

# Ghana Beyond Crisis and Adjustment

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## Introduction

In 1983, the government of the Provisional National Defence Council (PNDC) embarked on a policy of structural adjustment (SAP). The structural adjustment policies were pursued with a rather narrow objective in mind: namely to correct certain structural imbalances in the economy. By January 1993, when the PNDC was inducted into office as a constitutional government and under the new name of the National Democratic Congress (NDC), it pursued this policy with relentless zeal.

The PNDC government had come to power in a successful coup d'Etat staged on 31 December, 1981. The incumbent civilian government it overthrew had assumed office in September 1979 following its victory in the presidential and parliamentary elections of that year. During the 27 months that it was in office, it demonstrated sufficient evidence of paralysis in the face of the worsening economic, social and political crises of the country. Hence when the PNDC seized power, the economy was in the throes of severe crisis. The 1981 issue of the *Economic Survey* (Accra) described the manifestations of the economic crisis as follows:

- (i) Sharp falls in the production of the major export commodities and of manufacturing goods;
- (ii) Continued decay of the transportation system and other economic as well as social infrastructures;
- (iii) Continued deterioration in the terms of trade;
- (iv) Mounting budget deficit;
- (v) Galloping inflation;
- (vi) A further shift in the distribution of income and wealth from the employed to certain self-employed groups and consequently a sharp fall in the real incomes of employees; and
- (vii) Acceleration in the exodus of trained and skilled manpower to neighbouring countries.

The crisis in the economy produced widespread political agitations mainly by urban workers. In the rural communities, farmers along the country's border, especially those producing cash crops like cocoa and coffee, either smuggled their agricultural produce outside the country or abandoned their farms. Meanwhile, the Left-wing and radical political organisations that had sprang up in the urban centres during the 1978-1979 period also intensified their anti-State, anti-government agitations. The political agitations of urban-based groups complemented each other and as such posed a serious threat to the political order.

Furthermore, in the country as a whole, one could sense a certain cynicism about political leadership and public policies. For example, as a result of the worsening economic crisis, the citizens' trust in government as the guarantor of their liberties and socio-economic well being had been mortally affected. Consequently people had resorted to independent means, usually outside the formal sector of the economy, to provide for themselves and their dependants. A cross section of Ghanaian social classes indulged in informal economic activities. It was obvious that members of the upper and middle class who indulged in informal economic operations were also finding it impossible to sustain their lifestyle or retain their membership of their class. For such social class elements, the situation posed two options: survival or class suicide. It was in their bid to contain such a dire situation that members of the Ghanaian upper and middle classes, especially those who were employed in the State/public sector, scrambled with one another to manipulate the rules and regulations of the key public bureaucracies for personal gain. In addition to this canker of corruption that affected the public sector, other instances of social malaise — like juvenile labour and delinquency, prostitution and various kinds of fraudulent activities and behaviour became rampant.

As the Ghanaian State lost its capacity to regulate social life and guarantee minimum security for its citizens, and as the social order got corrupted and degenerated into social and economic anarchy *à la Hobbes*, the lower middle classes and workers in the private and public sectors as well as farmers were the most vulnerable.

The 1979 presidential and parliamentary elections showed how Ghanaians had become alienated from the State and its leading institutions like government. The voter turnout of just 35.25 per cent, was perhaps the greatest negative verdict the Ghanaian electorate could pass on the national political elite and government. Clearly therefore, the Ghanaian State was confronted not just with an economic and social crisis; it had to grapple also with a political crisis of unprecedented proportions throughout the 1970s. It was these crises that certain disgruntled elements within and outside the military exploited to overthrow the 1979 constitution and the government of

the People's National Party (PNP) on 31 December, 1981, and installed the government of the Provisional National Defence Council (PNDC).

### **Class Character of the PNDC Regime**

By exploiting such crises to capture political power, the PNDC inserted itself in that rather volatile contradictions, and so it had no choice but to deal with them as a condition for its own survival and legitimacy. As a first step it initiated massive mobilisation of the discontented strata of Ghanaian society — the lower middle and working classes as well as the unemployed, semi-employed and informal sector operators — in a political struggle against the Ghanaian establishment which comprised the upper and middle classes in both the private and public sectors.

This strategy was necessary for the regime's survival. As a military junta, the PNDC had seized power without any organised political constituency: it had no roots in society. This precarious political position was compounded by the fact that it had overthrown a constitutionally and legally established government; and the Ghanaian establishment which was firmly behind that constitutional order and regime was virtually in revolt. For critical fractions of the Ghanaian establishment, the overthrow of the constitutional order restored in 1970 was a dangerous rupture that must not be entertained; and so they were determined to struggle against the usurper regime.

The lower middle class, workers, unemployed and other elements of the urban crowd — the lumpen proletariat — and peasant farmers, on the other hand, were the most vulnerable to the afflictions of the economic crisis and loss of State capacity. The militant organisations which were the prime movers of the agitations of the 1970s had emerged from their ranks. Accordingly, they were ready material to be mobilised for political struggle by the PNDC government.

The cadres of the Left-wing and radical political organisations which were then very active were instrumental in mobilising nation-wide political support for the PNDC. The formation of defence committees in work places and in neighbourhoods and villages was the result of the relentless political work of such cadres. In the early years of the PNDC they also assisted in recruiting people, who were regarded as possessing the right political credentials, to fill leadership positions at various levels of the national power structure. Most members of the new political elite also came from the lower middle class. The origins of the PNDC government therefore lay in the lower middle class of Ghanaian society — largely people of small means — the petty-bourgeoisie.

During its ten-year tenure, the PNDC strengthened this petty-bourgeois social base through various strategies of mobilisation. Its first major success in this regard was achieved in 1988-1989 when it abandoned its narrow

urban support base — which was in crisis as a result of the SAP policies — for a broad-based coalition of non-urban petty-bourgeois supporters. In that period, it organised local/district level elections for the 110 district assemblies that had been established in the country as the political structure for a decentralised administration. The elections which were held under its tight control enabled it to coopt 6,589 local level political elite into leadership positions at such grassroots level of society. This local level political elite consisted predominantly of small property owners, professionals — mainly lawyers and teachers, farmers and middle level workers. But they became a formidable political resource in the PNDC's effort to legitimise its rule, and later in the transition to constitutional rule metamorphosed into a civilian government.

The PNDC government took the next steps to consolidate its social character during the transition to constitutional rule, especially in the 1992 presidential and parliamentary elections, when it successfully got itself elected to office under the 1992 constitution. The party under which the PNDC retained power — the National Democratic Party (NDC) — targeted the same lower middle class strata of Ghanaian society and mobilised them against the disgruntled classes of the Ghanaian establishment. Members of the latter, on the other hand, openly or covertly supported the New Patriotic Party (NPP) which emerged as the arch opponent of the PNDC and its surrogate party, the NDC.

The government's success in those elections further exposed its petty-bourgeois character in two significant ways. First, the legislature was, like the district-level assemblies, dominated by members of the lower middle class. In fact, a substantial number of this reconstituted national political elite (who were elected members of Ghana's 4th Republican Parliament) were originally members of the district level assemblies. Second, the president's cabinet and non-cabinet ministers were drawn largely from this strata of Ghanaian society.

But, even before the election of the PNDC to office under the 4th Republican Constitution, a similar trend was observable in the transitional political arrangements. First, the regime organised the so-called regional seminars to collate views on 'Evolving a True Democracy'. Participation in those regional seminars was deliberately structured to ensure that, only the view of the lower middle and working classes, who were in control of the district level assemblies, and of the grassroots political organs of the government would prevail. Furthermore, in August 1991 the government convened an assembly that was representative of various political interests in the country to write a draft constitution based on the views that had been collated through the national seminars, in addition to other views including existing constitutional documents. But contrary to previous practice, the

PNDC government again packed that constitutional body with representatives of the lower middle class.

In a nutshell, this petty-bourgeois social base which the PNDC government cultivated for itself, together with its military origins, explain the type of regime which it imposed on Ghana from January 1982 to January 1993. Furthermore, these two characteristics account for the type of economic and social policies the government pursued.

Now what are the political and ideological attributes of this petty-bourgeois class which constituted the social base of the PNDC government? We will identify two of such attributes. First, the petty-bourgeoisie is hostile to its national capitalist class which it regards as an obstacle to its own socio-economic progress. To strengthen itself against this national capitalist class, it seeks refuge in the State to which it gives unqualified support in exchange for protection against its 'enemy'. At the same time, the State becomes the political weapon with which it struggles against the politically powerful national capitalist class. Second, it seeks alliance with big foreign capitalist interests through the State. Through this alliance the petty-bourgeoisie is able to establish a number of external economic links that are beneficial to it. In short it is able to realise its comprador aspirations.

The Ghanaian petty-bourgeois class which came to power through the coup d'état of 31 December 1981 did not just demonstrate this characteristic dependence on foreign capital; it also showed intense antipathy towards the nascent Ghanaian capitalist class, and used the State in a systematic attempt to disorganise and destroy it. From the early 1980s to the time it metamorphosed into the NDC government in January 1993, the regime of the petty-bourgeoisie pursued a deliberate policy of persecuting Ghana's tiny capitalist class, expropriating some of its members, forcing some of them into exile or putting them in detention. The regime was so determined to cripple the Ghanaian capitalist class, that just a day before it left office (i.e. on 6 January 1993) it published a decree — The Confiscated Assets (Removal of Doubt) Law 1993 PNDC 325 in which it named 175 business persons whose assets had been confiscated. The assets which were listed included industrial establishments, business enterprises, houses, farms and others. Another 392 persons had their fishing vessels, cars, other vehicles, as well as other pieces of property confiscated. Since it assumed office as an elected government, about 23 more decrees, which are deemed to take effect from 1982, have been published. Like the previous ones, these 23 decrees also targeted various members of the Ghanaian capitalist class.

Because of the severity of the crisis of the Ghanaian economy at the time of the coup in December 1981, the PNDC regime found alliance with multilateral capitalist interests, the most pragmatic solution to the country's economic crisis. It should be recalled at this point that the type of SAP

policies which the regime accepted as the ultimate solution to Ghana's economic crisis had been rejected by the elected government of the PNP which the PNDC had overthrown. It is even more significant that another petty-bourgeois regime like the Convention People's Party (CPP), how be it radical, had rejected outright similar prescriptions by the same multilateral financial institutions in which the PNDC finally reposed its trust. Clearly therefore, the PNDC regime could accept and implement the SAP only because of its petty-bourgeois character. It is also because of its petty-bourgeois social base that it was both conservative and authoritarian to the core.

The acceptance of the SAP further strengthened the regime's authoritarian and conservative policies and practices largely because it now enjoyed the support of multilateral capitalist interests. Hence the PNDC regime implemented the SAP policies with unparalleled confidence, determination and arrogance towards the people of Ghana who suffered untold hardship under its impact.

Since January 1993, when the PNDC regime assumed office as an elected government, serious concern has been expressed about the prospects for sustaining and institutionalising democratic ethos and practice in the long run. To forestall a return to the authoritarianism of the past ten years therefore, the leading opposition political parties in the country have been engaged in numerous constitutional and legal battles to restrain the regime's authoritarian propensities.

## **Managing the Crisis**

### ***Politics***

The PNDC was confronted with two crises: political and economic. Subsumed in the political crisis was a crisis of legitimacy because of the circumstance under which it came to power. It attempted to deal with the political crisis by mobilising the support of the lower strata of the petty-bourgeoisie, and especially workers as well as the unemployed. In the first three years of its rule, the defence committees were the instruments for mobilising these groups. Its initial success in political mobilisation was however deflated by the adverse effects of the SAP which alienated substantial fractions of urban groups. The regime was therefore compelled to broaden its support base beyond the urban groups. Through the 1988-1989 district level elections, patronage, co-operation of certain key social forces, and with other methods, it could forge a nation-wide coalition of petty-bourgeoisie with its centre of gravity mainly in the rural areas.

Its success in the 1992 presidential and parliamentary elections is a measure of its success in forging new alliances. But it does not mean that the political crisis had been overcome. Rather it would seem that its strategy of political mobilisation and legitimation succeeded only in the short run. In

the long run, however, it deprived the regime that measure of political support which was needed to grapple with the economic crisis. The current of cynicism, acrimony, distrust and uncertainty which had hung menacingly over Ghanaian politics since the 1992 presidential and parliamentary elections is ample evidence that the political crisis is not over yet. The regime's handling of the economic crisis betrayed this political weakness.

The specific objectives of the SAP were to arrest and reverse the steep decline in production of the country's main export commodities and manufactured goods; to control inflationary pressures in the economy through a reduction in government expenditure and generally to reduce the budget deficit; to reform exchange rate policy; reform fiscal policies and, in general, liberalise the economy through the removal of trade, price, administrative and political controls. It was envisaged that this package of measures would have the cumulative effect of stimulating growth through expansion of the export sector, greater inflow of foreign private investments, and an increase in aggregate private savings and public investments.

Given the gravity of the country's economic crisis, and this petty-bourgeois regime's inclination to depend on big foreign capitalist interests, it was able to formulate a long term plan for confronting the economic crisis. Nor could it define an independent capital mobilisation strategy for domestic investment and development. Naturally therefore, it could only submit to the dictates of multilateral financial interests on how to manage the Ghanaian economy. Submission to foreign capitalist interests was the only way by which the regime could mobilise financial resources to mitigate the economic crisis of the country. As pointed out in the penultimate paragraph, this submission was a reflection of the regime's internal political weakness — its inability to mobilise broad political consensus behind its rule.

In the circumstances the regime's policy choices could only exacerbate the problems of the country's perverse capitalist economy — including the deepening of its dependence on imported factors of production and a wide assortment of consumer items which have worsened the country's balance of payments situation.

The consequence of the regime's policy options was that, during the last decade, the Ghanaian economy was sustained only by a massive inflow of foreign aid which was used to support the annual budget, balance of payments, as well as the foreign exchange market. Foreign aid financed about 60 per cent of the country's imports during the last decade. This contrasted with 18 per cent of imports in 1967-1971.

### ***Manufacturing Industry***

The regime's policy of external trade and payments liberalisation, exchange rate reform, and fiscal reform contributed immensely to the problems of the Ghanaian economy. In a very significant way, these liberalisation policies undermined the rather slender capacity of the manufacturing sector for sustainable growth. Trade liberalisation was supposedly necessary to encourage international competition and by so doing force domestic industry to produce quality goods that could withstand international competition. On the contrary, it facilitated the dumping of a wide variety of imported merchandise — including farm products like chicken, meat, and rice — to the detriment of local manufacturing enterprises. Further, the reform of exchange rate and credit policies compounded the financial problems of local industries. It confronted most of them with a severe shortage of capital.

Some of the big and medium manufacturing enterprises could surmount the predatory effects of SAP — and indeed some could successfully expand their operations and are now doing good business. Among the industries that seem to have surmounted the ravages of the SAP are those engaged in wood processing; the production of beverages and rubber goods; and those producing tobacco and metal products. But several others — especially the small ones, collapsed. Manufacturing industries which have not performed well under SAP include textiles, wearing apparel and leather goods; paper products and printing; iron and steel products; and electrical equipment and appliances. It is important to note that most of the industries that are dying or dead include those which performed better during the mid-1970s.

On the whole, the rather harsh economic environment created by the SAP and the hostile attitude of the regime towards the private sector (which is discussed below), have discouraged the establishment of new manufacturing industries of any significance during the last ten years: it has been difficult to attract new investments. For this reason, it is rather micro-industries, better known as informal sector economic activities, which have proliferated as a haven for retrenched workers, poorly paid workers and the unemployed within the labour force.

Also, the SAP put the majority of industries in distress. In 1988, for example, as many as 1,200 companies were reported to be in this category. Among the SAP policies, the one which has had the most damaging effect are the ones on exchange rate, trade and credit. Industries which depend heavily on imported inputs experienced the severest problems. The case of one distressed private company, whose situation has attracted much publicity, has revealed that before the first currency devaluation in 1983 (which was about 1,090 per cent) the total value of its annual raw material imports stood at 4 million US dollars or Cedis 11 million. By 1985 this



private company, which was one of the largest in the country, had to pay as much as Cedis 749 million annually for raw material imports.

Apart from this that company had to raise additional working capital to finance the cost of other inputs and labour. Other companies are faced with weak demand for their products because of the declining purchasing power of consumers, and also because of cheaper imports which keep flooding the domestic market. For several others, the problem took the form of escalating production costs and expensive bank credits. The first was due partly to the continued rise in the cost of imported manufactured goods and partly to the massive devaluation of the Ghanaian currency — the Cedi. The second was due, on the other hand, to rapid increases in the prime lending rates dictated by the Central Bank of Ghana — a measure which was intended as one of the means to reduce inflation and excess liquidity in the economy. But for the majority it was a combination of all of these problems which either undermined their capacity for survival and growth, or crippled them entirely.

### *Savings and Investment*

The level of public investment, which was expected to rise and provide the much needed stimulus for overall expansion of the economy, remained a trickle. It was far below the level achieved under previous economic regimes, and lower than the average for even other low income countries. For example, in the 1967-1971 period when a similar adjustment programme was implemented, direct foreign investment stood at an average of US \$31.4 million dollars per annum compared to a meagre average of US \$5.6 million dollars per annum in 1983-1989. It is equally significant that much of the investments of this period went to the mining sector rather than into manufacturing. This poor investment performance meant that despite the rigorous economic reform policies of the regime, the Ghanaian economic environment still remained unattractive to foreign investors. But more especially, it underscored the flaw in a development strategy that was linked to favourable investment decisions by foreign capitalist interests.

It is significant that the level of domestic savings — both private and public — also remained low. There are two primary reasons for this. First, the reduction in personal and corporate wealth which was caused by the SAP has generally not been reversed. Accordingly, even though private savings appear to have increased more than public savings, they are yet to attain pre-SAP levels. Second, the problem of persistent adverse terms of trade depleted the revenue base of the government. The State was therefore unable to increase public savings. In fact, as indicated above, the problem of a recurring budget deficit could be contained only with the aid of foreign funds. The fiscal base of the State remained so precarious that in its 1993 budget the PNDC was forced to resort to two questionable revenue mobilisation strategies:

- (i) It imposed a heavy tax on all petroleum products as a major source of revenue for the year. By that the government intimated that even though Ghana is not an oil producing country, the tax on petroleum products had superseded export tax — usually on cocoa exports, excise duty, import tax and income tax as the main sources of State revenue. This measure also exposed the failure of the government's development policy to create an alternative and strong material base for the State to replace its present one which is based on a peasant economy and is fragile;
- (ii) It decided to privatise vital national assets. Among such assets are portions of the State's 50 per cent equity share in Ashanti Goldfields Corporation which is one of the world's richest gold mines; Tema Oil Refinery and Ghana National Petroleum Corporation. The reason for divesting the State's interest in these strategically important industries is not that the industries in question are unprofitable. The reason, as given by the Minister for Finance and Economic Planning, was that such sales would generate instant revenue for the State. It is clear from this also that the State could not strengthen its material base during the ten years of SAP.

We may conclude this section by observing that the scarcity of capital, which is characteristic of periphery capitalist economies, persisted. The Ghanaian economy was therefore unable to lay an independent basis for its development. Hence its capacity to absorb labour at a higher level of productivity continued to be quite low.

### ***Agriculture***

The agricultural sector was alleged to occupy a privileged position in the public policy of the PNDC government. This is probably true of the cocoa subsector where the policy of price, was implemented to the advantage of cocoa farmers. For the other subsectors, and the food subsector in particular, government policy may be described as half-hearted. Food agriculture, for example, suffered from low level of investments. Compared to defence spending, for example, there was a decline in real public investment in agriculture during the 1982-1988 period while expenditure on defence increased in real terms during the same period. Indeed, the average share of the agricultural sector in total public expenditure per annum for the same 1982-1988 period was less than the 1981 average. And so was the share of agricultural expenditure in total Gross Domestic Product (GDP) for the period. Private investment in agriculture was equally poor owing to the high cost of bank credits for various economic ventures, including agriculture.

Price liberalisation also increased the cost of agricultural inputs like fertiliser, insecticides, pesticides and services. According to reports, farmers have refrained from using such inputs because they found the prices of such

inputs rather prohibitive. Others are moving away from the cultivation of cash crops such as cocoa into food production, especially maize production. The net result of such developments in public policy is the decline in agricultural output since the bumper harvest of the 1984-1985 period. Because of this, agricultural incomes have also declined.

## **Social and Political Issues**

### ***Social***

In the social sector the State pursued a systematic policy of reducing the government's fiscal responsibility in key areas such as the provision of social and health services like education, health, water, housing and electricity. The social effect of such drastic reduction in State responsibility was severe. We examine this from three main perspectives; the rising cost of social and health services; growth in the incidence and spread of poverty; and the general disorganisation of certain social classes.

- a) The policy of cost recovery raised the cost of social and health services to increasingly prohibitive levels. Previously, Ghanaians paid the nominal price of social and health services like education, water and electricity supply. Since the SAP came into effect such services are literally being sold at their real market price. Consequently the cost of access to them has shot up. The inflationary pressures in the economy further threatened to push access to such services out of the reach of the average Ghanaian through regular hikes in the cost of delivering them to the consumer.

Occasional reports on social responses to such price hikes are gloomy. They reveal a concerted withdrawal from modern medical facilities because of the prohibitive cost involved; and parents withdrawing their children from school because of inability to pay school fees.

- b) After about four years of SAP policies, the government's own survey on living standards in the country (the Ghana Living Standards Survey, 1987-1988) revealed that poverty has increased in both the rural and urban areas, even though its rate of growth was much faster in rural than in urban areas. It reveals that during the period, poverty in Ghana became a predominantly rural phenomenon: indeed over 43 per cent of rural dwellers live below the poverty line. The incidence of poverty in Ghana's rural areas is 13 times the incidence of poverty in, for example, Accra. A more alarming aspect of the poverty profile is that the nation is still faced with food insecurity. Expenditure on food forms a major proportion of an individual's total expenditure — 69 per cent of total expenditure of the poor, and 66 per cent of total expenditure of the non-poor. Because of differences in the cost of food in urban and rural areas, a larger proportion of urban dwellers are more food insecure than

rural inhabitants. However, in absolute terms there is greater food insecurity in rural than urban areas.

Education was also found to be significantly correlated to poverty. The study shows that over 80 per cent of the poor lived in households where the head had had no formal education. In contrast, the households whose heads had had secondary level education or higher, formed less than 1 per cent of the poor. Furthermore, just about 57 per cent of children of the five to ten years in the poorest 30 per cent households were in school — a school enrolment figure which is lower than the national average.

Finally, despite improvements in access to social and health services attained during the period of the PNDC, the available indicators still point to three major problem areas. These are (i) the health status of the population remains poor; (ii) infant mortality remains high, and (iii) preventable parasitic and infectious diseases are prevalent.

c) On the whole, the SAP policies of the PNDC regime restructured existing opportunities for wealth and income as well as social mobility. The effects of this restructuring may be discussed as follows: the changing pattern of wealth and income distribution in both the urban and rural sectors; and the disorganisation and reconstitution of classes.

In the rural sector, the liberalisation of prices — for example, in the producer price of cocoa, and in consumer prices as well as the price of services — affected various groups differently. The minority of large and middle cocoa farmers were the major beneficiaries of the periodic adjustment in the producer price for cocoa. The majority of rural inhabitants, including cocoa and non-cocoa farmers as well as non-farmers, benefited least. On the other hand, the periodic increases in consumer prices affected all social groups equally. Furthermore, during the period under review, rural incomes declined as a result of a fall in agricultural output. The reason for this, as discussed above was due to a flaw in public policy and to unfavourable weather. The situation of limited informal sector economic opportunities outside agriculture, which generally characterises rural society, foreclosed any additional opportunities that rural dwellers could exploit for subsistence. The financial situation of most rural households which are already poor, was therefore aggravated.

At any rate, urban workers, who used to be protected from the adverse effects of the market, bore the brunt of the regime's SAP policies. Unemployment among the urban labour force rose sharply as employment in the formal sector — both public and private — declined under the impact of various SAP policies. Because the manufacturing sector was also in crisis and could therefore not absorb extra labour, the unemployment situation worsened. In response to these adverse developments in the formal sector,

the informal sector expanded exponentially as many more people resorted to employment there, in order to scrape up an existence.

The decline in urban wages and salaries compounded the problems of the urban labour force, including that stratum of the middle class which was employed in the public services. These developments in the urban economy adversely affected the standard of living of urban workers. As discussed earlier, the net effect of these developments was an increase in poverty—in both relative and absolute terms. Poverty levels among both the working and middle class households was much higher than among upper class households. But even among the upper class not every household was spared the devastating effects of the SAP. In particular, households of some professional groups—like teachers and lawyers, were hit with equal force.

Because of the restructuring of existing opportunities for accumulating wealth and income generation, the process of informalisation, which had been associated mainly with working class households, crept into the ranks of the middle class also. Consequently, class divisions were disturbed. Within classes, certain members struggled to remain at their respective class positions; others moved from a lower into an upper class, while others tumbled down the social ladder.

The restructuring of opportunities benefited certain groups as the process opened new prospects for wealth and income generation for them. Such groups exploited the new situation to increase their income, and accumulate wealth. Among the beneficiaries, are especially those members of the middle classes who occupied executive positions in multinational enterprises; those who were in the imports trade and were able to get into fast moving retail commodities; those who had access to foreign currency and could invest such money in the lucrative imports trade; those who were local agents of foreign exporters of fashionable middle class consumer items; and those in the rapidly expanding service sector.

For purposes of emphasis, we would now examine in some detail the case of the Ghanaian entrepreneur. Those entrepreneurs who were engaged in export oriented industries, and could cope with the vicissitudes of the SAP policies, enjoyed a boom in incomes and wealth. This was particularly true of those who worked with foreign business concerns, or had financial or business links with certain interests abroad. For such fractions of the Ghanaian middle class, the new investment opportunities presented by the SAP facilitated the growth of their enterprises. While such fractions enhanced their incomes and social status, entrepreneurs whose industries were import-dependent experienced severe operational difficulties. The capacity of such people to accumulate wealth declined.

On the whole, the upper and middle classes benefited from an infusion of new members from the disorganisation and restructuring of the existing class solidarities. The new members of the upper and middle classes are

generally younger. They got their wealth primarily from commercial, managerial and manufacturing operations which are linked to foreign economies or currencies. Others made their wealth from currency speculation: they either took advantage of the massive devaluations of the Ghanaian currency to translate their modest foreign currency holdings into multi-million Cedis; or they invested directly in the foreign exchange market — as proprietors of foreign exchange bureaux.

Either way, the new members of the upper and middle classes (especially, the economic speculators) recycled their wealth through very lucrative investments and, in the process, were able to multiply it at fantastic rates.

Four observations may be made regarding the consequences of these developments. First, investment in speculative economic activities have taken precedence over investment in productive sectors of the economy. Second, considerable entrepreneurial and managerial talents are being wasted on unproductive economic activities. Instead of creatively employing the expertise of small entrepreneurs, technicians, artisans and managers in the formal economy, where it could be made to benefit national development, the SAP policies rather pushed them into informal sector economic activities where the chances of creatively utilising such invaluable expertise and experience are thwarted by the scarcities and other bottlenecks that militate against informal sector economic operators.

Third, the gap between the rich and the poor has widened even further as a minority within the upper and middle classes has become inordinately rich while the majority of the population became poorer. Fourth, with the increase in poverty levels, and when access to vital social and health services by the majority of Ghanaians has become more problematic, the rights of a vast majority of the nation's children to a reasonably good education and basic health services is likely to be compromised, if not jeopardised. The ultimate effect of this trend within the next thirty years could amount to a big loss to the nation of an adequate number of trained manpower. The future development of the nation could easily be at risk.

### ***Political***

The political consequences of the crisis and SAP policies of the last decade may be discussed along three broad themes — State capacity, social forces and political struggles, and the transition to democratic governance.

The massive inflow of foreign aid during the last ten years enabled the State to restore part of its lost capacity. For example, it could rehabilitate a number of economic infrastructure and, to some extent, social infrastructure. This recovery of capacity was, however, partial. For example, the State's capacity to manage the economy is still weak: it could not reverse the fatal decline in the value of the national currency. Nor could it stem the exodus

of its citizens — both trained and untrained manpower — in search of better economic opportunities. Its grip on economic speculators has slipped even further, and economic crimes in the public sector have multiplied while the productive sector — especially manufacturing, still remains very fragile. Also its rather narrow and fragile revenue base persisted.

Furthermore, the continued dependence of the economy on the inflow of foreign aid show how the State remained subject to the influence and manipulation of multilateral financial interests. It continued to depend on such external interests to formulate economic and development policy thereby compromising further the chances for ultimately pursuing an independent development strategy.

### ***Social Forces and Political Struggles***

The effect of SAP on organised labour was politically debilitating. In particular, as a result of the widespread labour retrenchment that was ushered in by the SAP, organised labour lost several of its members. Job insecurity and the fact that the trade union congress could not reverse the trend also reduced workers' commitment to organised labour. These developments considerably weakened organised labour. They reduced labour's numerical as well as political strength and diluted its power to bargain with management of both State and private sector enterprises. Thus for example, there has been at least one instance of a splinter labour union coming into existence.

With the State as the largest employer, this development was indeed a great setback for organised labour. It meant that the trade unions congress could not demonstrate its usual unity and strength in negotiating with the State on issues affecting the interests of labour. The unusually brutal use of State power by the regime against its critics, opponents and dissenters further intimidated organised labour, and contributed to its political inertia. Hence, from the late 1980s, organised labour showed greater inclination to remain politically mute while it progressively withdrew its support from and alignment with the regime. Organised labour's loss of political muscle became quite evident during the recent transition politics: the usually independent and vociferous political posture of the labour movement was absent from the politics of the period.

In contrast, the economic crisis and adjustment seem to have had the opposite effect on the rural sector. The extreme poverty that characterised this sector at the household and the general decay of communities stemming from over one decade of neglect seems to have exposed most rural communities as ready allies of the regime. The regime could win them to its side partly because the massive inflow of foreign aid had enhanced the capacity of the State to carry out economic and social infrastructure development and rehabilitation throughout the country. The increased wealth

which the upward adjustment in the producer price of cocoa conferred on the minority of large and medium cocoa farmers, also gave this minority of wealthy cocoa farmers in rural society a big stake in the regime. They functioned more or less as a vital bridge by which the regime could reach out to rural society to mobilise this social majority for legitimation and political action.

Another social group that made the mobilisation of rural political support possible is the stratum of the lower middle class which had benefited both politically and economically from the regime since it came to power in 1982. It should be recalled that the regime had systematically mobilised the support of this stratum to bolster its rule politically and ideologically. Apart from the mobilisation drive it had initiated under the aegis of the defence committees during the early years of its tenure, it further achieved its greatest success in the mobilisation of this stratum through the district (local) government elections of 1988-1989. Recently the selection of representatives of identifiable groups to serve on the body that drafted the constitution and the choice of candidates for election to the country's 4th Republican Parliament also afforded an opportunity to mobilise the support of this stratum. By these successes the PNDC government could give this new political elite a firm political and economic stake in the survival of the regime. The members of this new political elite proved to be of immense asset in the recent presidential elections: they effectively exploited their new status as local level political elite to mobilise electoral support for the regime.

But, as indicated above, the SAP disorganised and restructured urban class divisions through restructured economic and social opportunities. The effect of these new economic and social trends went beyond the realignment of political forces. More, SAP succeeded in creating a new urban coalition of middle class elements behind the regime. The new urban coalition included mainly elements from the new middle class for whom the SAP policies had created fantastic opportunities for the accumulation of wealth. A fraction of the upper class could also be found within this new coalition. But they were in the minority because of the long drawn antipathy towards the regime from the time it came to power.

For our purpose it is noteworthy that the beneficiaries of SAP were not prepared to risk the defeat of a regime whose policies had opened up infinite opportunities in the world economy for expedited accumulation of wealth. Accordingly, their political support for the regime was as solid as the support from the masses and new political elite of the rural sector.



### ***Transition to Democratic Governance***

The economic crisis, coupled with the reliance of foreign capital through the SAP, did not just consolidate the authoritarian regime of the PNDC. It also weakened the political capacity of the social forces which have traditionally stood up against authoritarian regimes i.e., in defence of fundamental human freedoms. Such social forces are based largely in the towns and cities of the country. They represent workers, students, the professional middle class elite, and business groups. It is precisely such groups that suffered most economically. As a result of the economic difficulties experienced by members of these groups, the political capacity to confront the PNDC regime — in the form of militant political action — was clearly affected. Compared to their record of political action during the 1970s, it was obvious that they were almost a spent political force. As a result of this weakness of the organised and politically conscious sections of society, the rise of post-democracy movements in the country could not diminish the confidence and determination of the PNDC regime to control the transition to constitutional rule.

If this weakness of the country's leading, urban-based, social forces should persist the metamorphosed regime of the PNDC (in a constitutional garb), could not be held in check by civil society. This might allow the constitutional regime to indulge in anti-democratic practices.

The prospects for renewed authoritarianism in Ghanaian politics is coming from a different source; namely the new urban and rural coalitions which consist predominantly of lower middle class elements; they also include peasant farmers, and small medium and big capitalist cocoa farmers. As argued elsewhere in this essay, this predominantly petty-bourgeois stratum has been very hostile to indigenous capitalists. In order to secure for themselves a strategic foothold in the economy, they rallied behind the PNDC regime which gave them protection; and through the regime they could secure the support of foreign capital from 1983 to the present. The widespread use of authoritarian methods in Ghanaian politics was dictated by the interests of this triumvirate — the petty-bourgeois regime, the petty-bourgeois class, and foreign capital. If these petty-bourgeois elements and the peasantry should carry through their determination to maintain the present regime in power — the regime's success in the 1992 presidential and parliamentary elections is enough evidence of their determination — then this could only lead to the reproduction of authoritarian practice in Ghanaian politics. That will mean that the petty-bourgeoisie and the peasantry would not hesitate to translate their social majority into a permanent political majority.

If this should occur, the regime would be able to continue its policy of reliance on foreign capital for the development of the economy. The result

of this scenario may be as harmful to attempts to build a democratic regime as to any vision of a reconstructed economy that could be self sustaining. Politically, the compradore ideological and political dispositions of the petty-bourgeoisie will reassert itself; and so will the interest of foreign capital. The present constitutional regime would then have to move aggressively against democratic ideas and practice. It may even go beyond authoritarianism. Fascism could easily be the next political step for Ghanaian politics.

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