly contestable, particularly given the imperatives of structural adjustment. First, in the particular case of Ghana, most informals cannot be truly claimed to be gainfully employed. In fact, the majority are underemployed. How, for example, could a strong, able young man selling one dog chain along the streets of Accra or an able woman selling a pan of "chewing sticks", the total value of which is less than US\$1.00, be considered gainfully employed?

Second, it is important to realize that for many, entry into informal activities is involuntary. They are compelled to engage in that sector because economic crises and reforms leave them with no other alternatives. Indeed, as Nzomo notes

⁶¹ Whitaker, "Doctrines of Development and Precepts of the State", p. 346

about Kenya, most young women engage in prostitution because it offers the only way out for survival.⁶² The thousands thrown out of formal sector employment under the retrenchment exercise have all involuntarily entered the informal sector, trying to find something to lay their hands on. These have mostly become self-employed, but this was driven not by production-generated demands for whatever they have to produce or sell, but rather by an excess supply of labour. The incomes and productivity of these informals are therefore certain to decline further as there are no increases in demand for their goods and services. In this regard, no description of the informal sector in Ghana could be more apt than Ninsin's characterization of it as a "popular grazing ground for the unemployed."⁶³

Third, a nation-wide study in Ghana has shown that the informal sector displays a rather limited capacity for permanent wage employment. This is because most small-scale enterprises were found to be either one-person run or employed only three persons on the average, sometimes mostly family members. Furthermore, informals, particularly those in the artisan categories, relied mostly on the labour of their

⁶² Maria Nzomo "Beyond Structural Adjustment Programmes: democracy, gender, equity, and development in Africa, with special reference to Kenya" in J.E. Nyang'oro and Timothy Shaw (eds) Beyond Structural Adjustment: the political economy of sustainable development (New York: Praeger, 1992), p. 110

⁶³ Ninsin, The Informal Sector, p. 93

apprentices, rather than on wage labour for production.⁶⁴ Thus even in periods of growing demand for their products or services, informals do not necessarily employ more hands. Contrary to conventional assumptions then, job creation is limited in the informal sector.

But an even more interesting development in Ghana is the gradual blurring of the demarcation between the informal and the formal private sectors. Consistent with the state's drive to maximize revenue collection under the tutelage of economic reforms, most informal trades previously unorganized are now being "unionized" to facilitate identification and taxation. Taxi drivers, market women, cargo and articulator drivers, watch repairers, those operating small-scale banking services among market women - "susu" - and almost every identifiable self-employed artisan now belong to an association. The Internal Revenue Service (IRS) appoints agents from these associations to collect taxes from their own members.⁶⁵ Through this process of unionization, most artisans and traders have come under the searching eyes of the state. They are no longer outside the state as they now pay taxes on a more or less regular basis. The exceptions to this, of course, include those engaging in clandestine activities like prostitution and drugs generally shunned by society and who

⁶⁴ See, for example, W.H. Thoni and P.W.K. Yankson Small Scale Industries and Decentralization in Ghana (Legon/Frankfurt: University of Ghana, 1985), chap. 3

⁶⁵ Shillington, Ghana and the Rawlings Factor, p. 122

cannot therefore openly declare the existence of their associations. Therefore, as the state "captures" economic operations hitherto outside its purview, an informal sector in the real sense will soon cease to exist in Ghana.

All said, then, the informal sector, hailed by the World Bank as possessing an alternative key to economic growth, is being crippled in several respects by reforms designed by its own technocrats and those of the IMF.

(vi) Women and development

Both global and regional organizations have emphasized the importance of women in development. The UN Decade for Women 1975-1985 and the Organization of African Unity (OAU) developmental plan, The Lagos Plan of Action (LPA) both acknowledged and stressed the potential contribution women can make to socio-economic development in Africa. The Bank was particularly emphatic on this:

"Women and women's groups can make a major contribution to improving delivery of social services. In Africa women are generally lead managers within the household; they are responsible for feeding the family; for providing water, education and health; and for family planning. They are also active in production of food crops and in trade. Their role should be more explicitly recognized in design and implementation of human resource development programmes."⁶⁶

At the broader intellectual level, concerned scholars also warn of the negative consequences, given the exigencies

⁶⁶ World Bank Sub-Saharan Africa: from crisis to sustainable growth, p. 7

of the new global political economy, of development theories failing to recognize the potentials of female production.⁶⁷ Given that much of the informal sector in Africa is dominated by women, discussions, both at the levels of praxis and analysis, about economic revival cannot preclude the role of women. Yet in spite of this, women are still restrained by the "male-dominated state" from making their fullest contribution to development.⁶⁸ Women are generally excluded from high level decision making processes as appointments to higher political offices usually exclude them. Kenya, for example, until 1993, neither had a female cabinet minister, nor a female district or provincial commissioner.⁶⁹ In this section, I contend that the realities of structural adjustment are both directly and indirectly further undermining the contributions of women in economic development in Ghana.

As emphasized repeatedly, women are among the vulnerable groups hardest hit by the negative impacts of economic reform. The prevalent sexual division of labour in Ghana has rendered

⁶⁷ See, for example, Timothy M. Shaw "Africa in the New World Order: marginal and/or central" Paper presented at the African Studies Seminar, Dalhousie University, Halifax, 3 December 1992.

⁶⁸ On this point see, for example, Jane L. Parpart "Women and the State in Africa" in Donald Rothchild and Naomi Chazan (eds) The Precarious Balance: state and society in Africa (Boulder: Westview Press, 1988); and the collection of essays in Jane L. Parpart and Kathleen A. Staudt (eds) Women and the State in Africa (Boulder: Lynne Rienner, 1990)

⁶⁹ Aili Mari Tripp "Rethinking Civil Society: gender implications in contemporary Tanzania" in Harbeson et al (eds) Civil Society and the State in Africa, pp. 153-4

women more vulnerable. As real incomes of households plummet under devaluation, additional financial responsibilities have come to rest on women who, in addition to their traditional roles of production and reproduction, must now make up for household budget shortfalls.⁷⁰

Women are also the more directly affected by cuts in public expenditures. The introduction of user fees in hospitals affects women who visit them more frequently either for themselves or for their children. High medical fees have led most women to drift from hospitals to traditional healing methods which are often unsafe and unreliable. Furthermore, because most women do not acquire higher education they tended to occupy the lower echelons of the bureaucracy, and because most employers worry about staffing continuity, women are usually among the first to go with retrenchment.⁷¹

Yet the greatest threat to women's contribution to economic revival in Ghana lies in the informal sector which they dominated since the preadjustment years. Cuts in the size of the public service after the introduction of reforms have increased the number of women in the informal sector where they operate mostly as petty traders, food sellers and small scale producers.

⁷⁰ UNICEF Adjustment with a Human Face 2 vol. (New York: Oxford University Press, 1987)

⁷¹ Commonwealth Secretariat Women in Export Development: studies on Ghana, Kenya and the Solomon Islands (London: Commonwealth Secretariat, 1990), p. 2

Though the extent to which structural adjustment was undermining the informal sector was noted in the preceding section, it is still important to emphasize again that women are more affected by such reform policies since they constitute the bulk of informals. Desubsidization means that the cost of education is falling wholly on parents. Given that prior to adjustment there already existed an educational imbalance against women, the equation could only be worse with reforms in a society where a long tradition of gender biases has deemphasized formal education for women. Accordingly, the number of women acquiring higher education has seen dramatic declines and will continue to be so under reforms. Indeed, a Commonwealth study shows that one of the major constraints on Ghanaian women in developing small export businesses is education because, in general, illiteracy hampers businesses requiring paperwork.⁷² Thus, through lack of access to education, women's contribution to economic revival is being severely curtailed.

Liberalization, as noted already, is eliminating most female petty traders from the market as they engage in competition with multinationals who flood the Ghanaian economy with goods hitherto sold by these women. The result is that the necessities of survival compel most young women into illicit activities such as drugs and especially prostitution. Parpart has noted that the latter was a source of accumulation

⁷² Commonwealth, Women in Export Development, p. 11

in colonial times in Kenya. Nairobi and Mombasa prostitutes, for example, earned enough income to acquire urban property and houses though these were either seized or razed down after Kenya's independence.⁷³ However, in an era in which humanity is haunted by the spectre of AIDS, prostitution can only be a high-risk source of accumulation.

In general, a problem confronting female producers in the informal sector is the lack of credit, one made more acute by reforms. Within the broader context of gender biases and discrimination, most women, particularly those in small businesses are not generally considered credit-worthy. Women do not own land or property that could be used as collateral. Accordingly, credit institutions require the approval of husbands for women to obtain loans, placing unmarried women at a severe disadvantage. Although most female informals obtain credit from their "susu" bankers, and sometimes from NGOs, capital from these sources is generally inadequate to sustain them in an economy deeply enmeshed in competition. Limited by capital therefore, most women are unable to maximize production.

In much of rural Ghana there exists an agricultural division of labour between women and men. The former engage in food crop cultivation, while the latter engage in cash crop production. With reforms and the increased emphasis on cash crops came the tendency for cash crop producers to gain more

⁷³ Parpart, "Women and the State in Africa", p. 211

access to credit facilities than food crop growers. Moreover, as official policy now tends to favour cash crop agriculture, there is occurring a decline in the incomes of food growers, mostly women, while cash croppers enjoy increases in income.

As opposition to reforms was translating to threatening political agitations social groups, the government instituted a "Programme of Action to Mitigate the Social Cost of Adjustment" (PAMSCAD) in 1988. International donors, including the World Bank, pledged over \$80 million into the PAMSCAD fund which was to generate employment on public works. A portion of the fund was also designated as a revolving fund for women from which maximum loans of C500,000 could be made to those engaged in small and medium scale businesses. It is, however, debatable whether the PAMSCAD fund has helped in any way to alleviate the capital problem of women given the tendency in Ghana for individuals with "political connections" to hijack such facilities and thus deprive the originally targeted groups from accessing.

In general, policies under structural adjustment have worked against women. This has been more serious in Ghana where poverty is the lot of most women. The introduction of reforms has therefore worsened the plight of the majority of women with the consequence that this vulnerable group is rendered incapable of maximising its potential at a time when all hands are required on deck to revive the economy and promote development.

6:4 Conclusion

Clearly, few prospects exist for minimizing tension between state and society. As I have argued, a harmonious relationship between political and economic reforms on the one hand, and state and civil society on the other, is a function of the degree to which both economic revival and democratic consolidation can be made simultaneously. As the chapter has attempted to show, the basic ingredients to support such economic and political revival may exist but are undermined in most cases by the very logic of structural adjustment.

The basic conditions for the survival of democracy are non-existent in Ghana. This has been compounded further by the attitude and perceptions of the Ghanaian leadership. The fact that there exists no consensus between state and society over the very question of what true democracy is, means democracy cannot be built. There is also a crisis of confidence as civil society cannot trust the state to create minimal conditions for sustainable democracy. This continuing crisis of confidence is inimical to democratic development.

Similarly, dreams of Ghana becoming an economic success are becoming more fanciful now than ever. As with democracy, the basic conditions for economic growth seem not to exist. Rather than ameliorating the crisis in the economy, adjustment appears to be compounding it. This, along with the very dependent nature of the Ghanaian economy, ensures that economic development is slowed down. This is not to suggest

that Ghana is doomed. On the contrary, there can be hope if economic reforms are redesigned to truly reflect typical Ghanaian conditions and not just the standard, homogenous IFI package. Until this is done, tension between economic and political liberalization will remain the rule, not the exception.

Chapter 7

TOWARDS ALTERNATIVE FUTURES FOR GHANA

7:1 Introduction

Chapter six ended on a rather pessimistic note about the prospects of democratic consolidation and sustained economic growth in Ghana. Consequently, certain scenarios both at the international and domestic level stand out clearly as Ghana enters the twenty-first century.

7:2 Scenarios

At the global, level we may identify two scenarios. First, the emergent global economy will remain hostile to Ghana and most African countries. The unbalanced international political economy, reflected in the asymmetrical relationship between African countries and the industrial North, is unlikely to see any fundamental changes. On the contrary, this asymmetry will intensify given the imperatives of the new world order. Yet while the NIDL opens up new opportunities for certain Third World countries, notably the NICs, most African countries, drowning in inflation and debt, stand not only to be disadvantaged, but may relapse further into the categories of "fifth" and "sixth" worlds.¹

Second, the continent's marginal position in the global economy, along with its precarious dependence on the same

¹ Timothy M. Shaw "Beyond Neo-Colonialism: varieties of corporatism in Africa" The Journal of Modern African Studies 20(2), 1982, p. 251

economy, are certain to continue. Moreover, the dominance of the IMF and World Bank in setting policy agendas as well as structural adjustments are sure to maintain the continent's neo-colonial status. With the deleterious effects of debt and adjustment, Africa may be incapacitated further to chart an autonomous path to development. And, while countries in the North progress industrially, primary production will remain the base of Africa's economies. For Ghana, these developments mean that its current political economy, along with tensions and contradictions, will remain unchanged.

At the national level, we may also identify some scenarios which flow from the imperatives of the global economy. In the first place, because economic revival and democratic consolidation cannot be achieved, we are likely to see sharper contradictions between economic and political liberalization as well as heightened tensions between the state and society.

Second, following from above, and given the imperatives of adjustment and scarcity, we may also see some kind of social anarchy unfolding in Ghana. Because this particular scenario is horrifying, it needs further elaboration. Barrat Brown has noted that growing impoverishment and disenchantments in Africa, which are themselves the direct consequences of accumulating debt and the destruction of the old forms of community action, will become the recipe for

deadly riots, wars and anarchy.² Indeed, the breakdown and near-breakdown of governmental control in Liberia, and Sierra Leone; democratic reversals in Nigeria, Gambia and Niger; and threats of coups in Guinea, all seem to confirm Robert Kaplan's earlier prediction of a "coming anarchy."³

Kaplan has noted that anarchy of an unparalleled scale is looming not only in Sierra Leone and Cote d'Ivoire, where he made extensive observations of conditions, but also across Africa and the whole globe. This impending catastrophe is the direct consequence of governmental tyranny, diminishing national and natural resources, increasing degrees of environmental degradation, air and water pollution. The combined effects of these have precipitated tensions, conflicts and wars between ethnic, religious and regional configurations; between rulers and the ruled; as well as between sovereign states. The sum effect of this anarchy is to spread insecurity, fear and danger across the West African sub-region.

Yet, the thesis on the coming anarchy, compelling and elaborate as it is, has been the subject of criticism. The latest and most succinct is, perhaps, that by Timothy Shaw and

² Michael Barrat Brown Africa's Choices: after thirty years of the World Bank (Harmondsworth: Penguin Books, 1995), p. 6

³ Robert D. Kaplan "The Coming Anarchy" Atlantic Monthly 273(2) February 1994, pp. 44-76

Clement Adibe.⁴ In their overview of Africa as it enters the twenty-first century, they note that Kaplan provides neither sufficient nor persuasive basis for universalizing the drama of anarchy in Sierra Leone and Liberia for Africa. This lapse stemmed primarily from the author's failure to recognize the heterogeneity among African societies. Furthermore, the anarchy thesis did not go beyond prophecy to suggest concrete ways of averting the catastrophe.⁵

In general, although Kaplan's portrayal of conditions in the West African region is excessive and often hyperbolic, it nonetheless approximates some aspects of reality. In Ghana, in particular, the effects of structural adjustment are laying the basis for some sort of anarchy. Environmental abuses are rife; crime is on the increase while armed inter- and intra-ethnic conflicts have become a recurring feature since 1980.⁶

Incessant ethnic conflicts have led to the acquisition of arms not only by competing tribes, but also by surrounding communities, feeling insecure due to the alarming rate of arms acquisitions by protagonists. Complicating this phenomenon is the Rawlings government's rejection of calls to disarm the

⁴ Timothy M. Shaw and Clement E. Adibe "Africa and Global Issues in the Twenty-First Century" International Journal LI(1) Winter 1995-6, pp. 1-26

⁵ ibid., pp. 3-6

⁶ Mr. Seth Aggor, the commissioner of police in charge of criminal investigations department (CID), admits that the increase in Ghana's crime rate is principally the result of economic hardships. See West Africa 1-7 May, 1995, p. 654

para-military organizations - militias and commandos - established during the pre-reform years. It is no exaggeration, then, to assert that there are as many AK-47s, land mines and hand grenades among civilians as there are left in the state's military arsenal in Burma Camp. This unprecedented proliferation and use of arms has spread a general feeling of insecurity in society.

Concerns about a looming anarchy became stronger as Ghana entered another election year in 1996. There were fears and uncertainty driven by the likelihood of the para-military organizations wilfully destabilizing the state in the event of an electoral defeat for the president and the NDC. One independent member of parliament (MP) summed up the uncertainty:

"if the NDC doesn't win, will it accept the results peacefully? And if the NDC wins, but there is evidence of rigging, what will happen?"⁷

In point of fact, with the proliferation of arms and the militarization of society, there is a real possibility of a Kaplanesque anarchy unfolding, a situation in which tribe rises against tribe and where the long exploited, marginalized and impoverished sections of society, will challenge the state in what Kaplan has described as the "revenge of the poor".⁸

Third, growing tensions and threats of anarchy may

⁷ West Africa 8-14 January 1996, p. 13

⁸ Kaplan has noted that further destabilization in the region will not be carried out by the military but rather by armed thugs of civilians. See, ibid., p. 44

precipitate a return to the 1980s-style authoritarian rule by a short sighted Rawlings regime, despite the disdain of dictatorial rule by the international community. With the horrifying experiences of Rwanda and Liberia still fresh in mind, the international community is likely to sanction authoritarian rule if that promises to be the alternative to carnage.

Finally, given its recent admission on the failure of adjustment to deliver development, we may most likely see some flexibility in the World Bank's policies towards Africa and Ghana.⁹ Subsequent Bank-initiated development programmes may take into consideration local factors. However, this flexibility does not imply that Ghana will now attain the full autonomy to devise its own development strategy. On the contrary, the imperatives of debt and debt repayment will continue to necessitate the dominance of the Bank and other creditors in the shaping of future adjustment programmes.

7:3 What alternatives?

In the light of the above scenarios, it is clear that Ghana has very limited options. Yet within these constraints, it can still consider some alternatives. The literature on Africa's alternative futures has featured a number of options, including regionalism, corporatism, government of national unity (GNU) and a new role for the state. At a practical

⁹ World Bank, Adjustment in Africa, p. 2

level, some of these, particularly regionalism and corporatism, are difficult, if not impossible, to implement because of the very logic of the continent's political economy. Nevertheless they are still worth considering. For Ghana, however, GNU and a new role for the state seem to have greater chances of success. It is appropriate, then, to dilate these alternative projects further to show why one or the other is more or less workable.

(i) Regionalism

The idea of regionalisms in Africa is not novel. Regional organizations and common markets such as the now defunct East African Community (EAC), the Southern African Development Community (SADC) and the now sixteen-member Economic Community of West African States (ECOWAS), all predate structural adjustment, although these have remained largely ineffective.¹⁰

In a highly complex world, no state can exist in isolation. The realization of states' lack of self-sufficiency was the backdrop to the intellectual discourse on interdependence in international relations. According to Robert Keohane and Joseph Nye, interdependence "refers to a situation characterized by reciprocal effects among countries

¹⁰ Shridath S. Ramphal "Economic Cooperation and Collective Self-Reliance in Africa: retrospect and prospects" in Bernard Chidzero and Altaf Gauhar (eds) Linking the South: the route to economic cooperation (London: Third World Foundation, 1986)

or among actors in different countries."¹¹ African countries have been overly dependent on external actors without that dependency being reciprocated. The result is that they have tended to lose independence on a wide range of issues, especially economic. The rationale for regional cooperation is to minimize this external economic dependence.

Politically, regionalism may provide member states with a common voice in international economic fora that is likely to carry more weight. For example, a collective approach to Africa's debt, structural adjustment and its conditionalities may be taken more seriously by creditors than individualistic approaches to such issues.

Above all, the global trend towards economic regionalization reflected in, for example, ASEAN, EU, NAFTA, etc, all make some form of economic cooperation in Africa a compelling necessity if the continent is not to lag even further behind. The trend towards regionalism also signifies a benign revival of new forms of regional protectionism, in turn a response to the intense competition precipitated by the NIDL. At a time when adjustment conditionalities are compelling African states to deregulate their economies, regionalism seems to be the hope for the continent. Harry Goulbourne was perhaps moved by such advantages to suggest that

¹¹ Robert O. Keohane and Joseph S Nye Power and Interdependence (Toronto: Little Brown and Co, 1977), p. 8

"If continental unity, the great dream of pan-Africanism, is unrealizable in the near future, the more readily acceptable option of regional cooperation should be pushed towards regional unity."¹²

Fortunately, Ghana is a member of ECOWAS. Established in 1975, the community aimed at tapping and developing the economic potentials of the region as well as tackling the structurally dependent posture of the sub-region within the international economy.¹³

Yet, redeeming as ECOWAS could ideally be for the economies of the West African sub-region, it faces serious internal and external hurdles which together limit its ability to achieve its objectives. Within ECOWAS itself, deep divisions such as the Anglophone-Francophone divide, and the use of different currencies among member states, have in part accounted for its limited successes so far.

Such differences are complicated further by suspicion and mistrust among the community's political leaders. Ghana and Togo have, since the beginning of the 1980s, been engaged in an endless cycle of accusations and counter-accusations of dissident elements being harboured or aided by each other. Similarly, until Houphouet-Boigny's death, Ghana had

¹² Harry Goulbourne "The State, Development and the Need for Participatory Democracy in Africa" in Peter Anyang' Nyong'o (ed) Popular Struggles for Democracy in Africa (London: Zed Books, 1987), p. 45

¹³ See, for example, S.K.B. Asante "ECOWAS: towards autonomy or neo-colonialism" in Ralph I. Onwuka and Timothy Shaw (eds) Africa in World Politics: into the 1990s (London: Macmillan Press, 1989), pp. 127-151

frequently accused Cote d'Ivoire of supporting Ghanaian dissidents. The civil war in Liberia was believed to have been fuelled by Houphouet-Boigny through his support for Charles Taylor and the National Patriotic Front of Liberia (NPFL). As one journalist reveals,

"The Ivorian president sponsored the NPFL in its war against late Samuel Doe. Doe killed William Tolbert, former Liberian President and in-law of Boigny. 'Boigny rarely forgives or forgets a slight. He was enraged that Doe killed Tolbert despite pleas.'"¹⁴

Such divisions, suspicions and hatred among ECOWAS leaders are hardly compatible with effective cooperation.

One effect of such suspicion is to intensify nationalistic feelings among states. Leaders are unwilling to surrender their remaining political or economic sovereignty to any regional supranational body. The reluctance to compromise sovereignty has found concrete expression in the occasional closures of borders. For example, in response to growing informal cross-border trade and suspected dissident activities, Ghana closed its border with Togo in early 1982 and did not open it in the next two years. Togo's response was to follow suit. Since then, the two neighbours have frequently engaged in border skirmishes and arbitrary closures.¹⁵

¹⁴ Cited in Clement E. Adibe "ECOWAS in Comparative Perspective" in Timothy M. Shaw and J.E. Okolo (eds) The Political Economy of Foreign Policy in ECOWAS (London: Macmillan Press, 1994), p. 198

¹⁵ See, for example, West Africa editions of 24-30 January 1994, p. 129; 7-13 February, 1994, p. 201; 23-29 January 1995, p. 104 and; 7-13 August, 1995, p. 122 and; 21-27 August 1995, p. 1321

Nigeria has also closed its borders in response to an influx of immigrants from neighbouring states on a number of occasions. Nationalist sentiments reached their height in January 1983 when, under pressure of the crippling effects of falling oil prices, Nigeria expelled millions of migrant workers, mostly from Benin, Burkina Faso, Ghana and Niger.

Yet, a more critical issue for ECOWAS is the rising spate of armed rebellions confronting its national governments. Since the 1980s, ethnic sentiments have galvanized tribes and ethnic minorities against established regimes in a bid either to secede or to capture state power. Regimes in Sierra Leone, Liberia, and to some extent Gambia, have locked horns with rebel movements. Such rebellions are a major internal challenge for ECOWAS because, in the wake of such violent dissension, belligerent governments have become more preoccupied with securing national borders and internal security than with economic cooperation. It is even critical for ECOWAS itself when threatened regimes suspect neighbours of aiding rebels. In general, armed rebellions are both unfortunate and regrettable. As Goulbourne laments,

"at a time when nearly all major blocs of the world are getting close to overcoming minor differences in order to confront large common problems, African countries continue to break into, or threaten to break into smaller and smaller units still facing the big problems, with less and less resources."¹⁶

Ghana is not currently concerned about armed rebellion or

¹⁶ Goulbourne, "The State, Development and the Need for Participatory Democracy in Africa" p. 45

threats of secession, but is nonetheless preoccupied with quelling internal dissent heightened by the effects of structural adjustment. One may wonder why Ghana, along with Nigeria, can find space to play leading roles in the ECOWAS initiative to end the Liberian civil war.¹⁷ For Ghana, two reasons seem to explain this. First, as a member, the Ghanaian leadership was obligated in this direction to implement ECOWAS' decisions and became more compelled when Ghana assumed chairmanship of the Community in 1994.

Second, and probably the most plausible, was the decision of Ghana and Nigeria, watching events unfold in Liberia at a time when popular uprisings against dictatorship were widespread across Africa, to create a military structure under the ECOWAS' collective security clause (Article 4) to which they could turn in the event of similar armed rebellions against their own regimes. This was why Babangida and Rawlings, then contending with severe internal dissent in their respective countries, took the leading role; and why Houphouet-Boigny, along with the majority of Francophone leaders enjoying relative tranquillity, were initially reluctant to join the initiative.

¹⁷ On the background causes to the Liberian civil war, see W. Ofuatey-Kodjoe "Regional organizations and the resolution of internal conflicts: the ECOWAS intervention in Liberia" International Peacekeeping 1 Autumn 1994, pp. 261-302. On the role of Nigeria and Ghana in the ECOMOG, ECOWAS' Ceasefire Monitoring Group in Liberia, see, for example, John Inegbedion "ECOMOG in Comparative Perspective" in Timothy M. Shaw and J.E. Okolo (eds) The Political Economy of Foreign Policy in ECOWAS (London: Macmillan Press, 1994), pp. 218-44

John Inegbedion notes that the collective security problematique was the backdrop to the creation of ECOMOG.¹⁸ In the Liberian crisis, collective security was reinforced by the need to stop the carnage. In fact, Ofuatey-Kodjoe contends that the intervention of ECOMOG in Liberia was to stem the massive outflow of refugees into the region among other things.¹⁹ While such arguments were humanistic and ethical, they raised a major question. How would collective security or the refugee factor explain the reluctance of some members of the community to go along with the ECOMOG idea? There appear to be hidden motives in the original ECOMOG scheme. It was probable that ECOMOG was to constitute a security guarantee for the community's military dictators.

But by far the greatest hurdles to regionalism in West Africa are the externally-imposed adjustment programmes. These programmes hinder regionalism in a number of ways. First, by their simultaneous emphasis on cash crop agriculture and silence on industrialization, adjustments are exacerbating what Thomas Callaghy has referred to as the "agriculture fallacy of composition."²⁰ Predominantly agrarian, this

¹⁸ Inegbedion, "ECOMOG in Comparative Perspective, p. 220

¹⁹ See, West Africa 1-7 October 1990, p. 2578; Ofuatey-Kodjoe, "Regional organizations and the resolution of internal conflicts", pp. 261-302

²⁰ By this, being virtually producers of the same crops, increases in production lead to diminished revenue. See Callaghy, "Civil Society, Democracy, and Economic Change in Africa", p. 241

situation limits opportunities for economic integration among West African states as it undermines the basis of exchange. As a general rule, states are supportive of regionalism if benefits from it address their developmental concerns. Canada, Mexico and the US are keen to promote NAFTA because of the perceived economic advantages the Agreement promises. By contrast, ECOWAS members are only grudgingly enthusiastic about their regional scheme. As economic reforms emphasize cash agriculture among these countries displaying a virtual homogeneity in production, little benefit can be expected. In a region where earning of foreign exchange is a top priority for states, ECOWAS may be unable to meet such national expectations.

Second, the debt debacle associated with adjustment loans has become a centrifugal force pulling indebted countries towards the IFIs. Debt has assumed such critical importance that an ECOWAS leader is certain to attend a Paris Club meeting if this coincided with the Community's heads of government summit. Such a donor-oriented posture of states is hardly compatible with regionalism. Thus, Timothy Shaw and Larry Swatuk's observation that SAPs undermine regionalism by their "emphasis on extra-continental externalization and single-country individuation"²¹, could not be more accurate.

²¹ Timothy M. Shaw and Larry A. Swatuk "Third World Political Economy and Foreign Policy in the Post-Cold War Era: towards a revisionist framework with lessons from Africa" Paper presented at the 33rd Annual Meeting of the International Studies Association 31 March - 5 April, 1992,

Furthermore, using their lending powers, the IFIs have succeeded in applying a divide-and-rule policy among their adjusting clients. They have insisted on dealing with structural adjusters on a case-by-case basis while prescribing the same "medicine" for the ailing economies of these diverse countries. Effective cooperation is nearly impossible where members have become more concerned with their own internal economic problems and with meeting donor conditionalities.

In yet another respect, the role of these external institutions along with their associates, the MNCs, undermines regionalism in Africa. Positioned at weakened bargaining points vis-a-vis these agencies, adjusting countries may find their economic integrative schemes promising to break external control thwarted. Having featured in the good books of Western creditor institutions, Ghana may be ill-disposed to support any regional initiatives that may provoke counter measures of aid suspensions. ECOWAS therefore remains at the mercy of such external agencies. As Timothy Shaw has predicted,

"if ECOWAS fails, the causes may well be extra- rather than intra-African: if it succeeds, the benefits may well flow outside rather than inside the region."²²

Briefly, then, external agencies will support ECOWAS depending on whether the Community threatens or strengthens

Hilton International Hotel, Atlanta, Georgia.

²² Timothy M. Shaw "The Revival of Regionalism: cure for crisis or prescription for conflict?" in Ralph I. Onwuka and Timothy M. Shaw (eds) Africa in World Politics: into the 1990s (London: Macmillan Press, 1989), p. 112

their control over the economies in the region. As a rule, they are likely to undermine it once regionalism threatens the prevailing unbalanced dependence equation between them and the sub-region.

(ii) Societal corporatism

Another scheme that has continued to elicit intellectual attention in regards to Africa's future is corporatism. Historically, the rise of corporatism has been a response to prevailing problematic social, economic and political situations. In the early nineteenth century, corporatism emerged in Europe in response to the transitions from feudalism to capitalism and the consequent tendency for the emerging economic interests to weaken the state. Corporatism was thus adopted to place such potentially "disruptive" forces in partnership with the state.²³

In the 1960s and 1970s, most Latin American countries also embraced corporatism as a "developmental" paradigm. This was in response to the interrelated phenomena of late industrialization (itself the result of the region's precarious overdependence on the global economy) and populism - the approach adopted to rectify the industrialization

²³ See, for example, Alan Cawson Corporatism and Political Theory (Oxford: Blackwell, 1986), p. 5

crisis.²⁴ In Africa, corporatism emerged in the 1960s most conspicuously in the form of one-party systems in many countries, including Ghana, Kenya, Tanzania and Zambia, in response to the development challenge at the time.

Chazan and Rothchild have noted that various post-independence Ghanaian regimes experimented with corporatism of one form or another. These have ranged from the populist type of Nkrumah and the CPP, through the bureaucratic authoritarian variant of the NLC; the organic and absolutist version of Acheampong and the military generals of the 1970s; the neo-traditional type of Busia; to the mobilizational and exclusionist corporatism of Rawlings and the PNDC in the 1980s.²⁵ At each point, corporatism reflected the regime type, its organizational principles, and the role of leaders and their supporting coalitions.

As Ghana battles with tensions generated by economic and political reforms, some form of an inclusive corporatist arrangement, if successfully implemented, may diffuse these tensions and develop sustainable relationships between the

²⁴ See James M. Malloy "Authoritarianism and Corporatism in Latin America: the modal pattern" in James Malloy (ed) Authoritarianism and Corporatism in Latin America (Pittsburgh: University of Pittsburgh Press, 1977), pp. 3-19; David Collier "Introduction" in David Collier (ed) The New Authoritarianism in Latin America (Princeton: Princeton University Press, 1979), pp. 3-16

²⁵ Naomi Chazan and Donald Rothchild "Corporatism and Political Transactions: some ruminations on the Ghanaian experience" in Julius E. Nyang'oro and Timothy Shaw (eds) Corporatism in Africa: comparative analysis and practice (Boulder: Westview Press, 1989), pp. 167-193

state, labour and domestic capital, at least in the short run. Although historically, corporatism has elicited countless definitions, that by Philippe Schmitter seems most appropriate for an analysis of Ghana. He notes that corporatism is

"a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports."²⁶

The most notable characteristic of corporatism is that it is carefully structured by the state to reduce competition and openness among organized interests. Accordingly, in an era of political pluralism, corporatism may be an unacceptable alternative. There are fears that using its dominance in the corporative arrangement, the state may emasculate other partners in the scheme. Such fears are genuine since for past Ghanaian regimes, corporatism has been synonymous with a strong, sometimes repressive, state. Indeed, one fearful connotation of corporatism has been its association with fascism and state repression.²⁷

The critical question then is: given such negative attributes and the strong possibilities of corporatism

²⁶ Philippe Schmitter "Still the Century of Corporatism?" The Review of Politics 36, January 1974, p. 93

²⁷ Douglas A. Chalmers "Corporatism and Comparative Politics" in Howard J. Wiarda (ed) New Directions in Comparative Politics (Boulder: Westview Press, 1985), p. 57

changing to state repression, will any form of it be acceptable in Ghana where years of political repression have solidified societal resolve to resist any further expansion in state power?

Schmitter has distinguished between "state" and "social" corporatism depending on whether the state is dominant or subordinate or at least co-equal with other partners. In the latter, such as was the case in the military-dominated Latin American and a majority of Third World countries, the state was hegemonic. In these countries, the state went beyond being merely one part of a tripartite entity to setting the agenda and defining the rules of the game. In the case of Africa, the state frequently silenced constituents deemed threatening to its hegemony either through constitutional manipulations or outright repression.

By contrast, societal corporatism, often described as a corrupted version of liberalism,²⁸ is group-driven and society-dominated. In retrospect, social corporatism marked the relationship between the state, labour and capital in the early years of capitalist development in parts of Western Europe, notably in Italy. Its emergence was linked to the need to establish a stable bourgeois-dominated regime because of competition between national economies; and because of the state's desire to either associate with, or incorporate other

²⁸ Chalmers, "Corporatism and Comparative Politics", p. 60

subordinate groups into, the policy making apparatus.

Thus, if the imperatives of the new political dispensation in Africa emphasize the resurgence of civil society, then an inclusive societal corporatism is appropriate for Ghana. Ideally, a partnership of the state, labour, capital(s) and civil associations in which the state is legally debarred from assuming indisputable control over the rest, would provide opportunities for concerted efforts at economic development. Such a scheme secures the state's continued lead role in development while at the same time having its powers in constant check by the counterweight of the non-state members of the scheme.

Unfortunately, there are major obstacles to the establishment and, particularly, the sustainability of the corporatist project. Firstly, there is a possibility for the state to resist relegation to a "subordinate" position. The imperatives of economic revival and the realization that the prospect of remaining in office are contingent on how seriously it tackles the country's deteriorating economy, may make the state unwilling to be an equal, let alone a subordinate, partner. As emphasized repeatedly in this study, the desire for rapid economic development was the backdrop to the elimination of opposition. Thus, as Nyang'oro and Shaw have predicted,

"given the problematical nature of both industry and democracy in Africa, the state is hardly likely to yield

to societal corporatism in the immediate future."²⁹

The present Ghanaian leadership's passion for power and its antipathy for power-sharing and political accommodation are well known. The protracted impasse in its relations with government has eroded societal confidence in the state. Society no longer trusts it to remain faithful to any carefully orchestrated corporatist rules even if the state originally embraced the scheme voluntarily.

Second, and even more critical, the dominance of the IMF-sponsored economic reforms, in which the state has lost the capacity to initiate policies on its own but has become an emissary of the IFIs in key policy areas, may further undermine the corporatist regime. At a broader level, structural adjustment raises a number of critical questions for corporatism: Will the corporatist state wrestle from the IFIs the initiative to propose policy? or will it take the function of price fixing and exchange rate determination from the market? These questions are bound to confront societal corporatism in Ghana. As Hutchful has noted,

"structural adjustment programmes may substantially affect the ability of the African state to fashion corporative coalitions of the type based on extensive market interventions, even as they place greater emphasis on the ability of the state to secure adherence to economic targets and constraints between

²⁹ Julius Nyang'oro and Timothy Shaw "Corporatism in Africa in the 1990s: towards a new African studies?" in Julius E. Nyang'oro and Timothy Shaw (eds) Corporatism in Africa: comparative analysis and practice (Boulder: Westview Press, 1989), p. 4

both labour and capital."³⁰

Third, the peculiar character of the Ghanaian socio-economic composition may prove equally menacing to societal corporatism. In particular, the expanding informal economy and ethnicity may pose critical challenges to corporatism. As Chazan and Rothchild have argued, past Ghanaian corporatist experiments failed because of the state's incapacity to effectively penetrate society. In the wake of this failure, society circumvented state action by establishing alternative, but informal institutions and relations.³¹ As noted already, there has occurred a phenomenal expansion in the informal sector under structural adjustment and, although the state is gradually "formalizing" this sector through unionization and taxation, it is still far from capturing it entirely. By virtue of its size, resilience, and importance, no governmental scheme excluding the informal sector will be truly representative. Hence, the critical challenge for corporatism will be how to integrate into its fold the diverse operators in that sector.

And as corporatism remains in a quandary about the vast number of informal employees, the presently less threatening, but potentially explosive question of "tribalism", along with

³⁰ Eboe Hutchful "The Limits of Corporatism as a Concept and Model" in Julius E. Nyang'oro and Timothy M. Shaw (eds) Corporatism in Africa: comparative analysis and practice (Boulder: Westview Press, 1989), p. 35

³¹ Chazan and Rothchild "Corporatism and Political Transactions", p. 179

the question of gender inequality, could complicate further that dilemma. In a tribally diverse country like Ghana, where ethnicity provides a constant reference point in politics, the success of corporatism depends on the extent to which it accommodates all diverse social and economic elements.

Finally, the general weakness of the Ghanaian state, as elsewhere in Africa, will undermine the success of corporatism. The state has been repressive, yet it may still lack the capacity to compel the cooperation of major organized interests, or even persuade groups to voluntarily subscribe to the corporatist project.

In the light of the above obstacles, corporatism may not prove a particularly workable alternative in Ghana although ideally, it promises some advantages. If, however, against the odds the state can demonstrate some genuine commitment to it, then corporatism may provide an interim framework for mitigating the tensions spawned by adjustment and democratization.

(iii) Government of National Unity (GNU)

A much more workable alternative worth experimenting with is a Government of National Unity (GNU). GNU could mitigate the tension between government and opposition in the short run. The ability of a unity government to stabilize post-apartheid South Africa, in contrast to the virulent relations between the state and opposition in Kenya and Zambia, for example,

emphasises the need for some form of an inclusive party government in Ghana.

Almost certainly, memories of the dubious, military-promoted Union Government (UNIGOV) in the late 1970s and the soldiers' dominance in Ghanaian politics since then, would provoke public lethargy, even cynicism, about any form of political arrangement deemphasizing formal opposition. This is perfectly logical, because Ghanaians say a victim of snake bite is scared even at the sight of an earthworm. However, it should be noted that GNU is qualitatively distinct from UNIGOV in both theory and practice. The latter envisioned very minimal political competition; in fact, a no-party system in which a partnership of the military, the police and civilians would govern the state. Ambivalence about UNIGOV was heightened when its proponents failed to spell out the mode of changes in government and how representatives from the coalescing bodies would even be selected. Clouded in such ambiguities, therefore, UNIGOV heightened society's suspicion about the military's hidden agenda.

By contrast, a coalition government is based on a competitive party system where various political parties contest for seats in the legislature. Depending on the prevailing constitutional arrangements - whether parliamentary or presidential - the dominant party is required by the constitution to form an all-inclusive government by appointing members of the other political parties into the cabinet and

other lower political offices. Unlike UNIGOV, the coalition government retains its multiparty complexion, but is distinguished by the absence of formal opposition in parliament.

Nor should GNU be confused with the ill-fated and short-lived "Progressive Alliance"³² which collapsed in the summer of 1995. This coalition arose principally to support the presidential candidacy of Rawlings amidst growing signs that defeat was imminent if the NDC went to the polls alone. Beyond this, the NDC and NCP shared little in common; it was a marriage of convenience to which Owusu Agyekum, the NCP's parliamentary leader, once referred as a "paper alliance."³³ Indeed, the NCP joined the alliance only after the assurance that Mr. Arkaah, its presidential candidate, would be rewarded with the post of vice-president.

By all accounts, then, the progressive alliance was fragile; it was not more than an incohesive association of party leaders whose common bond was the desire for an electoral victory. Between Rawlings and Arkaah, fundamental differences in regards to ideology, approaches to human rights

³² This alliance, formed shortly before the presidential polls of 1992, was an electoral coalition of three political parties: the Every Ghanaian Living Everywhere (EGLE) party, whose formation was generally suspected to have been instigated by Rawlings as a way of fragmenting the opposition; the Rawlings-led NDC; and the National Convention Party (NCP) led by Vice-President K.N. Arkaah.

³³ "Squabbling in high places" West Africa 30 January-5 February 1995, pp. 148-9

and economic reforms remained that deprived the alliance of any longevity. Further evidence of the coalition's fragility was revealed in the subsequent mistrust between the leaders. Arkaah accused Rawlings and the NDC of marginalizing the NCP in important policy decisions. Subsequent developments did not help their relations. Arkaah alleged that Rawlings had repeatedly tried, but without success, to implicate him in scandals in order to force his resignation.³⁴

The differences between the two leaders widened further when the Vice-President embarrassed the government with his 1995 Labour Day speech which openly denounced the introduction of the VAT and the government's apparent insensitivity to the economic plight of ordinary Ghanaians.³⁵ Rawlings' growing anti-Arkaah feeling came to a head when he physically assaulted the latter in a cabinet meeting on 28 December 1995 over statements alleged to have been made by Arkaah during an earlier NCP congress.³⁶ Thus, with such wide differences, accusations and counter-accusations, it came as no surprise that the NCP eventually pulled out of the alliance.

A GNU, on the other hand, is usually formed after elections and is based on the constitution which defines the

³⁴ See "Arkaah row rumbles on" West Africa 20-26 February 1995, p. 269

³⁵ West Africa 15-21 May 1995, p. 734

³⁶ Arkaah was alleged to have said that the cabinet was corrupt, although he consistently denied having said that. See New African February 1996, pp. 7, 26 and 27

framework for relations between political parties. The GNU sets out the framework for managing disagreements; it spells out how political offices are to be distributed among parties and ensures that a party's membership in the coalition is not contingent on the wishes of the chief executive or the dominant partners in the union.

What then are some of the merits of such a coalition government within the context of adjustment and the new political dispensation of political pluralism? Three interrelated advantages seem to stand out. First, a GNU will minimize, if not totally eliminate, the zero-sum, winner-take-all practice that has characterized Ghana's post-independence politics and which is at the core of the government-opposition fracas. It promotes power-sharing and reduces the tendency for a ruling party to conceive of government as its exclusive preserve. It fosters a spirit of cooperation and tolerance among parties in a country like Ghana where inputs from diverse groups are required to save the state and the economy from decay. Considered part of the ruling coalition, a minority party will refrain from undermining government because doing so is undermining itself.

Second, a coalition government promotes greater accountability which is central to democracy. Political liberalization and structural adjustment were promoted with a view to countering the pervasive practices of corruption, clientelism and patronage. Structural adjustment was premised

on the assumption that by transferring the power of distribution from the state to the market, such negative practices would be eliminated.³⁷ Thus far, it is unclear if these practices have died after over a decade of adjustment. Rather, the exacting economic conditions perpetrated by adjustment have exacerbated corruption and patronage. This could become worse under a government dominated by a single party.

Perhaps the greatest mistake of the Bank and Fund is their failure to recognize the "craftiness" of Ghanaians - the ability of both governed and members of government, afflicted by scarcity, poverty and want, to circumvent even a well-intentioned system. It is unclear if Rawlings' government can now promote any serious anti-corruption campaign as some of its leading figures are being investigated for the same charges.³⁸ Indeed, contrary to Bank/Fund assumptions, patronage and connections - political and tribal - have reemerged in new and subtle ways. A coalition government in which parties act as mutual watchdogs, could minimize such practices and raise public confidence in government.

³⁷ See, for example, World Bank, Accelerated Development in Sub-Saharan Africa; Jeffrey Herbst "The Structural Adjustment of Politics in Africa" World Development 18(7) July 1990, p. 949

³⁸ See, for example, The Free Press 24-29 June 1995, pp. 1, 6 and 7; 14-20 July, 1995, pp. 1 and 12; The Independent 14-20 June 1995, pp. 1, 6 and 7; The Ghanaian Chronicle 26-28 June, 1995, pp. 1 and 12 and; West Africa 14-20 August 1995, p. 1266

Third, if political uncertainties have in the past scared potential investors - both foreign and local - away from the Ghanaian economy, a coalition government with its promise of stability and harmony may encourage investments and industry. As I noted in the preceding chapter, lack of economic investments in Ghana retards economic growth and in turn affects democratic development. Apart from the need to attract private capital, bilateral and multilateral donors are more disposed to give loans to countries displaying relative peace than those in constant turmoil and confusion.

Thus, as Ghana establishes its credentials as a recipient, there is a need for it to demonstrate peace and harmony. Such goals are more worthy of pursuit than being just a "leader in the adjustment business."³⁹ In an era of intense competition for creditor attention, Ghana needs to distinguish itself not only in reform implementation but, more importantly, in political accommodation.

Yet, it must be recognized that the GNU structure has inherent problems that render it unattractive as a long term project. First of all, coalition governments are inherently unstable, as illustrated by the experiences of Israel and Japan in the recent past. In the homogeneous societies and stable economies of Israel and Japan, instability may not be immediately disruptive but it can be deadly for Ghana whose economy is fragile and whose party divisions are reinforced by

³⁹ Africa Report 32(6) November-December 1987, p. 52

tribal constellations. The cracks that emerged within the South African unity government in the months preceding its demise were instructive. These should send strong cautionary signals to other African states contemplating GNUs as long-term projects. With the exit of de Klerk's National Party from the coalition in May 1996, and in the light of the stalled peace talks with the African National Congress (ANC), Chief Mangosuthu Buthelezi will almost certainly pull the Inkatha Freedom Party (IFP) out of the coalition sooner or later.⁴⁰

Secondly, and most visibly, a GNU precludes the formal opposition considered indispensable in sustaining responsive governments. In the fledgling democracy of Ghana, the role of an effective and constructive opposition cannot be overemphasized. Widespread corruption and nepotism; inefficiency and waste; along with human rights abuses characterizing African governments, require opposition and a civil society that constantly keep governments on their toes. Afflicted by such vices, Ghana requires an opposition that watches over the public's interest and provides a countervailing force, along with the rest of society, to the state. There is need to groom a shadow government ready to assume power in the event of the ruling party's defeat. Clearly, these advantages are lost in the event of a unity government.

Nonetheless, taken cumulatively and against the

⁴⁰ West Africa 4-10 December 1995, p. 1868

background of tensions between that state and society, a GNU, since it is workable, should be a preferable short term alternative to an oppositional government in Ghana.

(iv) Revisiting the state

Another workable alternative worth considering is Peter Evans' call to "bring the state back in." Revisiting the Ghanaian state is compelling in view of the tensions emerging from the combined effects of its retreat and austerity. The state must have the capacity to repair the many damages caused by the market. As a rule, this can be accomplished only by a strengthened, not a retreating, state.

The dangers of a retreating state in Ghana need to be considered in relation to the emphasis on strengthening civil associations. In the Ghanaian case, a very strong civil society could seriously incapacitate the state, even paralyse it in its efforts to provide direction for development or create minimal conditions for the private sector. A weakened state vis-a-vis a strong civil society could be just as deadly as a super-strong state. In fact, this is the central point of dissension between Gyimah-Boadi and Callaghy. While the former advocates a strong civil society and the curbing of the state's role in Ghana, the latter fears that strong "resurgent societies" in the wake of weakening states in Africa could

completely immobilize the state.⁴¹ Callaghy's fear is genuine given the inability of either civil society or the market to provide basic "public goods" which are essential for human development. Such possibilities underscore the need for expanding the role of the state.

As this study shows, Ghana's adjustment programme has engendered considerable austerity and severe economic adversities which have affected every segment of society, with the exception of the few beneficiaries. These reforms have been in place for over a decade now and it is uncertain if the citizens can bear the pains indefinitely without Ghana risking a major social upheaval.

Herbst has noted that a major reform-precipitated action against the government is unlikely in Ghana in part because some workers, notably those in the extractive industries, are benefiting from increased incomes that offset the effects of devaluation.⁴² This assertion is hardly sustainable because mine workers constitute only a minute fraction of Ghana's total population and therefore do not make any significant difference in relation to the larger number suffering under the reforms. Furthermore, this new "labour aristocracy" does not constitute a large constituency upon which the regime

⁴¹ See Callaghy, "Civil Society, Democracy and Economic Change in Africa", pp. 231-53 and Gyimah-Boadi, "Associational Life, Civil Society, and Democratization in Ghana", pp. 125-48

⁴² Herbst, Ghana: the politics of reform, pp. 70-71, 92

could confidently rely for support. Indeed, Herbst admits that by its nature, structural adjustment has eroded the support base of the Ghanaian government in both the urban and the rural areas.⁴³

Even granting that society is not cohesive enough to pose a threat to the state, the military may do so. The government in Accra is fully aware that continued frustration could precipitate military intervention. What most probably has kept the Ghanaian military at bay so far is the growing donor disdain for non-democratic regimes and the predictable consequence of aid being suspended. Yet, this is hardly sufficient to foreclose a military coup in Ghana. Gambia, Sierra Leone and Niger have all recently shown that, when internal frustrations are overwhelming, considerations about international reactions become secondary. To forestall possible instability, the state must devise a comprehensive action programme to mitigate the effects of adjustment.

In furtherance of this, the state should assume responsibility for providing essential social services which were lost to the majority consequent on adjustment. In other words, adjustment must be given a "human face". By 1985, as the costs of adjustment were escalating, the government

⁴³ Herbst, The Politics of Reform, chapter 3. Also on the government's alienation of society, see Ninsin, "The PNDC and the Problem of Legitimacy", pp. 49-67. The analyses of both Herbst and Ninsin were based on the pre-election years when PNDC repression was at its peak. Developments in the aftermath of political liberalization have shown further weaknesses in Herbst's hypothesis.

promised to

"address issues related to rehabilitating the country's human capital through programmes targeted to specific vulnerable groups, the upgrading of our local training and retraining capabilities as well as increased expenditures and improved policies in the health and education sectors."⁴⁴

Unfortunately, this was never fulfilled. In fact, such measures were never seriously considered until the institution of PAMSCAD in late 1987. Yet, as an ameliorative measure, PAMSCAD did not make any impact vis-a-vis the cost of adjustment. This was mainly because it was not intended to directly compensate all losers under adjustment, rather it was to create about 40,000 unskilled jobs in the rural areas through public works. Because of its rural focus, PAMSCAD, even if it had been well implemented, would have made no impact on the losers in the urban centres.

Furthermore, PAMSCAD suffered considerable administrative bottlenecks which militated against its smooth implementation. For example, detailed strategies for the implementation of the scheme were never released. But perhaps the greatest source of its failure was the paltry disbursement of the funds pledged by foreign donors. For example, by 1990, less than \$45 million of the initial total of \$88.4 million pledged by foreign contributors had been disbursed. This made it impossible to

⁴⁴ Kwesi Botchwey "Overview" Progress of the Economic Recovery Programme 1984-86 and Policy Framework 1986-88 (Accra: Government Printer, 1985)

initiate the projects spelt out in the original scheme.⁴⁵

The failure of PAMSCAD points to the need for more determined efforts to develop and protect human capital, especially in the education and health sectors. It has been proposed that the state reintroduces subsidies in these areas to be compensated for by cuts in military spending. Cornia et al have noted that by doing this, African states could increase the share of their social spending by about 10 percent above the current 22-33 percent.⁴⁶ The Asian "Tigers", whose example some in Ghana wish to emulate,⁴⁷ invested heavily in education and public health. Adelman and Robinson have noted that South Korea, recognizing the indispensability of health and education in national recovery, pursued a developmental approach that emphasized public investments in human capital. Taiwan, Malaysia, Thailand and Indonesia all adopted a similar approach.⁴⁸

⁴⁵ For a discussion on the failures of PAMSCAD see, for example, Ninsin, "The PNDC and Problem of Legitimacy", pp. 61-62; Martin, "Negotiating Adjustment", p. 257, Loxley, Ghana: the long road to recovery, pp. 42-45

⁴⁶ Cornia et al, "Overview of an Alternative Long-Term Development Strategy" in Cornia et al (eds) Africa's Recovery in the 1990s: from stagnation and adjustment to human development (London: Macmillan Press, 1992), p. 180

⁴⁷ John Owusu "Ghana wants to turn into a 'Tiger' economy" New African January 1994, pp. 38-9

⁴⁸ I. Adelman and S. Robinson Income Distribution Policy in Developing Countries: a case study of Korea (Oxford: Oxford University Press, 1978); on Taiwan's investments in education and health, see for example, J. Fei et al Growth with Equity: the Taiwan case (New York: Oxford University Press, 1979); on Malaysia, Thailand and Indonesia, see, for example, John

Also, in their study of "technology and enterprise development" under adjustment in Ghana, Lall et al note that technological and managerial capabilities were vital for the competitiveness and development of the private sector. They note further, however, that these qualities are lacking mainly due to the lack of adequate educational and training facilities.⁴⁹ Thus, if Ghana is to derive any benefits from the private sphere, the state must re-constitute its priorities to include educational development.

The Ghanaian government may have lately come to terms with the crushing effects of subsidy withdrawals on education and has recently decided to reintroduce free compulsory elementary education.⁵⁰ In general, however, the government in Accra is capricious, hardly trusted to translate promises into action, particularly so as this promise contradicts basic Fund conditionalities. Nevertheless, the state's pledge to address the situation is encouraging in itself. It would be useful for the proposed initiative be more comprehensive, extending beyond the elementary to cover both secondary and tertiary levels. In the absence of this, post-elementary education will be elusive for many.

Stackhouse "Why Asia's tigers burn so bright" Globe and Mail 4 June, 1994, pp. A1 and A6

⁴⁹ Sanjaya Lall et al Technology and Enterprise Development: Ghana under structural adjustment (London: St. Martin's Press, 1994), especially chapter 10

⁵⁰ West Africa 9-15 October 1995, p. 1546

While addressing the educational crisis, the health sector should not be left behind. Here again, it is illustrative to recall the South Korean strategy. By the mid-1970s, the government in Seoul had instituted a health policy that enabled low income and vulnerable groups under its economic reforms to receive either free medical care (in the case of the unemployed), or fifty percent subsidy (for those employed but vulnerable). A remarkable success was achieved by this health programme. For example, infant mortality fell from 80 per 1000 in 1960 to 37 in 1980, while the death rate for children aged 1-4 declined even faster: from 9 to 2 per 1000 over the same period.⁵¹ A similar programme could be introduced in Ghana to avail basic health facilities to ordinary Ghanaians. Such a broad-based public health policy could save precious lives that would otherwise perish from preventable diseases.

Alongside the above, the state must also develop the infrastructure in the rural areas to balance the urban-rural terms of trade. Electricity, good drinking water, sanitation and good health delivery systems should not be the preserve of the cities. Stackhouse notes that the development of rural

⁵¹ Sang-Mok Suh and David Williamson "The Impact of Adjustment and Stabilization Policies on Social Welfare: the South Korean experience during 1978-1985" in Cornia et al (eds), Adjustment with a Human Face vol. 2: ten country case studies (New York: OUP, 1988), pp. 226-7. In general, the Asian Tigers and the NICs adopted a developmental strategy that featured the state in centre stage. For a comprehensive analysis on the Asian Tigers and the NICs, see the collection of essays in Stein (ed) Asian Industrialization and Africa.

infrastructure was central to Asia's economic successes.⁵² The state must recognize that social services cannot be provided, nor its provision encouraged by the IMF, which has become "so obsessed with price stability [that] it doesn't think very hard about anything else."⁵³

As part of a grand programme to alleviate reform-engendered hardships, the state must also reconsider its current limited emphasis on food and agriculture. It must realize as a matter of urgency that merely focusing on exchange rate reforms will not ensure food security for Ghana. Ghana is primarily agrarian and there is no economic justification for scarce foreign exchange to be dissipated on food imports. Food production should therefore be encouraged alongside cash crop agriculture. In this regard, state incentives should be provided in the form of fertilizers and machinery as was done by the Asian governments. Food producers should be encouraged to form cooperatives to enhance their access to state-offered assistance. Agricultural development can also be enhanced by rehabilitating roads to link farming communities and urban centres. Good roads will drive down food prices. Above all, rice imports should be curtailed to keep local farmers in employment.

At the same time, industrialization should match

⁵² Stackhouse, "Why Asia's Tigers burn so bright", p. A6

⁵³ Jeffrey Sachs "Growth in Africa: it can be done" The Economist 29 June 1996, p. 19

agricultural production in order to stem the escalation of balance of payments problems. The state should pioneer industrialization through "selective protection". It must realize that foreign companies are basically profit-oriented and will not invest in agriculture or industries considered immediately unprofitable. Hence, small, but important industries should be given some state cover to promote the growth of both local industries and an indigenous entrepreneurial class. As Suh and Williamson note, South Korea severely restricted imports in the 1960s and 1970s to protect its infant industries. It was only in the 1980s that it began to liberalize its import trade. Even so, this was pursued gradually.⁵⁴ Ghana needs to adopt a similar approach if it is to make headway in industrialization.

While the state intervenes to mitigate the costs of adjustment, it should simultaneously reform itself in the realm of democracy, since political transparency is critical in building cordial state-society relations. The state should embrace a new accommodative political culture realizing that this is central to participatory democracy.

In general, most African leaders have failed to acknowledge the broader parameters of democracy; i.e., that it goes beyond multiparty elections. They fail to accept that democracy involves free speech that may conflict with one's own views; that it involves accommodation and compromises;

⁵⁴ Suh and Williamson, "The impact of adjustment", p. 224

transparency and accountability. Even more unfortunate, they fail to realize the need for diverse inputs in fashioning effective solutions to the complex socio-economic problems confronting their countries. Free debate and exchanges are what Ghana and Africa require. Dictatorship and personal rule are by nature counter-productive; they stifle initiative and creativity. Ghana's experience has clearly revealed that lack of openness in politics breeds suspicion and dissonance between state and society.

Hence, as the state initiates steps to rectify the shortcomings of the market, it must rectify its own past mistakes by allowing greater freedom for Ghanaians. In allowing such freedoms, the state need not necessarily be weak. Democracy does not imply a weak state. Rather, it means the creation of opportunities and avenues in which both state and society can freely coexist. As a matter of fact, a strong state is not necessarily incompatible with democracy. Rather, in the particular case of Africa, a weak state could be a recipe for the demise of democracy as it may be incapable of defining rules, let alone ensuring compliance with them by competing groups. As Anyang' Nyong'o notes, "in a weak state popular participation in politics is by itself a threat to 'public security'."⁵⁵

In sum, the Ghanaian state needs to be revisited; it

⁵⁵ Peter Anyang' Nyong'o "Introduction" in Peter Anyang' Nyong'o (ed) Popular Struggles for Democracy in Africa, p. 21

needs to be strengthened in order for it to recapture both the economic and political initiative it is losing under structural adjustment and political liberalization.

7:4 Summary

Ghana enters the twenty-first century with tough challenges and considerable uncertainties, notwithstanding attempts at structural adjustment and political liberalization. Its political economy is characterized by tensions and its international relations by debt, debt negotiations, rescheduling and conditionalities. Sovereignty still remains elusive to the state, the determination of whose priorities is largely the preserve of actors external to Ghana.

Yet, the origins of these developments must be understood within the broader context of the hegemonic status of the neo-liberal ideology beginning in the late 1970s. Global factors, especially the collapse of communism and the Soviet bloc, have helped to restore the market ideology, democracy and liberalism in general to dominance. At the same time, the continuing economic crisis in Ghana and Africa in general, have left the continent and its fifty countries with few options but to adopt wholesale the paradigm of the market. However, as I illustrated in chapter two, the prevailing assumptions about the market, particularly of it being a precursor to democracy, seem to have been exaggerated. The assumption is essentially flawed; in Ghana, a myriad of

factors have denied its validity in practice.

The lesson for the IFIs is that conditions in Ghana and elsewhere in Africa are different from those in the West. In the former, politics and the economy are driven by far more complex factors than the IFIs may be prepared to admit. As Barratt Brown notes, the "African road to development cannot be the European road" and rather than imposing external solutions, it is time to "listen to Africans for a change."⁵⁶ In a sense, this underscores the need for relaxing, if not eliminating, conditionalities.

A central reason for the insistence on adjustment conditionalities by the IFIs was the firm belief that the core of Ghana's economic problems were internal, linked to the state. Consequently, conditionalities demanded the yielding of place by the state to the market in the allocation of resources. While alluding to the state's role in economic decline in Ghana, I showed in chapter three that Ghana's economic crisis also had an external dimension. I noted in particular the hostile international economic environment reflected in falling primary commodity prices, debt repayments and rescheduling, along with the oil shocks of the 1970s and 1980s, which were equally important in explaining Ghana's economic decline. In this vein, it was inadequate, even unfair, for the IFIs to design adjustment programmes for internal economic reforms without simultaneously reforming the

⁵⁶ Brown, Africa's Choices, pp. 1 and 4

global economic system. President Rawlings himself, in a rather strange move, recently decried the prevailing unfairness in the international political economy:

"All that they [the West] can accept is for Africa to immerse herself in 'structural adjustment' which some see as an invitation to Africa to adjust to the global disadvantaged position... When will the rich countries also carry out adjustment of the global system that will ensure that our domestic efforts pay the expected dividends?"⁵⁷

The continued unfriendliness of the global economy explains, in part, why Ghana's economy has not recovered significantly even with so-called market liberalization.

The one point on which this study has agreed with the IFIs to a considerable degree was on the political economy of democratic decay. On this, I noted in chapter four that the state was largely responsible for the systematic emasculation of democratic institutions. As the analysis showed, this trend had persisted from Ghana's independence to the eve of democratic reforms in 1992. Yet, I also noted that the crackdown on democracy reflected the desire to establish a socialist state in the case of Nkrumah; the desire to establish military dictatorship in the case of Acheampong; and a desire to revive the economy in the cases of Busia, Limann and Rawlings. Consistent with the old and discredited "development first" notion, these leaders suppressed opposition and democratic rights in order to create space for their respective economic programmes. I argued, however, that

⁵⁷ West Africa 11-17 April, 1995, p. 650

the regimes differed in the degree to which they muzzled democratic institutions with Nkrumah, Acheampong and Rawlings being the worst offenders. The conditionality of political liberalization was therefore justified in the sense of reversing such undemocratic trends.

Yet, political liberalization under the aegis of conditionalities did not in practice bring forth the much-anticipated political freedom and genuine transparency in the Ghanaian political system. Post-election developments clearly show that the holding of multiparty elections was acquiesced in by the Ghanaian leadership merely to satisfy international conditionalities rather than out of a genuine desire to redemocratize Ghana. The old-style dictatorship and lack of tolerance for dissent still exist sometimes in very overt ways.

The state's desire for autocracy reflects, in a sense, its precarious position with the inception of political reforms. The implementation of economic reforms in Ghana has required considerable authoritarian powers. At the same time, political liberalization is ideally eroding these authoritarian powers. The state is left with two critical options: either it sheds its coercive powers and possibly fails to implement economic reforms, or it continues with its old character but at the cost of democracy. It is clear that the Ghanaian government prefers the latter which is why there is tension between it and society. Popular institutions

hitherto suppressed are using their newly acquired freedoms to reassert themselves, while the state, too loyal to donor conditionalities, continues to fear the stalling of economic reforms if the former is allowed much leverage. This divergence has exacerbated friction between the state and society.

Fuelling further this tension are the continuing costs of economic reforms and conditionalities, along with the unwillingness of the state to shed its previous character. Moreover, the erosion of both the authoritarian and legitimate powers of the state under adjustment and political liberalization are disabling it from negotiating with society. And, because it lacks this ability to negotiate, the state has attempted to resort to authoritarian means to implement programmes. In general, this tension has adversely affected economic recovery. At a time when concerted effort is needed for national reconstruction, mistrust and tensions are widening the differences between the state and society.

Rather sadly, then, these tensions do not stand to be abated within the current trends in either Ghana or the international political economy. As I argued in chapter six, economic revival and the mitigation of the costs of adjustment are at the core of the tension. Therefore, Africa's marginalization in the global economy, along with the declining demand for Ghana's primary agricultural products on the world market leading to further shortfalls in foreign

exchange earnings, are compounding the economic crisis at home. And the many contradictions in adjustment are not helping the situation either. Rather than creating conditions for investments, as advocates of economic adjustment maintain, the combined effects of devaluation, liberalization and auction are closing avenues for private, and particularly indigenous, business ventures.

The informal sector, which could have been providing alternative avenues for investments and employment, is similarly being undermined by the contradictions in adjustment. And when potential foreign investors have been persuaded about the conviviality of the Ghanaian economy for investments, they are hesitant to invest because of the growing political uncertainties in the West African sub-region. While such investments are being held back, Ghana meanwhile continues to meet its international financial obligations - interest payments on loans, oil bills and the financing of countless Bank and Fund officials who trek to Ghana with portable computers as technical advisors and consultants - which together exacerbate the balance of payment problems. As the economy fails to recover because of the above factors, the effects translate into constant social agitations, in turn creating tempting conditions for the state to return to dictatorship.

Unfortunately, again, the fledgling Ghanaian democracy has bleak prospects for consolidation partly because the

political transition that begat the democracy was flawed in the first place and also because economic development, which is a precondition for it in the particular case of Ghana, is not materializing. The current NDC government still sticks to its old notions of "development first" when clearly international and national conditions are making this impossible. And, along with ethnicity, the military may yet be compelled by the continuing costs of adjustment to bring Ghana's democracy to an abrupt end.

As a concerned social scientist, I remain moved to propose certain measures that may assist Ghana to cope with such perplexing dilemmas. Although regionalism and corporatism have been widely discussed in the literature as alternatives, they do not seem workable in practical terms. However, despite its weaknesses, a unity government could provide a starting point for the evolution of a more lasting political arrangement. But more important, the state should be brought into the centre of development, providing it can be more accountable, transparent and accommodative. It can elicit the cooperation of society in this regard if it regains some of its traditional functions and, more importantly, protects its citizens, especially the vulnerable, from the excruciating pains of structural adjustment. Otherwise, they may yet revolt.

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