Society Rooted Politics and Divergent Institutional Performance in the Ghanaian Economy

Charles T. Tuthill

March 31, 2018

****

Ph.D. Candidate

Syracuse University

Department of Political Science

ABSTRACT

Durable patterns of institution making reflect social compromise; an awareness and recognition of the rules of the game, even if they remain unwritten. In Ghana, for the past thirty five years at least, such a compromise has resulted in economic institutions whose performance is strongly bifurcated. The most effective, growth enhancing institutions are found within economic sectors fulfilling a well established external demand - an achievement given the predilection of developing countries to siphon off surplus from these sectors. On the other hand, in the less well established parts of tradable sector, or in sectors of the economy geared toward the domestic market, important policies and intuitions are often subverted by local social forces or neglected altogether. I argue that this "Janis faced" nature of Ghanaian political economy is the result of domestic perceptions of overlapping ethno-linguistic identities and economic interests, as well as the presence of an international donor community whose actions tend to reinforce the existing status quo. While Ghanaian leaders since independence have embarked on a wide range of modernizing projects, the combination of these two factors has served to narrow the potential horizon of policy choice, and has created a degree of dislocation between the state apparatus and indigenous productive forces outside of the well established elements of the export economy. The exigencies of rule and the opportunities presented by the international system have hemmed in successive Ghanaian regimes, laying down a foundation of unwritten boundaries reinforcing this pattern of bifurcated institutional performance.

Institutional Performance in Ghana

There is a discernible bifurcation in the economic institution making of the contemporary Ghanaian state. Ghana's connections to the international economy are mediated through institutions that are, generally speaking, both effective and conducive to economic growth, albeit along the lines of a raw material exporting economy. The institutions regulating the development of agriculture and agro industry within Ghana, however, display much greater variation and are less likely to be growth enhancing. Furthermore, these institutions are more likely to be subverted by the goals and priorities of various social and political actors. I argue that this "Janis faced" nature of the Ghanaian state, is the result of perceptions of overlapping ethnic identity and economic interests, in an environment characterized by the presence of a core ethnic group. Charting a clear and stable modernizing trajectory has proved difficult in Ghana because the necessary transfers of surplus from one economic sector to another coincided with ethnic identities that were malleable enough to provide a degree of superficial compromise yet solid enough to fuel contestation. The result was often poorly functioning institutions and economic stagnation.

The economic institutions of the contemporary Ghanaian state, however, represent a deeper social compromise and a fundamentally new state. The tradable sectors of the economy, in conjunction with external capital, are promoted and in return, a moderate surplus is made available for broader social needs and is supplemented by continuous aid from the international donor community. The result is a state that plays an energetic and positive role in facilitating exports of well established commodities but a somewhat lethargic role in stimulating the domestic industries upon which it has never truly relied. Ghana's bifurcated institution making, and its attendant consequences for development, are the result of a search for compromise between a somewhat fragmented and malleable "core" group and an opposition each characterized by but in no way defined by their broader economic roles.

The Ghanaian Economy and its Economic Institutions

Generally thought to be one of the healthier economies of Africa, the economy of Ghana is heavily oriented towards commercial agriculture, as well as the export of raw materials such as lumber, gold and oil[1]. Indigenous manufacturing, on the whole, remains weak, although some

[1] EIU, "Country Profile Ghana," (2008)13

sectors such as agro processing have shown some signs of growth and attracted investment both from the state and external sources[2]. The textile sector on the other hand has struggled to grow, under pressure from foreign manufacturers located in Asia.[3] The only major industrial sector that has performed above expectation has been construction, although welfare of the industry is closely linked to government expenditure.[4] The economy certainly hosts bright spots, such as the expansion of the Ghanaian multinationals such as the beverage company Kaspareko, whose products including its well known "Alomo Bitters" line of alcoholic beverages are widely exported in Western Africa, and Dignity DTRT Apparel, a major textile supplier to well known American companies such as Eddie Bauer, Fruit of the Loom, Hanes and Nike. Yet, on the whole, the economy, like many in the developing world, is heavily geared towards raw material export, with some value added processing particularly in agro-industry. The service sector, as in many developing economies, also makes up a large portion of economic activity but reflects government expenditures on education, healthcare and the civil service. The table below provides a sector by sector breakdown of the Ghanaian economy.

Economic Activity as Percent of GDP

Average Percentage of GDP 2006-2016*	
Agriculture Total	25.76%
Cocoa	2.55%
Industry Total	23.39%
Oil and Natural Gas	3.31%
Construction	10.11%
Service Total	50.85%
Public Administration and Defense; Social Security	6.07%
GDP at base prices	100.00%

Figure 2.1

*Figures for 2016 GDP are provisional. Source: Ghana Statistical Service[5]

The general shape and character of Ghanaian economic institutions is provided through a constellation of policy documents emanating both from the Ghanaian government as well as

[2] Shashi Kolavalli and Marcella Vigneri, "Cocoa in Ghana: Shaping the success of an economy," in *Yes, Africa can: success stories from a dynamic continent* (Washington, D.C.: World Bank Publications, 2011), 201-218., Kurt Larsen, Ronald Kim, and Florian Theus, *Agribusiness and innovation systems in Africa,* (Washington, D.C.: World Bank Publications, 2009)

[3] EIU, "Country Profile Ghana,", Ministry of Trade and Industry, "Ghana Industrial Policy," *Republic of Ghana* (a):

[4] ibid., Martin J. Williams, "The Political Economy of Unfinished Development Projects: Corruption, Clientelism, or Collective Choice?" *American Political Science Review* 111, no. 4 (2017): 705-723.

[5] (GSS) Ghana Statistical Service, "Provisional 2016 Annual Gross Domestic Product," (2017):

prominent intergovernmental and international organizations such as the IMF, World Bank, and USAID. These documents provide a bird's eye view of the important aspirations and policy formulations of the state, as well succinct summaries of the issues that the policies seek to address. The contents of these documents move far beyond the scope of this inquiry, which seeks to understand the social roots of institutions governing value added processing in agriculture and industry. The documents set out a general direct for the shape of Ghanaian economic policy, covering roughly the period from 2000-2017. They include the following:

- Medium Term National Development Policy Framework: Ghana Shared Growth and Development Agenda (2010-2013)
- Ghana Industrial Policy
- Ghana Industrial Sector Support Programme (2011-2015)
- Private Sector Development Strategy, Phase I (2005-2009); Phase II (2010-2015)
- National Trade Policy (Feb. 2005)
- Financial Sector Strategic Plan I, II

Many of these documents provide a framework for the essential institutions of doing business in Ghana, such as the legal framework for opening business or transferring land for industrial purposes. While these steps are no doubt essential to growth, of particular importance are documents that examine critical institutions specifically for industry and agro processing, the most important of which are the Industrial Policies and the Industrial Sector Support programs.

Ghanaian industrial policy at the national level, as well as the Industrial Sector Support Programme takes a holistic approach to development. The documents were created under formal consultation with all major stake holders, especially the small and medium enterprises that most developing countries rely on to promote GDP and job growth. The documents recognize the challenges facing Ghanaian industry and agro processing, noting that "increased competition in the domestic and export markets and high production and distribution costs arising from high interest rates, aged and obsolete equipment, [and] inefficient infrastructural services" have plagued Ghanaian industry.[6] The documents create a framework for addressing the various challenges of the manufacturing and agro industrial sector, creating recommendations for future action. Among the recommendations pertinent to this study are to:

[6] Ministry of Trade and Industry, "Ghana Industrial Policy," 55

- Encourage value added agricultural processing by addressing shortages in locally grown raw materials, and crops such as sugarcane, palm nuts, and etc.
- Increase access to irrigation to allow producers to increase yields of relevant crops to be used in value added processing
    - Public private partnerships
- Limit government spending in order to lower the cost of borrowing
- Promote venture capital markets and firms
- Set aside funding for an Industrial Development Fund
- Encourage enterprises to make investments in retooling factories

The policy prescriptions contained in the industrial policy and the Industrial Sector Support Programme however, point to contradictions whose resolution, while central to promoting development, is nevertheless illusive. The document calls for massive state investment, yet at the same time, limits state spending in order to insure lower loan rates for businesses whose principal obstacle to growth and competitiveness is often the ability to modernize the capital used in production. Some of these obstacles are addressed in national policies governing trade.

Trade policy, as a whole, generally attempts to address the need for massive investment in order to make industry competitive, within the context of strict limits on spending. Both trade and industrial policy seek to facilitate external investment, by providing incentives to import productive capital on the part of both indigenous and international corporations with exemptions from Value Added Tax (VAT) for industrial inputs.[7] Additional incentives include access loans at favorable rates for foreign companies importing capital to Ghana, to allow for expanded production as well as the hiring of workers and the purchase of land.[8] Furthermore, the industrial policy and the financial strategy allows for special financing for the purchase of more modern equipment for Ghanaian companies, although this reform as well is subject to the ability of funds from the government of Ghana as well as from the international development community.[9] Trade policy on the whole recognizes the potential harmful impacts of liberalization, even as it attempts to keep trade barriers to a minimum in hopes of taking advantage of some of the benefits of trade. The national trade policy document for example sets the goal of taking advantage of

[7] Ministry of Trade and Industry, "Ghana National Trade Policy," (b): 12
[8] Ministry of Finance and Economic Planning, "Financial Sector Strategic Plan II (FINSSPII)," (2012):
[9] Ministry of Trade and Industry Republic of Ghana, "Industrial Sector Support Programme (ISSP) 2011-2015,"

preferential market access to the US through such facilities as the African Growth and Opportunity Act (AGOA) which provides most favored nation status to textile producers, although it provides little in the way of concrete policy to achieve this goal[10]. Similarly lacking are plans to ensure that the increased competitiveness of domestic industry that the policy aspires to occur with continued liberalization will in fact take place. Nevertheless, the document attempts to plot a way forward through liberalization in a manner designed to mitigate its most harmful impacts.

Indigenous agricultural and industrial interests, no doubt, had a hand in formulating trade and industrial policy in Ghana, although the degree of influence that they and other have upon policy is not always clear. Formal mechanisms connecting the state and social forces in policy have somewhat of a troubled history in Ghana. The first formal mechanism connecting the state and private sector come about through the influence of the World Bank and IMF, which helped to found the Private Sector Advisory Group, a short lived consultative mechanism tied to a World Bank conference to encourage external investment in Ghana. The incorporation of the private sector into policy formulation processes, however, was not in any way a linear process and indeed suffered many reversals. Not only have numerous institutions taken shape to coordinate the efforts of government and the private sector, but it is often clear to all actors involved that the process is to a degree externally imposed, limiting its perceived legitimacy.[11] Thus, while it is clear that the state meets with the private sector, and that in some circumstances the concerns of the private sector are to a degree reflected in policy, it is unclear what real impact stakeholders from society have upon policy.[12]

The documents point to deep contradictions within Ghanaian political economy, whose resolution is expressed in institutional performance. In a domestic environment characterized by the weakness of indigenous industry and the dominance of foreign capital as well as the need to invest massively which is constrained by the imperative to limit spending, the character of the state will reveal itself in the presence, absence, and quality of economic institutions. There are, broadly speaking, three variations in the performance of Ghanaian economic institutions; growth producing, neglected, and subverted. Growth producing institutions function in a manner

[10] Ministry of Trade and Industry, "Ghana National Trade Policy," 6-7

[11] Joseph RA Ayee, Michael F. Lofchie, and Carolina Wieland, *Government-business relations in Ghana: Experience with consultative mechanisms,* World Bank, Private Sector Development Department, 1999)7-8

[12] Interview with augustine otoo, director of research and business development, ghana investment promotion center (2016):

consistent with their intent and they and often succeed in producing economic growth. Neglected institutions do not function at all or if so only partially; they exist most clearly within the confines of policy documents but they do not function in the real world. For example, while policy documents may create mechanisms to help farmers growing sugar cane, the implementation process seldom takes place. Lastly, subverted institutions function and exist, but are subverted by the rule making power of social groups and often function in ways at odds with their original intent. Migdal (1998) writes extensively about such institutions in *Strong Societies and Weak States,* noting for example that policies designed to provide peasant farmers with land were in fact reinforcing the position of large landowners, who had displaced the older rural elites. [13] The table below summarizes some of these differences in institutional variation.

Institutional Performance	**Characteristics**
Growth Producing	Institutional design reflects implementation.
Neglected	Institutions do no appear to have been implemented
Subverted	Implementation does not reflect institutional design but instead responds to social imperatives

Figure 2.2

Ghanaian institutions, like those of many countries, contain a mix of all three types of institution making. Nevertheless, there are clear patterns which emerge; the exporting sectors of Ghanaian agriculture in general, enjoy greater support of the state and more effectively functioning institutions. Food crops, on the other hand, tend to suffer through benign neglect; food producers benefit from a more stable and robust economy than in other regions of the continent but do not receive the types of support laid out in policy formulations, such as assistance in purchasing inputs like fertilizer or coordinating production with agro-industry. These trends can be seen in the performance of these two sectors and the manner in which liberalization occurred within each.

Agriculture, agro processing and the limitations of state power.

Growth in agriculture, and agro processing in Ghana, has generally been healthy since the early 1990s. The sector has been responsible for a large degree of Ghana's current economic

[13] Joel S. Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World,* (Princeton: Princeton University Press, 1988)

prosperity, contributing thirty percent of total GDP growth.[14] The cocoa sector in particular has fueled export growth, as it rebounded from extremely low levels in the early 1980s to produce an estimated 30% of total Ghanaian export earnings by 2012.[15] Additionally, horticultural production for export has increased dramatically, particularly for crops such as pineapples, although this trend does not necessarily benefit the average Ghanaian farmer and often relies upon donor investment.[16] Growth in the agro processing sector has not been quite as pronounced, although it too has seen growth. Attempts to process cocoa in Ghana, for example, despite tripling between 1991-2004 have still tended to fall short of expectations because of the difficulties involved in the transport of coca products internationally, as well as the lack of an internal market for cocoa consumption.[17] Although investments have been made in capital and machinery, Ghana continues to export the vast majority of its cocoa crop in raw form.

The positive growth in the sector as a whole, however, obscure struggles in food production for the domestic market. In Ghana, agriculture as a percentage of GDP is growing, despite struggles with food insecurity and unmet demand for processed food items domestically. There is a marked difference in the distribution of resources for food production and processing, when comparing crops that are consumed domestically with those destined for export. The developmental framework laid out by the government of Ghana has been applied with a degree of success particularly in the cocoa and horticulture sectors, along with the associated branches of agro industry. The resources devoted to domestic production both by the state and by developmental partners pale in comparison. Of particular concern for this study are the linkages in the domestic economy between growers and agro industry, as well as the role of the state in facilitating these linkages. Earlier developmental programs, such as those during the Nkrumah regime, focused on state run processing center to produce products for local consumption, although issues of quality and efficiency often plagued these enterprises. In the post 1983 era, such areas of the economy have suffered from a lack of resources. Asenso-Okeyere (2001), describes the situation in the early 2000s in the following manner:

---

[14] Ernest Aryeetey and Ravi Kanbur, *The Economy of Ghana Sixty Years after Independence,* (Oxford: Oxford University Press, 2017)158
[15] Elmasoeur Ashitey, "Ghana Cocoa Report (Annual)," (2012): 2
[16] Tsutomu Takane, "Smallholders and nontraditional exports under economic liberalization: the case of pineapples in Ghana," *African Study Monographs* 25, no. 1 (2004)34
[17] Kolavalli and Vigneri, "Cocoa in Ghana: Shaping the success of an economy," in 207

> Agroindustry is weak, and so food processing remains largely artisanal in nature. There is a sad case for cocoa processing. After almost 100 years of cocoa production, only 25,000 mt of cocoa beans, representing about 6% total production are processed. The shelf life of food therefore tends to be short. As a result of inadequate storage and processing there are large seasonal fluctuations in supplies and prices.[18]

In other words, the difficulties of linking producers to industry created distortions in the market, which create greater uncertainty and disincentivizing the adoption of techniques which might provide for greater crop yields. In the recent opening of a sugar processing facility in Komenda, for example, has been accompanied by troubles in production that have left farmers in the surrounding area who invested in growing sugar cane for the factory without a primary purchaser.[19] Creating lasting linkages between producers and industry is complex, involving addressing issues of transportation and infrastructure, as well as marketing.

The following charts and graphs paint a somewhat mixed picture of the trends in food production. On the one hand, the amount of food produced has consistently gone up since the early 1980s. In fact, there is evidence that the economic recovery of the 1980s allowed producers to bounce back after a period of drought that cause starvation in parts of the country. These trends have continued, with the food production index steadily rising. Yet, the rise in food production has not necessarily been accompanied with a rise in productivity, but instead the amount of arable agricultural land has increased massively, mostly due to the clearing of forest regions. Population pressures have obviously played a role in this process. The following two charts illustrate this trend. While Ghana's food production index has risen dramatically, this rise was accompanied only by very modest growth in yields per hectare. Instead, growth in overall food production was fueled by increases in the total land area under cultivation, a trend often seen in African countries.

[18] Kwadwo Asenso-Okyere, *Transforming agricultural production and productivity for sustained rapid growth and development.* (Legon: Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, 2001)9
[19] Eugene Davis, "$24 Million to be Sunk into Reviving Komenda Sugar Factory," *Business and Financial Times, Ghana* (2017): , Staff, "Komenda Factory Sugarcane Now Being Sold to Akpeteshie Producers," *citifmonline* (2017):

Food Production Index
1960-2015

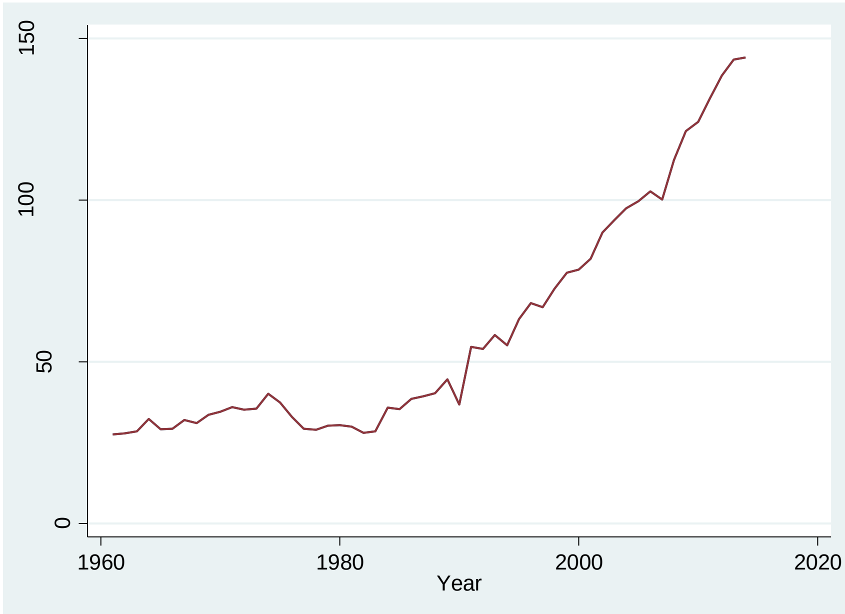

Figure 2.3
Source: World Bank Development Indicators

Arable Land as a Percentage of Total Land Area

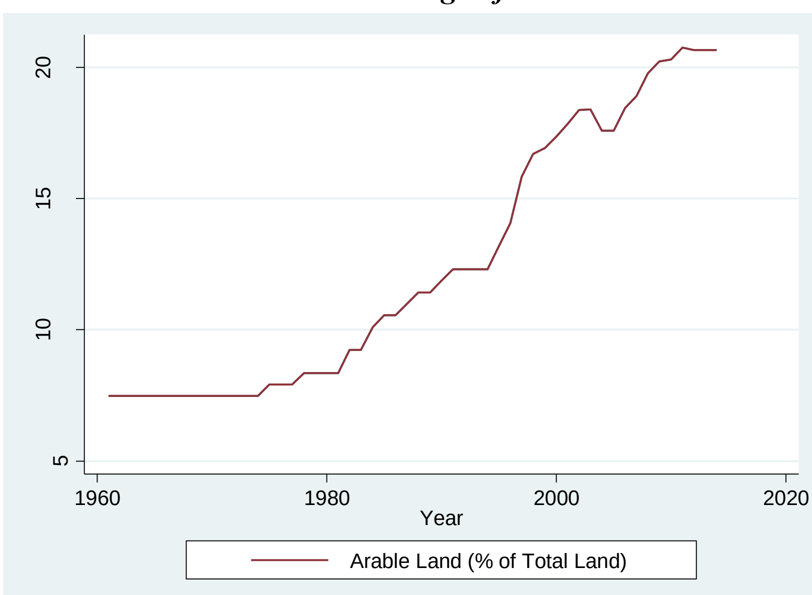

Figure 2.4
Source: World Bank Development Indicators

There have been modest productivity gains in food crops particularly compared to other countries in the region. Ghanaian small farmers in fact are often in a better position than farmers in other regions of the continent as they have greater access to small loans for basic inputs and while food crops are often impacted by the vagaries of the weather, conflict and instability have not negatively impacted production. Yet, it is no mistake that a growing population, and rising incomes, have not manifested themselves in more investment in producing food for domestic production. Maize production per hectare, for example, only reached the highs it attained during the 1960s in the early 1990s. Measures of productivity for maize are particularly important because though it is the primary food crop in Ghana, along with rice, it is overwhelmingly grown by producers on small land holdings, using traditional labor-intensive methods of cultivation. By contrast, in the more capital intensive areas of the agrarian economy, such as the cocoa sector, yields per hectare have risen much more dramatically. Ghana's yields per acre are low in comparison to middle income countries, and even some of its neighbors such as Cote D'Ivoire, although its productivity has consistently been above the average in sub-Saharan Africa since the 1990s.

Cereal Yield in Kilograms per Hectare

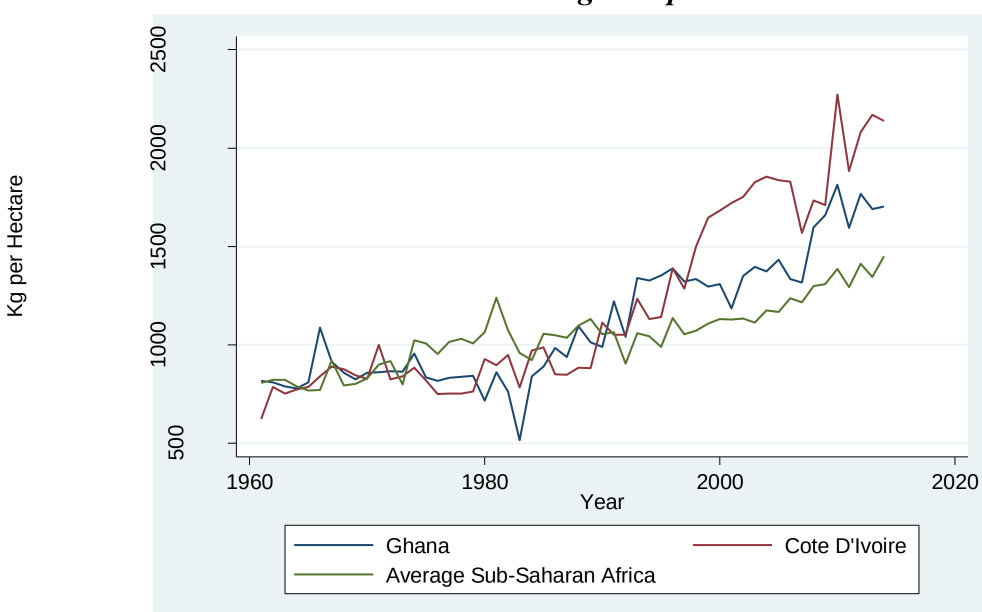

Figure 2.5
Source: World Bank Development Indicators

Maize Yields in Kilograms per Hectare in Ghana

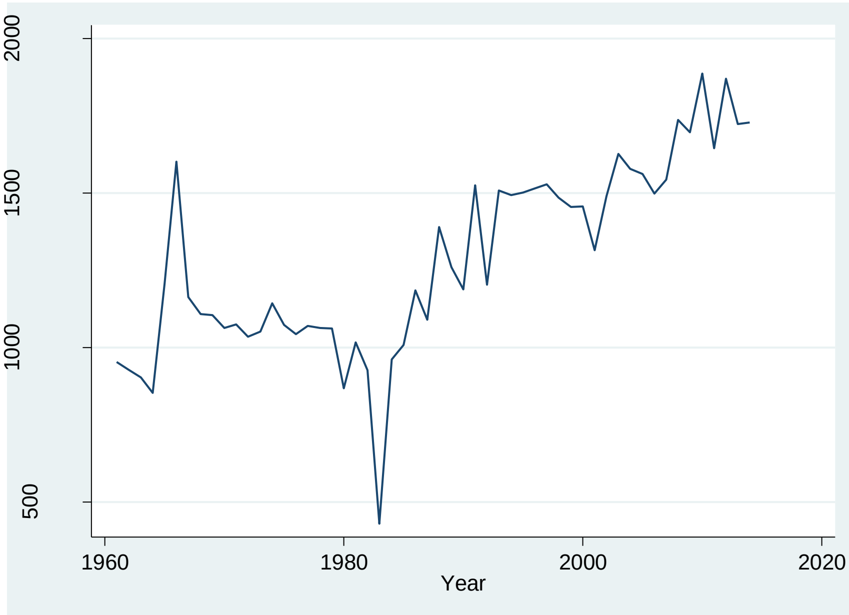

Figure 2.6
Source: UN FAO

Crop yields in important food commodities have certainly risen, although perhaps not quite as much as those in important export crops such as cocoa. Productivity growth in cocoa has been impressive, given the degradation of cocoa trees in the 1980s and the need to plant new types of trees whose yields took years to achieve, and which required more careful and regular fertilization.[20] Nevertheless, even here, yields per hectare in cocoa are not significantly higher than the increases in food production, and in fact ae only roughly 60% of those found in Côte D'Ivoire, and 39% of those in Malaysia.[21] These figures are offset to an extent by gains in quality; the Ghanaian crop enjoys a reputation for high quality beans and so on average earns roughly a three to five percent premium in comparison to cocoa produced in Côte D'Ivoire.[22]

[20] Kolavalli and Vigneri, "Cocoa in Ghana: Shaping the success of an economy," in 204
[21] Aryeetey and Kanbur, *The Economy of Ghana Sixty Years after Independence,*162
[22] Kolavalli and Vigneri, "Cocoa in Ghana: Shaping the success of an economy," in 206

Cocoa Production – Kg per Hectare

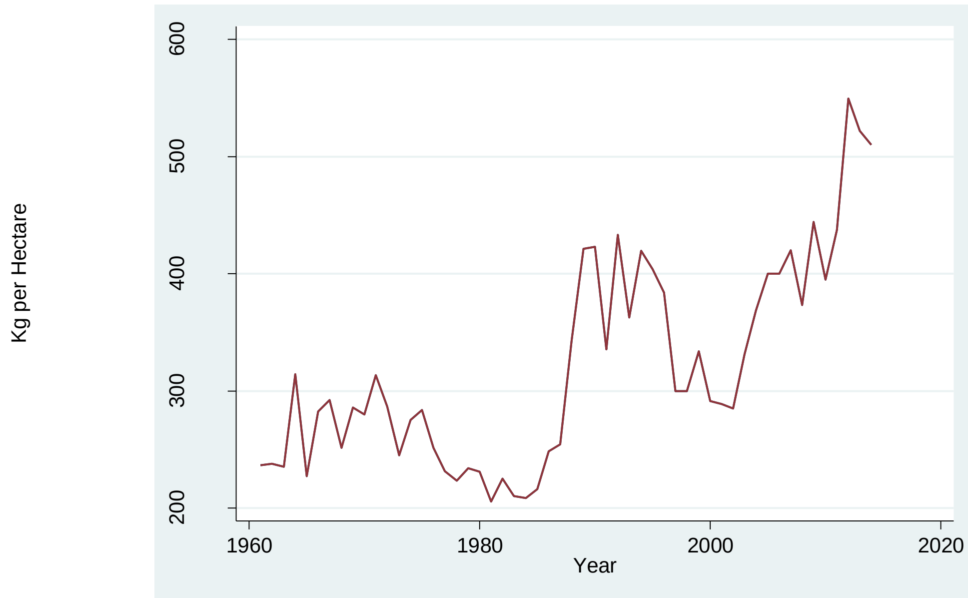

Figure 2.7
Source: UN FAO

Liberalization in agriculture after 1983.

The economic institutions of the Ghanaian state in the period immediately before the structural reforms of the 1980s, were to put it mildly, under severe distress. By the time the Rawlings regime embarked on a liberalization program in 1983, the economy was in the depths of severe crisis. A drought in portions of the country had created famine conditions, while years of low prices for key agricultural commodities such as cocoa had combined with high levels of indirect taxation upon producers to severely limit production. Thus a combination of adverse conditions and growth inhibiting institutions created severe economic pain throughout the country that was felt most severely by families struggling to put food on the table.

The immediate causes of the duress of the Ghanaian economy in 1983 were not solely institutional. Nevertheless, the major economic institutions contributed to a long term decline in agricultural production. The state through its control of a cocoa marketing board, paid producers only a fraction of the price on the world market, leading to smuggling, evasion, and a long term decline in production as growers chose to forgo investing in the industry.[23] The state bureaucracy itself, as in many developing country, was used as a means to distribute patronage

[23] Jonathan H. Frimpong-Ansah, *The vampire state in Africa: The political economy of decline in Ghana*, (Trenton: Africa World Press, 1991)

and thus became a major constraint on the ability of the state to facilitate development. The institutions of the state, prior to the beginnings of liberalization in 1983 were thus primed for change.

Institutional changes, undertaken in concert with or under pressure from international capital and the IMF, would follow the paths of least resistance toward the exporting sectors of the economy. Aid money and investments from abroad would be directed toward the cocoa sector and other tradable sectors of the economy. In the study of the agricultural sector Anaman et. al (2012) characterize the impact of structural adjustment in the following manner:

> Since 1984, there has been continuous annual growth in Ghana, as measured by changes in real gross domestic product (GDP). This continuous annual economic growth has included modest improvements in the agricultural sector. However, the period of intense structural adjustment from 1984 to 2000 also saw increasing disinvestment of the State in the agricultural sector through elimination of fertilizer subsidies, reduced support for extension services, especially for the non-cocoa sub-sectors and significantly reduced work on irrigation infrastructure. As a result, Ghana's total irrigated land remains at less than one per cent of all cultivated land and this proportion is one of the lowest in Africa.[24]

Thus, while some sectors of the agricultural economy received a degree of support liberalization was also accompanied by curtailment of state spending on projects designed to improve the sector as a whole. Farmers growing food crops in particular were particularly hard hit by this trend. While the cocoa institute pursued programs to encourage farmers to adopt new higher yield varieties of trees, and funds were made available to increase fertilizer use and to massively increase spraying, the sections of the rural economy that focused on food production underwent stagnation and struggles to compete against more efficient foreign producers. Small producers of food commodities, were particularly hard hit though the major impact was not felt until rising incomes led to massive increases in imports as indigenous producers struggled to compete. The struggles of small producers were felt in particular in food crops that were consumed heavily by Ghanaian society, in particular rice. Ghanaian rice producers quickly found that while increased incomes allowed Ghanaians to purchase larger quantities of rice, imports from abroad made it much more difficult to meet the demands of the Ghanaian market. The following table illustrates this trend; although Ghanaian production increased, much of the increased consumption was met not by domestic producers but by imports from abroad. Figure 2.8 reveals illustrates trends in imports of rice.

Rice Imports 1961-2012

[24] Kwabena Anaman et al., *Agriculture and Social Development in Ghana: Some Policy Issues,* 2012)138

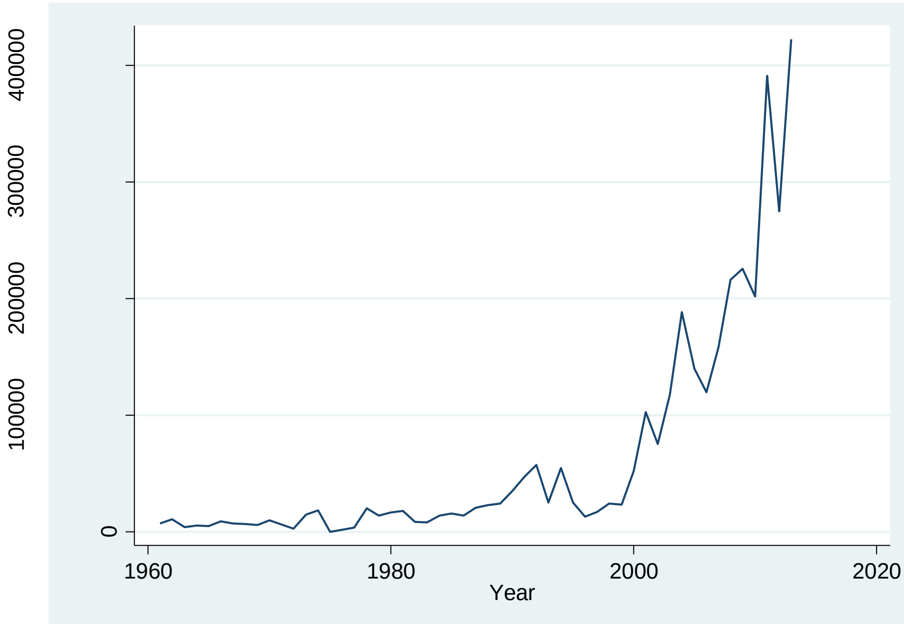

Figure 2.8
Source UNFAO

The liberalization of mid 1980s was initially followed by only modest increases in imports; the devaluation of the cedi allowed domestic producers to compete in terms of price, despite the removal of input subsidies and price protections that were instituted in the 1970s.[25] Nevertheless, the increased prosperity that followed policy reforms in the 1980s was accompanied by massive increases in rice imports; Ghanaian farmers were simply unable to produce enough of the crop to meet domestic production. Domestic production has certainly increased, yet the efficiency of Ghanaian farmers in the sector is only a fraction of that of farmers in other parts of the developing world.[26] The gains from liberalization were transferred large producers of export crops such as cocoa producers, or horticultural exporters while the losses were laid heavily upon the shoulders of peasants in rural areas.

Liberalization may have changed patterns of institution making in key sectors, but control over these sectors, was not simply delegated to the policy making expertise of the IMF – the state retained important decision making power even in the face of criticism from donors. While the Rawlings regime embarked upon an economic recovery plan worked out in conjunction with

---

[25] Awudu Abdulai and Wallace Huffman, "Structural adjustment and economic efficiency of rice farmers in northern Ghana," *Economic Development and Cultural Change* 48, no. 3 (2000)505

[26] UN Food and Agricultural Organization. *Production and Trade Yearbooks* **(**Rome: FAO 2014)

external actors, the regime retained a final control over how the process unfolded. For example, though the IMF pushed for complete liberalization, it was not until the early 2000s that the Ghanaian state made a conscious decision to reduce the state apparatus in the cocoa sector and to delegate the purchasing of cocoa beans from growers to private corporations. Despite pressures, and recommendations, the manner in which liberalization unfolded in the sector was driven forward by the Ghanaian state rather than external influences.

The stark contrast between exporting sectors of the economy and those dealing with internal production and consumption can in the developmental priorities of the state during liberalization. A turn-around in the sector began with the introduction of new policies during the Rawlings regime. The Cocoa recovery act contained the following reforms, which along with policies and directives governing trade and industry, continue to have a positive impact on the sector:

- The partial liberalization of cocoa purchases. The coco board serves as a buyer of last resort.
    - Cocoa board retains negotiating power on international sales
- Liberalization of transportation and logistics
- Subsidies for capital investment and the planting of new more productive varieties of cocoa trees
- Subsidies for fertilizer
- Increases in the share of revenues paid to farmers to encourage investment

The cocoa recovery act transformed the sector and allowed it to take advantage of previous state support functions, including research on tree varieties and best practices undertaken by the Cocoa Institute. The combined effect of these programs can be seen in data on the amount of fertilizer used in the sector, as well as in the overall crop yields, which have grown substantially since the mid 1980s.

Institutions meant to encourage value added processing, however, appear to conflict with the nature of cocoa production. There has been an increase in the amount of capital used in value added processing in the sector; however, transportation of processed coca products is often more difficult for multi-national corporations and given the very small domestic market for cocoa products, it is perhaps no surprise that the cocoa marketing board reserves the highest grade cocoa for export. Nevertheless, the institutions impacting the production of cocoa in Ghana have largely played a positive, growth enhancing role. The following graphs illustrate some of the trends.

Consumption of Fertilizer in Metric Tons (Tonnes)

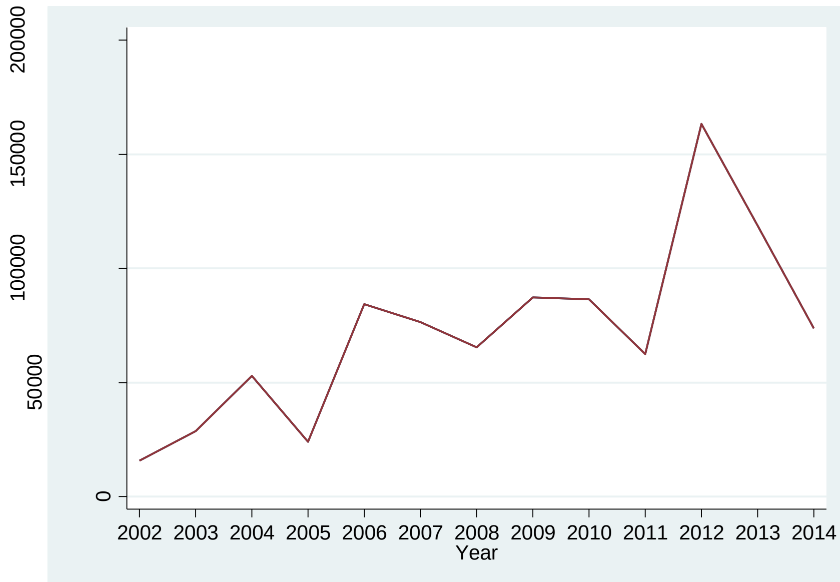

Figure 2.9
Source: UN Food and Agriculture Administration

Cocoa Production in Metric Tons

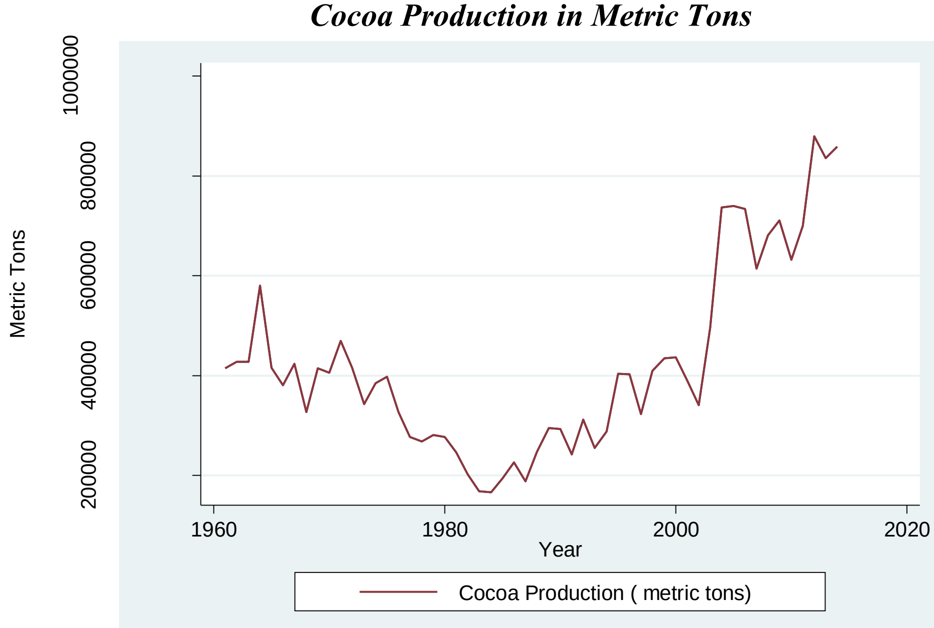

Figure 2.10
Source: UN Food and Agriculture Organization

Finally, it is important to note just how contested the process of liberalization in the cocoa sector has been in Ghana. The first structural adjustment plan worked out between the Rawlings regime and the World Bank envisioned almost a complete withdrawal of the state from production, particularly in terms of the landholdings and processing facilities of the state run cocoa board, Cocobod. These reforms were consistently delayed as Cocobod maintained its role in producing insecticides and other important inputs while it only slowly and relinquished its processing facilities.[27] The same is true for state subsidies for the inputs of production, most important fertilizer, as the new varieties of trees developed by the cocoa institute required more regular infusions of fertilizer. In fact, state officials vigorously protested some aspects of reform, arguing that the mechanisms of the free market alone did not provide enough stability in producer prices to provide incentive for increased production on the part of farmers.[28] While the state occasionally gave ground strategically, its developmental policy of state support for the cocoa ultimately prevailed. The state used liberalization as a strategic tool to be implemented when it presented opportunities but not to do so in a blind or overreaching manner.

The Complex Roots of Institutional Bifurcation

The dominant legacy of Ghana's developmental history is a modernizing process in which the state apparatus has become somewhat dislocated from indigenous productive forces, while being both constrained by and oriented towards the interests of external capital. Yet, in order to understand this "dislocation" it is necessary to first situate it within the context of developing economies, as opposed to those in the developed world, for there are quite different causal processes at work, given the nature of productive relations within society.

In the advanced capitalist economies, the roots of developmental dislocation are seldom due to a large disjuncture between the state and productive forces. State policies, for example, may favor one particular branch of industry over another, but the state in capitalist societies seldom forsakes the forces of domestic production altogether. Thus, Britain, during the 1980s, pursued policies that favored monopoly finance capital, at the expense of another fraction of the capitalist class, monopoly manufacturing capital. The conflicting policies pursued by these differing branches of domestic capital could not indefinitely coexist, and thus with the ushering

[27] Peter Gibbon, "A failed agenda? African agriculture under structural adjustment with special reference to Kenya and Ghana," *The Journal of Peasant Studies* 20, no. 1 (1992)65
[28] ibid.

in of a neoliberal state, and subsequent rises of housing and other goods, British labor slowly became less competitive on the global stage and finance monopoly capital emerged more robust. Thus, while dislocations in the productive process may occur in capitalist societies, in this case in regards to manufacturing, the choice is often between differing branches of monopoly capital, within a socio-economic system of capitalist relations of production and its associated mores and values.

In the developing world, the situation is somewhat different, as productive relations oscillate between elements of capitalism, and various traditional systems of production, the most common being lineage systems involving communal land ownership (Kenya's freeholding system being a notable exception). Here, the state faces a much larger array of pressures, founded as they are not in differing approaches to the market, but instead in differing modes of production. Thus, it should be no surprise that radically alternative approaches to development in Ghana have been proposed since independence, drawing upon theories of development adopted from the western experience to the African continent. Equally unsurprising is the manner in which ideology itself is subverted by the strength of traditional relations, founded on an entirely different set of social values and mores. Thus, the question facing the state in Ghana or any other society in the developing world is not a choice between competing fractions of the dominant class, in a society where the social product is dependent upon the market. Instead, the choice is about the boundaries and values of the socio-economic system of which the state finds itself, where a multitude of economic relations and survival strategies are at work. While historically, the champions of capitalism or the sage enthusiasts of socialism have espoused oppositional values, one can only note that the pseudo capitalisms or pseudo-socialisms that emerge in the developing world often contain unexpected similarities. Ideology, thus is somewhat diluted, and may in fact serve different purposes; the same is therefore true of social classes.

One of the most marked characteristics of social actors in the developing world is the extent to which socio-economic class is inextricably tied not only to the positionality of social actors in the market economy but their regional and ethnic ties, whose interests and perspectives often exist in opposition to the values of the market. The capitalist class in Ghana, to the extent that we can speak of a cohesive social class, has never presented a united front, torn in part by the differing segments of the economy which they occupy, particularly in regards to foreign capital, as well as by the ethnic affiliations of their members. These regional tendencies have sometimes trumped economic interests, particularly in the support bases of the regimes. Business was most united behind the Busia regime, given their developmental priorities and approaches, but prominent segments of the capitalist class also supported Nkrumah. Rawlings succeed in alienating large segments of this class in the early years of his administration, even as he later helped to build up an indigenous class small entrepreneurs. While the capitalist class in Ghana generally has centrist and conservative tendencies, they have supported regimes in various positions along the ideological spectrum.

The lack of cohesion of peasantry, on the other hand, has its origins in the both geographical isolation and the burdens of lineage obligations common both in Africa and other regions of the world. The peasantry, as a whole, has generally found itself isolated from the larger political movements in Ghanaian history. Given the lack of resources in rural areas, the inability to join together with like minded individuals and the difficulties of communication, the peasantry has generally not played a significant role in Ghanaian politics. Organizations representing small farmers generally support more liberal policies, but these organizations have seldom had much political influence. While Nkrumah tried to build the peasantry into an independent social force, one more likely to support the policies of the CPP, his efforts to use loans and state farms to accomplish this goal were insufficient. Rawlings also attempted to weld the peasantry into an arm of a new parallel state apparatus but abandoned this approach when it became clear that a mobilized peasantry did not necessarily produce economic growth.

Traditional landowners, on the other hand, have been steady supporters of conservative regimes in Ghana, particularly in the Ashanti areas. These groups initially supported Nkrumah and the CPP, much to their regret, as they soon realized that the left would not accept a large, socially and politically powerful property owning class to dictate economic institution making. Yet, even the chiefs as a property owning class were fragmented ethnically, it is perhaps simple happenstance that the most economically and socially powerful chiefs are to be found in the Ashanti region, while in the north and the Volta region the Ewe and Ga often band together in support of parties on the left. Large landowners are generally the most conservative social grouping, an in Ashanti regions their class identity (with regard to their sectorial interests) overlaps their ethnic identity, and reinforces the political tendencies of both, a rare occurrence in Ghana. Landowners in the Ga and Ewe regions, on the other hand, tend towards parties on the center left, illustrating yet again the tension that cross cutting group membership exerts upon social forces.

The dominance of these cross cutting social cleavages in Ghana has the tendency to empower the civil servants of the state apparatus. However, it should be pointed out that the relative weakness of socio-economic classes by no means grants carte blanche to the state, which is often constrained by society, especially in times of economic weakness. Nevertheless, it is the apparatus of the state itself that generally guides policy, and the ties between the state apparatus and the productive forces within society are what characterize this "bureaucratic bourgeoisie." The position and character of the bureaucracy as a class is thus somewhat exceptional and indeed contradictory. The bureaucracy is united to the extent that taking state power entails placing members of a united coalition at the reigns of the state apparatus. Yet, with each new transition to power this class cannot simply be overturned, less the vital functions of the state stop functioning. Thus, though this class represents a somewhat more unified social formation, it too is not completely immune to the types of fragmentations that characterize other social classes, though it does appear to present a more united front. Thus, the bureaucracy constitutes a separate social class, but one tied closely to the ethnic fragmentations that exist within society.

Ethnicity and Social Compromise in Ghana

The sociopolitical and economic dimensions of group identity in Ghana, though complex, tend to reinforce a tendency toward bifurcated development. It is very difficult to speak of the political dimensions of ethnic identity because ethnic groups in Ghana present a mix of both coherence and deep and multilayered fragmentation. Some researchers even go to the point of labeling the interests that coincide with ethnic groups as regional cleavages, rather than ethnic divides though doing so I argue creates an overly simplified rendition of Ghanaian politics and society. As the main ethno-linguistic group, or what I refer to as a "core" ethnic group, the Akan, are generally associated with the tradable sectors of the economy; any compromises, if they are to be stable, must accommodate this group or some fragment of it; the most superficial compromises have leveraged the coercive power of the state to suppress elements that did not go along.

Recent research on the state in Africa points to the idea that these essential differences in policy coalitions may have something to do with the presence of a core ethnic group. A core ethnic group contains either the majority of the population of a given state, or it is at least 20%

larger than the next largest ethnic group. One of the most well-known works to examine the political effects of the size of ethnic groups was Posner's (2004) article "The Political Salience of Cultural Differences: Why Chewas and Tumbukas are Allies in Zambia and Adversaries in Malawi." One of the main findings of the article was that identical groups behave very differently toward one another when group size and electoral institutions differ. Relative group size, according to Posner, can have a large bearing on the degree to which ethnicity in the political realm is important. Elischer (2013) expands on Posner's analysis noting that a core ethnic group exist, they often fragment based on programmatic and ideological appeals. In societies that have core ethnic groups, this group is often represented politically in numerous parties, and organizations. By contrast, when similarly sized groups are more numerous, they are more likely to retain group loyalty and therefore produce a system where the political salience of ethnicity becomes an important mobilizing force in politics. Elischer's (2013) observations point to the idea that programmatic and ideological appeals may in fact be much more important when there is the presence of a core ethnic group, because of the tendencies for comparatively larger groups to fragment, at least to a degree.

Historically, independent Ghana has been plagued by relative instability (at least until the mid 1980s), where social actors resorted to the use of armed force, but then ruled without the protracted and unrelenting violence that we have seen in other parts of the continent. This type of social compromise was in a sense real, in that it did not lead to protracted violence yet it was deeply unstable at the institutional level. The overlap of a "core" ethnic group and the tradable sector of the economy meant that any deep and lasting compromise would have to receive a degree of buy in from the Akan speaking peoples of Ghana. Bifurcated development strategies have provided for the emergence of a new type of state that balances the priorities of the well established portions of the tradable sectors with those of the internal development of the country, a situation which the market and international capital has used to pull Ghanaian development in directions that coincide with the needs of states at the center of the global economy.

The historical fragmentation of ethnic groups in Ghana, along with the relatively small size, has led to the emergence of programmatic rather than overtly ethnic political appeals. Akan speakers in Ghana make up 45.7% of the population, constituting a clear core ethnic group while the next largest group, the the Mole-Dagbon, make up only 16.6 percent of the population. The small size of these groups in Ghana means that none of them are able to make an ethnically based claim that has any hopes of creating a national political agenda. Furthermore, the historical fragmentation of Akan speaking peoples into older precolonial political units presents a check on any nationalistic impulse based on the linguistic and cultural similarities of the Akan speaking south. During the mid to late 1950s the political and economic aspirations of many Akans were expressed in the NLM, yet this groups clear affiliation with the Ashanti peoples, and the support and leadership exercised by the golden stool, undermined any Akan wide push for governmental reforms or even support for the NLM against Nkrumah's CPP. Indeed, Nkrumah succeeded in splintering the Akan vote by luring some regions to the CPP with promises of regional autonomy not only from the central government but of traditional Ashanti authority. Thus, internal divisions combined with the small size of ethnic group have augured against the widespread use of ethnic appeals in Ghana.

Yet, despite the deeply fragmented character of the Akan peoples, lasting political compromise has often been difficult to achieve in large part because traditional authority continues to retain a degree of legitimacy that oppositional social classes *within* Akan society have failed to match.[29] The driving force in Ashanti nationalism in the period before independence, for example, was not the chiefs but younger entrepreneurs, some of whom even supported Nkrumah's CPP before the policies on cocoa turned them against the party. Nevertheless, despite their connections to ordinary Ghanaians, and their ability to mobilize protest, these entrepreneurs had to rely upon the authority of the chiefs in order to help nourish and grow the movement. Thus, segments of society that might potentially have mobilized in new directions were kept in check by the authority of elders. While Akan society was fragmented enough to come to some degree of superficial compromise, they have retained enough centralizing tendencies to act as a stumbling block to lasting compromise.

Furthermore, while there has never been a perfect overlap of the export sectors of the economy and the core Akan ethno-linguistic group, they have matched closely enough to have an impact on underlying social and political compromise. Nkrumah had hoped to lure enough working people and migrant farmers with Akan speaking areas away from the opposition to definitively break the power of planter chiefs. Yet, even migrant farm workers and laborers fates in the alter 1950s were tied to government policy on cocoa. While chiefs and large landowners

[29] Jean Marie Allman, *The Quills of the Porcupine: Asante nationalism in an emergent Ghana,* (Madison: Univ of Wisconsin Press, 1993)

may have benefitted the most, ordinary people associated their economic well being with the tradable sector and thus joined the opposition. That is not to say that in all cases support would automatically be rendered, but it does closely follow.

Lastly compromise, ironically, has been facilitated by external forces. The embrace of IMF reforms under Rawlings, unlike the turn of policy of the Busia regime, was accompanied by a large injection of capital from abroad. The Rawlings regime was indeed highly successful at attracting dollars from outside, in part, because donors were not wary that a populist figure cut from the same cloth as Nkrumah, might potentially destabilize the polity and backtrack on reform. In fact, he was already in power and had through the purges of the most radical elements of the PNDC as well as the demobilization of most of the popular cadres signaled his intention to do no such thing. Thus, it was the potential stability the Rawlings represented that allowed the regime to attract aid dollars, and funds from donors, allowing them to carry out some of the vital distribution of benefits to supporters while leaving off the external sector. The actions of Rawlings drew some support from Akan speaking peoples, but more importantly did not provide a clear basis for ethnically based opposition. By satisfying the needs of a somewhat fragmented, and occasionally unified ethnic group the Rawlings regime managed not only to secure a superficial social compromise but a lasting one, with its own unique developmental dynamics. In other words, it was a new type of state that emerged and took shape during the Rawlings dictatorship, determined in part by the somewhat plastic and malleable character of ethnicity in Ghana.

Ethnicity, Nationalism and Contested Modernization: 1960-1983

The roots of today's institutional framework in Ghana lie in the long evolution of state forms and patterns of conflict and consensus that predate independence. Three periods of institutional creation in Ghanaian history provide much needed background to understand the shape and limitations of contemporary Ghanaian political economy. During the first period, the Nkrumah regime, I will trace the evolution of economic institutions and summarize the logic of patterns of institutional creation, taking into account the impact of overlapping ethnicity and perceived economic interest. During the second period, I elaborate attempts by the state to change tide of institutional formation during the Busia regime, one of the few to forthrightly champion the economic interests of Ashanti cocoa planters, as well as the limitations upon which the regime ran aground. Lastly, I revisit the Rawlings period, marked a the beginning of a new pattern of conflict and consensus, one which initially involved the state demobilizing its most ardent supporters but retaining the tacit support of a larger subsection of society.

African socialism and the Nkrumah regime.

Ghana's history of modernization is somewhat different from both self declared Afro-Marxist regimes or more traditionally pragmatic capitalist regimes such as Kenya. Although the Nkrumah regime espoused socialist rhetoric, its reforms were not as far reaching as those attempted in Mozambique or Tanzania during the same period. Ghana, for example, did not attempt rural collectivization on a massive scale, nor did it nationalize foreign owned business. Nonetheless, in Ghana, like Tanzania and Mozambique, it was the state, as opposed to the market, that was the principle actor in development. Parastatal corporations and state owned agricultural marketing boards dominated the rural economy. When compared to Kenya under Kenyatta, or the Ivory Coast under Houphouët-Boigny, each of which focused on the development of private industry and market based reform, Ghana's socialist legacies become readily apparent.

In Ghana, as in Tanzania and Mozambique, state-run farms became one of the main vehicles of rural development. These publically owned organizations, it was thought, would increase agricultural output while blocking the creation of a capitalist market economy and perhaps more importantly the formation of a powerful indigenous class of planters (Young, 1982, p. 158). These farms received massive investments in mechanized equipment, infrastructure, and inputs such as fertilizer. In addition, the state also provided subsidized inputs to small producers, although its first priority was the large state-run farms.

Parastatal corporations, which would eventually dominate entire industries, were also a central part of the Ghanaian developmental strategy. While Nkrumah often railed against the dangers of recolonization through the economic dominance of foreign companies, nationalization of foreign enterprises, for the most part, did not occur. The regime did however make it increasingly difficult for foreign owned business to compete with Ghana's parastal corporations (Esseks, 1972, p.62). Eventually, the production of agriculture-based commodities such as flour or vegetable oil was handled entirely by these enterprises, whose products were made competitive as a result of favorable state policies and subsidies.

Finally, state run agricultural marketing boards were a key component of Ghana's overall developmental strategy, as they were in a diverse range of African states. By paying producers a below market price for their produce, especially for cash crops such as cocoa, the state could, at least in principle, effectively extract funds to be used for development. Ghana, at this time, tried to invest in value added industries through import substitution industrialization. Thus, revenues from agricultural marketing boards would play an increasingly important role in providing foreign exchange with which to purchase industrial capital and inputs.

The state in Ghana, during this period, had a great degree of penetration in society through its various enterprises and agents. However, it is important to note that its role in modernization and state building was mostly managerial. Policy choices emanated from the center and representatives of the state and rural areas tended to implement national policies, and to manage local authorities. Local governmental bodies had very little in the way of decision-making power over rural development and they generally did not have access to governmental revenues. While this arrangement sometimes worked very well, the production of rice steadily increased between the 1960s and 1980s, for example, there were also clear failures both of modernization and state building. These failures can be seen most clearly in the cocoa industry.

In Ghana, as noted by Frimpong-Ansah (1992), political coalition making often created disastrous policies for both state building and modernization of the agricultural sector. Especially hard-hit was the cocoa industry. By utilizing the monopsony power of the state to pay low prices to producers, successive governments starting with the Nkrumah regime were able to supply public and private goods to their supporters, allowing them to stay in power. However, as was noted by Robert Bates and many other scholars, these policies depressed agricultural output. Since producers were not being paid adequately, they often turned either to the black market or to other various cash crops which would yield a greater profit. The cocoa sector was not the only failure, however, as state-run farms in Ghana also failed to produce the higher crop yields for which they were intended. In fact, Young (1982) notes that peasants, working for the most part without tractors and other mechanized equipment, were generally more productive than these large, technologically sophisticated state farms.

Economic and ethnic alliances during the Nkrumah period.

In order to stay in power, and to pursue a socialist pathway to development, the Nkrumah regime sought to destabilize the powerful planter chiefs of the Ashanti region. The chiefs, as a class, exerted economic control over the surplus derived from cocoa through control over land, leadership in farmers cooperatives, and through ownership of cocoa purchasing enterprises. Furthermore, these planter chiefs were often the principle money lenders of their region, a position that allowed them to appropriate large proportions of the cocoa harvest as indebted farmers struggled to meet their obligations. Lastly, though some traditional authority structures placed checks on the power of chiefs, namely through the influence of elders who retained the power to remove or destool the chief, on they whole traditional practices such as religious customs provided planters chiefs with elements of social control that reinforced the economic control they already exerted within society.

Nkrumah's struggles with chiefs revolved around the creation of government institutions designed to undermine both the social and economic clout of the planter chiefs. In the process, Nkrumah hoped to provide the basis for an independent peasantry, closely linked to state power, the foundations of an African socialist state. Loan programs were critical in breaking the social and economic bonds tying the peasantry to the chiefs. As noted by Boone (2012), these loans were seldom repaid but they did indeed create peasants loyal to the party and no longer under the influence of the chiefs, at least in the short term. The creation of state farms also served this purpose, and it was hoped that their success would indeed create not only a new mode of production, but new relations of production unaffected by traditional authority structures. Finally, Nkrumah's use of local councils, whose members were primarily appointed by party cadres rather than by the chiefs, served to further undermine traditional authority. The hope of the Nkrumah regime was that the chiefs both as traditional authority figures and more importantly as the emergent

Nkrumah succeeded spectacularly in his bid to destroy the social and political foundations of the rural elite. According to Chazan (1982),[30] only two regimes in the post Nkrumah era even claimed to support the interest of chiefs, and these regimes did so only partially. While post Nkrumah regimes generally sympathized with the plight of farmers and large producers, the exigencies of maintaining a political alliance required the use of funds earned from cocoa to provide benefits in the form of development projects and other services. As

[30] Naomi Chazan, "Ethnicity and politics in Ghana," *Political Science Quarterly* 97, no. 3 (1982): 461-485.

a class, the chiefs no longer held enough political and social clout to serve as the social foundation for a political regime and thus this group never definitively shaped the institutions of the state. But while Nkrumah envisioned a new class of small farmers close linked to the state apparatus to shape the contours of a strong independent Ghanaian state, the failure of a socialist path to development, and the disastrous experiment of state farms, condemned this dream to the same fate as the CPP, which collapsed soon after Nkrumah was overthrown.

The failure of African socialism as a class project created a long lasting dislocation between the state apparatus and personnel on the one hand, and producers on the other. In this vacuum the power of traditional social structures reasserted itself, this time in the form of ethnic affiliations. So it was that shifting ethnic coalitions came to control state power, only to be pushed aside with failures of development in favor of another group. Legislation and developmental policy harmful to both large and small producers alike was the result of these shifting alliances, whose main source of revenue provided the basis for holding together a policy coalition. Gone were policies and practices designed to encourage small farmers, as the institutions of the state steadily contracted.

The character of politics between the Nkrumah and Rawlings regimes bore many similarities to other African states at the same historical juncture. Here, the power and connections of government affiliated managers found a ready set of allies amongst regional elites, organized by ethnicity, and conspired to produce policy that would often have a disastrous effect upon development. One of the most extreme examples comes from Nigeria, where ethno-regional alliances vie for control over state resources emanating from sale of oil on the international market. Less extreme examples have periodically occurred in Kenya, where the Moi regime, struggling for resources, relied upon black market profiteers and businessmen of ill repute rocking the state with financial scandals and ill conceived policy. The politics of these regimes thus had many similarities with other African states; the differences of course come down to a question of degree.

Yet, the Nkrumah regime's approach to development was unquestionably nationalist, even as it attempted reorient production in ways that reinforced the power of its ethno-regional power bloc. The state, at least at the outset, enjoyed a degree of autonomy from external forces that seldom occurs in the developing world; it also enjoyed a favor balance of payments and had accumulated enviable amounts of foreign exchange. These resources would provide the state with a tremendous ability to create institutions to penetrate society, in an attempt to forge entirely new productive forces. Thus, though unsuccessful, this regime more than any other, championed a particular path of internal development that had the potential to forge close bonds with the state, even as it was unsuccessful in making sure that these new productive forces saw the light of day.

Busia and the Limits of State Autonomy

The Busia regime came to power under a very different set of circumstances than the Nkrumah regime. Ghana had been profoundly shaken by military coup, as well as by the drop in the international market for agricultural commodities. State spending, which had been substantial, was markedly reduced as the state simply did not have then funds to continue elaborate developmental programs and prestige projects. Furthermore, in order to attract financing and investment, is was clear that changes had to be made overall relationship between the state and the economy as a whole.

The Busia regime's solution to the problems presented was to embrace a type of austerity, all the while attempting to redirect any scant funds available to internal industries; needless to say, if was a difficult task. One of the regime's top priorities was to increase the amount paid to producers of cocoa, particularly in the Ashanti areas. These groups made up the core of support for the regime, and boosting production held the potential of economic benefits in addition to the political gains critical to the regimes' survival. Yet, the low price of cocoa on the world market meant that even though rates were raised production did not significantly increase. Furthermore, there were limits to the degree that the price of cocoa could be raised, given the fiscal imperatives facing the regime. Thus, though they attempted to champion the cause of the Ashanti chiefs, there were definite limits in the degree to which they could satisfy this constituency.

The same can be said of the Busia regime's attempts to please the business sector as a whole. The regime actively tried to support indigenous production through loans and other programs, yet it ran into trouble because of the tight fiscal situation it found itself within. Strikes and other disturbances were a natural part of such a state of affairs, and in these matters, the regime was firmly on the side of owners of capital.

While the regime attempted to reorient the institutions of the state toward domestic production, its relation with external capital constrained its ability to do so. Securing loans from the IMF and World Bank came at the cost of opening up the Ghanaian market to foreign competition, without the benefit of state support in creating more efficient enterprise. Furthermore, externally imposed austerity had an impact upon education and health services, as well as state capacity. At the local level, the state had ceased to be a valid and active developmental partner, as loan programs came to an end, and staff were cut.

The downfall of the Busia regime came at the hands of disgruntled city dwellers and neglected peasants. These groups, who had formed part of the coalition that brought Nkrumah to power, finally rebelled against a regime that fundamentally neglected their interests. The Busia regime had thus mobilized its enemies, while failing to please its core constituencies. The exigencies forced on the regime under the circumstances in which it took power were ultimately too much for it to overcome.

The Busia regime, more than any other in Ghana, attempted to champion the interests of domestic industry and export agriculture. Yet, even here, the fundamental tensions and contradictions between internal production and the necessities of access to foreign exchange and the development of external sources of government revenue complicated this process. Thus, ironically, though the regime attempted to forge connections with domestic industry and indeed championed these ties, the institutions and policies that it developed were at best a mixed in regards to the interests of the domestic producers that they ostensibly championed. The lack of state autonomy in regards to external forces imposed upon the state a complicated balancing act that ultimately proved too difficult to overcome.

The Rawlings Regime and Developmental Disjunctures in Contemporary Ghana

The regimes following the Nkrumah administration, up until a brief period in the early years of the Rawlings regime, illustrate some of the same disjunctures between productive social forces and the state. Instability plagued these regimes, as reforms that may have borne fruit in the long term were squelched under the pressure of an adverse economic environment particularly dependent on the sale of cocoa beans as a main export crop. These disjunctures, though in some regards contradictory, did not represent a clear cut path to political instability. Indeed, at least at the beginning of the Busia regime, the state enjoyed potentially useful autonomy from society in constructing economic institutions. Among the regime's accomplishments were the development of inflation cutting practices and the securing of external funding from the IMF and other sources. Yet, a lack of economic growth and high unemployment was the cost of these measures, and the regime soon found itself, like many regimes in post independence Ghana, consigned to the scrap heap of history.

Thus, when reexamining the Rawlings period in Ghanaian history the first important difference, and the defining one that allowed it to stay in power more than any other, was the fact that it was economically successful. By no means did the regime suddenly turn into a developmental state, with the types of embedded autonomy between the state and productive forces that we have come to associate with the term. Instead, the regime was able to pursue the types of level headed strategies for increasing growth that ironically, much more conservative regimes had attempted for decades in Ghana. It was indeed ironic that a regime on the left was able to usher in some of the most sought after goals of previous regimes on the right, including but not limited to increasing the amount paid to producers for cocoa and other agricultural commodities, and making real headway in addressing account deficits.

The Rawlings regime was unique in that it set in motion patterns of socio-economic development and economic institution making that would not be interrupted by periodic bouts of military coups and other forms of political instability. The regime, like its predecessors, was at first autocratic and held onto power by means of military force and the power of its revolutionary populist movement which enjoyed great popularity in the cities, despite the disastrous economic policies the early years in power produced. Yet, the regime slowly managed to turn the corner, economically, and politically it would cede power to a democratic process that is currently considered one of the healthiest on the continent. .

Economic success through the application of a modified form of socialism was ultimately the reason behind the success of the regime. After purging elements of the extreme left of the PNDC, the Rawlings regime moved to the center adopting a form of "growth oriented" populism, the contours of which were etched with a pattern of institution making that no longer posed a threat to business owners and others threatened by the regime's earlier encouragement of strikes and mass mobilization targeted at merchants suspected of overcharging customers for their products. The NDC still proclaimed itself the champion of workers and peasants, all the while accommodating industry while attempting to boost efficiency and competitiveness. And while there was a rebound in the production of indigenous farms and factories, it was external financing first to the Ghanaian government, and later in the form of direct investment in Ghanaian industries and farms, which played a large role in the Ghanaian recovery.

The Rawlings regime thus marked the beginning of a slow reorientation of the state towards external priorities. Like the Busia regime, it was torn between internal and external priorities, yet its approach favored the external above indigenous productive forces; thus the dislocations between the state and internal production continued unabated. Rawlings set out to forge new state institutions by placing power in the hands of the people through various organizations, and citizens councils. Yet, this approach was short lived, largely because loosely organized citizens council tended to wreak more havoc than Rawlings and the PNDC were willing to tolerate. While citizens councils most part played a role in dismantling the apparatus of the state, which was seen as bloated and parasitic, in the countryside their role became further circumscribed as the regime backed away from using these groups as effective agents for the transformation of the rural economy. The Nkrumah era dream of building up the peasantry and small producers as an independent and dynamic social force thus died a second death in the face of an untenable economic result during the first two years of the regime. The penetration of the state into rural society, which was only halfhearted to begin with, quickly retreated with the regime's move to the political center.

The Rawlings regime marked both a continuation of previous approaches, as well as a break with the past. Their defining characteristic was the embrace of a form of populist socialism that ceased to be such a potent threat to landed interests and the small but vocal capitalist class of Ghana. Furthermore, their economic success ensured that the regime would have a longer stay in power than their many predecessors, in part because of the greater availability of external financing. Credibility with workers and peasants ironically allowed the regime to pursue an agenda that social forces were not willing to grant previously. The end result was an influx of foreign financing and the ability to attract external investment that was almost unheard of in a country Ghana's size. Yet, the lasting legacy of the period remains a continuation of the norm of using state resources to maintain a policy coalition dominated by ethno-regional elites, who demanded resources from the state in the absence of wider demands for the development of growth oriented policies. Like previous alignments, conservative and liberal political groupings overlie with ethnic divides, between the most Akan and non-Akan areas of the country.[31]

2.5 Conclusions and Theoretical Implications of the Inquiry

The institutions of the Ghanaian state are conducive to the production of economic growth, but on the whole, limited in their orientation towards external rather than internal forces. Policies and practices in the cocoa sector and other important exporting sectors align the resources of the state with domestic production, and succeed in stimulating healthy growth rates. Yet, outside of these areas, the state has often failed to partner productively with domestic industry, although efforts such as today's One District One Factory program appear to attempt to address this shortcoming. I argue that the perception of overlapping ethno-linguistic identity and economic interest, particularly among the Akan speak peoples of southern Ghana has over time served as an impetus for the creation and maintenance of growth enhancing institutions in the export sector. In order to satisfy other important constituencies, however, the state relies upon the international donor community to provide funding for important collective goods while also utilizing Ghanaian institutions dealing with domestic development as a more ready vehicle for patronage distribution, thereby negatively impacting institutional performance.[32]

[31] The discussion of the Rawlings regime here is insufficient – I will provide some background during the panel.
[32] More discussion and research will be forthcoming.