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THE STATE AND BUSINESS IN GHANA: PRECOLONIAL, COLONIAL, POST-COLONIAL (1807-2000)[1]

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ABSTRACT: The state in Africa has the reputation of being at best unhelpful and inefficient, at worst predatory, in its relationships with African and/or foreign business. The paper will use a combination of primary and secondary sources to consider this thesis in relation to Ghana, from the kingdom of Asante (Ashanti) in the nineteenth century, through the colonial era, via the nationalist and often leftist regimes of the early independence era (1957-83), to the subsequent period of economic and, later, political liberalization (1983-2000+). *It will be argued that the thesis is partly justified, but overlooks a number of important contributions made by successive states to improving the business environment. Besides examining the policies and their outcomes, the paper will also explore the extent to which business was able to influence policy-making, whether by lobbying from outside or being represented within the policy-making process.*

The state in Africa has the reputation of being at best unhelpful and inefficient, at worst predatory, in its relationships with African and/or foreign business. The first generation of professional scholarship on precolonial Africa tended to argue that eighteenth and nineteenth century African kingdoms were governed very effectively, but either repressed market forces in pursuit of non-economic values,[2] or displaced them in order to maximize the hold of the state over the economy, including in pursuit of economic development.[3] For the colonial era, nationalist historians and dependistas have now been joined by rational-choice economists and political scientists in condemning the institutions and policies of colonial regimes as "extractive."[4] The range and content of intervention in the market by post-colonial regimes has been widely held responsible for the often disappointing performance of African

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[1]Earlier drafts of this paper were presented at a Harvard Business School/Harvard history department seminar in November 2011; at the Centre of African Studies seminar, University of Copenhagen in September 2014; and as a public lecture at the Kwame Nkrumah University of Science and Technology in Kumasi in March 2015. But the present version is still very much a draft. I apologise for various incomplete references.

[2]Karl Polanyi, *Dahomey and the Slave Trade: an Analysis of an Archaic Economy* (Seattle 1966).

[3]Ivor Wilks, *Asante in the Nineteenth Century: the Structure and Evolution of a Political Order* (London, 1975: 2nd edn, with new preamble, Cambridge: Cambridge University Press, 1989).

[4]For a re-assertion of the nationalist tradition see Alvin O. Thompson, *Economic Parasitism: European Rule in West Africa 1880-1960* (Barbados 2006). Classic dependency positions on Africa are exemplified by Walter Rodney and Samir Amin, and, for Ghana specifically, by Rhoda Howard, *Colonialism and Underdevelopment in Ghana* (London 1978). For similar conclusions reached from rational-choice perspectives see Daron Acemoglu, Simon Johnson and James A. Robinson, "Reversal of fortune: geography and institutions in the making of the modern world income distribution," *Quarterly Journal of Economics* 117:4 (2002), 1231-79; and for Ghana specifically, Kathryn Firmin-Sellers, *The Transformation of Property Rights in the Gold Coast* (Cambridge UK, 1996). "Extractive" is the term used by Acemoglu, Johnson and Robinson.

economies from the 1960s to the early 1980s: disappointment which was extreme in the case of Ghana, whose economy moved from slow growth over the first 18 years after Independence, to actual shrinkage during 1975-83.[5] The aim of Structural Adjustment, which Ghana adopted in 1983, was precisely to transform this situation, by replacing administrative methods of resource allocation with the market.[6] Even after that, African states have continued to be assailed with the traditional criticisms. In the view of the leading French political scientist of Africa, Jean-François Bayart, African elites work with foreign ones to obtain resources they cannot obtain from their own citizens, to the benefit of both elites and the detriment of the majority of the African population.[7] For Ghana specifically, Antonette Handley argues that Ghanaian business sector remained politically weak within a patrimonial political system, to at least the very end of the twentieth century.[8] In considering this gloomy thesis this paper is intended to make five contributions.

First, in choosing Ghana as the case for study, the aim is to go into depth for one country, without claiming that it is necessarily typical of Sub-Saharan Africa as a whole. Actually, there is a good reason to expect that in no country in the region would the influence of the indigenous business community on government policy have been stronger. "Ghana" became the most prosperous (per capita) of the so-called "peasant" colonies, defined by the absence of significant appropriation of land for European use. Indeed, "peasant colony" is a misnomer, because the economic activity on which its comparative wealth was based was primarily the achievement of rural capitalists, entrepreneurs who relied on the market for much or most of their labour, rather than peasants in the sense of farmers relying primarily on family labour, and much or most of whose agricultural output was for their own consumption.[9] Thus, a study of Ghana might enable us to define the top end of the range of business influence on government in Sub-Saharan Africa.

Second, spanning the usual duality: as against a literature which discusses either the influence of foreign firms or that of indigenous ones, we consider both European/Western and Ghanaian business. This matters for completeness, because both have been crucial in the Ghanaian economy throughout the last two centuries and more. Considering them in parallel has the additional interest of revealing paradoxes, as we shall see.

Third, while discussions of business-government relations usually equate the former

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[5]Douglas Rimmer, *Staying Poor: Ghana's Political Economy 1950-1990* (Oxford 1992); further, Gareth Austin, "National poverty and the 'vampire state' in Ghana," *Journal of International Development* 8 (1996), 553-73.

[6]In accordance with the manifesto of Structural Adjustment, usually known as the Berg Report: World Bank, *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (Washington DC 1981).

[7]Bayart, *The State in Africa: The Politics of the Belly* (London, 1993; French edn, 1989); Bayart, "Africa in the world: a history of extraversion," *African Affairs* 99:395 (2000), 217-67.

[8]Handley, *Business and the State in Africa: Economic Policv-Making in the Neo-Liberal Era* (New York 2008: Cambridge University Press), 139-206.

[9]Polly Hill, *The Migrant Cocoa-Farmers of Southern Ghana* (Cambridge UK, 1963: 2nd edn with preface by Gareth Austin, Hamburg: LIT, 1997); Hill, "Ghanaian capitalist cocoa-farmers", in her *Studies in Rural Capitalism in West Africa* (Cambridge UK, 1970), 21-9; Gareth Austin, *Labour, Land and Capital in Ghana: From Slavery to Free Labour in Asante, 1807-1956* (Rochester NY: Rochester University Press, 2005). Hill's conception of "capitalist" is discussed in my preface to the 1997edition of her classic work.

with firms, in Ghana, as in West Africa as a whole, "business" is a broader category than firms.[10] If business means economic activity beyond consumption and subsistence, and specifically aimed at profit, much agricultural output remains organized in units which are not completely specialized in it. By 1956-7, the last cocoa season of the colonial period, the number of hired workers on cocoa farms in Ashanti (by then, the largest cocoa-producing area) was nearly double the number of cocoa farmowners.[11] As this suggests, more labour-time was devoted to production of this pure cash-crop than to food growing (much of which was also for sale); but virtually all cocoa farmers grew their own staple foodstuffs.[12] As employers, the majority of cocoa-farmers could be described as "peasants" who used hired (often short-term) labour to supplement a mainly family workforce. Alongside them were the above-mentioned small "rural capitalists", hiring perhaps 10 or 20 regular labourers, in some cases more. Only rarely were cocoa producers formally incorporated. *The Red Book of West Africa*, a commercial directory published in 1920, listed only one cocoa-growing firm: Larteh Planters Union, founded in 1908 and "converted into a limited liability company in 1918," which had its headquarters in Accra and four branches in the Eastern Province.[13] Outside agriculture it is easier to identify specialist businesses, ranging in scale from petty traders and one-woman stallholders to legal partnerships and import-export merchants. While it would be possible to limit our discussion to firms, this would exclude the owners of the majority of output, even now. As we will see, where business was able to exert major pressure on governments, it required the organization of coalitions ranging "upwards" from small producers engaged only part-time in production for the market. This broad use of "business" is not only necessary in analysing Ghanaian political economy, it may also make for interesting comparisons with cases in which businesses can more or less be equated with firms.

Fourth, moral economy. It will be suggested here that in analysing government-business relations it is important to relate these to prevailing popular definitions of just and unjust commercial behaviour. It will be argued below that this has occasionally influenced government behaviour in Ghana. Conversely, I suggest, there was a 'moral economy of accumulation' which entrepeneurs asserted as a means of securing their investments.

Fifth, historical depth. In view of the fact that most studies of government-business relations cover one or other individual period,[14] this essay pursues the theme across the two

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[10]For reflections on R. H. Coase's famous observation that "the distinguishing mark of the firm is the supersession of the price mechanism" in relation to the organization of business in precolonial West Africa, see Nimi Wariboko, 'A theory of the canoe house corporation', *African Economic History* 26 (1998), 141-72; Gareth Austin, "African business in nineteenth-century West Africa," in Alusine Jalloh and Toyin Falola (eds), *Black Business and Economic Power* (Rochester NY, 2002), 114-44, at 121-3.

[11]Austin, *Labour, Land and Capital in Ghana*, 319-20, 529. In this paper "Asante" refers to the people and to the eighteenth-nineteenth century kingdom, while "Ashanti" denotes the colony corresponding to the forest heartland of the kingdom.

[12]Ibid., 55-6, 471.

[13]Allister Macmillan (compiler and ed.), *The Red Book of West Africa* (London 1920), 215.

[14]As will become apparent from the references. The one (partial) exception is Handley, who has a survey chapter on the influence of African business on the state 1850-1989 (Handley, *Business and the State in Africa*, 139-71), before focussing on the subsequent period, which is the one covered by her own primary

great chronological divides in the literature: precolonial/colonial and colonial/postcolonial, and also across what (at least in Ghana) was the major post-colonial watershed: Structural Adjustment. The extended chronology matters because, as we shall see, there were major variations over the two centuries.

To make the task manageable, I focus on the two business communities that were most important throughout the nineteenth and twentieth centuries: "Ghanaian" and European/Western. Thus I refer only in passing to the notable role of Levantine firms during and after the colonial period.[15] It should also be noted that the discussion relates primarily to southern Ghana, i.e. up to the main divide between the forest zone and the northern savanna. This simply reflects the geographical distribution of production (and consumption), in which the main contribution of the northern 55-60 per cent of the country to the colonial/national economy was to supply labour (slaves before 1896, hired labour – initially migrant – after that) to the south.[16]

The paper necessarily deals with more than one state. We begin with the period of "legitimate commerce"during and after the abolition of the Atlantic slave trade, a process which effectively began with the British withdrawal from the trade in 1807. At that time the dominant state in the whole of what became Ghana was the kingdom of Asante, whose heartland was the northern part of the forest zone (see Map 1, which also shows the main trade route of the mid-nineteenth century, linking Asante to the north with its savanna trading entrepôt at Salaga, and to the Dutch fort at Elmina). Between them the Danes, Dutch, and British held several forts along the coast, for which they paid rent to local rulers. Colonialism began formally in 1874 when the British, having bought the other European forts, decisively defeated the Asante army and burned the capital, Kumasi. Though they did not annex Asante as yet, the British declared a protectorate over most of the territory south of Asante, later known as the Gold Coast Colony. In 1896 Britain occupied Asante and its northern savanna hinterland, which came to be formally the colony of Ashanti and the Northern Territories, respectively. The last part of what is now Ghana was part of the German colony of Togo, occupied in 1914 and given League of Nations status from 1919 as British Mandated Togoland (see Map 2). These four territories were later integrated formally as the Gold Coast. Independence in 1957, as Ghana, was preceded by a period of joint rule by Britain with elected African politicians (from 1951), followed by internal self-government (1954). The main part of the following discussion is organized chronologically.

"Legitimate commerce," 1807-1874/96

Historians of Asante, led by Ivor Wilks and more recently also T. C. McCaskie, have documented the power and efficacy of Asante as a state in numerous respects, military,

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research.

[15]The Levantine business community has been studied by Xerxes Malki (Oxford D.Phil dissertation ...) and Emmanuel Akyeampong...

[16]Gareth Austin, "The political economy of the natural environment in West African history: Asante and its savanna neighbors in the nineteenth and twentieth centuries," in Richard Kuba and Carola Lentz (eds), *Land and the Politics of Belonging in West Africa* (Brill Academic Publishers, Leiden 2006), 187-212.

logistical and cultural.[17] Perhaps correspondingly, Wilks and others used to see the Asante government as dominating the economy, virtually monopolizing long-distance trade and confiscating private fortunes, either through fines or compulsory donations to the state, or through inheritance duty.[18] A quotation from the first British visitor to Asante, Thomas Bowdich in 1817, offered a rationale for the state's apparent suspicion of private enterprise.

> Were the Ashantees a commercial people, they might be the brokers between the interior and Europeans, or, purchasing supplies more adequate to the demands of their neighbours for European commodities, which would be bought with avidity, realize large properties. But they have no idea of buying more of the various articles than will supply themselves; and leave a small residue to barter for the cloth, silk, and tobacco in the Inta and Dagwumba markets. They are as little commercial as the Romans were in their infancy, and their government would repress rather than countenance the inclination, (believing no state can be aggrandized but by conquest,) lest their genius for war might be enervated by it, and lest, either from the merchants increasing to a body too formidable for their wishes to be resisted, or too artful from their experience to be detected, they might sacrifice the national honour and ambition to their avarice, and furnishing Inta, Dagwumba [the neighbouring states to the north], or any of their more powerful neighbours (who have yielded to circumstances rather than force) with guns and powder (which are never allowed to be exported from Ashantee,) break the spell of their conquests, and undermine their power.[19]

Actually, the Asante government had already established a market place earlier in the same century, for which it sought to ensure physical security, precisely to expand trade with the north: at Salaga (Map 1).[20] Far from neglecting commercial opportunities, after 1807 especially, the northern trade was increasingly important to Asante, as a means of offsetting the gradual closing of the Atlantic market for slaves, which in the previous century had become Asante's main export.[21] The main means of doing this was exporting kola nuts to

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[17]Wilks, *Asante in the Nineteenth Century: the Structure and Evolution of a Political Order* (London, 1975: 2nd edn, with new preamble, Cambridge, 1989); T. C. McCaskie, *State and Society in Pre-colonial Asante* (Cambridge, 1995).

[18]Ivor Wilks, "Ashanti government", in Daryll Forde and P. M. Kaberry (eds), *West African Kingdoms in the Nineteenth Century* (London 1967); Wilks, *Asante*,

[19]T. Edward Bowdich, *Mission from Cape Coast Castle to Ashantee* (London 1819; facsimile edition 1966), 335.

[20]Ivor Wilks, "Asante policy towards the Hausa trade in the nineteenth century," in Claude Meillassoux (ed.), *The Development of Indigenous Trade and Markets in West Africa* (London, 1971), 124-41.

[21]Ibid. See, further, Gareth Austin, "Between abolition and jihad, from abolition to civil war and colonisation: the response of the Asante state and economy to the ending of the Atlantic slave trade, 1807-1896," in Robin Law (ed.), *From Slave Trade to 'Legitimate' Commerce: the Commercial Transition in Nineteenth-Century West Africa* (Cambridge, 1995), 93-118.

muslim buyers in what is now northern Nigeria,[22] but, as Bowdich acknowledged, they also re-exported some European goods to Gonja and Dagomba markets, albeit in the face of strong competition from Hausa cloths. As for the ban on the re-export of guns and powder to the northern hinterland, the same tactic was applied to the Asante themselves, later in the century, not by an uncommercial people, but on the contrary by none other than the "nation of shopkeepers" : Britain banned the sale of guns to Asante for military reasons.[23]

I have argued elsewhere that the nineteenth-century Asante state was more cooperative than repressive in its treatment of Asante private enterprise. State traders had the privilege of first access to the northern markets when they re-opened after the rainy season. But they were far from having a monopoly, and private wealth was taxed rather than expropriated. A mass of commoners engaged in extra-subsistence production and trade, whether it was the collection and sale of edible snails (a luxury trade to the coast), kola, gold-mining, or in the 1880s, wild rubber. This business activity went hand-in-hand with the pursuit of social adulthood and social recognition. There is evidence that ordinary young men engaged in a career-long process of extra-subsistence production and trade in order to acquire capital (*dwetiri*), with which to obtain pawns and/or slaves, thereby establishing an appropriate material foundation for marriage or a series of marriages. Their wives then assisted them in further business and, thereby, social gains.[24] In Asante society, "If one did not trade he [*sic*] was forever poor."[25] To give an example of the upper scale of success achieved at local if not national level, in the southern Asante district of Adanse the best-remembered private entrepreneurs of the late nineteenth-century was Kwaku Akore of Dompoase. His father, a professional hunter, gave him a start from his savings. The son went on to become a rubber trader who, according to one of his own sons, "bought about 30 slaves".[26]

Not only were commoners able to become modestly wealthy, they were willing to fight to retain this possibility. In 1883 Asantehene (King) Mensa Bonsu was overthrown. According to a 1928 rendition of the stool (court) history of Bekwai, one of the paramount chieftaincies of Asante, the movement against Mensa Bonsu began in the nearby gold-mining centre of Manso Nkwanta, about 30 kilometres from Kumasi. The initiative came entirely from below, socially and literally.

> Gold used to be dug at Mansu Nkwanta and some was sent to [Asantehene Mensa] Bonsu who demanded that more should be sent to him. He was told there was no more

[22]Paul E. Lovejoy, *Caravans of Kola: the Hausa Kola Trade 1700-1900* (Zaria, 1980); Edmund Abaka, *Kola is God's Gift: Agricultural Production, Export Initiatives and the Kola Industry of Asante and the Gold Coast c.1820-1950* (Oxford: James Currey, 2005).

[23]Wilks, *Asante*. The description of Britain (or rather, England) is Napoleon's.

[24]Gareth Austin, "'No elders were present': commoners and private ownership in Asante, 1807-1896," *Journal of African History*, 37:1 (1996), 1-30.

[25]K. Y. Daaku (compiler and ed.), *Oral Traditions of Adanse* (Legon: Institute of African Studies, University of Ghana [mimeograph], 1969), 358.

[26]Ibid., 203-5 (see also 174).

> but did not believe this and put the finder in log[27] and was going to send him to Kokofu for a sacrifice at a funeral custom. Somebody told him what his fate was to be and he managed to escape to Denkera [in British-controlled territory]. Sometime after this digging was restarted and the young men found a large nugget of gold. They discussed the matter there and then in the pit and swore an oath that they would not send this to Bonsu and would serve him no longer. The conspiracy was hatched in the gold pits and no elders were present. The young men [i.e. commoners] then returned to the town and told the elders who agreed. After this a Court Crier was sent by the King to collect gold. He was sent back with a message that Nkwantas would serve Bonsu no longer. The Nkwantas did this and then went from Town to Town and induced the people to rebel.[28]

Presumably the word "elders" was a translation of *mpaninfoo* meaning, in this context, the chief and sub-chiefs of the town. I have suggested elsewhere that, not only in the pivotal case of Manso Nkwanta but also more generally, that the popular revolt came from a broad mass of commoners seeking to protect their rewards from participation in the market.[29]

Some wealthy Asante commoners (*asikafoo*), not satisfied with the tax regime even after the 1883 revolution and the civil war that followed, went into exile in British territory on the coast. From there, they wrote to the British authorities denouncing the Asante regime as interfering with their right to make money, and even calling for a British takeover.[30]

To the south of Asante, indigenous private enterprise was also willing to take on any power that intervened to try to deprive them of what they considered to be their fair return for market activity. A leading force in the growth of palm oil exports from what later became the Gold Coast Colony were the inhabitants of the two small Krobo states. In 1858, the British government - in this period gradually extending its power inland - imposed a fine on the Krobos for rebellion. They contracted the collection of the fine to a British merchant firm, F. & A. Swanzy, awarding them a monopsony of the purchase of Krobo palm oil. Swanzy sought to exploit the situation by imposing a fixed price for palm oil, well below the level ruling elsewhere in the region. The Krobos responded with a boycott of Swanzy and its partners (it had been joined in implementing the fixed price by another British company and one African merchant) which lasted eight years. This "holdup" was highly effective. Gold Coast shipments of palm oil to Britain fell from 1870 tons in 1857 to 763 tons in 1858. The figure barely rose to just over 800 tons in 1859 and 1860. The residual shipments came from purchases (at higher prices) in other districts of the Gold Coast, plus palm oil that was forcibly seized from Krobos by British troops. According to the historian of this episode, "the

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[27]Chain him to a heavy piece of wood.

[28]National Archives of Ghana, Accra: ADM 11/1/773 "Bekwai Native Affairs": item 115, "Ancient History of Bekwai Division," written down by R.[?]W.Judd, District Commissioner, 4 June 1928, quoted in Austin, "'No elders were present.'"

[29]Austin, "'No elders were present,'"

[30]Ivor Wilks, "Dissidence in Asante Politics: two tracts from the late nineteenth century,", in I. Abu-Lughod (ed.), *African Themes* (Evanston, 1975), 47-63 (reprinted with some changes in Wilks, *Forests of Gold: essays on the Akan and the kingdom of Asante* [Athens OH, 1993]). To follow through this theme into the colonial period see Kwame Arhin, 'Some Asante views of colonial rule: as seen in the controversy relating to death duties', *Transactions of the Historical Society of Ghana* 15 (1974), 63-84.

Krobos gained tremendously by their persistence in holding out." They diverted their produce to other markets, and eventually forced an abandonment of the agreed price, as was shown by the doubling of the local price towards the end of the holdup, despite a fall in the UK price.[31]

As with the 1883 rebellion in Asante, the Krobo boycott appears to have been spontaneous. It combined the efforts of people and chiefs, with the former being in the driving seat: when one chief, "knowing that subservience would win him government recognition as paramount over all the Krobos, together with eight of his followers, sided with the administration," they "had to shelter in Accra from the anger of their people."[32]

As for relations between European firms and the Asante state, the latter frustrated the ambitions of the former for free trade through Asante territory to the markets of the northern savanna (trade which could be conducted by Fante and other coast traders, rather than by Europeans, but which would carry the goods that the Europeans supplied on credit to coast merchants). Meanwhile, as external political pressure intensified, the kingdom began to entertain deals, not with regular European merchants, but with European fixers via whom Asante hoped to gain better access to European technology. These deals, including the appropriately named Reckless Concession, did not come to much.[33]

From the perspective of the European merchants trading on the Gold Coast the attitude of their respective governments, sitting in cramped forts on the very edge of the country, at times showed a worrying lack of commitment. Indeed, in the 1865 a British parliamentary committee actually recommended withdrawal from the country, and the Danes and Dutch actually did exactly that. When the British, together with their African coastal allies, sacked Kumasi in 1874, they were in a position to dictate terms to the Asantehene. The British commander had a mandate from the imperial government in London to insist that the Asantes agreed to allow free trade through their country. Yet, for an unexplained reason, this was not part of the eventual peace treaty.[34]

In the mid-1890s, however, London began to listen (or to say it was listening) more carefully to the petitions sent on behalf of the British merchants trading on the Gold Coast by the chambers of commerce of Liverpool, Manchester and London. These maintained that Asante independence was an obstacle to British commercial penetration of the interior, both because they still kept out southern traders (the natural intermediaries between the British and Asante) and because wars or the threat of wars between Asante and any of its neighbours disrupted trade.[35] Whether the colonization of Asante in 1896 was "necessary" in a sense used in rational-choice theory in the study of international relations – that the kingdom was not the kind of state that could make "credible commitments" with foreign governments and firms is

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[31]Frieda Wolfson, "A price agreement on the Gold Coast – the Krobo oil boycott, 1858-1866," *Economic History Review* 6:1 (1953), 68-77, quotation at 77.

[32]Ibid, 68-9, 74 (the quotation is from the latter).

[33]Wilks, *Asante in the Nineteenth Century*, ...

[34]Austin, "Between abolition and jihad."

[35]Hynes etc [to be completed]

debated.[36] In my view it was not credibility that the Asante government lacked, but rather a willingness to comply with the demands of free-trade imperialism.[37]

Colonial period, 1874/96-1957

The colonial period as a whole saw major economic expansion, especially c.1890 to 1914 and indeed 1929, and again in its last decade; interrupted by the 1930s Depression and, more so, by the disruption of shipping during the early years of the Second World War. Exports rose, in real terms, more than twenty times over between 1897 and 1952.[38] As already noted, this was primarily the achievement of Ghanaian enterprise, especially in cocoa farming. Just the start of this was the feat of raising annual exports of cocoa beans from zero in 1890 to 40,000 tons in 1910-11, overtaking Brazil as the world's largest producer. Ghanaians entrepreneurs also made other important contributions, notably in developing lorry transport from the 1910s.[39] Meanwhile the government, and local communities, invested in the development of the transport network. The colonial administration had the advantage over the Asante kingdom of access to the London bond market, from which railway construction was financed. Yet colonial rule was far from an easy environment for African enterprise, as we will see in this section.

Meanwhile overseas investment was low in absolute per capita terms, but higher than in the rest of British West Africa. The only figures to date are fromFrankel's study published in 1938. He calculated that £35.3 million of overseas capital was invested in colonial Ghana between 1870 and 1936, of which 38.1 percent was public.[40] I estimate this as about £9 per head of the 1938 population, nearly double Herbert Frankel's figure of £4.8 per head for British West Africa as a whole. £9 represented 144 days of work for a wage labourer in 1914 or again in 1938.[41] This relatively high level of foreign investment – by the very low

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[36]Warner, Carolyn M. 'Sovereign states and their prey: the New Institutionalist Economics and state destruction in nineteenth-century West Africa', *Review of International Political Economy* 5 (1998), 508-33; Warner, "The political economy of quasi-statehood and the demise of 19th century African politics," *Review of International Studies* 5 (1999), 233-55; Warner, "Reply to A. G. Hopkins"[?], *Review of International Studies* 26 (2000), 311-20[?]; A. G. Hopkins, "Asante and the Victorians: transition and partition on the Gold Coast," in Roy Bridges (ed.), *Imperialism, Decolonization and Africa* (London, 2000), 25-64; Hopkins, "Quasi-states, weak states and the partition of Africa," *Review of International Studies* 26 (2000), 311-20.

[37]Austin, "Between abolition and jihad."

[38]Gareth Austin, "Resources, techniques and strategies south of the Sahara: revising the factor endowments perspective on African economic development, 1500-2000," *Economic History Review*, 61:3 (2008), table 1 (p. 612).

[39][Refs to be added]

[40]S. Herbert Frankel, *Capital Investment in Africa* (London: Oxford University Press, 1938), table 28 (p. 158).

[41]For Frankel's figure see Ibid., table 32 (p. 170). For my population and wage figures, see Gareth Austin, "Labour and land in Ghana, 1879-1939: a shifting ratio and an institutional revolution", *Australian Economic History Review* (special issue on 'Factor Prices and the Performance of Less Industrialised Countries), 47: 1 (March 2007), pp. 95-120.

standards of African colonies – partly reflected, and contributed to, the growth of the cocoa economy, and partly the development of industrial gold mining, especially Ashanti Goldfields at Obuasi in Asante.[42] Let us turn to the structure of competition.

A. G. Hopkins wrote in 1978 that he was

> attracted by the following hypothesis, which uses a conservative model to reach a radical conclusion, namely that the profit maximizing model may well prove a better fit with respect to the indigenous inhabitants of the colonies than with respect to the expatriate firms operating there. Colonial subjects found themselves competing strongly, both within colonies (because of low entry costs in typical trading and agricultural activities) and between them (because cross-elasticities of demand affected many colonial products which were substitutes or near-substitutes).There was little or no slack in colonial enterprise. The expatriate firms, on the other hand, operated a system of market-sharing agreements within colonies and to some extent between them, and they were responsible for very few innovations, at least in tropical Africa, during the colonial period.[43]

This hypothesis stands up well for Ghana, with certain nuances.

The British imposition of rule over the whole of the country south of Asante, in 1874, occurred after about a quarter-century of expansion in the number and combined scale of operations of African merchants on the coast. This was partly in response to increased British demand for palm oil. It was also facilitated by the introduction of steamship services to Europe and along the West African coast, in the 1850s. Early competition between shipping lines, and among British and German consignment houses offering credit and commission to African traders, "accelerated the entrance of small-scale African businessmen with meager capital into the export-import trade."[44] They presumably joined the descendants of some of the leading middlemen of the slave trade, whose families were well established in the coast towns, though in some cases diversifying into law and medicine.[45] Raymond Dumett has made the most careful study of African merchants in the Gold Coast Colony during the late nineteenth century. He estimates that the participation of African merchants in exporting peaked about 1885, when they were more numerous but on average smaller than their European rivals. A leading example was John Sarbah, who among other achievements helped stimulate the collection and processing of palm kernels (as opposed simply to palm oil). Even he struggled to survive in the face of often falling world prices and a lack of access to the

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[42]Ayowa Afrifa Taylor, "An Economic History of the Ashanti Goldfields Corporation, 1895-2004: Land, Labour, Capital and Enterprise", LSE PhD dissertation, 2006.

[43]A. G. Hopkins, "Innovation in a Colonial Context: African Origins of the Nigerian Cocoa-farming Industry, 1880-1920', in Clive Dewey and A. G. Hopkins (eds), *The Imperial Impact* (London: Athlone Press for University of London, 1978), 95.

[44]Raymond E. Dumett, "African merchants of the Gold Coast, 1860-1905 – dynamics of indigenous entreprenenurship," *Comparative Studies in Society and History* 25 (1983[**?85]**), 661-93.quote at 668.

[45][Check Priestley etc].

kind of capital reserves enjoyed by many of his European rivals.[46] By 1914, African participation in import-export trade was mostly as brokers, working on credit or commission from European houses, or as employees of the latter.[47]

Despite their greater access to capital, European firms also displayed a long-term trend towards concentration of ownership, which in turn facilitated cartelization. Thus the United Africa Company was created in 1929 by the merger of three of the largest trading companies. It had about half the market in cocoa-buying, and went on to organise repeated price-fixing "pools".[48] By then there were organized cartels in shipping and banking.[49]

African entrepreneurs reacted in various ways. In the 1920s and 1930s, the Ghanaian economic nationalist Winifred Tete-Ansah argued that Africans needed to adopt for their own use European commercial institutions such as the limited liability company.[50] He himself set up the first African-owned bank in Nigeria.[51] There seems to be no evidence that he tried to do likewise in Ghana. Had he done so he would have faced a legal obstacle: Africans had been prohibited from starting banks there by a much earlier law, apparently intended to prevent fraud. The indigenous banking movement within British West Africa, which developed from the 1930s onwards, was very much concentrated in Nigeria, perhaps partly in response to its bigger market. One would think that if pressure for indigenous banking had been stronger in Ghana, there would at least have been protest about the continued legal obstacle.

Protests against European cartels could be communicated to the colonial government both informally, notably through the African-owned press (especially at Cape Coast),[52] and through formal channels. There were African members in the chambers of commerce.[53] More important, the chiefs were very often entrepreneurs themselves, and were vocal in representing the interests they shared with their subjects, for example in support of the cocoa hold-ups, to which we will come shortly.

There is evidence that African brokers were sometimes able to play the European cocoa buying firms at their own game, and extract rents through imperfect competition. In

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[46]Raymond E. Dumett, "John Sarbah, the elder, and African mercantile entrepreneurship in the Gold Coast in the late nineteenth century," *Journal of African History* 14:4 (1973), 653-79.

[47]Kaplow articles and Rhoda Howard book [refs to be completed]

[48]David Fieldhouse, *Merchant Capital and Economic Decolonisation: the United Africa Company 1929-1980* (Oxford: Oxford University Press, 1994).

[49]Gareth Austin and Chibuike Ugochukwu Uche, "Collusion and competition in colonial economies: banking in British West Africa, 1916-1960," *Business History Review* 81 (Spring 2007), 1-26.

[50]He self-published a short book in New York arguing this case (as well as publicising his own business ventures and, implicitly, advertising himself as a potential partner for African American entrepreneurs. W. Tete-Ansá, *Africa at Work* (New York, 1930: self-published).

[51]A. G. Hopkins, "Economic aspects of political movements in Nigeria and the Gold Coast, 1918–39," *Journal of African History* 7:1 (1966), 133–52.

[52]E. Y. Twumasi, "Aspects of Politics in Ghana 1929-1939: a Study of the Relationships between Discontent and the Development of Nationalism" (University of Oxford D.Phil. Dissertation, 1971).

[53]Referred to, e.g., in David Kimble, *A Political History of Ghana 1850-1928* (Oxford 1963),

general, P. T. Bauer was clearly right, in his classic study of competition in British West Africa (1954), when he argued that in the interwar period African brokers were engaged in virtually perfect competition. Contrary to the claims of the European firms, Bauer thought that it was "plainly impossible" that the middlemen could have exploited either the cocoa-buying firms or the farmers because of "the severe competition among middlemen and the ease of entry into their ranks."[54] Yet it is conceivable that, despite the ease of entry at the bottom of the tonnage range, at any given time few farmers had the equity or contacts with the firms to enter the advance-giving or advance-channelling market on a significant scale. Brokers ranged "from the farmer who sells his neighbour's crop along with his own to the large independent African or Syrian broker, who may have a capital of some thousands of pounds and handle up to 5,000 tons a season."[55] I have argued elsewhere, drawing on qualitative and quantitative sources in the archives of John Holt, one of the British merchant houses, that in some seasons in the 1930s African brokers were able to extract rents from European firms and African farmers by exploiting information asymmetry and incomplete contracts. Specifically, the likes of Holts would contract with an African broker to supply cocoa at an agreed price. If the London price rose before the beans were delivered, the broker would learn the news from the radio (courtesy of the BBC). They would continue to pay the old price to the farmers, but claim the new price when they delivered the produce to the buyer. The companies appear to have felt unable to insist on the agreed, lower, price, because they needed to maintain their relations with at least their regular brokers. Conversely, if the world price fell while the broker was collecting produce, he would pay a lower price to the farmers but report to the firm that, alas, he had to pay the old (higher) price, and should be reimbursed accordingly.[56] But this kind of case was very much an exception to the general rule, that in this period market imperfections favoured the European companies.

By far the largest-scale, most spectacular and most economically and politically important form of resistance to successive price-fixing "pools" formed by European cocoa buyers, was the hold-up. The nineteenth-century Krobo palm oil example was followed by a series of cocoa hold-ups: 1908 and 1921-2 within the Gold Coast Colony, 1927 in part of Ashanti, 1930 in the Gold Coast Colony and to a lesser extent Ashanti, 1934-5 in Ashanti, and above all the season-long hold-up of 1937-8 which involved virtually the whole cocoa belt. A hold-up meant a boycott of European cocoa-buyers, and it was often accompanied with a partial boycott of European imports. As with Manso Nkwannta and the Krobos in the previous century, they were almost always staged by a broad coalition, of farmers, farmer-brokers, specialist brokers, and chiefs. Though most of them failed to achieve their immediate objects, the 1937-8 one led to a stalemate between the African and European sides of the cocoa trade. It was resolved only when the London government intervened to persuade both sides to call off their respective agreements: the pool on the European side, the hold-up on the African. This was to be followed by a commission making a thorough investigation of the

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[54] P. T. Bauer, *West African Trade* (Cambridge UK, 1954), 208.

[55] Great Britain, *Report of the Commission on the Marketing of West African Cocoa* (London 1938) (the "Nowell report"), 26.

[56] Austin, *Labour, Land and Capital in Ghana*, pp.

causes of the holdup and of the system of cocoa marketing as a whole.[57]

The Nowell Commission's report was a victory for the farmers, in that it recommended the establishment of a farmer-controlled marketing board, the Cocoa Farmers' Association, which would sell cocoa to the European exporters. The recommendation provoked intense opposition from the firms and from the financial press in London. As it happens, the apparent victory of the farmers (and brokers) was not translated into reality, because when the war broke out in September 1939, the British government introduced a state marketing board, with a monopoly of cocoa exports. The intention was to enable the government to keep producer prices from falling to politically dangerous levels, despite the disruption of access to market that would inevitably happen from German submarines and the reallocation of shipping to priorities other than chocolate. The cocoa-buying firms were much consulted by the British government in the implementation of this scheme, and secured most of the licenses to buy cocoa as intermediaries between the producers and the marketing board.[58]

Counter-intuitive though it may seem, relations between European firms and colonial administration were often far from cordial, especially in the 1930s. When, in 1931, Governor Slater proposed to introduce an income tax, to be levied initially in urban areas, some representatives of expatriate firms, notably the largest trading company, the United Africa Company, joined the protest meetings. The opposition demanded that the government solve its Depression-induced fiscal problem by cutting official salaries, rather than by establishing a new test. Disturbances followed in October 1931, which became known as the "United Africa Riots." The governor withdrew his proposal.[59] A much bigger controversy between the cocoa-buying firms and the administration on the spot occurred over the 1937-8 cocoa pool and hold-up. The governor and his subordinates were furious that the firms had not consulted them before making their price-fixing agreement. The latter, they knew, would provoke a holdup, perhaps on a scale that would undermine colonial authority. Notably, the government "failed" in 1937-8 to repeat the support it had given the firms during the 1930 holdup, when it prosecuted certain chiefs for restraint of trade, where they forbade their subjects from selling to the European firms. This "weakness" in turn infuriated the likes of Cadbury, the chocolate manufacturer, and the United Africa Company and the other merchants.[60]

Though the European firms emerged satisfied with the marketing arrangements agreed during the war, they found little comfort when peace returned. Imports remained scarce because of persistent restrictions, and the European stores were widely accused of exploiting this through profiteering. They were the main target of the urban riots and consumer boycott of 1948 which led Britain greatly to accelerate the schedule of decolonization. Throughout the

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[57]There is a large literature on the cocoa holdups. The best introduction remains John Miles, , "Rural protest in the Gold Coast: the cocoa hold-ups, 1908-1938," in C. Dewey and A. G. Hopkins (eds), *The Imperial Impact* (London, 1978), 152-70, 353-7. My account here is based partly on Gareth Austin, "Capitalists and chiefs in the cocoa hold-ups in south Asante, 1927-1938," *International Journal of African Historical Studies* 21:1 (1988), 63-95. A highly perceptive further analysis is Rod Alence, "The 1937-38 Gold Coast cocoa crisis: the political economy of commercial stalemate," *African Economic History* 19 (1990-91), 77-104.

[58]Fieldhouse, *Merchant Capital*.

[59]Stanley Shaloff, "The income tax, indirect rule, and the Depression: the Gold Coast Riots of 1931," *Cahiers d'études africaines* 54:XIV-2, 359-75.

[60]Austin, "Capitalists and chiefs" [more to add].

latter process, again perhaps counter-intuitively, the British government showed no interest in the worries expressed by British companies about what would happen to their interests in an independent Ghana.[61] Some of those concerns proved to be justified.

Finally in this section, it should be noted that indigenous rural capitalism in southern Ghana was supported by a particular "moral economy": one not of subsistence, but of accumulation. Take the case of witchcraft accusations. As in seventeenth-century England, but unlike what is usually reported to be "the" African pattern, in colonial southern Ghana these were generally not directed at the newly-rich. On the contrary, they tended to be directed by the relatively prosperous against the "envious" poor.[62] In that sense, they were intended to secure farmers' investments against the perceived enmity of their less successful neighbours, believed to be expressed in witch attacks. One can see this as another side of the moral economy behind the revolt against Asantehene Mensa Bonsu and, later, the cocoa hold-ups: a belief that individuals had the right to make and keep money and capital, whether the threats to this came from the state or the envious poor or a gang of foreign merchants.

After Independence: State-led development policies, 1957-83

The first 26 years of Independence were characterised by a tendency, interrupted only briefly and partially from 1966 to 1971, towards a further increase in administrative allocation of resources, beyond that already bequeathed by the later years of colonial rule, during which the cocoa marketing board system had become established. Introduced (as we have seen) as a temporary measure in 1939, to enable government to keep producer prices off the floor during the Second World War, it became an enduring instrument, not of subsidizing cocoa producers, but on the contrary of taxing them, by keeping the price paid to producers well below that received by the Board on the world market, even after allowing for (often inflated) marketing costs.[63] From this institutional foundation, post-independence governments elaborated further measures of government control, notably through a system of controls over imports and access to foreign exchange which also had wartime precedents. Contrary to the worst fears of its critics, the marketing board system did not prevent a second huge cocoa-planting boom in the 1950s, which took Ghanaian output to a then world record of 511,000 tons in the crop year 1964-5. But by then the world cocoa price was falling, and even when it revived in the mid-1970s, Ghanaian cocoa output continued a long decline, reaching its nadir in 1982-3, the last crop year before Structural Adjustment, when exports were (depending on which figures you use) a little more or less than one third of the 1964-5 output. What was killing the industry, more than anything else, was the increasing over-valuation of the

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[61] Sarah Stockwell, *The Business of Decolonization: British Business Strategies in the Gold Coast* (Oxford, 2000).

[62] Gareth Austin, "Moneylending and witchcraft: the moral economy of accumulation in colonial Asante," paper presented to the European Social Science History Conference, Lisbon, 2008.

[63] On the origins of the board see Rod Alence, "Colonial government, social conflict and state intervention in Africa's open economies: the origins of the Ghana Cocoa Marketing Board, 1939-46," *Journal of African History* 43 (2002), 397-416.

currency, which acted as a further implicit tax on exporters.[64] The process began when President Nkrumah opted for monetary independence from the British pound, in a series of steps during that same fateful year of 1964-5. But it was only from the mid-1970s that over-valuation became measured in integers rather than percentiles: by the early 1980s on the parallel ("black") market the Ghanaian cedi was worth several times less than its official value, and cocoa producers were receiving only about a twentieth of the price their produce received on the world market. In 1983, the eighth successive year in which GDP per head actually fell, GDP per head was probably back to, or even below, the level at the time of Independence.[65]

The political conditions which made possible the emergence of what ultimately became such a self-defeating level of state intervention in the economy were laid, arguably, in a political conflict that immediately preceded Independence in 1957. In 1954, the newly-elected internal-rule government, led by Prime Minister Nkrumah, froze the producer price of cocoa at a time when the world price was rising. This triggered the formation of the National Liberation Movement, centred in Asante, by then was the largest cocoa-producing region. The NLM campaigned not only for a higher cocoa price but also for a federal constitution, which would allow the richer regions to retain more of the income generated within them (albeit, with the help of migrant labourers from the poorer regions in the north). The struggle ended with the NLM's defeat in the pre-independence elections of 1956, at the hands of Nkrumah's Convention People's Party.[66] In the long run, arguably the most important casualty of the NLM-CPP conflict was the independent cocoa-farmers' movement. The cocoa-farmers' union, created during the 1937-8 hold-up, divided and split between the NLM and CPP, and there has not been a significant independent farmers' movement since.

Cocoa-farmers apart, business was quick to organize in the aftermath of Independence. Again not counting the hold-up movement, Ghana's first African business association was founded in 1958, the Federation (later Association) of Ghana Industries. This was followed in 1961 by the rival Ghana National Chambers of Commerce and Industry, which contained "a high proportion of smaller indigenous businesses."[67] But government was not interested in talking with business representatives. In April 1961, in his "Dawn Broadcast," a speech that marked a notable shift to the left in government policy, Nkrumah defined what he called

> the five sectors into which our economy may be divided . . .: first, the state sector, in which all enterprises are entirely state-owned; second, the joint state-private sector, which will incorporate enterprises owned jointly by Government and foreign private capital; third, the co-operative sector . . . ; forth, the private enterprise sector, which will incorporate those industries which are open freely to foreign private enterprise;

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[64]Argued in Austin, "National poverty and the 'vampire state'".

[65]The best overview of the sad story is Rimmer, *Staying Poor*.

[66]Jean Marie Allman, *The Quills of the Porcupine: Asante Nationalism in an Emergent Ghana* (University of Wisconsin Press: Madison, 1993).

[67]Handley, *Business and the State*, 175.

and fifth, the workers' enterprise sector.[68]

Thus indigenous private enterprise was not specifically named. In the same speech he announced the state (or rather, the ruling party's) takeover of the local marketing of cocoa (i.e. between the producer and the port).[69] This displaced foreign firms, but also the cooperatives and Ghanaian private firms from a market that had offered the latter probably their best chance of growing individually large. It also closed an important option for large cocoa farmers seeking to diversify from cocoa production, in which there were no scale economies, into an activity, cocoa marketing, in which scale advantages existed. In another speech, eleven months later, among "five sectors, all operating side by side" which "The government recognises", Nkrumah included "Ghanaian private enterprises" but prefaced the latter with "Small-scale." He went on to announce that "In future the private small-scale personal enterprise sector will be exclusively reserved for Ghanaians."[70] There seemed no place in his vision for medium-sized Ghanaian firms, of which a few already existed in marketing and logging. He gave no indication of a wish to see large indigenous firms. Perhaps this was partly because they, after all, might obtain local political support that foreign firms never could. The Dawn Broadcast had announced a ban on "Ghanaian businesmen who attempt to combine business with political life": no member of the ruling party (in what was becoming a one-party state) could be both a member of the national assembly and "own a business or be involved in anyone else's business, Ghanaian or foreign."[71] Appropriately, this 1962 speech marked the laying of the foundation stone of a state-owned hotel in Kumasi, which would serve visiting foreign investors among others.

Meanwhile, Nkrumah had negotiated a major deal with a foreign firm, which he hoped would be provide the framework for Ghanaian industrialization. Kaiser Aluminium would build an aluminium smelter, powered by electricity from a new hydroelectic dam across the Volta River (creating what was initially the world's largest artificial lake). This was originally a British government project, abandoned by Britain as Independence approached, and resurrected with a U.S.-brokered loan from the IMF, to be repaid from the profits of the hydoelectic project (which it duly was). Ultimately, Nkrumah had to accept harsh terms from Kaiser, notably in that the company insisted on importing the ore from Guinea instead of using Ghanaian ore. Thus it was not to be the integrated industrial project that Nkrumah had envisaged. Kaiser's lawyer later confirmed that the company's motivation for refusing to use Ghanaian ore was only partly the fact that Guinean ore was of better quality. It was also because to site a complete aluminium production process within the borders of Ghana would make it easier to nationalize.[72] Peter Garlick has documented "the

[68]Text of "Dawn Broadcast: Osagyefo calls a halt to self-seeking". Broadcast to the Nation by Osagyefo Dr Kwame Nkrumah, 8 April 1961. [Publisher of text?]

[69]Examined in Björn Beckman, *Organising the Farmers* (Uppsala 1976).

[70]Text of speech by Osagyefo Dr Kwame Nkrumah, President of the Republic of Ghana, "Overseas capital and investment in Ghana", at the laying of the foundation stone of Kumasi City Hotel, 24 March 1962 (Ghana High Commission, London).

[71]Text of "Dawn Broadcast."

[72]Kaiser's lawyer was speaking in an interview for the Grenada Television documentary *Black Power* [ref to be completed].

growth of business uncertainty under Nkrumah,"[73] especially from 1961 to his overthrow in 1966. This uncertainty existed in the perception of both foreign and domestic businesses.

The military regime that emerged from the coup against Nkrumah handed over in 1969 to an elected civilian administration, led by K. B. Busia. Neither of these governments did more to "roll back the state" than the removal of the more extreme of the tools of state intervention inherited from Nkrumah, such as the monopsony of local marketing of cocoa. The government's major measure to encourage indigenous business was the expulsion of aliens lacking the formal (though previously in practice unnecessary) permits to live and work in the country. This reduced competition for Ghanaian labourers and small businesses alike. In its populism, and in its endorsement of *small-scale* Ghanaian private enterprise, it can be seen as an escalation (or just application) of Nkrumah's ban on small foreign firms. When Busia, extremely reluctantly, felt obliged to devalue the currency in 1971,[74] another military coup followed.

Colonel I. K. Acheampong made clear that his regime was not intended to be merely transitional, as the previous military government had been, en route to a return to elected civilian rule. He reduced the extent of the devaluation, restored the state cocoa monopsony, and proceeded to adopt nationalist language, but more extravagantly than Nkrumah. Even so, one wonders whether he really meant to say of his government, as he did in a speech in 1973, that "we declared war on our economy". The statement proved all too accurate, as it was under his regime that the economy moved from stagnation to rapid contraction, with the currency becoming multiply overvalued and incentives to cocoa producers becoming all but negative. Shops emptied of their stocks, and many goods became obtainable only through (often corrupt) acquisition of import licenses, or on the black market. If cocoa production in the colonial period had been supported by a moral economy favouring private accumulation, in the later 1970s and early 1980s the dominant public sentiment was one of frustration and revulsion at what was seen as immoral and illegitimate exploitation of scarcities, something also seen as interwoven with bribery and corruption. A new word, *kalabule*, entered popular usage to refer to all this.

Acheampong's colleagues were sufficiently embarrassed to hold a palace coup in 1978, and promise a return to civilian government. Before the elections, however, the self-proclaimed "revolution" of 4 June 1979 occurred: an intervention by junior ranks, led by flight-lieutenant, J. J. Rawlings. They engaged in swift "house-cleaning" (including the execution of all former heads of military governments) and draconian enforcement of the price controls, with public punishment of traders found guilty of selling above the legal prices. The largest market in the country, Makola No. 1 market in Accra, was destroyed by soldiers.[75] Inflation slowed, and despite what many described as the "un-Ghanaian" practice of summary executions, the government was overwhelmingly popular. When J. J. Rawlings (now becoming known to some as "Junior Jesus") and his colleagues returned to barracks and allowed the elections to proceed, this affirmed their honesty while also creating an

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[73]Peter C. Garlick, "African traders and government policy" in his *African Traders and Economic Development in Ghana* (Oxford 1971), 119-38.

[74]For an inside view of the devaluation decision see Jonathan H. Frimpong-Ansah, *The Vampire State in Africa: the Political Economy of Decline in Ghana* (London, 1991), p. ? Frimpong-Ansah headed the Bank of Ghana at the time.

[75]Nii K. Bentsi-Enchill, "Destruction of Accra's Makola market," *West Africa*, 27 August 1979.

expectation that he and they might return, if the new administration of Dr Hilla Limann faltered. Sure enough, under Limann economic shrinkage continued, and the price controls ceased to work: the civilian government could not sustain the fear factor that had briefly interrupted black marketing.

Rawlings's "second coming" duly occurred with a "revolution" on 31 December 1981, replacing the struggling civilian government of Dr Hilla Limann with Rawlings's Provisional National Defence Committee (PNDC). His new government combined the radical populism of his 1977 intervention with the participation of organized groups of marxist intellectuals and workers. It was committed to eliminating parallel markets by making the control system work, not by abolishing it.

Unsurprisingly, if business was increasingly "uncertain" under Nkrumah, and only partly reassured by Busia, new investments, whether domestic or foreign, were extremely low from Akyeampong through to the early period of Rawlings' second government.[76] In what was now known as the "informal sector", it was possible for a few to make spectacular gains if they could find a way to exploit the price and currency controls and thus capture economic rents. But most had simply to suffer the shortage of goods of all kinds, on top of the intense, profit-minimizing competition characteristic of the sector.[77] The one positive development during the import famine of the 1970s was the growth of small-scale manufacturers, especially in Kumasi. Many of these firms, often with just a few employees (many of them apprentices), particularly specialized in making parts for cars.[78] Rajiv Ball has calculated the number of workers engaged in small-scale industry (defined as consisting of firms with fewer than 30 hired workers) as 336,783 in 1970 and 532,814 in 1984.[79] Small-scale industry actually went on to survive the renewal of foreign competition in the later 1980s.[80] The emergence of this sector was itself greatly facilitated by two public goods for which the early post-independence state was responsible, particularly the Nkrumah regime: mass primary education, and much wider availability of electricity. However, even those advances were eroding rapidly during the economic collapse of 1975-83, when thousands of teachers left the country and hydroelectric output fell, apparently partly because of a shortage of spare parts.[81]

Economic – and later political - liberalization, 1983-2000

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[76]On the decline of foreign investment see James C. Ahiakpor, "The Profits of Foreign Firms in a Less Developed Country: Ghana", *Journal of Development Economics* 22: 2 (1986), 321-335.

[77]On competition see Kwame Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra 1991).

[78]Jonathan Dawson, "Development of small-scale industry in Ghana: a case study of Kumasi,", in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds), *Small-scale Production: Strategies for Industrial Restructuring* (London 1991), 173-207.

[79]Rajiv Ball, 'The "long depression" and the growth of small-scale industries in Ghana, c.1970 - mid 1980s', in Gareth Austin (ed.), 'Industrial Growth in the Third World, c.1870-c.1990' (*LSE Working Papers in Economic History*, 44/98 (London 1998), 73-87, at 87.

[80]Dawson, "Development of small-scale industry."

[81][check latter]

Less than eighteen months after taking power, facing continued economic contraction and receiving no assistance from the USSR or China, the PNDC leadership made a U-turn: with financial support from the World Bank and IMF, they embarked on Structural Adjustment, i.e. replacing administrative with market mechanisms of resource allocation.[82] Probably only a government with firm "anti-imperialist" credentials, led by a figure widely seen as the protector of the common people, could have pulled off the political feat of introducing Structural Adjustment and surviving.[83] Even so, the initial presentation, in the budget of May 1983, obscured the fact that devaluation was involved and that an IMF deal was expected.

Political rewards followed, though not of the kind Rawlings and his original colleagues would have anticipated in 1982 when they had sought to establish the institutions of a form of bottom-up democracy (based on "Workers' Defence Committees" in the larger workplaces and "People's Defence Committees" elsewhere). The shrinkage of the economy during 1975-83, at an average rate approaching 5 percent a year, was reversed: economic growth between 1983 and 2000 averaged about 5 per cent a year. When the regime, reluctantly, acceded to pressure from within and (post-Cold War) from without to hold elections in 1992, Rawlings ran for president as a civilian and won, and obtained a second term in 1996. No coup had even been attempted since 1983. In 2000, Ghana's democratic transition was in a sense completed, because for the first time the ruling party (represented by Rawlings' successor as leader of the party he had created, the NDC) conceded defeat at the ballot box.

With the economy recovering rapidly, and with greater political stability than at any time since Independence, one might expect unprecedented harmony between government and business, both indigenous and foreign. But the growth of private investment was relatively slow. Foreign investment was largely confined to extractive industries: mining (and now also offshore oil). Domestic firms faced greatly intensified foreign competition under the liberal trade regime. Throughout this period, what struck academic observers was an absence of warmth, and a rarity of contact, between Ghanaian business and the state.[84] Even after the PNDC had become the civilian NDC, it was possible for many months to go past without any formal meetings between the government and any of the business associations. Indeed, Rawlings' last finance minister got through his final eighteen months in office without once meeting business representatives.[85]

This is ironic but, precisely because the government's left-wing sympathies were genuine, it should not be surprising. The decision that Rawlings and his closest colleagues took in 1983, with profound distaste for many of them and at great political risk, was to

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[82]This is not to imply that the U-turn was inevitable, for the causation was complex and partly contingent. For different analyses see Paul Nugent, *Big Men, Small Boys and Politics in Ghana: Power, Ideology and the Burden of History, 1982-1994* (Accra, 1995): Gareth Austin, "National poverty and the 'vampire state'"; E. Gyimah-Boadi and Richard Jeffries, "The political economy of reform" in Ernest Aryeetey, Jane Harrigan and Machiko Nissanke (eds), *Economic Reforms in Ghana: The Miracle and the Mirage* (Oxford: James Currey, 2000), 32-50.

[83]The political tactics are discussed in Jeffrey Herbst, *The Politics of Reform in Ghana, 1982-1991* (Berkeley 1993).

[84]Roger Tangri, "The politics of government-business relations in Ghana," *Journal of Modern African Studies,* 30 (1992), 97-111; Handley, *Business and the State*, 172-206.

[85]Handley, *Business and the State*, 184.

restore the legality of market forces. They did not have to like capitalists, and they evidently felt they did not need to talk to them. Arguably, this attitude did not help the economic recovery, strong as that was. Business people consistently complained of difficulties in getting access to finance.[86] Had government been more willing to listen, perhaps the growth of investment would have been faster. Some top office-holders were willing to cultivate relationships with individual businesspeople, leading to accusations of cronyism. The fact that his was no longer a military regime, however, perhaps made possible Rawlings's failure in early 2000 to persuade the board of the country's largest company, Ashanti Goldfields Corporation, to dismiss the CEO, his former friend (and the first black African head of a major mining company), Sam Jonah.[87]

Meanwhile popular sentiment towards money-making seemed to have been shifting, as the *kalabule* era slipped into the past. The future may bring a stronger popular critique of extremes of wealth, because the rising prosperity since1983 has been very unequally spread, though poverty seems to have declined overall.[88] But one very visible phenomenon at the end of the period reviewed in this section was the continuing spread of Pentecostal Christianity. Its messages varied widely and rapidly with new churches and preachers springing up and adapting. But "this new Christianity, by constantly glorifying success, is well calculated to . . . legitimise wealth creation by individuals, because it presents success as a blessing, a person's right, and almost godly."[89] There are strong precedents for this attitude in southern Ghanaian society, as we have seen: but this strand of Christianity seems often to be more emphatic.

Conclusions

In summarizing and reflecting on the argument, let us start with Ghana as an economically successful "peasant" – or rather, rural capitalist – colony, and the role of government-business relations in this achievement. Indeed, the record of the "legitimate commerce" and colonial periods showed no lack of enterprise: on the contrary, impressive willingness to take risks and invest long-term, both in agriculture and transport. Indigenous enterprise played an indispensable role in making Ghana the world's largest cocoa producer, and the most prosperous per capita of the "peasant" colonies.

Both the Asante kingdom, and the colonial regime that imposed itself from the end of the nineteenth century, supplied cimportant public goods to indigenous extra-subsistence producers, and traders. Both provided agricultural investors with security of ownership over whatever they planted, despite the intense litigation over which chieftaincy owned which pieces of land that emerged with the cocoa economy during the colonial period. The Asante

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[86]Ibid., 184-5.

[87]Ibid, 193-7. See, further, Afrifa-Taylor, 'Economic History of Ashanti Goldfields Corporation', and her biography of Sam Jonah.[Ref incomplete]

[88]E.g. Nicholas Nsowah-Nuamah, Francis Teal and Moses Awoonor-Williams, "Jobs, Skills and Incomes in Ghana: How was Poverty Halved?" [between 1991 and 2005], Centre for the Study of African Economies, Oxford University, Working Paper 2010-01 (Oxford, 2010).

[89]Paul Gifford, *Ghana's New Christianity: Pentecostalism in a Globalizing African Economy* (Bloomington 2004), 185.

kingdom, unlike most precolonial states, provided and enforced a single currency, thereby reducing transactions costs. It also provided conditions enabling commoners, as well as chiefs, to obtain labour through the market: which, under the prevailing factor ratio and technological conditions, necessarily entailed coercion (the slave trade from the north, and the practice of slavery and debt bondage). It also protected Asantes' ownership of the relatively rich lands that the kingdom occupied. It similarly gave them a monopoly of entrepot trade, by excluding foreign merchants – whether African or European – from the intermediary trade across its territory, notably in European goods re-exported to the savanna hinterland to the north. The latter was indeed one of the issues between Asante and the British, one which made it unlikely that the latter would permit the continued independence of the former. The colonial regime continued Asante (and generally Akan) custom in upholding the property rights of agricultural investors, without which the cocoa-planting booms of the turn of the century, and again of the 1950s, would presumably not have occurred. It also generally supported incumbent communities' monopoly ownership of their lands, though it did not intervene in transfers of ownership within what later became the Eastern Region, when Akwapim and Krobo "stranger-farmers" purchased Akim lands at the beginning of the cocoa era. British rule enlarged the single produce market, which in principle might benefit all Ghanaian traders and consumers. But it removed the partial protection that Asante merchants had enjoyed, facilitating the reduction of many independent African traders to the status of brokers for European firms. It also acquiesced in the formation of cartels in all the sectors dominated by the European companies, from shipping and banking to the import-export trade. This restricted the possibilities for African enterprise outside agriculture, though Africans retained a share of the lorry transport sector (which they had done much to pioneer), as well as of legal practice and a near-monopoly of residential property ownership. In the marketing of agricultural exports, so critical to the economy as a whole, African traders and farmers repeatedly organized themselves collectively to protect their interests, whether against the state or foreign firms' price-fixing agreements.

In the context of this record of the late precolonial and colonial periods, the state-led economic strategy adopted immediately after Independence wasted perhaps the country's biggest asset by closing off the potential for private African entrepreneurship to make further contributions. The Nkrumah government was anything but supportive of indigenous private enterprise, though keen to make strategic deals with foreign corporations. The military and then civilian governments of 1966-71 took only very limited steps to reduce state intervention; the latter's main effort to favour indigenous enterprise was the expulsion of many thousands of alien labourers and small traders, which arguably hindered the growth of the economy as a whole. The politicization of economic life reached a new level under the increasingly kleptocratic military regime(s) of 1971-79, during which the economy moved from stagnation to rapid decline. Both the politicization and the economic contraction were sustained during the next four years, which saw Rawlings' brief "house-cleaning" "revolution" in 1979, the ineffective civilian administration of Limann, and the launch of Rawlings's second "revolution." In the middle and late 1970s, and until Rawlings' U-turn with the beginning of Structural Adjustment in 1983, opportunities for profit were largely confined to the extensive parallel markets that responded, in particular, to the multiple-overvaluation of the currency and severe price and quantity controls on the marketing of imports and food.

The pretty consistently unhelpful policies towards the Ghanaian private sector during the first quarter-century after Independence were greatly facilitated, even made possible at all, by a major change in its capacity to organize itself collectively in defence of its interests. During the later nineteenth and earlier twentieth centuries extra-subsistence producers and traders had intermittently but repeatedly showed just such a capacity. Coalitions uniting small as well as large producers and traders, together with chiefs (who were themselves producers), had succeed in putting considerable and sometimes very effective pressure against over-taxing governments and price-fixing foreign cartels. Crucially, the "hold-up" tradition was interrupted when the farmers' movement split during the bitter party and regional conflict of the mid-1950s, over the form the independent state would take. That interruption proved terminal, in that the obstacles to the formation of such coalitions have not subsequently been overcome. Even during the liberal economic regime that has prevailed since 1983, including under the political liberalization of the 1990s, business was and has not been an effective interest group. Structural Adjustment came from above – albeit, partly in response to spontaneous pressure from below, in the sense of the haemorrhaging of tax revenue as a result of the proliferation of parallel market activity, through the spontaneous action of traders and consumers – and the left-wing government that introduced it remained suspicious of private business.

My final reflections can be organized under the five intended contributions identified in the introduction. First, colonial Ghana's comparative economic success was based on indigenous entrepreneurship, and owed something to the capacity of African producers and traders in the cocoa economy to act collectively to defend their interests. Conversely, the effective dissolution of the hold-up movement on the eve of Independence, and the defeat of the federalist party by the centralist party in 1956, permitted the political marginalization of business during the economically disappointing, and then disastrous, period of what was intended to be state-led economic development. The continued marginalization of business as an organized interest group has been a feature of the liberal era inaugurated by Structural Adjustment in the 1980s. This in turn has probably contributed to the relatively low rate of private investment in what has been a generally expanding economy since 1983. If Ghana is really at the top end of the range of African countries in terms of business influence on government, there is probably something in the orthodox pessimism about the contribution of the post-colonial state to business south of the Sahara. But in Ghana, this was much less true of the colonial and indeed late pre-colonial periods.

Second, discussing the influence of African and European/Western firms in parallel provides further examples for certain familiar theses while also revealing perhaps surprising paradoxes. The conflict between Asante protectionism of its entrepot trade and British free-trade imperialism was one reason why British annexation of Asante became increasingly certain towards the end of the nineteenth century. Competition in the colonial economy was characterized by strong tendencies towards "imperfection" on the European side and "perfection" on the African. Yet in the 1930s there was at least some truth in the European cocoa-buyers' complaint that African brokers were able to extract rents from them, through exploiting information asymmetries. The same decade saw representatives of European companies participating in a successful African campaign against the proposed introduction of income tax in towns; and, later, the refusal of the colonial administration on the spot to use its executive and judicial powers against the biggest of the cocoa hold-ups, that of 1937-8. The administration was furious at what they considered the irresponsibility of the European firms in forming a price-fixing cartel without consulting the governor; the firms then became enraged at what they saw as betrayal by the colonial government. Finally, the most famous of West African nationalists, Nkrumah, made a deal with a U.S. multinational aluminium company, and completed it on very disappointing terms; while disregarding or repressing African private enterprise.

Third, the adoption of a broad definition of "business" is indeed heuristic in relation to Ghana, notably for the colonial period. The creation of the world's largest cocoa-farming industry in the space of twenty years, and its further multiplication in size after that, was the work of labour-hiring, in some cases land-buying, risk-taking rural capitalists as well as peasants. Equally, the capacity of the larger producers and traders to put collective pressure on government or European firms depended on the support of a multitude of smaller operators, including peasants, as well as chiefs.

Fourth, the paper has suggested that moral economy matters: that popular conceptions of just and unjust economic behaviour have been important in Ghana's modern economic, and political-economic history. For the colonial period there is evidence of popular approval of the private accumulation of wealth, for example with accusations of witchcraft being used to defend such accumulation – in contrast to what is usually reported as the African pattern, of witchcraft accusations being directed against the newly rich. This culture helps explain (as well as being perhaps reinforced by) the remarkable growth of African cocoa production in that period. Conversely, in the kleptocratic and increasingly poverty-stricken years of the Akyeampong regime, consumer frustration at what was seen as extortionate prices on the parallel market, as well as at government corruption, was expressed in the neologism *kalabule*. Anger at *kalabule* accounts for the widespread popularity of the first Rawlings regime's blowing-up of the largest market-place in the country, and related violent measures against traders, especially market women.[90]

Finally, examining government-business relations over an extended period, across the watersheds of the loss and recovery of African independence, offers interesting perspectives on the thesis of government "viciousness or uselessness" towards business. Basically, the phenomenon has not been as continuous as the literature might lead one to suppose. Again, this paper has argued that African business, as an organized force, was more influential (or rather, less un-inflential) on the colonial than on the post-colonial regime. Governments in all three eras, precolonial, colonial and postcolonial, provided important public goods: the academic "pessimism" is partly justified, but has been over-done.

[90]Much more should, and has been, said about economic culture, from precolonial Asante to the present. See especially T. C. McCaskie, "Accumulation, wealth and belief in Asante History: I. To the close of the nineteenth century,", *Africa* 53, 1 (1983), 23-43; McCaskie, "Accumulation, wealth and belief in Asante History:: II. The twentieth century," *Africa* 56:1 (1986), 3-23.