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The Political Economy of Structural Adjustment in Ghana, 1983 - 1989

Thesis under the Supervision of
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by

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Colonialism has never consisted merely in rule by alien people. It brings in its train a series of commercial, financial, military and social relationships which do not disappear at the end of imperial rule and have often, from long usage, come to be regarded as part of the natural order of things. Thus the old colonial system cannot be set aside by some broad sweeps of policy. The bonds which bind down a poor colonial territory come to independence, are not of solid weave. They are composed of a thousand separate strands often not intertwined. Indeed many, at first sight, appear to be individual strings pulling the new state forward rather than holding it back (Bing 1968:24).

IN MEMORY OF FRANÇOIS MOREAU

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INTRODUCTION - GHANA AND THE WORLD-SYSTEM

Within the last decade, Ghana, like many countries in Sub-Saharan Africa, suffered persistent agricultural, economic and environmental crises. These crises are manifested through chronic food shortages, growing indebtedness and environmental degradation in the form of soil erosion and deforestation.

The peripheral status of these countries made them dependent upon international monetary institutions to pull them out of a deepening abyss. This need for international expertise and funds brought concurrent demands for extensive economic and social reforms which, prior to the 1980's, were not required to obtain assistance. The World Bank and the International Monetary Fund (I.M.F.) are now demanding substantial realignments which allowed these institutions to become the major architects of Ghana's macro-economic and national policies.

These policies, commonly known as structural adjustment, were designed to improve commodity exports and to generate foreign currency but, unfortunately, came into conflict with Ghana's long-term development strategies.

This project will examine the implementation of donor-mandated structural adjustment in Ghana between 1983 and 1989. It will demonstrate the improvement of specific economic and social inequities. However, it will support the central hypothesis of this study; that structural adjustment maintained and possibly increased Ghana's peripheral status within the world-capitalist system.

In a continuing series of analyses of structural adjustment programs in developing countries, the Organization for Economic Co-operation and Development (O.E.C.D.) published a report in 1992 entitled Adjustment and Equity in Ghana. The report examined, in general terms, the economic development of Ghana since formal independence in 1957 and, more specifically, the effects of structural adjustment programs between 1983 and 1989.

The study used four main arguments to present and defend its thesis that structural adjustment reforms implemented since 1983 brought about a substantial improvement in the lives of the Ghanaian people. They are:

1. The pre-1983 policies were indeed harmful from the viewpoint of living standards.

2. The adjustment policies introduced after 1983 were reasonably well-attuned to correcting the previous errors.

3. The macroeconomic consequences of the new policies were generally favourable.

4. The micro (household level) effects of policies, although complex, were generally such as to improve either the absolute or the relative position of poorer households (Roe et Schneider 1992:13).

The line of argument outlined by the O.E.C.D. rests upon specific ideological foundations laid out by the World Bank. In 1981, the Bank issued a report entitled **Accelerated Development in Sub-Saharan Africa: An Agenda for Action**. This study viewed the ongoing economic and social crises, from chronic food shortages to persistent indebtedness in Sub-Saharan Africa, as structural, rather than a temporary or cyclical manifestation.

The report tied the crisis in Sub-Saharan Africa to the continued decline in agricultural production, overvalued exchange rates and overcommitted spending on basic services such as education and health. This analysis led the World Bank to develop stabilization and structural adjustment phases in order to restructure African economies. They insisted upon the adoption of more realistic exchange rates, an enhanced role for international capital, cutting government spending, and the introduction of effective incentives to stimulate the revival of agriculture, specifically price incentives involving market liberalization.

These prescriptions for revitalizing African economies were further embellished in 1989 when the World Bank published **Sub-Saharan Africa from Crisis to Sustainable Growth: A Long Term Perspective Study**. The study responded to certain criticisms of their 1981 report but maintained the concept of structural adjustment as the necessary condition to rebuilding much of the economic and social fabric of Sub-Saharan Africa.

Chapter Three of this study will provide a more in-depth examination of structural adjustment and the specific policy prescriptions introduced in Ghana.

Ghana, with minor modifications to reflect its specific economic and social environment, implemented the policy prescriptions of the I.M.F. and the World Bank. These economic reforms ensured that Ghana's economic and national strategies are driven by ideological tenets which virtually guarantee the continuation of her peripheral status within the capitalist world-economy.

The ongoing peripheral status of Ghana, like many other African states, was accurately reflected by Kwame Nkrumah, Ghana's first national leader (1951-1966), in his book entitled **Revolutionary Path**. He states that;

> in Africa, most of the independent states are economically unviable, and still have the artificial frontiers of colonialism....where political Balkanisation has not been successful for the imperialists, economic Balkanisation has been pursued (Nkrumah 1973:313).

Ghana's economic Balkanisation is maintained by the continuing dependency on Western financial institutions, particularly the I.M.F. and the World Bank. The reforms that are necessary to obtain this assistance guarantee a certain measure of paternalistic control over her economic and national development.

The history of Ghana since the end of the fifteenth century, with the arrival of the Portuguese, to Ghana's most recent colonial overseer, Great Britain, has been inordinately influenced by core countries within the emerging capitalist world-system. This influence continues with the imposition of neo-colonial measures (structural adjustment) by core countries, such as the United States and England, of this modern world-system.

The preponderant influence of the modern world-system upon Ghana demands an analysis that is more than indigenous in nature. Ghana's peripheralization must be seen within a global context and away from one of the principal tenets of Western development dogma; the tendency to reify the nation-state as the sole unit of analysis. This study takes an antithetical posture; that the arena for social change is a concrete world and not society in the abstract.

As previously mentioned, the primary focus of this thesis will be an examination of how structural adjustment maintained and possibly increased Ghana's peripheral status. The study will compare specific economic indicators prior to the implementation of structural adjustment with current data. This method will ascertain whether Ghana's position vis-à-vis the modern world-system has been improved.

This study has been divided into three chapters and a conclusion. The first chapter will put forward the theoretical construct of this study; the world-systems theory and its fundamental concepts. The second will incorporate a brief colonial history of Ghana in order to contextualize her position within the world-economy. It will also focus on economic initiatives instituted by successive national leaders since independence. The third chapter will incorporate the following elements; a portrait of Ghana's economic and social deterioration from 1980 to 1983; the main philosophical tenets and policy prescriptions of structural adjustment; Ghana's Economic Recovery Programs, ERP 1, 1984-1986, ERP 11, 1987-1989; and the implications of structural adjustment in relation to their effect on the peripheral status of Ghana within the capitalist world-economy. The conclusion will summarize the objectives of this research and present areas for further study on the effects of structural adjustment in the periphery of the capitalist world-economy.

CHAPTER 1 - WORLD-SYSTEMS THEORY

I. Historical and Intellectual Traditions

World-systems theory, and its development since the mid-1970's, continues to be a leading critic of the school of social evolutionary theory. This school and its apologists believe that the development of societies and their people follow an ahistorical and unilinear pattern of growth. Any discrepancies among them is determined by the presence or absence of attributes of individuals or the national society or economy.

From the father of evolutionary theory, Charles Darwin, to the environmental determinism of E. Huntington in the early decades of this century through Parsons' structural functionalism, to modernization theory in the 1950's, 60's and 70's, the social sciences persisted in the use of biological analogies. The argument has been that humans are natural beings and social systems share similar characteristics with natural systems. Despite the amount of prestige often given to this line of argumentation, often present in policies favoured by international development agencies, world-systems theorists see this as nothing more than the crude application of biologically deterministic notions to societies and individuals. It is used to justify an ideology which denies historical specificity to Third World nations and allows for only one model of development.

World-systems theory draws its historical and intellectual traditions from the Annales school of history, Paul Baran's critique of developmentalism, and the dependency tradition of political economy that developed in Latin America, in particular, the work of André Gunder Frank.

In 1929, a French journal entitled <u>**Annales: Économies, Sociétés, Civilisations**</u> was founded by two historians, Lucien Febvre and Marc Bloch. They were dissatisfied with the isolated and unrealistic approach of conventional history and sought to remake the discipline. They intended to use the comparative method over long periods of time to examine differences and similarities between societies. The Annales school's themes are:

> history as social history, especially of the material conditions of the masses, an emphasis on structural factors or relative constants, the "long term" as a common language for the social sciences and... a concern with the relations among economy, society and civilization (Peet 1991:49).

Immanuel Wallerstein, the founder and main proponent of world-systems theory, is also the leading English-speaking representative of the Annales school. The wide spatial scale and long historical time span of Annales history is retained by Wallerstein in his treatment of world history as the development of a single system; system, in this context, referring to a single division of labour so that all sectors or areas are dependent on economic interchanges.

The intellectual traditions underlying Wallerstein's approach to political economy can be traced, in part, to the critique of developmentalism found in the work of Paul Baran and the writings of André Gunder Frank on the "development of underdevelopment" (Frank 1969:3-94) in **Latin America : Under-Development or Revolution**?

Within the work of Paul Baran, particularly **The Political Economy of Growth** and **Monopoly Capital**, Wallerstein centered on his critique of developmentalism, which became one of the main cornerstones of his approach to social change. The developmentalist perspective in social science provided the predominant mode of depicting and interpreting social change in today's world. This perspective

> assumes as its basic premise that the theoretical unit for the study of social change is "society" in the abstract. Accordingly, the world is said to consist of a number of related but basically autonomous "societies"...each moving upward along an essentially similar path of development (Hopkins, Wallerstein et al 1982:41).

Baran and Wallerstein's opposition to this ahistorical and unilinear model of growth was also echoed in the writing of André Gunder Frank. His thesis, which centered on the "development of underdevelopment" (Frank 1969: 3-94), echoed their views, as

> a modest acquaintance with history shows that underdevelopment is not original or traditional and that neither the past nor the present of the underdeveloped countries resembles in any important aspect the past of the new developed countries (Frank 1969:4).

Although Gunder Frank's critique concurs with that of Baran's thesis, it is how his work helps shape Wallerstein's sense of the determinants of poverty that is noteworthy. For Gunder Frank, poverty and underdevelopment were the result of capitalist development, not its absence.

The theoretical and conceptual framework utilized by Wallerstein draws upon these intellectual and historical traditions. Although he expands and incorporates new features in the development of world-systems theory, they have provided the foundation.

II. Theoretical and Conceptual Framework

The theoretical and conceptual framework utilized in this research to explain Ghana's peripheral status within the global economy is the world-systems theory. The construction of this theory occurred in conjunction with and in opposition to the theoretical and methodological traditions of one of the main tenets of Western development dogma; modernization theory. These traditions focused primarily on the following:

1. the tendency to reify the nation-state as the sole unit of analysis;
2. the assumption that all countries follow a similar pattern of growth;
3. the disregard of transnational structures; and
4. the method of explanation based on ahistorical ideal types (Bach 1982:160).

Modernization theory and its apologists strongly uphold the notion that nation-states are independent units whose level of development are determined by the presence or absence of certain conditions, such as the attributes of individuals or the national society.

World-systems theory categorically rejects this ideological stance and assumes an antithetical posture when analyzing the processes of social change and/or social action. This specific world-view states that

> the arena within which social action takes place and social change occurs is not "society" in the abstract, but a definite "world", a spatial-temporal whole, whose spatial scope is co-extensive with the elementary division of labour among its constituent regions or parts and whose temporal scope extends for as long as the elementary division of labour continually reproduces the "world" as a social whole (whether on an expanding, continuing or unchanging scale) (Hopkins et al 1982:42).

The development process of any nation-state does not occur in a vacuum. It is influenced by internal and external forces which shape its political, economic and social structure. It is precisely because world-systems theory reflects these processes of social change that it will be employed to analyze Ghana's peripheral status.

World-systems theory is comprised of a single capitalist world-economy which has emerged since the sixteenth century. The processes within world-system theory are singular in time and space, which is essential since it lays emphasis on the formation and development of the system itself and not merely on patterned relations among its elements. Accordingly, capitalism arose only once, it was a 'world' system from its inception and theoretically "global" in its projected scope. Processes have extended not only beyond state boundaries but, irrespective of them. It is the singularity of the processes which constitutes the world-capitalist system and distinguishes it as a social whole.

This world-view has four underlying principles which are central to its understanding. They are the following:

1. that the modern world comprises a single capitalist world-economy which has emerged since the sixteenth century;

2. nation-states do not have separate and parallel histories; their fates are

determined by their positions within the world-economy;

3. a permanent and necessary feature of capitalism is a world system comprised of a hierarchy of rich (core) and poor (periphery) regions; and

4. this hierarchy takes the form of an international division of labour which operates to the advantage of the core states (Ross and Trachte 1990:51).

These premises will be developed on a more extensive basis through an examination of the concepts used in world-systems theory. They are the interstate system, core-periphery relations, and colonialism.

1) The Interstate System

The hierarchy of states within an interstate system is one of the necessary constants in any explanation of world-systems theory. The interstate system is a system of unequally powerful and competing states in which no single state is capable of imposing control on all others either in a hegemonic or imperialistic manner. These states interact with one another in a set of shifting alliances and changes in the relative power of states upsets any temporary set of alliances, and leads to a restructuring of the balance of power.

The interstate system is dependent on the institutions and opportunities presented by the world market for its survival. There are two main characteristics of the interstate system which must be sustained:

> one is the division of sovereignty in the core (interimperial rivalry) and secondly, the maintenance of a network among the states (Hollist and Rosenau 1981:51).

The interstate system began with the formation of the 'new monarchies' in Europe at the end of the fifteenth century-the French, Spanish, English and Austrian; and the subsequent establishment at each major European Court of permanent embassies from each of the other major courts. This European state-system formed in the developing core area of the world division of labour, primarily as the relations among states-in-formation. This system was increasingly centralized in order to mount efforts to expand their jurisdiction over core-area processes and thus, over and at the expense of one another (Hopkins 1982:24).

These alignments or sides are formed on each occasion to reproduce, as the outcome of conflict, the necessary condition for the state-system to continue to operate, namely, an array of interrelated states no one of which can mobilize the force and allies needed to subjugate all others. This preserves the development of the modern world as a world-economy by blocking its conversion into a world-empire (Wallerstein 1974A:Chpt.7).

The systematic competition or conflict within this interstate system exists at three levels: between the strong states and the weak states (imperialism); among the relatively strong states for primacy (hegemony/rivalry); and within states between different groups (bourgeoisie-proletariat) for control of the state machinery.

One specific type of systematic conflict which occurs in the interstate system is imperialism. Imperialism is as old as recorded history. From imperial Rome to its contemporary usage as a phenomenon particular to a modern world-economy, imperialism as a pattern of domination persists, despite changes to its definition. Its modern day usage was derived from the work of J.A. HOBSON'S **Imperialism: A Study** and V.I. LENIN'S **Imperialism: The Highest Stage of Capitalism**. Both Hobson and Lenin saw imperialism as a stage of capitalism whose necessary constant was the need to export capital, and whose primary manifestation was the establishment of colonial rule in peripheral areas.

Lenin saw the relationship between capitalism and imperialism in terms of the following related propositions:

1. to maintain profitability, capitalist enterprises in advanced countries exported capital to the colonies assisted by the political and military strength of European governments;

2. this made it possible to obtain on very favourable terms raw materials in the colonies;

3. this also meant that capital was needed in the colonies to build railways, roads, and ports to service the capitalist penetration; and

4. these developments led to a concentration and centralization of capital by large trans-national monopolistic firms (Webster 1990:82).

The decolonization of Africa after World War II has not ended imperialism. This continuing interference by core states and institutions in the economic activities of peripheral states is referred to as neo-colonialism.

The philosophy of neo-colonialism was articulated in-depth by Kwame Nkrumah, Ghana's first national leader (1951-1966). Nkrumah argued that

> the essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all the trappings of international sovereignty. In reality its economic system and thus its internal policy is directed from the outside (Nkrumah 1965:ix).

Neo-colonialism is a form of socio-economic domination from outside which does not rely on direct political control. Arrangements such as the establishment of international laws and regulations covering prices, such as the G.A.T.T., and the capitalist penetration they facilitate, have been strong enough to withstand the granting of formal political independence.

Interstate conflict does not always occur between states at the polar ends of relative state power. A second mode by which equilibrium has been reached is through the relative superiority of one core power over other core powers. Specifically, no second power or combination of second powers seems capable of effectively challenging the economic supremacy of the strongest core power. This situation is called hegemony.

Hegemony is distinguished from imperialism since it operates primarily through the market. A distinguishing characteristic of the present capitalist world-economy has been the absence of imperialism (Wallerstein 1974b:387-415).

Nonetheless, temporary hegemony has occurred if we define it as the simultaneous productive, commercial, and financial pre-eminence of one core power over other core powers. The United States after World War II and, more recently, Japan, are examples of countries who attained hegemonic control over the capitalist mechanisms. They continue, with various levels of hegemony, to influence and shape the ongoing capitalist world-economy.

The terms bourgeoisie and proletariat came to represent the conflict between different groups for control of the state machinery, and are central to the development of social science literature since the late eighteenth century, specifically, the French revolution in 1789.

The world-systems perspective takes issue with whether this conflictual dyad operates only within state boundaries. This has always been the traditional assumption. More recently, some theorists have sought to make the case that one of the primary manifestations of this conflict is in interstate conflict. They are described as "proletarian nations" and "bourgeois nations" (Moussa: 1959). In world-systems terminology, one could refer to proletarian nations as peripheral and bourgeois nations as core.

2) **Core-Periphery Relations**

The central and defining characteristic and concept of world-systems theory is core-periphery relations. This concept was extensively used in its current connotation by Raul Prebisch and his associates in the early days of the United Nations Economic Commission for Latin America (E.C.L.A.) (United Nations: 1950). On a world scale, the processes of the division of labour that define and integrate the world-economy are dyadic. They divide the world into a complex set of paired opposites, which we designate as "core" and "periphery" (Hopkins and Wallerstein et al 1982:45).

The focus of their work was the declining terms of trade for agriculture and mineral products in relation to manufactured products in international commerce. The terms core-periphery were used to designate the two major kinds of participants in that commerce.

This definition of core-periphery relations referred to a given condition at a particular time. It was essentially those who later became dependency theorists (S. Amin, A. Gunder Frank, F.H. Cardoso, etc) who introduced the long view into the core-periphery conception. They converted it from being a given condition at a particular time into a constant feature in the historical development of capitalism and, in particular, of the capitalist world-economy. The central theoretical theme in their studies was the "development of underdevelopment" (Frank 1969: 3-94). This particular view stated that economic backwardness was not due to starting late, but was, instead, a condition produced in the course of, and as a result of the rise of capitalism.

Wallerstein's approach to political economy views the core-periphery relation as central

> designating as it does the single over-arching division of labour defining and bounding the world social economy in its successive phases of development (Hopkins, Wallerstein et al 1982:46).

The integration of core and peripheral processes remains a central structural feature throughout the capitalist world-economy. The end of the twentieth century has seen the capitalist world-system extend throughout the globe. For the last three centuries or more, most parts of the globe were external to the world-economy and, as a result, subject to the systems expansion and its possible peripheralization.

This peripheralization of large segments of the globe ensured that unequal development prevailed as the core specialized in relatively more mechanized, higher profit, higher wage and more skilled activities (Ross and Trachte 1990:53). As a result, peripheral regions are left with, or had imposed on them, the productive tasks that are necessary to increased wealth in the core.

3) **Colonialism**

The world-systems theory uses as its historical focus the emergence in the sixteenth century of a European-centered world-economy. A cornerstone of this period of world history, in particular European history, has been the reality of colonialism.

The contemporary use of the word is recent. In the nineteenth century "colonialism" was used to indicate the general condition of overseas dependencies or the colonial system as a whole without any specifically favourable or unfavourable connotation. It was the early 1950's that brought a conventional distinction between colonialism and imperialism. Imperialism was now restricted to the dynamics of empire building and for Marxists, to Lenin's "highest stage of capitalism" in the more developed countries (Fieldhouse 1981:6).

Although there were various social and economic manifestations depending on the specific expansionist policies, a number of features were identified within all colonized countries. They are the following:

1. apart from the introduction of a colonial, political, legal and administrative structure to establish "authority", the economic resources of the colony were often secured through the activities of the large capitalist companies from Europe with the backing of their governments;

2. land tenure patterns that had existed for centuries were displaced. Moreover, the monopolistic companies developed only those forms of agriculture and mineral extraction that would have a commercial market or a productive use in Europe;

3. so much labour was needed in a relatively short period of time that compulsion also came in the form of forced labour, indentured labour and intimidation;

4. Finally, colonialism meant the imposition of a system of law and order that suited the colonial administration (Webster 1990:75-76).

This dominant political, economic and ideological structure implied no necessary identity between the rulers and the ruled. Colonialism meant exploitation by the foreign society and its agents who occupied the colony to serve their own interests. It deprived a society of its freedom, wealth, and very character, leaving its people intellectually and morally disoriented.

Colonialism is merely one stage in the evolution of international relationships in the modern world-system whose continuing and predominant theme is the subordination of all countries to the needs of advanced capitalism. It is within this context that Ghana's colonial nature will be examined.

Although Ghana, like many former colonial satellites, has achieved formal political independence, economic sovereignty has not followed. As previously outlined, this continuing dependency is termed neo-colonialism. This neo-colonial stature is reflected, most recently, in the implementation of structural adjustment reforms. These policies confirm Ghana's continued dependence on foreign capital for its economic existence.

The following chapter will present a brief colonial history of Ghana in order to establish her presence within the capitalist world-economy. This chapter will also focus on economic initiatives instituted by post-colonial national leaders from Kwame Nkrumah to J.J. Rawlings. It will demonstrate the limited ability of these governments to chart a more autonomous plan for national development within Ghana.

CHAPTER 2 - GHANA'S INCORPORATION INTO THE CAPITALIST WORLD-ECONOMY

I. Colonial History (1470 - 1957)

The arrival of the Portuguese on Ghana's Gold Coast in 1470 began a process of colonization that would change her political and economic structures for almost 500 years. It was the beginning of its eventual incorporation into what was to become the capitalist world-system.

Ghana, like other West African states, was, in the late fifteenth and sixteenth centuries

> firmly controlled, with chiefs, counsellors, organised governments, tightly regulated codes of behaviour and a willingness to organise trade links with sea voyages from Europe and with the people of the interior (Hadjor 1988:14).

Before the arrival of the Europeans most trade was carried out along inland routes (Alpers 1973:111-113). These inland routes remained more valuable than trade on the coast until the sixteenth and seventeenth centuries and the subsequent arrival of the Portuguese, British, and other European powers.

The economic advantages of this discovery by the Europeans soon became evident. According to J.D. Fage, in his text entitled **A History of Africa**,

> within a few years the Portuguese were securing from trade on the Gold Coast an average of something like 13,000 oz of gold a year, at that time a sizeable proportion of the total world supply (Fage 1978:214).

This era in the history of Ghana and West Africa also saw the rapid growth of the Atlantic slave trade. This hideous trade in human cargo became the vehicle by which European powers successfully colonized the Americas. Decade by decade, from 1700 to the formal abolition of the slave trade by Great Britain in 1807

> both the price of slaves in Africa and the number of slaves doubled after the Peace of Ryswick in 1697. From then until the reductions in trade following 1807, slaves were clearly the most important export of Africa (Bean 1974: 354-355).

With the ongoing consolidation of the capitalist world-economy slave exports would cease to be a "luxury" (Gutkind and Wallerstein 1985:56) item, defined by Wallerstein as an exchange in which both sides are exchanging luxuries. Slaves became just another commodity bought and sold on the world market.

This slave trade, which was the dominant economic activity of both white and black on the coast of Ghana in the eighteenth century, served as the cutting edge of the peripheralization of Africa in the period between 1750 and 1900.

The subsequent abolition of the slave trade also required that the economic vacuum which had been created be filled through the development of 'legitimate' trade. For Great Britain, the hegemonic world power of this period, abolition

> rendered illegal as much as nine-tenths of European trade with the coast of west Africa. A huge economic vacuum was thus created and the British hoped it might be filled by the encouragement of the cultivation of exportable commodities (Boahen 1975:179).

The growth and influence of Great Britain continually progressed during the period between 1815 and 1874 and with it the corrosive process of peripheralization. The latter half of the nineteenth century saw a challenge to her hegemonic status by France, Germany, and eventually, the United States.

Concurrent with this challenge to Great Britain's status was the rise of nationalism in Europe. This period of European history put considerable emphasis on a nation's security and prestige. This was measured, in the second half of the nineteenth century, by the extent of colonies possessed by a nation. Alongside these nationalistic considerations, the commercial, industrial, and strategic interests within the continent of Africa made European nations push even further into the heart of Africa.

As a result, the 'scramble' for Africa began with its subsequent partition in 1874. Despite Great Britain's decline in hegemonic supremacy, she emerged triumphant on the continent of Africa. The need for new markets required the continual expansion of the borders of the world-economy. The partition and subsequent peripheralization of Africa by core states guaranteed the fulfillment of the avaricious appetite of advanced capitalism.

Ghana's formal colonisation began after 1874 with the partition of Africa. The world economic system was dominated by capitalism and, as a result, Ghana's international economic relations were with a dominant capitalist power. It was subject to the demands of capitalist profit both in international and internal trade. These economic relations between core (Great Britain) and periphery (Ghana) did not result in the emergence of internal capitalism but

> rather it resulted in an almost monocultural system of agricultural production dependent for profits upon the European-controlled external market, and organised internally on the basis of pre-capitalist land tenure relationships (Howard 1978:17).

Concurrent with this economic relationship was the need to develop an infrastructure to accommodate this import-export economy. The building of railway lines, highways and ports were essential to ensure the export of Ghana's primary commodities, gold and cocoa. The state did not allow for industrial production or a diversification of Ghanaian agriculture. The underdevelopment of these productive forces thwarted any possible transition to capitalist production and ensured a peripheral status for Ghana within the world-economy.

By 1911, approximately forty years after Ghana's formal colonisation, the structure of Ghana's economy exhibited features of a peripheral society. Noticeable characteristics were the neglect of industrialisation, the overdependence on the cocoa crop and the complete domination of mining, banking and the foreign trade sectors by expatriate firms. It is not surprising that this particular type of economic infrastructure is the ingredient needed to ensure peripheral capitalism.

The colonization process in the social field led to the introduction and spread of western education and a steady increase in the population of Ghana with its division into groups and classes (Boahen 1975:102-104). The emergence of these new groups and classes was to be extremely significant. It was their frustrations with the colonial system, mainly political and economic limitations, that generated a feeling of anti-colonialism and nationalism which would eventually herald independence.

The years prior to the onset of the Second World War saw the manifestation of these frustrations in the growth of youth movements throughout Ghana. They did not demand an overthrow of the colonial regime, but, instead, reforms which would allow greater indigenous participation in the running of their country.

The end of the war would significantly impact and engender changes that would transform the relationship between Ghana and her colonial overseer, England. These changes included the establishment of the United Nations charter, which emphasized the principle of self-determination and a subsequent avenue of attack on colonial powers. There were also political, economic and social developments in the fields of mining, agriculture, education, industrialization, and health services.

Another crucial impact of the war was psychological. The war shattered the myth of the white man's superiority. African and white soldiers fought side-by-side in Africa and Europe. In all these places, they fought on the same terms and lived under the same conditions. This reality shattered the image of the white man's 'so-called' inherent superiority. The removal of this important psychological barrier contributed to the aforementioned developments throughout the colonial satellites.

Twelve years after the end of the war, on March 6, 1957, Ghana achieved formal political independence. For many within Ghana the shattering of the shackles of colonialism began a new and prosperous chapter for their people. The opportunity to set a more independent and autonomous approach to political and economic development was promising.

Despite the release of political controls into indigenous hands, Ghana's colonial past continued to overshadow and hinder her economic development. Ghana's growth and development was dependent upon assistance from international monetary agencies. The prescribed conditions for attaining this assistance ensured that her role as a peripheral player in the world-economy was maintained.

The following section will provide an analysis of the economic initiatives instituted by post-colonial powers and how they maintained a neo-colonial economic structure.

II. Economic Initiatives in Post-Colonial Ghana: From K. Nkrumah to J.J. Rawlings (1957 to 1981)

The bright future promised and expected on independence day, March 6, 1957, would soon contain formidable challenges which would bring Ghana to the verge of economic, political and social collapse. From the zenith of the first national government under Kwame Nkrumah, to Lt. Col J.J. Rawlings' 1981 proclamation to "revolutionize" Ghana's economy, the strength of internal and external colonial structures made any indigenous economic initiatives difficult to implement.

This section will examine the economic initiatives instituted since independence. It will outline the main policy pillars and, with it, the continuing pattern of neo-colonial intrusion.

The first fifteen years of Ghana's informal and formal independence (1951-1966) rested in the personality and leadership of Kwame Nkrumah. Nkrumah returned to Ghana in 1947 after more than a decade abroad. He immediately set about, after his appointment as General Secretary of the United Gold Coast Convention (U.G.C.C.), to mobilize the masses in an effort to achieve independence for Ghana.

Nkrumah broke with the U.G.C.C. to form his own political party, the Convention Peoples Party (C.P.P.), on June 12, 1949 (Boahen 1975: 166). He assumed power in February 1951, and remained there until the coup d'état on February 24, 1966.

Nkrumah's vision of social and economic transformation was always explicit and consistent, since

> states emerging from colonialism face the gigantic problem of transforming their almost purely trading and raw-material producing economies into productive units capable of

> bearing a superstructure of modern agriculture and industry (Nkrumah 1963:97).

His approach to the political economy of Ghana rested on two pillars. It sought to foment the rapid expansion of state intervention in the economy and underlined industrialization as a top priority in establishing a self-generating economic foundation (Chazan 1983:156).

These policy initiatives were in response to the legacy left by the colonial power. This legacy was a direct result of the institutional structure set up at the turn of the century. This structure relied primarily upon an import-export economy with little or no manufacturing base or agricultural diversification. Cocoa became the primary export and, therefore, the economic foundation for any type of sustained growth within Ghana. It remained, through the first half of the twentieth century, the mainstay export,

> constituting 46% of the total in 1911; 56% in 1957; 63% in 1969 and 49% in 1972 (Andrae 1981: 29).

The focus on the expansion of cocoa production in the cocoa belt and the migration of labour from farms in the Northern Territories (Seidman 1978:50) required an ever-increasing need to import the domestic food supply. Government and international support to agriculture favoured large farmers who produced for export to the disadvantage of politically powerless farmers who produced for local consumption.

The colonial structure also assured that timber concessions, gold mines, banks and insurance companies remained under the complete domination of Ghana's colonial overseer, Great Britain. Therefore the economy, at independence, remained very similar to that instituted at the turn of the century. There were minor improvements but, overall, her position in the world-economy remained peripheral.

Nkrumah's first response to the legacy left to his government was to maintain a policy of free trade. Despite his socialist beliefs, he realized the need for foreign capital and believed that Ghana could sustain this policy. Any measures which resulted in excessive state intervention in the economy distracted her creditors and prospective investors.

Nkrumah's open door policy led to more investment being taken out of the country than was received. The monopoly over the major export industries and financial institutions by expatriate companies guaranteed increased profits for these firms and their overseas partners. Laissez-faire philosophy did not promote internal growth but did assure growing profits for multinationals. There was an estimated annual loss in the years 1958/59/60 of about seven million pounds (Boahen 1975:199-200). This loss, with the steady decline in the world price of cocoa, led to a concurrent decrease in the country's foreign reserves. These crises precipitated a change in Ghana's economic direction.

With the formation of Ghana's first republic in 1960, there was a radical shift in economic planning. The laissez-faire policy adopted by Nkrumah's government was dropped and replaced by active state control of and participation in all sectors of the economy. A strong emphasis was placed on import-substitution industrialization with the goal of developing a secure manufacturing base. This strategy would cut imports and allow for an incremental increase in export revenues to support new social and industrial infrastructures. These economic initiatives were formulated under the Third Development Plan, the Seven Year Plan. This comprehensive document stressed the following objectives:

> besides spelling out industrial objectives and socio-economic goals, these plans stressed the total nationalization of the cocoa trade, the intervention of the state in agriculture production and the creation of state industries. At this juncture, then, the C.P.P. had assumed the role of industrial and commercial entrepreneur (Beckman 1976:227).

The implementation of this economic strategy required an ever-greater expropriation of the surplus from the cocoa economy, averaging about forty percent during the Nkrumah period (Chazan 1983:156).

The neglect under colonial rule to develop a solid infrastructure program required even greater revenues than those provided by exports. Any infrastructure put in place during the colonial era focused on the needs in the export enclave with the Northern regions being particularly neglected.

Ghana, therefore, required new harbours, roads, educational and medical institutions. Nkrumah and the C.P.P. incurred, as the result of a dynamic infrastructure program, serious foreign exchange deficits, and became indebted on a substantial scale to foreign private firms. The diversification of foreign debtors compounded Ghana's external dependence and left little room for further requests of assistance.

Compounding a growing balance-of-payments problem were the cocoa production levels for 1965/66. Production was down from 572,000 long tons in 1964/65 to slightly over 400,000 tons in the preceding year and producer prices were halved (Chazan 1983:157).

In 1965 Nkrumah brought in an austerity budget to slash government expenditures (Omari 1970:115) and bring stability to ever growing economic and agricultural crises. However, Nkrumah was prevented from carrying out the proposed measures. A coup d'état on February 24, 1966 brought an end to his fifteen years at the pinnacle of power in Ghana. The task to restore confidence in Ghana's economic and political institutions rested in the hands of the National Liberation Council (N.L.C.).

Nkrumah's era in power began with such great promise. Ghanaians, as well as governments and institutions abroad, held out for a bright and prosperous future.

There seems little argument that the institutional framework inherited at independence would play a less than complementary role in forging new economic directions for Ghana. According to A.W. Seidman, in her analysis of Ghana's first years of post-colonial rule, this framework was

> shaped by the colonial interests to meet the requirements of oligopolistic foreign-owned trading, mining and logging firms and associated banks, insurance and shipping companies... The institutional structure was designed to ensure that a high proportion of the surpluses produced in cocoa, mining and logging were repatriated to overseas companies and/or financial institutions headquarters, leaving little capital for investment in a more balanced development of Ghana's resources (Seidman 1978:37).

A rehabilitation of Ghana's economic direction would therefore require a radical shift in emphasis. The focus had to be altered in order to break the oligopolistic monopolies instituted under colonial rule.

Nkrumah's response to this inherited legacy was to nationalize the cocoa trade, intervene in agriculture production, create state industries and institute an ambitious import-substitution industrialization program. Alongside these measures was the implementation of a solid infrastructure program to compensate for decades of neglect. For Nkrumah and his C.P.P. government, these initiatives would be the necessary tools to promote a secure and self-generating economic growth.

Nkrumah's ambitious and wideranging strategies eventually began to falter. Firstly, the overemphasis on industry and infrastructure came at the expense of local agricultural development. Neglect of agricultural production for local consumption resulted in an ever-increasing amount of the domestic food supply which had to be imported. This required a greater expropriation of surplus from export revenues already under strain from social and infrastructure expenditures. Secondly, the massive infrastructure program became an increasingly expensive burden for Ghana's economy. The extensive borrowing that was required made her more indebted to a variety of foreign creditors. The amount of revenue generated from Ghana's primary export commodity, cocoa, was not sufficient to overcome the balance-of-payments crises generated by a rise in imports and debt repayments.

Ghana's position in the world-economy at the end of Nkrumah's rule remained essentially peripheral. The import-export economy instituted under colonial rule remained virtually unchanged in spite of the social and economic transformation envisioned under Nkrumah.

The overreliance on the production of a few export commodities to maintain balanced economic growth was not sustainable. The prices of these commodities are set in the core countries, and peripheral players like Ghana have little control in how they are determined. Despite internal shifts in Ghana's economic direction, it is her peripheral and unequal role in relations with core countries which ultimately decides the direction and outcome of her development.

For the next fifteen years Ghana's economic and political direction was controlled by several short-lived military and civilian governments. These governments attempted, with moderate levels of success and failure, to stop the bleeding and restore health to Ghana's fragile economy.

The coup d'état on February 24, 1966, brought the National Liberation Council (N.L.C.) to power. The N.L.C. listed the following tasks as immediate priorities:

1. To come to terms with creditors on the arrears and debt-service payments due in the remaining ten months of 1966;

2. To curtail the import bill for the year to the foreign exchange available and

ensure that Ghana could continue to import essential supplies from reputable sources on normal commercial terms; and

3. To review the governments tax and spending programmes to prevent complete collapse in the finances of the public sector and at the same time reduce demand for imports with the minimum possible dislocation of domestic output (Krassowski 1974:109).

The first initiative undertaken to tackle these priorities was the introduction of an austerity budget. The primary focus was to curb public expenditures and reduce state control of socio-economic life. The shift in direction was, in part, to distance itself from Nkrumah's policy of state intervention. Equally, there was the need to alleviate shortages in essential commodities and with it, the daily burden of the average Ghanaian citizen.

In what became a long history of I.M.F. and World Bank involvement, the N.L.C. military interregnum launched a vigorous I.M.F. - backed stabilization program. This program commenced in July 1967 with the devaluation of Ghana's currency, the cedi, by thirty percent (Kofi and Hansen 1983:61). The devaluation was in keeping with the N.L.C.'s pronounced objective of liberalizing the economy, promoting free markets, encouraging private enterprise and decentralizing decision-making (Chazan 1983:159).

The deflationary policies of the I.M.F. - backed program curbed the inflation rate but did not bring any significantly beneficial effects to the Ghanaian economy.

The move to civilian rule, as promised by the N.L.C., came on August 29, 1969, with the election of the Progress Party (P.P.) under the leadership of Dr. K.A. Busia (Boahen 1975:236). Busia was faced with the following social and economic inequities generated by the N.L.C.'s stabilisation program. There was

1. severe worker unrest (primarily resulting from large cuts to public sector employment);
2. tangibly reduced services and educational and medical expenditures;
3. a failure to protect the Ghanaian political economy from fluctuations in the world market prices of its main export, cocoa;
4. increasing unemployment; and finally
5. a reduction of the median per capita income in Ghana by an average of about twenty dollars in the three years of its tenure in office (Chazan 1983:159).

Busia's response retained, with specific alterations, the laissez-faire approach introduced under the N.L.C. He put forward two concrete measures which underpinned the government's development strategy. There was a focus on agriculture and rural development, on trade, and not rapid industrialization. Secondly, he preferred an emphasis on private, not public sector growth.

Busia realized the need to develop and diversify agricultural production to avoid the costly importation of the domestic food supply. However, as with previous government attempts, agricultural production for local consumption did not become a priority. Strong political and economic pressures guaranteed that the emphasis remained within the cocoa belt. This also ensured that additional farmers in the Northern Territories were required for cocoa production. This left no real incentive to provide a more regional and equitable balance.

The Busia government moved away from the strong restrictions imposed by the stabilization program. The windfall profits procured in the 1970 cocoa season (Clark Leith 1974:Table V-7, 134) led it to abandon its objectives, liberalize imports and increase government expenditures. The result of these growth-oriented expenditures created a balance-of-payments deficit and flooded the markets with non-essential and expensive imports.

By the end of 1971, Ghana incurred severe social and economic hardships. These hardships were reflected in a growing balance-of-payments deficit, a re-emergence of chronic shortages in essential commodities, including food, and foreign obligations incurred to implement government policies. Busia sought a rescheduling of prior debts and further financing from Western creditors, including the I.M.F.

Despite Busia's efforts to reverse the decline in Ghana's economy, it remained with the National Redemption Council (N.R.C.) under

Colonel I. Acheampong to tackle the continuing underachievement of its political economy.

The persistence of severe economic and social conditions under Busia reiterated how difficult it was to realign Ghana's economy. These conditions were manifest in chronic foreign indebtedness, food shortages, regional inequalities, and underproduction. The ability to provide for a more autonomous and self-generating economic growth remained elusive despite a more market-oriented approach to Ghana's political economy.

The National Redemption Council (N.R.C.), also entitled the Supreme Military Council I (S.M.C.I.), under the leadership of Colonel I. Acheampong assumed power by a coup d'état in January 1972.

Acheampong immediately set out to reverse Busia's fiscal policies. He revalued the cedi, which had been devalued by 48.6 percent three weeks before the coup (Chazan 1983:161), slashed prices to pre-devaluation levels, and in a strong nationalist stance, repudiated a large proportion of debts incurred by previous regimes. Unlike Busia, he proved to Ghanaians that Ghana could stand up to its creditors with no adverse reverberations.

Acheampong and the N.R.C./S.M.C.I. followed up these measures with a comprehensive plan for Ghana's economic and social development. The policy was, firstly, one of self-reliance. This was embodied in the implementation of a program called Operation Feed Yourself (O.F.Y.) (Jeffries 1989:77) intended to achieve self-sufficiency in food production. A primary objective of this plan was to eliminate heavy expenditures of foreign exchange on essential commodities. The second prong of the N.R.C./S.M.C.I.'s approach was the urgent task of readjusting regional imbalances by a more equitable redistribution of resources.

This concerted effort by Acheampong to achieve a more self-reliant and equitable development was a reasoned and necessary approach to restructure Ghana's overall economic infrastructure.

Despite initial successes in local food production, particularly the O.F.Y. program, which saw significant increases in both rice and maize production, a downward spiral began in 1975 which eventually touched all sectors of the economy.

The decline began, in some measure, with the O.P.E.C. price hikes in 1973. The price increases had a deleterious impact on a country just starting to rebound from a period of economic decline. O.P.E.C.'s increases were matched with a severe drought in 1976/77 which significantly diminished agricultural yields. Ironically, this occurred at a time when there was a significant post-1975 boom in commodity prices (Young 1981:173).

Even for those who strongly uphold the iniquitous impact of international factors to affect indigenous development, there was no way of ignoring the effects of government corruption and commercial profiteering on Ghana's faltering economy. According to D.I. Ray, in his examination of the politics and economy of Ghana, this period was marked by a devotion to personal greed (Ray 1986: 16).

Examples of this remarkable 'raping' of Ghana's economy is provided by L. Gore in her analysis of Acheampong's government. Gore states that

> corruption, smuggling in the commercial sector and other trade malpractices abounded, resulting in shortages of essential commodities and escalating prices. Furthermore, the N.R.C. accumulated the surplus from cocoa on a scale hither to unknown (Gore 1984: 9-10).

Ghanaian society found itself, by 1978, in a state of political decay and economic deterioration. The drought, O.P.E.C. price hikes and severe internal corruption and mismanagement put her economic welfare in a position that was remarkably similar to that of past regimes.

Similarities in the manifestations of economic decline were easy to enumerate. There was negative growth, an inflation rate of over 100 per cent (Jeffries 1989: 78), large balance-of-payments and budgetary deficits, increasing import requirements, and a serious deficit in external accounts caused by the financing of its development program. In an ironic twist, Acheampong's strategy of a more self-reliant economy made it even more dependent on external sources.

The economic and political stagnation hastened Acheampong's removal from power. In a palace coup, on July 5, 1978, Lt. General Fred Akuffo assumed leadership of the N.R.C./S.M.C. II.

This putsch was engineered to rectify some of the policy errors instituted by Acheampong. Akuffo revived some of the main features of the I.M.F.-supported stabilization measures brought in by Busia in 1967. He agreed to a 60 per cent devaluation of the cedi and arranged a cedi exchange in the spring of 1979. This measure had deleterious effects on common Ghanaians who did not have bank accounts but was appreciated by more well-to-do citizens and by government holdings (Legon Observer, March 23 1979:97-98).

These measures confirmed Akuffo's support of a more market-oriented approach to economic development. There is no way of measuring its achievements since his government was overthrown by Lt. Col. J.J. Rawlings on June 4, 1979 after only eleven months in office.

Rawlings' ascent to power was the result of a popular uprising. This uprising was generated from the cumulative disgust of average citizens and rank-and-file military personnel who endured years of unbridled corruption and mismanagement.

Rawlings, Chairman of the Armed Forces Revolutionary Council (A.F.R.C.), set about to put the "house" in order. Three former heads of state, Acheampong, Akuffo, Afrifa, and numerous senior military officers were executed for their egregious examples of corruption. There was widespread support for these measures as well as for a return to civilian rule. Rawlings stated that

> we are trying to get the public to take up its responsibility about its own government. The armed forces is not a time-bomb behind a civilian government... we want to leave it to the civilians... we want to show you that you have been in bondage. We broke your chains for you, now we leave you to go where you want to (West Africa, 9 July 1979: 1199).

Elections were held as promised. Dr. Hilla Liman and his People's National Party (P.N.P.) came to power in September 1979.

Liman's dominant orientation was to the right and was reflected in his economic development strategies. He entered into negotiations with the I.M.F. to obtain foreign public capital to rehabilitate Ghana's fragile economic infrastructure. The I.M.F. expected the following conditions to be met:

1. devalue the cedi by 50 to 80 per cent;

2. increase the government's payments to farmers for cocoa by 300 per cent in order to stimulate the production of foreign-exchange generating cocoa;

3. increase interest rates;

4. remove controls on the importation and pricing of goods (apart from some fifteen "essential" consumer goods);

5. reschedule and then repay foreign debts;

6. cut government expenditures especially in services such as education by various means, including firing 30,000 people from the civil service (Africa Confidential, April 8, 1981: 3 and January 6, 1982: 4-6).

The implementation of these measures was fraught with political repercussions. The proposals aroused opposition from many sectors of the population, particularly the civil service. The required devaluation of the cedi reminded Liman's government what happened to Busia when he acquiesced to a similar measure.

Liman's inability to act precipitated the decline in Ghana's economic fortunes. His government was unable or unwilling to recognize the scale and structural causes of the economic decay. His inaction was exacerbated by embezzlement and corruption on an obscene scale.

Liman's failure to restore any modicum of stability to Ghana guaranteed his eventual demise from the corridors of power. His removal came on December 31, 1981 with the return of Rawlings and his proclamation to "revolutionize" Ghana's faltering economy.

These short-lived military and civilian regimes, from Acheampong to Liman, provided no beneficial effects for Ghanaian society as a whole. They proved, with their continual shifts in policy approaches and/or economic orientations, to have no comprehensive understanding of the structural weaknesses besetting Ghana's economic and social development.

From the end of Nkrumah's regime in 1966 till the return of Rawlings in 1981, Ghana's economic fortunes declined at an ever-increasing pace. There seemed to be no inclination within government circles to arrest the downward spiral of decay.

Crop failures, drought, O.P.E.C. oil increases, and internal corruption and mismanagement, all played a part in halting any significant growth within Ghana's economy. However, these explanations alone cannot be the ultimate cause of her economic misfortunes.

Ghana's peripheral standing at the edges of the world-capitalist system carries a large proportion of the responsibility for the chronic ills which ail her political economy.

The nature of Ghana's export-oriented economy is instrumental in explaining the economic and social malaise. Ghana must rely consistently on world prices for cocoa and minerals which are determined in the commodity exchanges of core countries like England and the United States. This puts severe limitations on the autonomy of action possible within such a structural context.

A related problem of the monocrop resource base and reliance on industrial and other imports is a persistent indebtedness. The continual vacillation of export earnings forces Ghana to borrow money to support its operating budgets. The inconsistency of world market prices makes it difficult for long-term planning, and the accumulation of debt becomes an alternate and necessary route which ultimately increases her dependence. The Ghanaian economy, as a result, must carry long-term mortgaging which limits any growth possibilities.

This period of Ghana's political economy, 1966-1981, underlines the relationship between underdevelopment and her integration into the world-capitalist system. This exogenous explanation of her underdevelopment does not exclude the role of indigenous factors. However, many of these factors, including underproduction, chronic balance-of-payments deficits and food shortages are a direct result of Ghana's peripheral status within the world-economy.

Ghana's political economy, since 1981, has been determined by economic reforms implemented by the I.M.F. and World Bank. The following chapter will examine these measures and the increasingly intrusive role these neo-colonial institutions played in determining Ghana's macro-economic and national policies.

CHAPTER 3 - STRUCTURAL ADJUSTMENT IN GHANA, 1983 - 1989

The Provisional National Defence Council (P.N.D.C.) under the leadership of Lt. Col. J.J. Rawlings, assumed power in an armed forces' coup December 31, 1981. He promised to "revolutionize" Ghana's faltering economy. Rawlings' return came as the foundations were laid for the introduction of structural adjustment in Sub-Saharan Africa. Their shared history would play a crucial role in setting the stage for economic recovery in Ghana.

This chapter will outline the precarious economic situation which greeted Rawlings and the P.N.D.C. at the beginning of their regime. Secondly, it will lay out the main philosophical tenets and policy prescriptions which became the trademark of structural adjustment. This discussion will be followed by the presentation of Ghana's Economic Recovery Programs brought in under the aegis of the I.M.F. and the World Bank. Finally, this chapter will analyze the implications of structural adjustment reforms in relation to their effect on the peripheral status of Ghana.

I. Portrait of Ghana's Economic and Social Deterioration, 1980-83.

The halcyon days of independence had long since disappeared when Rawlings returned to power in 1981. The 1970's and early 1980's had seen a systematic deterioration of the social and economic fabric of Ghanaian society. According to N. Chazan, in her detailed analysis of this period of Ghana's political economy, these principal features were evidenced in the fact that

> inflation during this time frame averaged between 70 and 100 per cent annually. In 1979 inflation reached 116 per cent. Food prices were up by 450 per cent and consumer prices rose by 200 per cent (Chazan 1983:173).

A severe shortage of food and essential commodities, combined with galloping inflation, imposed severe hardships and deprivation on the majority of the Ghanaian populace. These hardships were evidenced in the absence of drugs and beds in hospitals, schools operating without adequate books, and a widespread increase in malnutrition.

Compounding these severe hardships was a series of external shocks which brought Ghana's economy to a virtual collapse by 1983. They included:

1. production problems in the domestic sector were compounded by a serious drought between 1982 and 1984, requiring large additional food purchases on a commercial basis.

2. the drought also affected the production of hydro-electric power, which further reduced capacity utilization in industry to 20-5 per cent by late 1983.

3. fires reduced both cocoa and timber exports through widespread destruction of trees and bushes.

4. the 1979-80 oil price rise further intensified the on-going decline in Ghana's terms of trade.

5. in 1983 between 500,000 and a million expatriate Ghanaians were expelled by Nigeria, and had to be rapidly reabsorbed into the rural areas (Toye 1990:47).

Even for the most dedicated revolutionary, these crises would provide a challenge of daunting proportions.

Within the leadership of the P.N.D.C. there was a struggle about the appropriate action required to halt the economic slide. The June the Fourth Movement (J.F.M.) within the P.N.D.C. ruling council wanted a quick transition to a socialist society and were adamantly opposed to any collaboration with the I.M.F. (Hutchful 1989: 92). They utilized classic dependency arguments like the continuation of neo-colonialism and promoted a policy of self-reliance through a mobilisation of the masses.

Members of the J.F.M. sought aid outside the traditional network of Western finance; the Soviet Union and Eastern Europe. However, these missions to sympathetic socialist countries were not successful. This failure by the J.F.M. faction eventually led to an attempted coup in November 1982. The coup's subsequent demise cleared the way for Rawlings and the P.N.D.C. to begin negotiations with the I.M.F.. They came to terms with the I.M.F. in 1983 for a short-term stabilization program. The agreement led to the introduction of structural adjustment in Ghana by 1984.

The introduction of structural adjustment had a significant impact on the direction of Ghana's national development. The following section will lay out the central philosophical tenets and policy prescriptions of structural adjustment used in varying degrees throughout much of Sub-Saharan Africa.

II. Structural Adjustment: Philosophical Tenets and Policy Prescriptions.

The concept of structural adjustment has become the 'buzz-word' of the 1980's and 1990's in the fields of international economics and development. The main proponents of this approach, particularly the I.M.F. and World Bank, support market-oriented policies as the fundamental requirements to revive the economies of many Sub-Saharan African states.

Since their formation, the I.M.F. and World Bank, established under the Bretton Woods Agreement of 1944, became the key policy strategists in the domain of international economic development. Their role is intricately linked with the economic ideologies of their major Western sponsors, specifically the United States. Despite their promotion as neutral multilateral institutions, the I.M.F. and the World Bank operate under and espouse the following ideologies:

> 1. commitment to construction of an international capitalist system based on free trade or economic liberalism, which is the core of this ideology.... The clearest expression of this ideology is the demand for the widest possible latitude for market forces....
>
> 2. foisting capitalist development as the only model for the development of Third World countries.... They (I.M.F. and World Bank) persist in imposing this archaic development model by wrongly viewing underdevelopment as lack of growth; defining growth in terms of the nebulous GDP or GNP and earnings from exports of primary products...(Onimode 1988:286-287).

This philosophical framework was utilized by the World Bank in a major analysis of Sub-Saharan African economies. Their 1981 report, **Accelerated Development in Sub-Saharan Africa: An Agenda for Action**, viewed the ongoing crises in Sub-Saharan Africa, from chronic food shortages to growing indebtedness, as structural, rather than a temporary or cyclical manifestation, which emphasized the following:

> 1. a crisis which was tied above all to the stagnant or declining performance of agriculture, both food and export crop production.
>
> 2. the adverse effects of (Africa's) macro-economic policies such as, overvalued exchange rates, the excessive costs of import-substitution industrialization (ISI), and of favouring industry at the expense of agriculture.

3. overcommitted government spending on basic services such as education and health (Bernstein 1990:16).

This analysis led the World Bank to develop a set of policy prescriptions which reflected the underlying ideology of structural adjustment. These prescriptions situated the emphasis on market forces and/or economic liberalism to restructure African economies. They included:

1. adoption of realistic exchange rates,
2. a (sharply) reduced emphasis on industrialisation and ISI in favour of export agricultural led economic recovery to restore import capacity.
3. effective incentives to stimulate the revival of agriculture, above all price incentives involving market liberalisation.
4. on the input side, a bigger push on agriculture research and new technologies to increase production and productivity.
5. an enhanced role for international capital and (business) expertise in agriculture and mining.
6. cutting down government spending (and by implication employment) including the introduction of user charges for education and health services (Bernstein 1990:16-17).

These prescriptions for structural realignment were further embellished in 1989 when the World Bank issued a report entitled <u>Sub-Saharan Africa from Crisis to Sustainable Growth: A Long Term</u>

Perspective Study. The report acknowledged a number of criticisms found in their 1981 study, commonly known as the Berg Report. They conceded that previous development assistance to many African countries simply emulated rather than adapted Western modes of development to a country's specific needs. Furthermore, they recognised that structural adjustment reforms were not always beneficial to all groups and classes in society. This structural weakness led the World Bank to implement social adjustment measures for those in greatest need.

Despite these inherent weaknesses, the World Bank maintained that the concept of structural adjustment was key to rebuilding African economies. The 1989 report emphasized

> 1. a more direct and comprehensive attack on past government policies.
> 2. controlling population growth as a condition of economic progress.
> 3. a greater stress on human resource development.
> 4. removing the constraints of state economic intervention...paves the way for the market with it's equal freedom for all.
> 5. any future lending should be given increasingly in support of measures already adopted rather than with conditionality based on promises of future action.
> 6. assistance should become far more selective among countries and be based strongly in favour of sound and sustained reform (Bernstein 1990:18-20).

These 1981 and 1989 World Bank reports are consistent in their view that capitalist development through market forces and/or economic liberalism are the necessary features for sustained and equitable growth in much of Sub-Saharan Africa.

Their strong ideological commitment has arisen out of the statist approach to political economy found in many African countries. This approach is characterized by a high degree of state intervention in the economy and is promoted by apologists of economic liberalism for the failure of the marketplace to produce a sustained level of economic growth.

The World Bank and I.M.F.'s recipe for economic adjustment has glossed over, in their race to promote advanced capitalism, certain historical and economic realities. These realities have played a significant role in shaping the present economic crisis.

The World Bank reports effectively ignore how African economies were shaped or even created. These economies were formed under the institutional structure of colonialism and its main by-product, the import-export economy. This economy, with its overreliance on the export of a few non-energy commodities, assures only a minimal level of indigenous capitalist development.

These analyses also overlooked how African economies are affected by their place in the international division of labour and world markets. This division of labour, with its core-periphery distinction, is central to the processes of unequal development and capitalist accumulation. This characteristic of the international division of labour has prevailed as the core has specialized in relatively more mechanized, higher profit, higher wage, and more skilled activities. In contrast, the periphery had imposed on them productive tasks that are necessary and complementary to those of the core, but that yielded lower profits (Ross and Trachte 1990:53).

Many of the issues raised by the World Bank to explain the structural crises in Sub-Saharan Africa are symptoms rather than causes. For example, the report underlines the declining performance of agriculture. This occurred in large measure by the demands of export-crop production. This emphasis on commodity exports was the creation of colonial governments. A primary symptom of this policy has been the inadequate development of local food production, now prevalent throughout much of Sub-Saharan Africa.

The strategic agenda of structural adjustment has been made possible by the vulnerable condition of sc many African states. This agenda, created by the I.M.F. and World Bank, has been the construction, regulation, and support of a world system where multinational corporations trade and move capital without restrictions from nation-states (Harris 1989:21). This has provided greater freedom, stability and certainty for the operation and accumulation of capital.

The following section will present Ghana's structural adjustment programs implemented between 1983 and 1989. It is important to keep in mind the ideological framework of these adjustment policies and how they are reflected in the specific proposals for economic reform.

III. Ghana's Economic Recovery Programs

The economic and political pressure on Rawlings and the P.N.D.C. to achieve some measure of success in halting the economic turmoil was enormous. Rawlings realized how quickly dissatisfaction could trigger another political crisis. Recent history had provided examples for him to consider most carefully.

Rawlings' government took the only feasible alternative; they brought in the I.M.F. and World Bank. Despite some lingering discomfort with these perceived neo-colonial institutions, the government concluded that

> the analysis of both the historical development and the existing situation made it obvious that a large part of the resources necessary for investment to rehabilitate the productive and social infrastructure would have to be mobilised from external sources.

> In simple terms, we had to look quickly for financial help from the international community on a bilateral as well as a multilateral basis (Government of Ghana 1987:3).

The I.M.F. and the World Bank, along with the P.N.D.C., promoted the limited nature of their involvement in developing and implementing the framework for Ghana's economic reforms. There was a particular emphasis on the high degree of participation by Ghanaian officials. This may encourage the perception of their limited involvement, but it does not accurately reflect the reality. While this argument was formally correct

> one need not doubt that a great deal of informal assistance was provided by the Fund and Bank. Ghana had very few technocrats capable of doing it...(Toye 1990:50).

The I.M.F. and the World Bank have very adroitly nourished their role as informal advisers. However, Ghana's ability to shape the structural adjustment reforms was almost non-existent, despite claims to the contrary. The strategy to promote a predominant role for Ghana in the negotiations with the I.M.F. and World Bank was two-fold. It helped to quell the lingering belief that these institutions were determining a sovereign country's economic development. For the I.M.F. and the World Bank, it promoted and preserved their status as 'neutral' multilateral institutions. It is important to underline their role in the development of structural adjustment in Ghana as their economic ideology will be crucial in determining the eventual outcome of Ghana's national development.

1. <u>ERP I - 1983 to 1986</u>

The April, 1983 budget of Rawlings' government formally launched the Economic Recovery Program I (1983-86). The first measures focused on a one-year stabilization program. This would be followed by a three-year adjustment phase including short and long-term rehabilitation policies.

Rawlings' one-year stabilization program focused on these initial measures:

> 1. the introduction of a system of surcharges and bonuses ranging from 750 percent to 990 percent on the face value of imports and conferred bonuses of the same magnitude on the face value of exports. This established a dual exchange rate for the cedi and represented a massive devaluation of the cedi (Table I)...;
>
> 2. an increase in the basic wage from C12.00 to C21.19 a day;
>
> 3. an increase in the producer price from C360 to C600 per load of 30kg;
>
> 4. increases of 100 percent in the price of petrol;
>
> 5. an increase of up to 1500 percent in the cost of medical care and;
>
> 6. an increase of up to 400 percent in the price of meat and some basic commodities (Hutchful 1989:104).

The initial focus of the stabilization program was the development of a market-determined exchange rate through massive devaluations. Equal emphasis was placed on the improvement of producer incentives.

The government initiated incremental increases in the producer price for cocoa. The pre-stabilization price for cocoa in the 1982/83 season increased from C12,000 per metric tonne to C30,000 in the 1984/85 production year (Table II). The devaluation of the cedi improved the marketability of cocoa, and producer incentives encouraged cocoa farmers to increase their production levels. Both these measures were necessary to rehabilitate the cocoa industry; Ghana's primary avenue for generating foreign exchange.

Table I

Ghana:Devaluation of the Cedi, 1983 - 1990

DATE	OFFICIAL RATE	WEEKLY AUCTION RATE	PRIVATE SALE	CUMULATIVE % CHANGE OFFICIAL RATE
March 1983	\$1 = C2.75			
April 1983	\$1 = C24.69			
Oct. 1983	\$1 = C30			- 990
Dec. 1984	\$1 = C50 in 3 steps			
Dec. 1985	\$1 = C60			
Jan. 1986	\$1 = C90			- 3,173
Sept. 1986	\$1 = C90	\$1 = C128		
Feb. 1987		only rate \$1 - C153		- 5,464
Dec. 1987		\$1 = C176		
April 1988			begins	
Sept. 1989		\$1 = C280	\$1 = C360-375	- 10,082
March 1990		\$1 = C310	\$1 = C345-370	- 11,172
Sept. 1990		\$1 = C337	\$1 = C355	- 12,809

SOURCE: Kraus 1991:137.

Table II

Ghana:Cocoa Producer Prices, 1984-87

	1984/85	1985/86	1986/87	1987/88
PRODUCTION ('000MT)	174	219	230	243
PRODUCER PRICE (C/TONNE)	30,000	56,600	85,500	140,000
REAL PRODUCER PRICE (1970/71=100)	38	62	80	124
PRODUCER PRICE AS % OF WORLD PRICE[1]	25	24	28	42

1. AT OFFICIAL EXCHANGE RATE
SOURCE: Hutchful 1989:109.

The rapid adoption of these measures secured I.M.F. and World Bank financing for the next phase of the adjustment process. The ERP I was formulated with these principal objectives:

1. control inflation;
2. restore overseas confidence;
3. arrest and reverse the decline in production, particularly in agriculture;
4. rehabilitate the decayed productive and social infrastructure;
5. stimulate exports;
6. curb the consumption of luxury imports; and
7. mobilize domestic and external resources to restore living standards (Government of Ghana 1987A:3).

The economic rehabilitation program targeted the macro level as well as sectoral aspects of the economy. The strategy was aimed at critical imports such as spare parts for machinery and transport, the road network, the fishing fleet, railways and ports (Frimpong-Ansah 1991:148). The projected costs for the revitalization of these various sectors was estimated at 3.9 billion U.S. Table III outlines the sectoral costs of the three year investment program.

Table III

Ghana:ERP I - Three Year Investment Programme, 1984-86

	AMOUNT (U.S. $ M)	PERCENTAGE
1. EXPORT-ORIENTED SECTOR	494	12.6
2. OTHER PRODUCTIVE SECTORS	791	20.2
3. PHYSICAL INFRASTRUCTURE	1,200	30.6
4. FUEL AND POWER	1,250	31.9
5. SOCIAL SECTOR	185	4.7
TOTAL	3,920	100.0

SOURCE: World Bank 1984:50.

The liberalization of the exchange rate continued under ERPI. Table I reveals that by the end of the three year program, February 1987, the cedi was at the official rate of $1=C153,a5,464 percent devaluation since March of 1983. The devaluation of Ghana's official currency was necessary to allow exports to receive a higher cedi value for producers, and to be more attractive to markets overseas. This would also slash artificially cheap imports and lower import demand.

Cocoa producer prices had seen dramatic increases since the implementation of ERP I. The producer price per metric tonne increased from C30,000 in 1984/85 to C140,000 for the 1987/88 cocoa season (Table II). These market incentives for cocoa producers resulted in significant increases in the level of cocoa production. The production levels rose from 174,000 metric tonnes in the

1984/85 cocoa season to in excess of 243,000 by 1987/88 (Table II).

Another major policy initiative instituted under ERP I was the reduction of the role of state in the economic management of Ghana. This was in keeping with I.M.F. and World Bank ideology which targeted the statist approach to political economy as a hindrance to the "free flow of the market" in producing and sustaining economic growth. The objective of this initiative was to reduce state involvement in the productive sector, improve the efficiency and profitability of state enterprises, and to increase accountability. This was achieved by the following measures:

> Thirty state enterprises are to be liquidated, sold outright, or converted into joint ventures in the initial phase of the reform programme;... the remaining enterprises are to be opened to increased competition and market discipline, including competition from foreign firms through trade liberalisation where no domestic competitors exists...(Hutchful 1989:109-110).

The devaluation of the cedi, market incentives for cocoa producers and the rationalization of state-owned enterprises were all in keeping with the economic liberalism ideology of the I.M.F. and World Bank. The revitalization of Ghana's economy was heavily dependent on the unfettered market system.

There is a significant measure of agreement from both sides of the ideological spectrum about the initial successes of ERP I. Ghana experienced four years of continuous economic growth past

1983. This is reflected in the increases in GNP and real per capita income (Table IV).

Table IV

Ghana:Gross National Product, 1983-87

	GNP AT 1975 PRICES		PER CAPITA NATIONAL INCOME AT 1975 PRICES	
YEAR	CEDI MILLION	% CHANGE	CEDIS	% CHANGE
1983	4,717	-4.4	366	-7.1
1984	5,103	+8.2	394	+7.6
1985	5,345	+4.7	400	+1.5
1986	5,601	+4.8	408	+2.0
1987	5,870	+4.8	412	+1.0

SOURCE: Toye 1990:58.

Reversing the decline in the production and export of Ghana's major exports was imperative for sustaining any significant economy recovery. Ghana's primary exports, from cocoa to timber, all put forward marked improvement in growth. Cocoa production rose from 158,000 metric tonnes in the initial year of ERP I, 1983, to a level of 200,000 in 1986. The production of bauxite rose dramatically from 70,000 metric tonnes in 1983 to over 250,000 by 1986, a four-fold increase (Table V).

The recovery was also led by significant improvements in the production of key food staples. The bounty harvest of 1984 resulted in an increase in the maize crop by more than 300 percent from 1983, from 172 thousand to 574 thousand tonnes. The cassava crop rose by 250 percent, from 173 to 409 thousand tonnes (Hutchful 1989:110).

TABLE V

Ghana:Production of Major Export Commodities 1982-86 ('000 Units)

	1982	1983	1984	1985	1986
COCOA (TONNES)	179	158	175	186	200
GOLD (TROY OZ.)	331	281	289	310	369
DIAMONDS (CARATS)	684	347	346	630	800
MANGANESE (LONG TONNES)	160	191	287	300	350
BAUXITE (TONNES)	64	70	49	130	250
LOGS (CU. METRES)	410	560	578	600	700
SAWN WOOD (TONNES)	150	189	180	223	232

SOURCE: Government of Ghana 1987B:4.

The I.M.F. and World Bank emphases on market incentives to stimulate Ghana's economic recovery generated modest success. This recovery, however, was characterized by some disturbing trends which could burden Ghana in the long-term. These trends are found in the overemphasis on export crop production, particularly cocoa, the lack of a domestic agriculture program, and an increasing debt burden.

The policy emphasis of the ERP I is centered on raising cocoa production. This is occurring when similar World Bank and I.M.F.

policies are being proposed and implemented in other major cocoa producing countries (Table VI). A world glut of cocoa has emerged and world prices have fallen below the floor set by the International Cocoa agreement. After a price increase of some 13 percent in 1985-86, the average price received by Ghana fell by an estimated 8.6 percent in 1986-87 and was forecast to fall a further 5.0+ percent in 1989 and 1 percent the year after, with no price recovery anticipated until 1990-91 (Loxley 1988:44-45).

The emphasis on cocoa exports is contributing to a further neglect of domestic food production. The massive devaluation of the cedi has given cocoa producers windfall benefits and has turned the terms of trade against food agriculture producers.

Compared with the emphasis on export crops, I.M.F. government-supported reforms do not deal explicitly with food production. There is an expectation that as the market mechanisms are allowed to operate, differentials in favour of export production will gradually narrow with food prices dragged along in response to relative shortages (Loxley 1988:28). This expectation, in a critical area like food security, would make the social and human costs of a failure very high indeed. As well, there seems to be no

Table VI

Ghana:Cocoa Projects by the World Bank and other Donors since 1980, in Millions of U.S. $

YEAR OF ACCEPTANCE BY WORLD BANK/IDA	COUNTRY	PROJECT SUM	OF WHICH WORLD BANK
1988	GHANA	128.0	40.0
1988	CAMEROON	285.0	103.0
1987	SÃO TOMÉ AND PRINCIPE	21.8	7.9
1987	TOGO[A]	33.2	17.9
1986	PAPUA NEW GUINEA[A]	68.3	27.6
1985	EQUATORIAL GUINEA	16.2	9.3
1984	INDONESIA[A]	369.8	154.6
1982	LIBERIA[A]	28.0	15.5
1981	DOMINICAN REPUBLIC[A]	40.0	24.0
1981	MALAYSIA[A]	200.0	50.0
1981	INDONESIA[A]	322.0	161.0
1980	WESTERN SAMOA[A]	20.6	8.0
NOTE: A. Projects supporting other tree crops (coffee, palm oil, etc.) besides cocoa.			

SOURCE: Jacobeit 1991:231.

consideration of the vagaries of the weather on small-scale farming, the primary producers of food for local consumption, within their analyses. The politically powerless non-cocoa farmers, particularly in the Northern regions, are given little consideration or financial support. In the exuberant push for export crop production, their concerns are of a secondary nature.

The heavy reliance in the first three years of structural adjustment reforms on expensive, short-term I.M.F. standby credits produced on unsettling trend with long-term considerations. Growing indebtedness became a major obstacle to sustained reform. It made Ghana particularly dependent on a limited number of Western financial institutions and their terms of conditionality.

Ghana's external debt and debt service ratio has risen dramatically over the initial three year ERP. The external debt, including oil credits and I.M.F. credits stood at 1.5 billion U.S. in 1983. As of 1986, this had risen to 2.2 billion (Table VII).

Equally disturbing was the percentage of exports required to service this expanding debt. Debt servicing as a percentage of exports has risen from 26 percent in 1983 to 53 percent by 1987 (Table VII).

Table VII

Ghana:External Debt and Annual Debt Service, 1983-87

	1983	1984	1985	1986	1987
EXTERNAL DEBT, INCLUDING OIL CREDITS AND IMF ($M)	1552	1860	2051	2163	
DEBT SERVICING AS % EXPORTS (EXCLUDING ARREARS) (%)	26.0	36.3	53.4	46.5	53.0

SOURCE: Loxley 1988:44.

The lack of any real export diversification, matched with weak cocoa prices and world gluts of cocoa, places Ghana in, at best, a precarious economic situation. The debt burden also restrains the capacity to import and limits any funding to the development of alternative foreign exchange producers.

The overreliance on the export-crop production of a limited number of non-energy commodities, a non-domestic food program, and an escalating debt burden, are structural weaknesses produced and sustained by adjustment reforms. These weaknesses remained stubbornly in place as Ghana began her second phase of adjustment.

2. ERP II - 1987 to 1989

Ghana began the next phase of her adjustment reforms with the implementation of ERP II, 1987 to 1989. After achieving some degree of success in stabilizing Ghana's economic performance, these reforms were aimed at a long-term approach, emphasizing further liberalization and growth. The goals of ERP II as follows

1. ensure substantial economic growth at around 5 percent per annum;
2. stimulate substantial increases in the levels of savings and investment;
3. place the balance of payments on a sounder footing; and
4. improve public sector management (Government of Ghana 1987A:3).

These goals were accomplished in some measure by the introduction of a strategy to relax, and eventually abolish, the quantitative trade and exchange restrictions; phasing out of official and quasi-official management of price fixing and control, monitoring and enforcement; phasing out of public monopolies in production and distribution by permitting competitive private organizations and a conscious policy to remove factors leading to price distortion in the production and marketing of domestic and tradeable goods (Frimpong-Ansah 1991:148).

An important element of this reform was to continue sector-rehabilitation funding (Table III) with further expenditures contained in a three-year Public Investment Program (PIP) (Table VIII). The goal of these funding plans was to raise public sector investment from 4.5 percent of GNP in 1984 to 6 percent in 1986 and 9-10 percent in 1987-88 (Loxley 1988:16). This program included socially-oriented projects if they had low recurrent costs, potential high employment or income impact, improved rural incomes at low cost or furthered community participation.

ERP II continued the liberalization of the foreign exchange rates through another round of massive devaluations (Table I). The economic reforms called for the introduction, in September 1986, of a two-window system under which the rate in the second window was auction-determined. It limited speculative bidding and controlled the pace of devaluation by reducing demand for foreign currency. This system

> introduced "DUTCH" bidding, whereby the successful bidder paid the rate it bid 100 percent prior deposit of local currency used to bid (Martin 1991:249).

All these measures reduced the number of bids made or accepted, especially in crucial periods of foreign exchange shortage.

The theory underlying devaluation is to raise prices in the local currency of exports and imports, leading to an expansion of their substitutes, a decline in imports, and an improvement of the trade balance. Both structural adjustment reform measures rely heavily upon this mechanism to revive and sustain economic growth.

The economy as a whole continued to experience moderate increases in overall economic output. Industrial production grew with the manufacturing sector accounting for most of the increases with a rise from 6.9 percent of GDP in 1983 to 9.1 percent in 1990 (Table IX). Despite this growth, industrial production remained below levels set in 1971.

Table VIII

Ghana:Public Investment Program, 1986-88 (Millions of Cedis)

	TOTAL PROJECTS	LOCAL COSTS	FOREIGN COSTS	TOTAL	%
PRODUCTIVE SECTORS	78	11,852	62,340	74,192	30.2
AGRICULTURE	50	6,251	19,096	25,346	10.3
INDUSTRY	14	1,846	7,334	9,180	3.7
MINING AND FORESTRY	14	3,755	35,910	39,666	16.2
ECONOMIC INFRASTRUCTURE SECTORS	96	43,414	115,545	158,959	64.7
ROADS AND HIGHWAYS	28	24,039	30,573	54,612	22.2
TRANSPORT AND COMMUNICATIONS	38	7,675	45,732	53,407	21.7
ENERGY	21	8,789	28,228	37,017	15.1
WATER SUPPLY	9	2,911	11,102	13,923	5.7
SOCIAL INFRASTRUCTURE SECTORS	27	6,440	5,934	12,374	5.1
EDUCATION	10	2,546	1,014	3,560	1.5
HEALTH	17	3,894	4,920	8,814	3.6
TOTAL	201	61,706	183,819	245,525	100.0

SOURCE: Government of Ghana 1987c:41.

Agricultural output remained weak despite increases in producer prices for cocoa and other food crops. There was a decline in the overall share of GDP for agricultural output from 53 percent in 1983, the initial year of ERP, to just under 45 percent in 1990. This reflected a contraction of the share of food production and a further decline in the share of the cocoa sector; from 7.8 percent of GDP in 1983 to 6.8 percent in 1990 (Table IX). This is a disturbing trend considering that cocoa exports continue to provide the bulk of total export proceeds; 40 percent in 1990 (International Monetary Fund 1991:11-12).

Devaluation and rising exports were two key exponents of the adjustment reforms. They were utilized in order to fulfil a key stabilization goal; a reduction of both trade and service and current account deficits.

As Table X illustrates, there was a steady increase in export revenues, from 439.1 million U.S. in 1983 to almost 900 million in 1990. This was matched with constant devaluations of the cedi, from \$1=C2.75 in 1983 to \$1=C337 in September 1990, a devaluation of almost 13,000 percent (Table I). These measures were hoped to reduce imports and, with the rise of export revenues, diminish the accounts deficits.

Table IX

Ghana:Developments in Output, 1971-1990 (in Percent)

	1971	1983	1990
	(SHARES IN REAL GDP)		
AGRICULTURE, FORESTRY AND FISHING	50.5	53.4	44.7
AGRICULTURE AND LIVESTOCK	27.8	37.1	31.2
COCOA	16.3	7.8	6.8
FORESTRY AND LOGGING	4.8	6.5	5.1
FISHING	1.6	1.9	1.6
INDUSTRIAL PRODUCTION	18.6	11.6	14.3
MINING AND QUARRYING	2.4	1.1	1.3
MANUFACTURING	11.3	6.9	9.1
ELECTRICITY, WATER AND GAS	0.3	0.9	1.3
CONSTRUCTION	4.6	2.7	2.6

SOURCE: International Monetary Fund 1991:12.

However, the desired result was not achieved. The import bill continued to rise, from 499.7 million U.S. in 1983 to 1,233.7 in 1990. As Table X clearly depicts, the stabilization measures did not diminish the balance of trade deficit. It has risen from a modest 61 million U.S. in 1983 to over 300 million in 1990.

TABLE X

Ghana:Balance of Payments, 1983-90

	1983	1984	1985	1986	1987	1988	1989	1990
	(IN MILLIONS OF U.S. DOLLARS)							
EXPORTS, F.O.B.	439.1	566.7	632.3	749.4	824.0	881.0	808.3	896.9
COCOA BEANS AND PRODUCTS	268.6	381.7	412.0	503.3	495.4	462.0	407.8	360.6
GOLD	114.1	103.3	90.6	106.4	139.8	168.5	159.9	201.7
TIMBER	14.7	21.2	27.8	44.1	89.8	106.2	80.2	118.0
OTHER	41.7	60.5	101.9	95.6	99.0	144.2	160.4	216.6
IMPORTS, F.O.B.	499.7	616.0	671.3	733.5	933.8	990.9	1,006.0	1,233.7
OIL	161.1	161.0	209.5	122.6	141.1	142.9	155.8	199.9
NON-OIL	338.6	455.0	461.8	610.9	792.7	848.0	850.2	1,033.8
TRADE BALANCE	-60.6	-49.3	-39.0	15.9	-109.8	-110.0	-197.7	-336.8
SERVICES (NET)	-186.0	-229.2	-254.4	-290.9	-315.9	-326.8	-318.8	-345.0
CURRENT ACCOUNT BALANCE	-230.0	-205.0	-261.5	-202.9	-224.1	-264.4	-314.4	-479.9

SOURCE: International Monetary Fund 1991:8.

The current account and service account deficits have also seen significant increases. The current account deficit stood, as of 1990, at almost 480 million U.S., double the 230 million in 1983 (Table X). The net services account has seen a doubling of its deficit over the seven year run of ERP. The deficit has risen from 186 million U.S. in 1983 to 345 million in 1990 (Table X).

The neo-classical economic approach perpetuated by the IMF and World Bank has not been successful in adjusting the balance of trade, service and current account deficits. Many of these balance of payments shortfalls have been the result of the overall macro-economic and national development policies initiated and sustained by the I.M.F. and World Bank since 1983. These include the dependence on limited commodity exports, a general neglect of non-cocoa agricultural production, and a minimal manufacturing and industrial base. These deficiencies contributed much to the burdening deficits.

There is general agreement about the modest successes attained by structural adjustment reforms in Ghana between 1983 and 1989. Ghana's social and industrial infrastructure, including, roads, ports, schools and hospitals, has been renewed, exports revived, and incentives for agricultural production re-established. There are also significant increases in the levels of production for major food staples like cassava and maize.

The failures, however, are just as marked as the successes. The increasing debt burden and debt-service ratio is impinging severely upon Ghana's long-term development plans. Export diversification has been limited. As well, there has been little emphasis placed on attaining food self-sufficiency. The policy in this sector is both ambiguous and inadequate. Devaluation and rising exports have not remedied the balance of payments deficits. They continue to rise despite these stabilization measures.

The billions in development assistance from bilateral and multilateral institutions, both public and private, certainly corrected some long-standing economic and social inequities. This assistance, however, has not made Ghana any less dependent or self-reliant. Ghana's international economic relationships with core governments and institutions - in other words, her economic integration into the world-system maintains its status as a peripheral capitalist economy. Concomitant with this status is the underdevelopment of its capitalist potential.

The following section will examine Ghana's ongoing peripheral status within the capitalist world-economy. It will utilize the following economic indicators to measure the level of Ghana's dependency and peripheral status flowing from the introduction of structural adjustment in Ghana between 1983 and 1989: 1) Ghana's external debt and 2) Ghana's debt-service ratio as a percentage of exports. Both these economic indicators will illustrate how

Ghana's economic relationships with core countries increased her dependence and peripheral status since 1983.

IV. Maintaining Ghana's Peripheral Status: An Analysis of Economic Indicators

Ghana's economic recovery has been predicated on a neo-classical economic model which emphasizes the 'market' as the fundamental approach required to bring growth and equity to its economy. Market liberalization and not the state is the only viable route to sustainable economic development. This strategy was characterized by devaluations, export and agricultural production incentives, slashing government expenditures, and reducing the role of the state as economic managers. These reforms would hopefully increase export revenues, lower the import bill, and bring balance of payment deficits into line.

The anticipated results in many sectors of the economy did not materialize. Trade, service and current account deficits all rose sharply over the run of ERP. This occurred alongside overall decreases in agricultural production and, an overabundance of cocoa on the world market produced revenue shortfalls in Ghana's most important export commodity.

The following section will analyze two other economic indicators, which, prior to the introduction of structural adjustment reforms, did not threaten Ghana's long-term development strategies. They are: Ghana's external debt and the debt-service payments, specifically, as a percentage of exports. These two indicators will demonstrate the impact of the I.M.F. and World Bank economic reforms and how they increased her dependence on these institutions to maintain economic solvency.

1. <u>**Ghana's External Debt**</u>

From the onset of formal colonial rule in the late nineteenth century, Ghana's institutional structure has been that of an import-export economy and its main derivative, peripheral capitalism. Peripheral capitalism, in a colonial economy, is characterized by a high degree of integration into the world-capitalist market, and a low degree of development of the internal capitalist mode of production. The internal market is underdeveloped while external dependence is exaggerated (Howard 1978:59).

Ghana's peripheral status during much of the twentieth century has been characterized by its heavy reliance on import-export trade. Production of minerals and cash crops were geared completely to the international world market. Consumption became more and more reliant on foreign-manufactured imports.

The primary cash crop for Ghana has been cocoa. It became integral in directing her overall economic prosperity. Although cocoa plays a relatively minor role in the world-economic system and no particular value in industrial production, Ghana is highly dependent on it, as well as on the economic swings in the world cocoa market. This dependence became an increasing encumbrance, particularly with the advent of decreasing revenues, and the over-development of cocoa projects by World Bank and international development organizations.

The prominence given to cocoa as the foundation of Ghana's economic development became increasingly precarious since there was only modest attention given to other potential growth sectors. Export diversification, the development of a more secure industrial, manufacturing and processing sectors, and growth in agricultural production all came at the expense of increased cocoa production.

The dependence on cocoa exports to underpin secure and sustainable economic development became even more untenable with the introduction of structural adjustment in 1983. These reforms brought with them the philosophy of economic liberalism, as well as expensive short-term standby credits I.M.F., loans and repayment schedules (Table XI). Ghana's import-export economy also became increasingly burdened, not only to secure economic recovery but to cope with an ominous indebtedness crisis.

Although Ghana did not enter its recovery program with a debt problem, it has one now (Loxley 1988:43). Table XI outlines Ghana's policy-based loans from the inception of ERP in 1983.

The World Bank and the I.M.F. have provided the major lines of credit for financing Ghana's Economic Recovery Programs. Responses for bilateral assistance were slow and most responses only provided small aid increases. Many governments were, in the early 1980's, concerned about Ghana's foreign policy stances and whether structural adjustment would be maintained. Until 1986, indications were disappointing. In 1983 and 1984 they fell short of overall amounts requested by the Fund, Band and P.N.D.C.. However, they met both targets in 1985-86 when they reached 600 million. They rose sharply in 1987-89 when donors, encouraged by large I.M.F. and World Bank loans and tried to compensate for cocoa price falls and sustain adjustment by allowing more imports. Bilateral donors pledged 800 million in 1987 and 1988 and 900 million in 1989 (Martin 1991:251).

Despite an increase in the variety of donors, which included large grants instead of loans and cancelled debts by some Western donors like Canada, Ghana has seen a staggering rise in her total external debt; from 1.91 billion U.S. in 1983 to almost 3.4 billion in 1988 (Table XII). By the end of 1991, this amount had

Table XI

Ghana:Policy-Based Loans, 1983-1989

IMF	YEAR		AMOUNT (SDRm[A])
STANDBY	1983-84		238.50
STANDBY	1984-86		180.00[B]
STANDBY	1986-87		81.80[B]
EXTENDED FUND FACILITY (EFF)	1987-90		245.40[B]
STRUCTURAL ADJUSTMENT FACILITY (SAF)	1987-90		129.86[B]
ENHANCED SAF (ESAF)	1987-90		368.10
TOTAL COMMITTED 1983-88		(SDRm)[A]	1204.06
WORLD BANK			(US $M)
RECONSTRUCTION IMPORT 1	1983		40.00
EXPORT REHABILITATION 1	1984		35.88
EXPORT REHABILITATION 2	1984		40.12
ER3 (TECHNICAL ASSISTANCE)	1984		17.10
RECONSTRUCTION IMPORT 2	1985		60.00
HEALTH AND EDUCATION	1986		15.00
INDUSTRIAL SECTOR 1	1986		24.95
INDUSTRIAL SECTOR 2	1986		28.50
STRUCTURAL ADJUSTMENT	1987		80.90
EDUCATION SECTOR	1987		34.50
STRUCTURAL ADJUSTMENT	1987		14.66
AGRICULTURAL SERVICES	1987		17.02
STRUCTURAL ADJUSTMENT	1987		34.00
INSTITUTIONAL SUPPORT	1987		10.80
PAMSCAD	1988		10.60
FINANCIAL SECTOR	1988		100.00
PUBLIC ENTERPRISE ASSISTANCE	1988		10.50
COCOA REHABILITATION	1988		40.00
TOTAL AMOUNT COMMITTED 1983-88		(US $M)	654.12

SOURCE: Martin 1991:236. A=(SDR=Special Drawing Rights in National Currency UNITS) B=(Loan party cancelled before end of program)

Table XII

Ghana:Debt and External Finance (All Figures U.S. $ Million)

	1983	1984	1985	1986	1987	1988
TOTAL DEBT	1908	2255	2555	2910	3408	3392
MEDIUM-AND-LONG-TERM	1793	2017	2372	2645	3209	3216
MULTILATERAL	754	964	1286	1676	2098	2155
IMF	331	515	701	786	867	762
WORLD BANK	269	299	377	580	851	1004
OTHER	154	150	208	310	380	389
OECD GOVERNMENTS	702	611	640	699	881	861
EXPORT CREDITS	216	159	124	125	198	196
AID	486	452	516	574	683	665
OTHER GOVERNMENTS	170	147	160	140	125	107
COMMERCIAL BANKS	166	294	286	130	105	93
SHORT-TERM	115	238	183	265	199	176

SOURCE: Martin 1991:253.

risen to 4.2 billion U.S. (World Bank 1992:158). Where, at one time, Ghana had only a moderate level of external debt, it has now reached a stage where some radical action must be considered to alleviate the burden.

Ghana's already precarious economic position must now find additional revenues to cover large debt-service payments and interest charges. Already minimal expenditures in the social and agricultural infrastructures (specifically non-cocoa production) will be scaled back even further, an increase in public sector cuts and the raising of tax levels. A peripheral economy which relies predominantly on a few exports to generate revenues will become increasingly motivated to take scarce proceeds from the export trade to finance the debt. This leads inevitably to diminished levels of support for other sectors of the economy.

The market-based reforms were engineered to deal with macro-economic disequilibria resulting from an imbalance of aggregate demand and aggregate supply and were targeted to correct severe deficits in the balance of payments (Abbey 1990:34). This has not taken place; balance of payments are running elevated deficits and the external debt burden is crippling any significant economic recovery.

Since 1983, up to and including fiscal year 1992, Ghana has received eight billion dollars in loans from diverse sources; predominantly I.M.F., the World Bank, and multilateral institutions (Haynes 1993:451). The moderate successes of Ghana's economic recovery guarantees her eligibility for even more new loans. However, these will not provide economic recovery, but will add to an increasing debt-trap.

A necessary appendage of this growing debt burden is the debt-service payments, particularly in relation to the amount of export revenues needed to meet debt rescheduling. The following section will examine this economic indicator and how specific adjustment reforms made the ability to meet debt-service requirements increasingly difficult.

2. <u>Debt-Service Payments</u>

A direct result of the indebtedness crisis facing Ghana is the percentage of exports required to meet repayment schedules. Since export revenues of a few non-energy commodities are still responsible for substantial amounts of foreign currency, the ability to repay becomes increasingly precarious.

As of fiscal year 1990, Ghana's total debt-service as a percentage of exports had risen to almost 36 percent from 13.1 percent in 1980, a few years before the introduction of the ERP (World Bank 1993:201). Table XIII shows Ghana's debt-service broken down by creditor type.

As most new bilateral aid was in grants, large new loans from the I.M.F. and the World Bank (Table XII) made multilateral debt dominate the total. I.M.F. loans had short repayment periods, earlier World Bank loans fell due, and multilateral debt by tradition is not rescheduled. These factors made the percentage of debt-service to multilateral creditors rise sharply. By 1987-88, 47 percent of debt service was scheduled to the I.M.F., an amount equal to 10-20 percent of exports. Multilateral service was responsible for a rapid rise of service, to average 66 percent of exports in 1986-88 (Martin 1991:252).

As these numbers indicate, the ability to maintain increased export revenues is essential if repayment schedules are to be met. Any trend which revealed declining export proceeds would impinge severely on Ghana's facility to meet service demands. I.M.F. and World Bank-supported reforms relied on stimulating the export production sector to sustain any type of recovery. This strategy was specifically linked to one major export-cocoa. At the beginning of the 1980's this policy was designated a prerequisite for success but by the end of that decade this strategy was questionable.

Cocoa revenues generated close to 800 million U.S. in 1980 out of total export revenues of 1,104 million, over two-thirds of all revenues. At the end of 1990, cocoa revenues had dropped to 355 million U.S. out of total export revenues of 871 million, just below half of all export revenues (Table X). Between 1986-1989 cocoa prices have fell by a cumulative 48 percent and Ghana's loss in potential earnings totalled some 300 million in fiscal year 1988-89 (Bing 1991:15).

Table XIII

Ghana:Total Debt Service (All Figures US $ Million) (1983-88)

	1983	1984	1985	1986	1987	1988
TOTAL DEBT SERVICE	232	295	415	388	561	628
MEDIUM AND LONG TERM	218	268	335	381	541	610
MULTILATERAL	51	51	81	122	284	377
IMF	20	27	51	85	238	324
WORLD BANK	22	17	21	22	29	32
OTHER	9	7	12	15	17	21
OECD GOVERNMENTS	48	46	64	70	89	105
EXPORT CREDITS	22	23	24	46	56	69
AID	26	23	27	34	33	36
OTHER GOVERNMENTS	22	27	29	33	27	20
OIL LOANS	62	61	49	116	59	64
COMMERCIAL BANKS	15	23	54	26	14	14
ARREARS REDUCTION	20	60	57	4	72	30
SHORT-TERM	14	27	78	17	20	18
EXTERNAL FINANCIAL FLOWS						
GROSS DISBURSEMENTS	472	519	602	632	714	797
NET TRANSFERS	238	252	217	199	210	227

SOURCE: Martin 1991:253.

The world glut of cocoa combined with depressed prices contributed significantly to declining export revenues. Instead of decreasing cocoa production levels, many peripheral cocoa-producing countries have increased their output to increase revenues, specifically as a requirement of similar adjustment programs.

This strategy is clearly supported by the I.M.F. and the World Bank. These institutions continue to fund cocoa projects (Table VI) despite the fact that in the 1980's the Bank's own commodity forecast division announced depressed cocoa world market prices due to overcapacities in producing countries for much of the 1980's (Jacobeit 1991:230). World Bank and I.M.F. prognosticators do not envision any significant rise in cocoa prices until the middle of the 1990's.

The capacity to meet repayment schedules is thwarted by the saturation of, and decreasing prices for cocoa on the world market. This is exacerbated by any significant diversification of non-traditional exports which is not a high priority of adjustment programs. Non-traditional exports, by 1988, still only accounted for 5 percent of total exports (Table XIV). Processed and semi-processed export products account for only 2 percent of total export earnings. Export markets in the core countries, Europe and the United States, take the bulk of Ghana's non-traditional exports. Africa accounts for only 4.5 percent of Ghana's exports, most of that being in West Africa (Anyemedu 1991:218).

Minimal export diversification, limited export markets, a drop in overall export revenues and a world glut of cocoa make Ghana's ability to meet debt-servicing requirements extremely difficult.

Table XIV

Ghana:Value of Nontraditional Exports (1978-1988) in U.S. $ Million

YEAR	UNPROCESSED AGRICULTURAL PRODUCTS	PROCESSED AND SEMIPROCESSED PRODUCTS	TOTAL	% OF TOTAL EXPORTS
1978	2.25	28.05	30.30	2.97
1979	5.55	15.43	20.98	1.86
1980	3.58	52.48	56.06	4.45
1981	4.90	8.07	12.97	1.57
1982	5.72	22.67	26.39	3.27
1983	-	-	5.45	1.19
1984	-	-	6.65	1.11
1985	-	-	19.70	3.36
1986	13.03	1.36	14.39	1.98
1987	17.82	10.14	27.96	3.40
1988	27.10	15.24	42.34	5.00

SOURCE: Anyemedu 1991:215.

The ability to repay large loans and interest charges is linked to a strict adherence to externally-mandated adjustment reforms. However, it is these specific policies which have made Ghana's economy increasingly unlikely to be able to meet repayment schedules. Ghana's debt-burden and debt-service ratio is inextricably linked with its integration within the capitalist world-economy.

Ghana's relationship with core countries and institutions maintained and increased her peripheral status within the world-economy. They sustained a low-degree of capitalist development within Ghana through a series of policies and programs. These policies neglected any meaningful export diversification and left a production base and markets which are not developed enough to generate Ghana's benefit from international competition. Cheap imports increasingly replace local domestic products. Concurrent with these structural weaknesses are external factors such as an international recession, an oversupply of cocoa, reduced world prices for cocoa, and gold, its secondary export, and limited foreign investment.

Structural adjustment reforms have done little to make Ghana a more viable economic unit within the capitalist world-economy. Ghana remains very much the peripheral capitalist society established at the turn of the century. There has been no significant development of the ingredients necessary to its movement beyond peripheral status. These would include a more productive industrial, manufacturing, processing, and agricultural sector. The reforms sustain the opposite; productive tasks which are necessary and complementary to the core. They are characterized by less skilled activities, a lower degree of mechanization, lower profit margins, and lower wages. This economic relationship produces a rich core and a poor periphery and therefore unequal development, a constant of capitalism as a world-system.

Fulfilling donor-mandated adjustment maintained the status quo within Ghana. Its peripheral status remains intact. These reforms remedied certain social and economic inequities but it has not made Ghana a more viable and less dependent economic entity within the world-capitalist economy. Even the moderate successes attained by its economic reforms will be jeopardized without some drastic measures to relieve the pressure of indebtedness; an unquestioned derivative of structural adjustment reforms. Securing Ghana with large, expensive loans has increased the debt burden but cannot solve the basic structural weaknesses inherent in import-export economies.

There is an inauspicious threat hanging over sustainable economic development in peripheral countries like Ghana. The collapse of the former Soviet Union has turned attention and further financing toward what will eventually be more thriving market economies in Eastern Europe.

Decades and decades of adverse development assistance in Sub-Saharan Africa has not made Western finance keen on investing in a continent with very little hope of any substantial economic improvement, despite the fact that, it has been the development and implementation of externally-constructed and mandated projects which have contributed to much of the poverty, inequality, ecological degradation and indebtedness found in Sub-Saharan Africa.

With the "free flow of the market" as the international economic philosophy, which supplies the avaricious appetite of advanced capitalism, countries like Ghana, with little ability to compete effectively with core countries, are not likely to attract increasing levels of foreign investment.

Ghana remains a junior player in the capitalist world-economy, dependent on Western finance to maintain it's economic solvency. The growth of thriving market economies in other corners of the globe will induce further capital away from Ghana, to realize maximum profits.

CONCLUSION

This study examined the implementation of structural adjustment reforms in Ghana between 1983 and 1989. It put forth the hypothesis that these reforms maintained and increased Ghana's peripheral status within the world-capitalist economy.

Ghana, from the beginnings of its eventual incorporation into the world-capitalist economy in 1470, has been under, to some degree, the political and economic sphere of core countries. From the arrival of the first Portuguese traders, to the presence today of neo-colonial institutions like the I.M.F. and the World Bank, Ghana has not been truly autonomous. A common theme of this period is a more complete incorporation into the capitalist world-system.

The establishment of formal independence in 1957 under the leadership of Kwame Nkrumah brought much hope to the people of Ghana. Directing its own political and economic future would be the key to breaking the chains with the colonial past.

The intervening years between Nkrumah and Rawlings saw a promising future become an economic nightmare. By 1981, Ghana was facing total economic collapse and Rawlings' government was forced to adopt adjustment reforms to restore its solvency.

The economic reforms have certainly placed Ghana on a sounder economic footing compared to its experience throughout much of the 1970's and early 1980's. However, as this study has shown, these policies have not provided any improvement of her peripheral status within the capitalist world-system.

The policies increased Ghana's integration in, and dependence upon, the world-system and this process ensured the development of a poor periphery and a rich core, an institutional constant of the capitalist world-economy.

The conventional adjustment policies are supported by an economic philosophy which demands a strict adherence to unfettered market forces. These policies have affected the macro-economic and national policies of many peripheral countries in Sub-Saharan Africa. These policies also pushed the importance of social infrastructure, such as health and education and ecological sustainability inexorably to the margins.

The rising debt and debt-service repayments resulting from I.M.F. reforms force peripheral countries to make further cuts in underfunded social sector areas. Already fragile social support networks are trimmed to meet adherence to structural adjustment reforms. These cuts are particularly harsh for the underprivileged lower classes already excluded from the social safety nets. Very little study has been put into how diminishing resources in social infrastructure spending touches the everyday lives within many impoverished peripheral countries. Research undertaken should attempt to adapt economic reforms to lessen the impact and distribute the benefits more equitably.

Another area demanding particular attention is how the unfettered market system destroys eco-systems. Ecological sustainability is not a major factor in the push to expand export-crop production; the economic livelihood of many peripheral countries in Sub-Saharan Africa.

Structural adjustments reforms stress favourable access to minerals and agricultural resources for transnational corporations, stringent debt repayment schedules, and cuts in the public sector. This specific economic model does not focus on sustainable development but on achieving a better trade and payments balance.

In Ghana, for example, the continuing decline in export earnings has forced it to overexploit another scarce resource, timber. The level of deforestation has accelerated the destruction of Ghana's forests whose size has decreased considerably after decades of agricultural conversion by poor farmers and big cocoa producers. Environmentalists estimate that if the rate of destruction of Ghana's forests continue without any abeyance, the Ghanaian countryside could be stripped of trees by the year 2000.

Further research is required into the incompatibility of structural adjustment reforms with sustainable ecological development. These reforms are contributing to deforestation and soil erosion by directing productive resources, money, and valuable personnel toward the export-producing sector for short-term gains. Further, small farmers continue to exploit degraded land for lack of technical support in agroforestry, food production and soil conservation.

The challenge of further research should be to design agricultural and export policies to mitigate against the negative effects on the poor and the environment. These policies would recognise the need to distribute revenues from exports more equitably within the overall population. This would increase the revenue of the poor, in order to invest in measures to safeguard the natural resource base.

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