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THE ECONOMIC STRATEGIES OF NKPUMAH AND HIS SUCCESSORS

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DEVELOPMENT ECONOMICS IN ACTION: A STUDY OF ECONOMIC POLICIES IN GHANA

CHAPTER 3: THE ECONOMIC STRATEGIES OF NKRUMAH AND HIS SUCCESSORS

by Tony Killick*

It was asserted in the previous chapter that economic policies in Ghana represented an application of many of the leading ideas in development economics during the sixties, and it is for this reason that this study may lay claim to the attention of some readers who themselves have no direct interest in Ghana. During the first half of the sixties, until the deposition of President Nkrumah early in 1966, economic policies were inspired by a vision of the nature and process of economic modernisation similar to, and influenced by, that of many economists. And later in the decade the country's new rulers began to turn to policies which in some measure reflected the changing concerns of development economists. Such, at least, is the thesis of this book, and the task of this chapter is to set out the economic strategies of successive governments in Ghana and to demonstrate their affinities with the ideas surveyed in Chapter 2. The emphasis in what follows is on the Nkrumah period, as it is in the book as a whole, for it was then that the drive for development was at its strongest and policies were at their most challenging.

*Research Fellow of the Development Advisory Service, Center for International Affairs, Harvard University. I should like to acknowledge the valuable help of Y. Adu-Boahene and J. S. Awutu, who greatly assisted me in collecting and organising material for this chapter. Responsibility for what is written here is, however, mine alone.

There is, however, a problem of authentication to be cleared out of the way first. The views of Nkrumah, his colleagues and his professional planners were not always in agreement with each other, nor were they always internally consistent or even coherent. Moreover, they changed over time. The same can be said, although with less force, of those who ruled from 1966. How, then, is it possible to offer a statement of economic strategies that has a plausible claim to be an accurate representation of the real thing? An easy way out is to look at what the development plans said but that will not do, for often the plans did not provide an accurate guide to the actual working intentions of the governments that published them.¹ For the Nkrumah period my general approach has been to take the most consistently expressed views of Nkrumah himself as the basis from which to work. Party documents, the views of other members of his government, the contents of the development plan and other official documents have been cited as supplementary sources but only when they were consistent with the known views of The Leader. The complete domination of the man over his government and party makes this a more fruitful way of going about the problem. However, even Nkrumah's public views cannot be taken uncritically, for statesmen often say

¹It is often said, no doubt rightly, that development plans are mostly written to impress foreign aid donors, but it sometimes seems to me that they are written for academics. Many scholars solemnly quote national development plans to describe public priorities and policies when a nodding acquaintance with the country in question would convince them that the plan was not regarded as performing an operational function at all.

things they do not really believe and their actions frequently depart from their declared intentions. In the spirit of the advice of a member of President Nixon's first administration, 'Don't listen to what we say, watch what we do', I have preferred to take the actions of the governments of Ghana as a better guide to their intentions than their public pronouncements, whenever there is a major difference between the two.

I. NKRUMAH'S DEVELOPMENT STRATEGY

Changes in ideology and policy, 1959-1962

Ghana became self-governing as early as 1951 and achieved full independence in 1957. Nkrumah and his Convention People's Party (CPP) were in power continuously from 1951 with the coup of 1966. But the period in which Nkrumah's policies were distinctively different from those of the colonialists he had fought so vehemently was much shorter, and 1961 can conveniently if a little arbitrarily be nominated as the year in which Nkrumah looks decisively with the policies he inherited from the British.

By 1961 Nkrumah needed a change of direction. Ghanaians had been encouraged to believe that removal of the despised colonialists and their replacement by Ghanaians would bring manna to all. "If we get self-government," Nkrumah said in 1949, "we'll transform the Gold Coast into a paradise in ten years"² and an observer had noted that every trade union meeting he attended was devoted to politics: "Their standard of

² Ashanti Pioneer (Kumasi), 5 March 1949, cited by Fitch and Oppenheimer, p. 25.

living could not be thought of as being separate from their colonial status..."³ With full political independence now achieved and with his party in undisputed control, Nkrumah's dilemma was the classical one of the nationalist leader: how to maintain the momentum and how to satisfy the appetites whetted by the successful anti-colonial crusade.

In point of fact and as will be seen in the next chapter, the growth of the economy in the fifties was far from negligible, but still there were unsatisfied expectations and there is evidence that at the beginning of the sixties Nkrumah was worried about a real or imagined loss of support.⁴ Especially, it was necessary to repay the loyalty and work of party activists, for a belief that it would benefit them materially was one of the chief motives of their work. Owusu has described the hard core of CPP support as coming from people "who felt that they were suffering from relative economic deprivation and had strong desires for improving their economic (or class) status"⁵ and that description fits the findings of most students of the CPP. In particular, the party came to be associated with the young generation of Ghanaians who had insufficient education to give them an adequate literacy of vocational skills, but sufficient of it for them to aspire to a white collar job, or at least a city job.⁶ 'Standard VII boys'

³ Richard Wright cited by Fitch and Oppenheimer, p. 99. Even as late as 1964, when it should have known better, the CPP was pushing the slogan, 'Vote for the Party and all other things shall be added unto you.' (Ghanaian Times, 24 January 1964).

⁴ See Krause, 1971, p. 44.

⁵ Owusu, 1970, p. 299.

⁶ See Austin, 1964.

they were called, emphasising both the significance of their education and its limitations. A more perjorative term was 'verandah boys', for they were said to sleep on the verandahs of their masters or relatives, unable to afford anything better. The rewards they sought for their support of the party were jobs-jobs in the towns, preferably in an office.

If the Standard VII graduates typified the basis of the CPP's support they certainly did not comprise its whole, for the party had some aspects of a genuine mass movement, drawing support from most walks of life except the intelligentsia and the chiefs. The motivation for support was more economic than an infatuation with the charisma of Nkrumah. For the activists the objective of self-government and independence "was nothing but the immediate...elimination of unemployment and high cost of living and the bringing about of a better price for cocoa and the 'Africanization' of 'European appointment'..."⁷ The 'struggle for independence'⁸ increased political consciousness and speeded up the process of modernisation already under way. This for the first time brought to the fore relatively well organised, articulate and politically influential interest groups who exerted their pressures on the government and expected more sympathetic responses than they would have received from the colonialists.⁹ Since it appeared that

⁷ Owusu, p. 185.

⁸It was not much of a struggle, for the British bulldog was growing both weaker and wiser.

⁹See Krause, passim.

paralysed would, after all, take a little longer than ten years, Nkrumah was brought face to face with the impossibility of meeting all their claims. One response to this dilemma, and a successful one from his point of view, was to 'internalise' the more powerful pressure groups, to make them wings of the party¹⁰ and (because the distinction between party and state became increasingly hard to draw) of the government itself. To a certain point Nkrumah captured the lobbies; they were dependent on him instead of he on them. But only up to a point; even if internalised they still exerted pressures and wrung concessions.

No one was more actually aware than Nkrumah of the fragile economic basis of his support:

One may sometimes wonder if the Western Powers fully understand the dilemma facing political leaders in the emergent lands. They have gained independence for their peoples. The hazards and excitements of the struggle lie behind. Ahead lies the workaday world in which people must live and eat and hope and prosper. Independence of itself does not change this world. It simply creates the right political atmosphere for a real effort of national regeneration. But it does not supply all the economic and social tools. The leaders are now expected, simply as a result of having acquired independence, to work miracles.¹¹

(He forgot to add that miracles were what he had promised.) Again:

We cannot tell our peoples that material benefits and growth and modern progress are not for them. If we do, they will throw us out and seek other leaders who promise more. And they will abandon us, too, if we do not in reasonable measure respond to their hopes.¹²

¹⁰ Organizations representing the trade unions the farmers and their cooperative movement, the market woman, and the youth were all formed into 'Integral wings' of the CPP.

¹¹ Nkrumah, 1953, p. 51.

¹² Nkrumah, 1961, p. 145.

Modernisation, we have hinted, can be a disintegrative force. Economic specialisation throws up organised interest groups of real power. Urbanisation and education, which are almost defining characteristics of modernisation, break up traditional authority and create socially chaotic conditions in the cities. Societies which start with a strong sense of identity and cohesion can usually absorb these shocks; societies that have been arbitrarily carved out by colonising powers and whose members' primary loyalties are likely to be to the family, clan or tribe rather than to the nation are societies which can crumble under the impetus of modernisation. As Apter has put it, "Non-industrial modernizing societies... lack the powerful integrating thrust found in industrial societies. Social organisations are more chaotic and confused. Politics becomes the mechanism of integration, and authority is the critical problem confronting the leaders."¹³

Nkrumah had the task of building a nation that contained strong disruptive forces. Organised opposition to Nkrumah during the fifties had been strongest in the Ashanti region, where there had been some resurgence of Ashanti 'nationalism'. Even CPP Ashanti Members of Parliament had voted against their government for a larger Ashanti representation in the legislature in 1953¹⁴ and just a few months before independence, in November 1956, the opposition National Liberation Movement had threatened to declare a separate independence for

¹³ Apter, 1965, p. 42.

¹⁴ Genoud, 1969, pp. 90-91.

Ashanti and called for a partition commission to apportion the assets and liabilities of the country. There were similar divisive tendencies in the Ewe-speaking Volta region, with a substantial movement in favour of seceding from Ghana and joining Togo, also Ewe-speaking and administered as a French colony. There were even some rumblings in the North, and the opposition in these three areas had joined forces against CPP in the 1953 election.¹⁵ Even suppression of organized opposition, well under way by the end of the fifties, did not put an end to this type of problem, for Apter notes that after 1961 "the Ashanti regional organisation of the CPP began to take over the grievances which hitherto had been a hallmark of the opposition."¹⁶

Thus, the pressure was on Nkrumah. He wanted to build a modern nation-state and to do this he needed power, an undoubted authority. But to be sure of his power base he had at least to provide a glimpse of that paradise he had promised; he had to make jobs and demonstrate some economic progress; and he had to do it quickly. Moreover, he had to achieve these results while maintaining social cohesion. He had been in power for close on a decade, even if subject to British supervision until 1957. Economic progress, it seemed, was not proving rapid enough to relieve the political pressures upon him. On the other hand, because he was now in charge of a sovereign state and

¹⁵A good account of these regional movements is to be found in Austria.

¹⁶Apter, 1973, Chapter 15. I am much obliged to Professor Apter for making the proofs of this revised edition available to me prior to publication.

many of the opposition had either changed sides, were in prison, or were destined to go there, he had greater freedom of action than before. A change of direction was both politically necessary and politically possible. This, perhaps, was the rationale of Nkrumah qua politician for the adoption of his new economic strategy.

Coincidental with phase was a shifting balance of power within the ruling party and a movement towards more radical policies. The position of the more conservative old guard of the CPP was weakening. In 1959 Nkrumah delivered a speech to the CPP which placed more stress and urgency on socialism as the ideology of the CPP,¹⁷ in the following year Nkrumah's long-standing but conservative Minister of Finance, Komla Gbademah, was demoted (and in 1961 fled the country), and various other long-standing members of the party went into demise. The men who stepped into their shoes were often of a more radical heart.¹⁸ It is true that there were other swings of the pendulum later and some of the old guard were rehabilitated, but this did not restore the status quo ante. In fact, economic policies after 1961 were little affected by the internal power struggles within the ruling

¹⁷ See Folson, 1971, part 2, p. 1.

¹⁸ See Legum, 1964, passim, and also Lewis, 1965, p. 60.

party.¹⁹

The change in governmental attitudes and actions was exemplified by the view it took of the economic roles of private enterprise and of the state. During the fifties an Industrial Development Corporation was established which set up a number of publicly owned commercial enterprises. The Government had always taken the view that these should be sold to private operators when they had become viable.²⁰ In 1960, however, Nkrumah announced that his government would henceforth "place far greater emphasis on the development of Ghanaian cooperatives rather than encourage Ghanaians to start private business enterprises," that state enterprises would not be handed over to private interests, and that private businesses "must now stand on their own feet."²¹ Various other measures had been taken to promote

¹⁹ Some have placed significance on a visit that Nkrumah paid to the Soviet Union in 1961, and it probably is true that it was this event that induced him to give the country's new development plan a seven-year span (see Omaboe, 1966, pp. 450-451). But his decision to scrap the extant five-year plan after less than two years of its currency was made before he went to Russia, having described it as "piecemeal and unpurposeful" (Uphoff, 1970, p. 101), and the visit was probably as much a symptom of the shifting ideological emphasis as a cause of it. Another manifestation was the rift that appeared between Nkrumah and Professor W. Arthur Lewis, who had acted as Nkrumah's economic advisor on several occasions in the fifties. For advice on tax questions Nkrumah turned instead to Nicholas Kaldor (an unhappy experiment which created a first-order political crisis) and on planning to the Hungarian economist, Jozsef Bognar. Fitch and Oppenheimer (1966, especially Chapter 6) make much of this change, and divide Nkrumah's economic policies into a 'Lewis era' and a post-Lewis, pro-socialist era.

²⁰ See Killick, 1972, Pt. I, p.

²¹ Legislative Assembly Debates, 2 September 1960, cols. 1071-1073, and Ghanaian Times (Accra), 10 October, 1960.

and assist Ghanaian entrepreneurs and as late as 1958 and government set up a committee to investigate the 'best means of assisting Ghanaian businessmen to overcome their difficulties,'²² but Nkrumah became disillusioned with these efforts and came to believe--correctly in my view--that there was little realistic prospect of fostering an indigenous entrepreneurial class capable of industrialising the country at the speed he wanted.

Even had there been the possibility, it is most doubtful whether Nkrumah would really have wanted to create such a class, for reasons of ideology and political power. When presenting the Seven-Year Plan to Parliament he was very explicit about this: "we would be hampering our advance to socialism if we were to encourage the growth of Ghanaian private capitalism in our midst. This would, of course, be in antipathy to our economic and social objectives."²³ There is evidence that he also feared the threat that a wealthy class of Ghanaian businessmen might pose to his own political power.²⁴ On the other hand, he could scarcely prohibit private Ghanaian business altogether, for many small traders had supported the CPP in the fifties and they were among the constituents to whom he was obliged

²²Esseks, 1971, p. 13.

²³National Assembly Debates, 11 March 1964.

²⁴After the 1966 coup one of Nkrumah's most senior economic advisers stated that Nkrumah "informed me that if he permitted African business to grow, it will grow to the extent of becoming a rival power to his and the party's prestige, and he would do everything to stop it, which he actually did." E. Ayeh-Kumi quoted in West Africa, 19 March 1966, p. 330.

to offer economic rewards. Nkrumah conceived an ingenious solution. Ghanaian private enterprise was to be limited to small-scale concerns, "provided that they are not nominees or sleeping partners of foreign interests."²⁵ Its existence, moreover, was to be contingent upon its willingness to operate within the socialist framework which he wished to create.²⁶ At the same time, the opportunities for Ghanaians to operate small-scale businesses were to be increased, by restricting foreigners in this type of activity.²⁷ It was a brilliant tactic, for most actual or potential Ghanaian businessmen and women do not aspire to an enterprise any larger than one they can directly control themselves,²⁸ and the exclusion of 'Lebanese' and 'Nigerians' from small trade would have been a highly popular move. However, it was left to later governments to implement this policy and win the popularity which it brought.²⁹

²⁵C.P.P., 1962, para. 109.

²⁶"The initiative of Ghanaian businessmen would not be cramped, but we intended to take steps to see that it was channelled towards desirable social ends and was not expanded on the exploitation of the community. We would discourage anything which threatened our socialist objectives." Nkrumah, 1968, pp. 86-87.

²⁷In March 1962 Nkrumah announced that, "In future the private small-scale personal enterprise sector will be exclusively reserved for Ghanaians. Foreign concerns already established in this sector will be allowed to continue operation, on condition that they do not expand their present establishment and scale of operations." Reproduced in Friedland and Rosberg (eds.), 1964, p. 272.

²⁸This, at least, is regarded by Garlick (1971, p. 139 and passim) as one of the major results of his research into Ghanaian entrepreneurship, and is consistent with casual observations.

²⁹See Chapter 12 for a brief discussion of the 'Ghanainisation' of small business after 1966.

Given Nkrumah's desire to keep Ghanaian private businesses small, his argument that "Capital investment must be sought from abroad since there is no bourgeois class amongst us to carry on the necessary investments"³⁰ was more than a little disingenuous. But if his attitude to local private enterprise was made clear in the early sixties, his views on foreign private investment remained ambivalent to the point of schizophrenia. He was realist enough to know that foreign direct investments were needed and it was he who pointed out that foreign investors brought with them much-needed managerial and technical skills, which could be passed on to Ghanaians.³¹ The government matched his words with deeds and in 1963 passed a Capital Investments Act which offered a wide range of fiscal and other concessions to would-be foreign investors. But it was not the old, 'colonial' type of investment that was sought; there were strings to be attached:

The Government accepts the operation in the country of large-scale enterprises by foreign interests, provided that they accept the following conditions: firstly, that foreign private enterprises give the government the first option to buy their shares, whenever it is intended to sell all or part of the equity capital; and secondly that foreign private enterprises and enterprises jointly owned by the state and foreign private interests be required to reinvest 60 percent of their net profits in Ghana.³²

No investor, of course, could be allowed to interfere with the domestic or external affairs of the country and, more generally, care should be taken to keep "sufficient control to prevent undue exploitation" and to preserve "integrity and sovereignty without crippling economic or

³⁰ Nkrumah, 1963, p. 98.

³¹ National Assembly Debates, 11 March 1964, vol. 25.

³² From same source cited in footnote 22 (p. 271).

political ties to any country, bloc, or system."³³

While Nkrumah insisted that "our ideas of socialism can coexist with private enterprise,"³⁴ he was also wont to inveigh against the evils of neo-colonialist foreign domination,³⁵ his government starved the private sector of imported raw materials, spares and equipment,³⁶ and used exchange controls to prevent the repatriation of after-tax profits. It was, moreover, difficult to reconcile his belief in the coexistence of socialism and foreign investment with his statement that, "The domestic policy of my government is the complete ownership of the economy by the state..."³⁷ It is hardly surprising, then, that he had little success in persuading investors that Ghana was the country for them, and that in order to obtain the participation of foreign aluminum companies in the Volta River Project he was forced to make concessions to them that seemed humiliatingly like the type of neo-colonialist arrangement he attacked so often and so strongly.³⁸

Nkrumah took a similarly schizophrenic view of aid. On more than one occasion Nkrumah went on record asking for foreign aid for

³³ Nkrumah, 'Speech to Businessmen', 22 February 1963, Flagstaff House, Accra (emphasis in original).

³⁴ Ibid.

³⁵ He wrote a whole book about it: Neo-Colonialism: The Last Stage of Imperialism (1965).

³⁶ See Chapter 10 below, which shows that the 1965 and 1966 foreign exchange budgets envisaged massive transfers of foreign exchange from the private sector to the state, and that private industry was particularly hard hit by the import shortages which occurred.

³⁷ National Assembly Debates, 2 October 1962, col. 2.

³⁸ See Chapter 9 below and also Killick, 1966, pp. 402-404.

Ghana's development effort³⁹ and it was envisaged that about a quarter of his government's Seven-Year Plan should be financed by this means. But how to reconcile these facts with the views he expressed in Neo-colonialism, which he published in 1965? Aid is there described as "the latest methods of holding back the real development of the new countries....the paraphernalia of neo-colonialism..." Multilateral aid is "Still another neo-colonialist trap..." and the U.S. is "the very citadel of neo-colonialism," whose objective is to "achieve colonialism in fact while preaching independence."⁴⁰ And this at a time when the World Bank, the U.S. and the U.K. were between them financing the external costs of the Volta project! Tormented by the desire for economic independence and the fact of dependence Nkrumah was at his least coherent.

What laid at the back of Nkrumah's suspicion of private enterprise and foreign capital was his increasing preoccupation with 'neo-colonialism,' the resulting need for economic independence and, especially, with the desire to create a socialist society. The emphasis on socialism was much stronger in the 1962 manifesto of the CPP than it had been in the past. It described socialism as the 'principle around which the Party is pivoted' and devoted many paragraphs to elaborating the meaning of socialism in the Ghanaian context.⁴¹

³⁹"The leaders of the New Africa have no alternative but to look for outside assistance." (Nkrumah in Foreign Affairs, October 1958, p. 52). Also: "Aid is a necessary form of insurance to make it certain that the development plan can continue despite fluctuations in the prices of raw materials." (Nkrumah, 1961, p. 87)

⁴⁰The quotes are from Nkrumah, 1965, pp. 50, 242 and 241.

⁴¹CPP, 1962, paragraph 7.

And in introducing the development plan that was prepared shortly afterwards Nkrumah stated as one of its tasks, "To generate a socialist transformation of the economy through rapid development of the state and cooperative sectors."⁴²

Some writers explain Nkrumah's policies almost entirely in terms of nationalism and regard his 'socialism' as so much rhetoric, without substance. Genoud, for example, argues that Nkrumah's nationalism and his urge to modernise Ghana were sufficient to explain his policy of industrialisation, that to discuss him in terms of socialism is meaningless and misleading, and that the period of his rule, from 1951 to 1966, should be seen as a continuous whole rather than as being broken in about 1961 by a shift to a more socialist orientation. "Day after day and year after year," he complains, "what is anticolonial nationalism is being renamed socialism."⁴³ There is obviously something in this. The rhetoric of socialism, the policies of industrialisation and the mechanisation of agriculture can be traced back to what Nkrumah and his party had said in the fifties and even earlier. After all, Nkrumah in 1947 had concluded the first of his books with the fine Marxian flourish, "Peoples of the Colonies Unite: The working men of all countries are behind you,"⁴⁴ and the 1951 election manifesto of the CPP claimed that "The industrialisation of the country is one of

⁴² National Assembly Debates, 11 March 1964, col. 21.

⁴³ See Genoud, *passim*, especially Chapter 6. The quote is from p. 219.

⁴⁴ Nkrumah, 1962, p. 43. This was originally written in 1947 but did not find a publisher until 1962.

the principal objectives of the Party..." and envisaged factories "springing up in all parts of the country."⁴⁵ Moreover, 'African socialism' claimed some strange adherents in the early sixties, and one only has to look along the West African coast to find countries which did many of the things which Nkrumah did without any but the most nominal pretence of a socialist ideology: Nigeria and Sierra Leone, for example.

Genoud was clearly right to identify nationalism as a major driving force behind the policies of Nkrumah and his party. In the view of Owusu,

Gold Coast nationalism was primarily economic. Politics, or the power to decide how economic resources are to be distributed, who is to get what job and the like, was seen initially by many as perhaps the only effective means, given colonialism, to the real national 'good', economic power.⁴⁶

The desire for jobs--urban jobs--was certainly a strong political motive for industrialisation but the nationalist urge to industrialise probably went deeper than that. The world over, nationalist leaders equate industrialisation with development. Myrdal's comment on this has a validity far beyond the case of South Asia:

When the intellectual elite say their countries are under-developed, they mean, in the first instance, that they have too little industry. Thus, spokesmen for the South Asian countries frequently use the terms 'pre-industrial' or 'under-industrialised' as synonyms for 'poor' or 'under-developed'.⁴⁷

⁴⁵Quoted by Krobo Edurai, then Minister of Industries, to Parliament (see National Assembly Debates, 6 February 1962, col. 197).

⁴⁶Owusu, p. 171.

⁴⁷Myrdal, 1968, p. 1150. See also the interesting essay by Kahan on this topic in Johnson, 1967.

Nkrumah's stress on the need for economic independence had an obviously nationalistic content. "The aim of our economic development," said the CPP 1962 manifesto, is to make Ghana free of alien control of its economy and thus support our political independence with economic independence."⁴⁸ Nkrumah himself was no less emphatic. "We have had enough of European monopoly domination of our economy," he wrote. "We have emancipated ourselves politically, and now we have to shake off the economic monopoly that was the objective of foreign political control. This is the crux of our economic policy, and the essential heart of our endeavours."⁴⁹ This helps to explain why he moved to reduce the 'open-ness' of Ghana's economy. It is also significant that in the fifties the opposition too was advocating industrialisation, the mechanisation of agriculture and more schools, while rejecting the notion of socialism.⁵⁰ Moreover, Nkrumah and his party often used arguments in favour of socialism (equated in his mind with expanding state economic activity) as if it was simply a superior way of decolonising and modernising the country:

Socialism, because of the heritage of imperialism and colonialism, is the system by which Ghana can progress.⁵¹

In fact, the most frequently recurring justification for state participation in the economy to be found in Nkrumah's writings of the fifties

⁴⁸ CPP, 1962, paragraph 72.

⁴⁹ Nkrumah, 1963, p. 102.

⁵⁰ Nkrumah, 1963, p. 102.

⁵¹ See Genoud, pp. 94-96.

and early sixties was that there was no alternative if industrialisation was to proceed, for indigenous private enterprise would or could not do it alone and leaving the job to foreign investors would leave the country at the mercy of the neo-colonialists.⁵²

But to deny any serious content to Nkrumah's socialism and to attribute all he did to nationalism, as Genoud does, is to overstate the case. Economic development, modernisation and socialism were so closely connected in his mind that there is little to be gained from trying to differentiate those he regarded as means and those as ends. Which is which, for example, in the opening sentence of the Seven-year Plan. "With this first Seven-year Plan Ghana enters upon a period of economic reconstruction and development aimed at creating a socialist society in which the individual Ghanaian will be able to enjoy a modern standard of living in his home supplemented by an advanced level of public services outside"⁵³

One fact which conflicts strongly with a purely nationalist interpretation was the antipathy we have shown Nkrumah to have to the possible emergence of an indigenous business class. He had no love of foreign businessmen but he preferred policies to encourage them rather than policies to encourage local entrepreneurs, whom he wished to restrict.

It should, moreover, be remembered that Nkrumah was a moderate in his nationalism. When it was expedient to do so, he co-operated with

⁵²See Nkrumah, 1963, p. 119, for an example. The 1966 report of the State Enterprises Secretariat also contains a good statement of this point of view.

⁵³Seven-year Plan, p. 1.

the British colonial government,⁵⁴ he did not expropriate foreign investors (however much he suspected them), the height of the protective shields with which he surrounded his import-substituting industries was by no means remarkable (it was downright frugal by Latin American standards), he did not expel aliens (as a later government was to do) and his tirades against neo-colonialists never degenerated into racialism. And if he was a nationalist we should remember too that he was (and still is by many) regarded as the most persuasive advocate of pan-Africanism.⁵⁵

There is a good deal of internal evidence that Nkrumah took his socialism seriously, which perhaps obliges us to do the same. He claims in his autobiography to have been influenced by Hegel, Marx, Engels, Lenin and Mazzini,⁵⁶ and the influence of Lenin was particularly apparent--to judge from his newspapers, he liked to

⁵⁴Fitch and Oppenheimer (pp. 26-35) are caustic about this collaborationism.

⁵⁵It was the pan-Africanist, not the nationalist (or socialist) which came to the fore in the official definition of 'Nkrumaism': "Nkrumaism is the ideology for the New Africa, independent and absolutely free from imperialism, organised on a continental scale, founded upon the conception of One and United Africa, drawing its strength from modern science and technology and from the traditional African belief that the free development of each is conditioned by the free development of all." (Quoted by Legum in Friedland and Rosberg, p. 141).

⁵⁶Nkrumah, 1957, p. 45.

be referred to as 'the Lenin of Africa'.⁵⁷ And while it is true that many non-socialist countries trod part of the way along the path that Ghana was taking, the countries that travelled furthest along it all had more-or-less serious socialist ideologies--Guinea under Toure, Mali under Keita, Zambia under Kaunda, Uganda under Obote and, looking beyond Africa, Indonesia under Sukarno.

It was in his attitudes towards agriculture and industry that Nkrumah's socialism had the clearest impact on actual policies. Other nationalist leaders have given low priority to agriculture and have thought of rural improvement largely in terms of mechanisation, but few have so deliberately withdrawn assistance from the peasant farmers who pinned their hopes so exclusively on state farms. Similarly, almost all nationalist leaders seek to industrialise their countries but few devote such a large proportion of their governments' resources to creating state enterprises, and few leaders of small countries at an early stage of development begin pushing so early for the development of heavy industry.⁵⁸ It was not entirely without

⁵⁷ It is, however, characteristic of the impossibility of placing him neatly into any Western ideological category that he should also have said in his autobiography that the writings of Marcus Garvey--a West Indian who proclaimed the cause of black Americans after the end of the first world war--did more than any others to fire his enthusiasm (p. 45). But the influence of Lenin and of the USSR was certainly important--note his stress on the importance of electrification, the derivative title of his book, Neo-colonialism, The Last Stage of Imperialism, and his endeavours to combine the roles of philosopher and man of action.

⁵⁸ In this he was outdoing the Marxian writers. Even the normally strident Baran is cautious about the creation of heavy industries in small underdeveloped countries such as Ghana. See Baran, 1957, p. 284, ff. 77.

meaning that while both the CPP and the opposition were urging industrialisation and the mechanisation of agriculture, the latter intended to achieve it within a framework of private enterprise whereas the CPP were already talking of creating socialism.⁵⁹ It is also fair to say that Nkrumah put more stress on the egalitarian ethic than did his opponents. "Production for private profit deprives a large section of the people of the goods and services produced," was one of Nkrumah's three reasons why "socialism is our only alternative."⁶⁰

State ownership of farms and factories is admittedly not an exclusively socialist device--take the Japanese example. It is also conceded that the other instruments of a command economy--centralised planning and administrative controls--are to be found in countries which are in no serious sense socialist. But while these instrumentalities are not a sufficient demonstration of socialist intent, they have come to be regarded as necessary components of Soviet-style socialism, or what has been discussively described as 'state capitalism'. What convinces me that Nkrumah's socialism had an important bearing on the things he did was the single-mindedness with which the expansion of state economic activity was pursued. By the first half of the sixties there was little of the pragmatist left in him. When his experiments with state farms, with state industries and with controls were clearly going awry his response was not that of the nationalist searching around for the best solution to his country's

⁵⁹ Genoud, p. 95.

⁶⁰ Nkrumah, 1963, p. 118. Also, "the restitution of Africa's humanist and egalitarian principles of society requires socialism" (1964, pp. 76-77 and passim).

problems, but that of an ideologue who believed it was merely a matter of trying harder to make them work and of pushing them further. In the sixties Nkrumah's policies were, to use Tinbergen's distinction, a prioristic rather than empirical.⁶¹

The answer is that Nkrumah was both a nationalist and a socialist. To ignore either aspect is to neglect an essential key to an understanding of his leadership and his policies. No doubt his philosophizing was crude, inconsistent, and contained the most grievous Marxian heresies,⁶² but it made an impact nonetheless, and it became more important in his thinking as time went on. There may have been a theoretical tension between his nationalism and his socialism but there was a good deal of unity in practice, and it was the elements of consistency of the policy implications of both viewpoints which gave Nkrumah's strategy its dynamism. Arguing from a far more ideological point of view than mine, Fitch and Oppenheimer put the point well:

⁶¹See Tinbergen, 1955, p. 3. In Tinbergen's terminology, a prioristic policies are based on theories, whereas empirical policies are derived from experience with alternatives.

⁶²Consciencism (1964) was Nkrumah's most ambitious attempt to provide a formal statement of his political philosophy. See Folson, 1971, for a detailed and somewhat caustic account of the development of the ideology of Nkrumah and the CPP in the fifties. Fitch and Oppenheimer are scathing about the limitations of Nkrumah's concept of socialism (see especially Chapter 8) and Grundy, 1963, also has an interesting discussion of the conflicts between Nkrumah's views and Marxist-Leninist orthodoxy. One of Nkrumah's practical heresies, of course, was that he did not expropriate foreign companies, nor did he attempt any serious attack on the property of wealthy Ghanaians.

Socialism, for the CPP, is seen as a superior institutional means for coping with colonialism...it is a set of techniques and institutions which enable rapid economic progress and economic independence in the face of a colonial heritage, rather than the mode of operation characteristic of a workers' and peasants' state.⁶³

Socialism as a necessary instrument of nationalism: perhaps that is the best way of understanding the ideology of the first half of the sixties.

There is a further point that might be noted at this stage. Nationalism has often operated as a powerful modernising force⁶⁴ and had he been able to harness the enthusiasm and hope that his successful campaign against the British had engendered Nkrumah's record might have been a more successful one. It is one of the tragedies of the Ghanaian experience that he failed to do this. Although it had some of the characteristics of a mass party, the CPP had a highly authoritarian structure and was not organised in the villages and towns to mobilise the type of participatory nationalism that could have brought real economic benefits.⁶⁵ Instead, Nkrumah's government chose to stifle local participation by destroying democratic local government and voluntary organisations such as the co-operatives.⁶⁶

⁶³ Fitch and Oppenheimer, p. 109.

⁶⁴ See Rostow, 1960, pp. 26-27.

⁶⁵ On the nature of the CPP, see Austin . Also Fitch and Oppenheimer: "It was not a mass party in the sense of mobilizing large numbers of people and bringing them into the political arena as active and politically conscious participants. Many of the men and women who bought membership cards in the CPP did so for the same reasons that citizens in the United States buy tickets to a policeman's ball. In both cases, the sale involves a tax levied on the vulnerable by the powerful," p. 107.

⁶⁶ As will be shown later, the co-operatives were politicised and lost their voluntary character.

Basically, this was not organisational but a personal defect, originating in Nkrumah's own authoritarian style of leadership.⁶⁷ And so in practice the economically damaging aspects of nationalism were the dominant ones--undiscriminating protection of local industry, suspicion of foreign capital and expertise, and the diversion of resources to prestige projects (many of which would be difficult to justify in the name of 'nation-building').

Nationalism (or economic independence) and socialism: these were the major factors motivating Nkrumah's policies in the sixties but to these should be added a third--an urge to modernise Ghana and her economy. If this was a less explicit objective of policy it was no less pervasive than the other two. If we take the chief socio-demographic indices of modernisation--exposure to modern life through demonstrations of machinery, buildings, consumer goods, response to mass media, change of residence, urbanisation, change from agricultural occupations, literacy, and rising per capita incomes⁶⁸--Ghana was already a modernising society and Nkrumah wished

⁶⁷ It is surely not without significance that on the opening page of his autobiography, published in 1957, Nkrumah quoted the following lines from Walt Whitman:

"Who is he that would become my follower?
 Who would sign himself a candidate for my affections?
 The way is suspicious, the result uncertain, perhaps
 destructive,
 You would have to give up all else, I alone would expect
 to be your sole and exclusive standard,
 Your novitiate would even be long and exhausting,
 The whole past theory of your life and all conformity to
 the lines around you would have to be abandon'd.

Scarcely any leader could have been more explicit about his arrogance, not to say megalomania. Note also the presumption of the title he chose for his autobiography: Ghana.

⁶⁸ These are the chief indicators of modernisation listed by Deutsch, 1961, pp. 463-551.

to accelerate the changes. Take the following extract from his autobiography, for example:

The ideology of my Party may be formulated as follows: no race, no people, no nation can exist freely and be respected at home and abroad without political freedom. Once this freedom is gained, a greater task comes into view. All dependent territories are backward in education, in science, in agriculture, and in industry. The economic independence that should follow and maintain political independence demands every effort from the people, a total mobilisation of brain and manpower resources. What other countries have taken three hundred years or more to achieve, a once dependent territory must try to accomplish in a generation if it is to survive. Unless it is, as it were, 'jet-propelled'; it will lag behind and thus risk everything for which it has fought. Capitalism is too complicated a system for a newly independent state. Hence the need for a socialistic society.⁶⁹

This passage is of more than ordinary interest, for note the political necessity he felt to produce rapid results. And note the sudden transition from the need for speed to the need for socialism. Perhaps even by 1957 he had become disillusioned with the moderate pace of results being achieved under essentially liberal-capitalist policies and was thinking of the successes of the Soviet Union in modernising its own economy almost literally in a single generation.⁷⁰ Private enterprise, after all, had been the rule since the Gold Coast was first created and yet he saw it as a backward economy. Against this history a socialist alternative must have seemed an attractive way of modernising.

⁶⁹ Nkrumah, 1957, pp. xv-xvi. His statement that, "we lay stress on education because it is the antidote to feudalism, despotism and ignorance and superstition" (Nkrumah, 1961, p. 45) and many of his other writings and speeches have the same powerfully modernising emphasis, and it was consistent with this that the CPP theologians should have defined the ideology of 'Nkrumaism' as, "drawing its strength from modern science and technology" (quoted by Legum, p. 141).

⁷⁰ Dobb (1963, p. 64) was not the first nor the most reluctant to point out this attractive aspect of the Soviet model for the low-income countries.

Note finally from this passage how socialism, economic independence and modernisation become meshed as a mutually-reinforcing set of objectives. Modernisation implies industrialisation.⁷¹ For practical purposes, industrialisation entails at least a partial closing of the economy, through the provision of protection from foreign competition. This, in turn, promotes greater economic independence by reducing reliance upon imports and internalising the productive structure. But since there was practically nothing of a ready-made indigenous modern entrepreneurial class, the only way to create an industrial sector which was not wholly in foreign hands, and thus in conflict with the desire for economic independence, was for the state itself to fill the entrepreneurial gap. Thus, socialism came, in its economic dimension, to mean a large and growing share of the state in economic activities.

To sum up, it is contended that around the turn of the decade there was considerable political pressure on Nkrumah to produce better economic results than he had in the past. At the same time fundamental changes occurred in the power structure and ideology of Nkrumah's party and government, beginning, perhaps, with his 1959 speech and culminating with the publication in 1962 of the party's Programme for Work and Happiness. It is for this reason that we draw a rather sharp distinction between the new policies and those of the fifties, and concentrate in this book on the last five years

⁷¹Both Eisenstadt (1963, p. 3) and Apter (1971, p. 18) stress the close inter-connections between modernisation, urbanisation and industrialisation.

or so of Nkrumah's rule.⁷²

The nationalist and socialist objectives meshed with the desire to change Ghana into a modern nation-state and were seen as entailing the necessity for a clear break with the 'colonial' policies of the past and resulted in the formulation of a new strategy of economic development. What was this strategy and how were the problems perceived that it was intended to solve?

The new economic strategy

Nkrumah's diagnosis of his nation's economic problems defies any rigorous presentation but can be reasonably described as a mixture of anti-imperialism and the type of stagnationism attributed to mainstream development economics in the previous chapter.

The anti-imperialism was a vulgarised and modified form of the classical Hobsonian/Leninist critique. The most succinct statement of Nkrumah's view of the economics of colonialism is in the following passage from his Towards Colonial Freedom:

⁷⁴ Omaboe (1966, p. 452) also stresses the change that occurred in the sixties:

"Firstly, it could be claimed that the Seven-year Plan is the first real plan which sets out the policies and objectives of the CPP Government. The first plan had already been prepared when the CPP came into power in 1951. Although the second plan was introduced in 1959, two years after the attainment of independence, it could be said with some degree of justification that in 1959 the Government had not been able to break with the past. This came after the institution of a republican form of government in July 1960 when the Government took some radical decisions which Ghanaianized the top posts of the civil service. By the time the Seven-year Plan was launched in 1964 political independence had been forcibly asserted in many ways, both domestically and internationally. The plan is therefore the first true reflection of the economic and social objectives of the CPP."

The purpose of founding colonies was mainly to secure raw materials. To safeguard the measures for securing such raw materials the following policies were indirectly put into action: (i) to make the colonies non-manufacturing dependencies; (ii) to prevent the colonial subjects from acquiring the knowledge of modern means and techniques for developing their own industries; (iii) to make colonial 'subjects' simple producers of raw materials through cheap labour; (iv) to prohibit the colonies from trading with other nations except through the 'mother country'.⁷³

He also referred in the same work to "the two-way fixed price system, basic in colonial economies," whose object is to "buy cheap raw materials and labour from the colonies and to sell high-priced manufactured goods back to the colonies."⁷⁴ The possible tension between these motives were not noticed. These are the themes that recur in Nkrumah's writings on colonialism and were faithfully reflected in the CPP's 1962 manifesto.⁷⁵ The colonialists had left behind them a distorted economy: oriented to the exportation of raw materials, based on cheap labour, starved of modern know-how and industries, a dumping-ground for the surplus manufactured goods of the industrial nations, exploited both in the prices received for exports and paid

⁷³Nkrumah, 1962, p. 10. This was first written as a young student in 1947 but was not published until 1962. However, in a foreword to the 1962 publication Nkrumah stated, "the views I expressed then are precisely the views I hold today concerning the unspeakably inhuman nature of imperialism and colonialism" (p. x). It is also of some interest that in Consciencism he reaffirmed his continued adherence to the 'economic analysis' just quoted (Nkrumah, 1964, p. 98). What was generally absent from his writing on this topic was a view that the colonies had also served as an outlet for the surplus capital of the imperial powers, and he apparently did not believe that imperialism would inevitably lead to war. In these respects his analysis was a departure from those of Hobson and Lenin.

⁷⁴One catches echoes here of the cheap labour arguments of Lenin and Myint, and of Myrdal's use of colonialism as an explanation of underdevelopment described in the previous chapter (pp.).

⁷⁵CPP, 1962, paragraphs 28-31.

for imports, and excessively dependent on trade with the metropolitan power.

The anti-colonialism, however, spilled over into other explanations of underdevelopment strongly reminiscent of the views of many development economists. Thus, Nkrumah drew attention to the vulnerability of an economy heavily dependent on the single export crop, cocoa, and to the lack of balance with which it was associated.⁷⁶ He was pessimistic about prospects for his country's terms of trade⁷⁷ and about the effects of the development of synthetic substitutes for primary products.⁷⁸ He was, as we have already shown, also pessimistic about the availability of local entrepreneurship and finance to push the economy forward rapidly. Perhaps most significantly of all, he shared with the economics profession a view of poverty as a self-perpetuating condition: "The vicious circle of poverty, which keeps us in our rut of impoverishment, can only be broken by a massively planned industrial undertaking."⁷⁹

He similarly shared the skepticism of many economists about the efficacy of the market mechanism in inducing the economic development he was determined to achieve:

The greatest single lesson that can be drawn from the history of industrial development in the world today

⁷⁶ Nkrumah, 1963, p. 108.

⁷⁷ "Each year the western world pays less for its imports and each year charges more for its exports," Nkrumah, 1968, p. 73.

⁷⁸ Nkrumah, 1963, p. 63.

⁷⁹ Nkrumah, 1963, p. 167.

is the uncounted advantages which planning has in the first place over the laissez faire go-as-you-please policies of the early pioneers of industrialisation...

The major advantage which our independence has bestowed upon us is the liberty to arrange our national life [and]... the freedom... to interfere with the play of forces in the world commodity markets.

"Government interference in all matters affecting economic growth in less developed countries is today a universally accepted principle..."⁸⁰

We are here right back in the interventionism of mainstream development economics and it is surely no coincidence that Nkrumah cited Myrdal in support of the contentions just quoted.⁸¹

The task, then, was to throw off the inhibiting and distorting effects of the colonial system, to escape from the unfruitful dependence on primary product exports and to break through the vicious circle of poverty. A private enterprise solution was neither possible nor, in general, desirable. Planning and 'government interference' were to spearhead the attack--but what strategy was to be followed?

Firstly, it was revolutionary in nature, as opposed to evolutionary. This much was implied in Nkrumah's view already quoted that a 'massively planned industrial undertaking' was necessary to break out of the vicious circle of poverty. It was a fundamental social and economic transformation that was sought, for, in the words of the CPP manifesto, "Socialism can be achieved only by a rapid change in

⁸⁰ These quotations are from Nkrumah, 1963, pp. 109-110, 120 and 165.

⁸¹ See ibid., pp. 109-110 where Myrdal is quoted in support of the manipulations of market force.

the socio-economic structure of the country.⁸² In similar vein, the Seven-year Plan argued that the "colonial structure of production based on exports of primary commodities which largely accounts for the present low level of income must be completely altered."⁸³ The objectives identified earlier--socialism, economic independence and modernisation--all called for large changes in various aspects of the socio-economic structure. They called for major changes in the composition of production and employment, for a re-structuring of both the composition and geographical direction of external trade, for the large-scale infusion of modern knowledge and technology, and for a rapid expansion in the role of the state in the economy.

There was to be a marked shift in the end-use of capital formation, away from the former emphasis on the creation of social overhead capital (SOC), in favour of directly productive activities (DPA). This, a modernisation of agriculture, and a greatly accelerated process of industrialisation were to be the chief changes in the structure of the economy.⁸⁴ We will therefore concentrate on some elaboration of this strategy, dealing more briefly with the other aspects of transformation later.

A seriously deficient set of infrastructural facilities had been identified as the chief development constraint in the fifties

⁸²CPP, 1962, paragraph 7.

⁸³Seven-year Plan, p. 5.

⁸⁴Ibid., pp. 7-12.

and the development plans of that decade followed a strategy that might, in the terminology of Hirschman, have been described as building up the SOC in the hope of inducing a comparable expansion in directly productive activities.⁸⁵ New roads were built, so were hospitals, schools, power stations and a modern artificial harbour at Tema near the capital, Accra. The number of telephones tripled, the number of persons served by piped water more than doubled.⁸⁶ The two development plans adopted by the Nkrumah government in the fifties each allocated eighty percent or more of planned government investments to SOC projects.⁸⁷ However, the response of the productive sectors to these infrastructural improvements was not sufficient to satisfy the politicians or the planners. This was the view of both the acting Chairman and Executive Secretary of the Planning Commission. Omaboe, who acted as Chairman for most meetings of the Commission (Nkrumah was formally the chairman but did not attend most working sessions), wrote that "Ghana is in possession of an

⁸⁵ Scott, 1957, is the most comprehensive source for this period. See also Seers and Ross, 1962, who wrote at length about the adverse consequences for the development of the economy of the inadequacies of the ports and other transport facilities.

⁸⁶ For a useful statistical survey of these developments see Seven-year Plan, p. 26.

⁸⁷ It was estimated by Omaboe, 1966, Table 18, that 89 percent and 80 percent of planned expenditures in the first and second plans were allocated to social services and infrastructure in the first and second plans. The proportions for agriculture and industry were 11 and 20 percent, compared with 37 percent in the Seven-year Plan.

infrastructure that is capable of supporting a higher level of productive services..."⁸⁸ and J. H. Mensah, Executive Secretary of the Commission and chief draughtsman of the Seven-year Plan, stated that:

a general presumption of planning for the next seven years has been that the existing level of social services is underutilized in terms of the volume of economic activity which it could support, and that a good deal of expansion could take place without any need for corresponding increases in social and administrative services.⁸⁹

Hence, the plan sought to increase the share of government spending on DPA's and the share of SOC projects in planned expenditures fell to 63 percent.

There was, however, one massive exception to this general strategy: the Volta River Project, the chief aspects of which were the creation of a very large hydro-electric power plant on the river Volta and the simultaneous construction by private investors of an aluminium smelter that would utilise a large proportion of the low-cost power from the dam.⁹⁰ Nkrumah had made the Volta project his own (although, contrary to popular belief, he did not originate it) and he was very clear about why he wanted it: "Electricity is the basis for industrialisation. That, basically, is the justification for the Volta River Project."⁹¹ In this case, then, he was building generating capacity ahead of demand in the hope of stimulating

⁸⁸ Omaboe, 1966, p. 454.

⁸⁹ J. H. Monrah, 'Comprehensive Economic Planning in Ghana: paper prepared for ECA conference on planning.' Mimeo, n.d., ca. September 1962, p. 20.

⁹⁰ See Chapt. 9 and Killick, 1966, Chapt. 16 on the Volta River Project.

industrial growth and this prevents us from categorising his new strategy as being purely one of emphasising the creation of productive capacity. Nevertheless, the shift away from infrastructural investments was clear and characteristic of the new approach. Nkrumah himself was explicit about this and saw it as essential to the realisation of his political objectives:

One point, however, we have to get clear. At this juncture Ghana is not a socialist state. Not only do the people as yet not own all the major means of production and distribution, but we still have to lay the actual foundations upon which socialism can be built, namely, the complete industrialization of our country...

To implement our objective of basic economic reconstruction, we must henceforth earmark a much larger proportion of our national revenue to the erection of basic industries and the multiplication of our agricultural products. We must try and establish factories in large numbers at great speed and see to it that there is quick development of electricity and water supplies.⁹²

In this he is likely to have been influenced by the Russian example, for on returning from a visit there in 1961 he was reported to have said, "I am convinced we have much to learn from them on how to speed up our industrialisation."⁹³

⁹² Nkrumah addressing a CPP meeting in April 1961, 'On Building a Socialist State', Ministry of Information and Broadcasting, Accra, 1961. Later, in exile, he was to develop another political argument for industrialisation: "Urbanisation is at the core of social change. Therefore, industrialisation, which is the main cause of urban growth, determines the social pattern. With growing industrialisation, the African proletariat will increase in numbers and become more class conscious" (Nkrumah, 1970, p. 70). It is doubtful, though, whether this consideration had much influence on his thinking in the earlier sixties. Egala, one of Nkrumah's senior Ministers, put the case in more nationalistic terms. According to him, the programme of industrialisation would free Ghana from "the unfeeling heel of imperialism and colonialism" (Ghanaian Times, 25 May 1962).

⁹³ Ghanaian Times, 3 October 1961.

But what of the economic arguments that were deployed in favour of industrialisation? We have already quoted Nkrumah to the effect that massive industrialisation was the only hope of breaking out of the vicious circle of poverty. Another major theme was the need to transform the colonial structure of production and increase the degree of economic independence (a) by processing materials before export instead of shipping them in a raw state, as was traditional, and (b) by producing local substitutes for imported manufactures. As between these two alternatives, the main priority was to be given to import-substitution.⁹⁴ As Nkrumah put it, "Every time we import goods that we could manufacture if all the conditions were available, we are continuing our economic dependence and delaying our industrial growth."⁹⁵

The need to industrialize in order to reduce the unemployment problem was another argument. Indeed it was the dominant rationale offered by the Seven-year Plan,⁹⁶ but this was a reason relatively little used by the politicians in this period, and the emphasis of the plan can be directly traced to the influence of J. H. Mensah, the man who wrote much of the plan.⁹⁷ Unemployment had not at the

⁹⁴ See Seven-year Plan, p. 93, which nominated the production of manufactured consumer goods as the type of industrialisation on which "it is intended to lay the main emphasis ... under this plan."

⁹⁵ Nkrumah, 1963, p. 112.

⁹⁶ Seven-year Plan, pp. 4-12.

⁹⁷ The section of the plan just cited reproduces practically word-for-word an article which Mensah wrote explaining the rapid growth of the labour force and the need to generate more jobs as an argument for industrialisation. See Mensah, 1962.

beginning of the sixties become the highly sensitive issue it was to assume later, although there was some discussion of the need to encourage small industries in rural areas to reduce the pace of urbanisation.⁹⁸

Ghana's was, and remains, basically an agricultural economy so the question arises, where did agriculture fit into Nkrumah's scheme of thought? If we study the Seven-year Plan, the view taken appears an eminently sensible one. According to the plan, "the most readily available way of raising the national income is by concentrating our efforts in the coming seven years first and foremost on the modernisation of agriculture." Later:

however much progress is made in the non-agricultural sectors of the economy the general level of prosperity in Ghana cannot increase significantly unless agriculture which employs nearly two-thirds of the labour force also undergoes a revolutionary change. During the next two decades the rate of growth in agriculture will condition the rate of growth of the whole economy.

Agricultural development was necessary, the planners believed, to improve nutritional standards, to raise the level of rural incomes, to increase the supply of raw materials, and to reduce dependence on imported foodstuffs.⁹⁹ Unfortunately, however, this was a matter on which Mensah and his fellow officials were out of step with the politicians, and on the balance between agriculture and industry the Plan is a poor guide to the actual priorities of Nkrumah and his colleagues.

For Nkrumah development was synonymous with industrialisation, as is already apparent from a number of quotations on earlier pages. In

⁹⁸ Nkrumah in an address sent to Parliament, reported in the Ghanaian Times, 26 September 1963.

⁹⁹ These references are from the Seven-year Plan, pp. 14, 54, 61 55-56 respectively.

his view agriculture was an inferior form of activity¹⁰⁰ and those who criticised a strategy of industrialisation did so for sinister motives:

industry rather than agriculture is the means by which rapid improvement in Africa's living standards is possible. There are, however, imperial specialists and apologists who urge the less developed countries to concentrate on agriculture and leave industrialisation for some later time when their populations shall be well fed. The world's economic development, however, shows that it is only with advanced industrialisation that it has been possible to raise the nutritional level of the people by raising their levels of income.¹⁰¹

He seems here to come close to accusing his own planners of being apologists for imperialism!

He did not, of course, deny the desirability of raising agricultural productivity, merely the notion that industrialisation should wait upon this development. Even with regard to agricultural policies, his view seemed to be that the best way was to industrialise it. He thought in terms of "gigantic agricultural schemes,"¹⁰² of large-scale mechanisation--thoughts which he translated into action, as will be shown in Chapter 8. He had little faith in the modernising capabilities of Ghana's millions of small-scale peasant farmers, or in the utility of aiding them. "Small-scale private farming," he was

¹⁰⁰ His belief in the inferiority of agriculture comes out very strongly from a reading of Towards Colonial Freedom (1962). Several Ghanaians have mentioned to me that Nkrumah referred to farming as "a poor nigger's business" (compare with Marx's reference to "the idiocy of rural life"), although I have not been able to trace a source for this statement.

¹⁰¹ Nkrumah, 1965, p. 7.

¹⁰² Nkrumah, 1961, p. 28.

to write in one of his later books, "is an obstacle to the spread of socialist ideas. It makes for conservatism and acquisitiveness and the development of a bourgeois mentality."¹⁰³ This, perhaps, helps to explain why he dismantled the agricultural extension services designed to help the peasant farmers.

The divergence between Nkrumah and his technocrat planners also showed up with respect to the phasing of industrial development. The strategy of the Seven-year Plan was to start with the simpler manufactured consumer goods, building materials and the processing of Ghana's traditional raw material exports, then to progress to basic industries such as metals and chemicals, and finally to proceed to the creation of heavy industries and the manufacture of sophisticated products such as electronic equipment.¹⁰⁴ Even though Nkrumah was the nominal chairman of the Planning Commission and the planners had used the CPP manifesto as political guidance in drawing up the plan,¹⁰⁵ it is clear that neither in principle nor in practice did he agree with this sequence:

secondary industries, important as they are to making us economically independent, will still leave us heavily reliant on outside sources and skill unless we build up those heavy industries which alone provide the fundamental basis of industrialisation.¹⁰⁶

¹⁰³ Nkrumah, 1970, p. 79. A lack of faith in the peasant is, of course, firmly in the Marxian tradition. See Baran, 1957, p. 273: "The subsistence peasant in backward areas...has neither the means for acquiring the necessary implements, nor--and this is even more important--would he be able to employ them on his dwarf plots."

¹⁰⁴ Seven-year Plan, p. 12.

¹⁰⁵ Ibid., p. v.

¹⁰⁶ Nkrumah reproduced in Friedland and Rosberg, 1964, p. 260 (my emphasis). When cutting the sod at the site of steel mill he similarly argued that "Ghana must go into basic industries so as to produce machines and tools for further industrialisation..." (Ghanaian Times, 4 June 1962).

In the end, the planners had to bow to the view of their President, so that, whereas the process of industrialisation described in the Seven-year Plan was envisaged to occur over a twenty-year span, the Annual Plan for 1965 shifted into a dramatically higher gear and stated that "the time has now come to devote more attention to the development of basic industries..."¹⁰⁷ Published only a year later, this made nonsense of the perspective plan of the master document.

In brief, then, Nkrumah's strategy was one of accelerated industrialisation. Even though the Seven-year Plan dragged its feet in this matter, the production targets set out there do indicate the general nature of the process that was envisaged:

Table 3.1

Output Targets of Seven-Year Plan, by Sector

<u>Sector</u>	<u>Planned increase in output, 1960-1962 to 1969-1970 (in constant prices) (percent)</u>
Agriculture	53%
Mining	52%
Industry and construction	83%
Other sectors	40%
TOTAL GDP	57%

Source: Seven-year Plan, Table 13.7, p. 270.

¹⁰⁷ Annual Plan for 1965, p. 23.

While it is correct to summarize Nkrumah's strategy as one of industrialisation that, does not, of course, tell the whole story and we conclude this section by referring briefly to two other aspects that were important aspects of his strategy.

One of these was the rapid expansion of education and the supply of skilled manpower--necessary, of course, for successful industrialisation but desired also for its own sake. Elementary school education was free and was made compulsory in 1961; fees for secondary education were abolished in 1965. The Seven-year Plan proposed to double the number of pupils entering secondary schools during the plan period and a sixfold increase in the output of the universities.¹⁰⁸ Moreover, the targets of the plan implied a 100 to 300 percent increase in the number of skilled workers over its seven years, depending on whose figures one believed.¹⁰⁹

Secondly, we should note the increasing share of economic activity that was envisaged for the state. This was how the objective of socialism was understood in Ghana and we have already quoted Nkrumah as claiming "the complete ownership of the economy" to be the objective of his government. This was reflected in some degree in the Seven-year Plan. Forty-four percent of all planned investment was to be undertaken by the government, public consumption was to grow twice as fast as private consumption, and public-sector output of

¹⁰⁸ See Seven-year Plan, Chapter 7, and also B issue, 1967, pp. 38-40.

¹⁰⁹ See Seven-year Plan, Table 7.1, and also Killick, 1966, pp. 150-153.

various agricultural crops was to increase more rapidly than the output of the private sector by multiples of between $1\frac{1}{2}$ and 28.¹¹⁰ The share of the state in industrial output was also to grow, although no precise target was set. Moreover, this was not just wishful thinking on the part of the politicians; we will record in a later chapter how, with the exception of agricultural output, a great deal of socialisation of economic activity actually occurred.

The foreign exchange budgets that were produced for 1965 and 1966 illustrate yet other aspects of this socialisation, for, as will be shown in Chapter 10, these budgets envisaged a large-scale socialisation of import capacity, transferring large amounts of foreign exchange from the private to the public sectors, and the import licensing system was expected to give priority to state enterprises in the allocation of licenses for raw materials, spares and capital equipment.

The instrumentalities

We have seen already how Nkrumah regarded planning as a vastly superior means of achieving industrialisation as compared with the laissez faire methods of the nineteenth century. Thus, planning was central to the implementation of the strategy we have described above:

Socialism implies central planning in order to ensure that the entire resources of the State, both human and material, are employed in the best interests of all the people.¹¹¹

¹¹⁰ Computed from Seven-year Plan, Chapters 4 and 13. See also Killick and Szereszewski, 1969, pp. 111-112.

¹¹¹ CPP, 1962, paragraph 54.

But what actually was conceived as the role of planning? The most fruitful source on this is the 1962 CPP manifesto, Programme for Work and Happiness.¹¹² The planners, the party believed, should decide how resources should be mobilised for development and how they should be used. They should decide the relative shares of saving and consumption and how to attract labour. They should also "ration some raw materials" among the sectors of the economy. The organisation of education, decisions as to what forms of agriculture and industry should be encouraged, where they should be located, and how they should be attracted and financed, were among the other tasks of planning.

Direct participation of the state in the productive system was, of course, to be one of the means of industrialising and of modernising agriculture. Increasingly, though, this was to take the form of acquiring new assets rather than by nationalising private concerns. A few failing gold mines and a large trading company were bought out by the government on mutually agreed terms but the general approach adopted was well put in a 'Guide to the Implementation of the Seven-year Plan': that socialism should not be achieved "by hindering the growth of the private sector, but by maximising the growth of the public sector. Private enterprise will not be killed; it will be surpassed."¹¹³ Socialist writers were subsequently to criticise Nkrumah for what they regarded as this suicidal attempt to sup with the devil.¹¹⁴

¹¹²The remainder of this paragraph is summarised from ibid., paragraphs 56-64.

¹¹³Quoted by Mensah, 1965, p. 14.

¹¹⁴See Fitch and Oppenheimer, Chapter 8.

Administrative controls also proved to be major instruments for the implementation of government economic priorities--controls on imports, capital transfers, on the licensing of industry, on minimum wages, on the rights and powers of trade unions, on prices, on rents and on interest rates. Of course, not all this was new. Despite Nkrumah's beliefs to the contrary, colonial policy had not been one of laissez faire. Attempts to control prices, rents and interest all were initiated in the colonial period and there were other major pieces of interventionism, the most notable example being the war-time creation of a statutory marketing board with a legal monopoly over the exportation of cocoa.¹¹⁵ Szereszewski has shown the key role of the colonial government in an earlier period of the Gold Coast's development¹¹⁶ and, as one observer has put it, "Nkrumah did not need a socialist ideology in order to follow and improve on a well-beaten track."¹¹⁷

But socialist ideology he had, nonetheless, and what is beyond doubt is that the extent and pace of interventionism greatly expanded in the early sixties. He may have been building on a ready-made foundation but the structure he created was certainly a bigger one than the original architects intended. There was, in other words, a real sense in which Nkrumah was turning Ghana into a 'command

¹¹⁵Bauer, 19 deals well with the history of cocoa marketing and with various aspects of the interventionism of the colonial governments.

¹¹⁶Szereszewski, 1965, passim.

¹¹⁷J. C. de Graft-Johnson in Economic Bulletin of Ghana, 1972, No. 1, p. 58.

economy', in which the state was gradually taking over all major economic initiatives.¹¹⁸ That there were big differences between what the planners were expected to do and what they were actually able to achieve is true and will be brought out more fully in later chapters, but this does not alter the basic fact that Nkrumah was seeking to establish a centrally planned and controlled economy.

A second type of question we can examine under the heading of instrumentalities concerns Nkrumah's views with respect to the mobilisation of resources for the development of the economy.

Nkrumah was here caught in a cruel dilemma, although a common one for the leaders of low-income countries. We have shown him to have been under fairly intense political pressure to satisfy the material aspirations aroused among Ghanaians by the struggle for independence and, especially, to reward his party activists, and this fact obviously imposed constraints upon the extent to which he could squeeze the Ghanaian consumer in order to mobilise resources for the development effort. But we have also shown that Nkrumah believed that "The vicious circle of poverty...can only be broken by a massively planned industrial undertaking," and that his objective of greater economic independence would naturally predispose him in favour of as much domestic financing of this 'massive undertaking' as possible.¹¹⁹

¹¹⁸ For a development of the notion of a command economy see Wiles, 1962, p. 18 and passim.

¹¹⁹ "It has been well pointed out that political independence is but an empty facade if economic freedom is not possible also. I must emphasise again, however, that economic freedom can only be purchased by capital development, it cannot be given from outside." Nkrumah in 1965, quoted by Grundy, 1963, p. 445.

His attempted resolution of this dilemma was characteristically bold. Some outside assistance was essential but the bulk of Ghana's big push was to be achieved from domestic resources. The resulting necessity to raise domestic savings inevitably meant restraining the growth of consumption but the material aspirations of the people were also to be satisfied, by two means: (a) by achieving a high overall growth rate which would enable some appreciable improvements in consumption standards (and the creation of more jobs) even while the domestic savings ratio was being raised, and (b) by emphasising the expansion of collective consumption, through the creation and improvement of social services (thus also satisfying the socialisation objective).

We shall give reasons in a later chapter for not taking the specific numbers very seriously but, nevertheless, the overall macro-strategy of the Seven-year Plan provides a useful illustration of the approach just summarized. Table 3.2 below sets out some of the key macro-economic magnitudes of the plan.

Selected Macro-economic Aspects of Seven-year Plan
(percentages)

	Actuals 1960-62 ^{d/}	Planned 1969/70	Planned 1963/64 to 1969/70 ^{e/}
<u>Ratios (percentages of NDP^{a/})</u>			
1. Private consumption	81.1	73.8	-
2. Public consumption	11.1	14.0	-
3. Net domestic fixed capital formation	13.9	17.1	-
4. Net domestic savings ^{b/}	7.9	12.2	-
5. Net capital inflow	6.0	4.9	-
<u>Growth rates</u>			
6. Private consumption	-	-	4.5
7. Public consumption	-	-	7.7
8. Gross domestic fixed capital formation	-	-	9.1
9. Gross domestic savings	-	-	10.6
10. Gross domestic product	-	-	5.9
<u>Marginal savings rate</u>			
11. Increase in gross domestic savings as % of increase in disposable incomes ^{c/}	-	-	29

Sources: Seven-year Plan, chapter 13.
Economic Survey, 1968, Table 3.
Brown, 1972, Tables C-3 and D-1.

Notes:

- a/ There are no official estimates of capital consumption in Ghana for this period so I have taken Brown's estimates, adjusted to a current-price basis.
- b/ The figure for 1960-62 is derived as a residual.
- c/ Disposable income is defined as private plus public consumption plus gross domestic saving.
- d/ Averages for the three years, derived from current-price series.
- e/ There are discrepancies between some of the targets mentioned in the text of the plan and those which can be estimated from the plan's projections. The latter have been used here.

Table 3.2 shows that, even though investment was quite high by the standards of low-income countries immediately prior to the plan period (nearly 14 percent--see line 3), the intention was nevertheless to raise this further--to over 17 percent. Bearing in mind that we are here talking of net investment, what is conveyed here is an investment effort of somewhat heroic proportions. Moreover, the proportion of capital investment financed from abroad was intended to go down (line 5) and the domestic savings ratio was to rise from under 8 percent to over 12 percent (line 4).

In spite of this per capita consumption was planned to rise in real terms: private consumption was to rise at the rate of 4.5 percent while population growth was taken as 2.4 percent p.a. Note, though, the socialisation of consumption that was planned (lines 1, 2, 6 and 7); while the share of NDP claimed by private consumption was to fall, the share of public consumption was to rise. Finally, note the marginal savings rate implicit in the plan of practically 0.3 (line 11). In fact it can be estimated that a full 77 percent of total planned investment was intended to come out of domestic saving. This was the arithmetic of economic independence.¹²⁰

Given the economic pressures upon him, Nkrumah's willingness to squeeze the domestic consumer was courageous, some would say

¹²⁰ Estimated from Seven-year Plan, Chapter 13. Fifty percent of total plan investment was to come from private domestic saving and 27 percent from the state.

It is tempting to dismiss all this as unrealistic, the mere pipe dreams of planners. But, as is recorded in later chapters, many of the intentions just described were actually realised: the investment ratio was raised, so was domestic saving, and there was a major socialisation of consumption. What failed to materialise was rapid growth.

Given the economic pressures upon him, Nkrumah's willingness to squeeze the domestic consumer was courageous, some would say foolhardily. He had some appreciation of what was involved if he was to reconcile his plans for industrialisation with his objective of economic independence:

The Welfare State is the climax of a highly developed industrialism. To assure its benefits in a less developed country is to promise merely a division of poverty. Undoubtedly there must be an investment of a proportion of the capital reserves in the establishment of minimum wage levels to assure proper diet, as well as minimum health and housing facilities. But poverty is progressively reduced only as productivity progresses and part of its surplus can be made available in increased wages, better housing and generally improved social conditions.¹²¹

One surplus he had been squeezing for some time was that generated by the cocoa farmers. Through the agency of the Cocoa Marketing Board, large proportions of the export proceeds of cocoa were withheld from the farmers and used by the state, and the squeeze was tightened drastically in the first half of the sixties. Since much of the active opposition to the CPP had come from cocoa growing areas, especially in Ashanti, to tax the farmers was politically easier, perhaps, than it otherwise would have been, but he was also willing to spread his net to the urban proletariat. For example, he saw

¹²¹Nkrumah, 1963, pp. 105-106. Note that he characteristically treats industrialisation as synonymous with development.

the trade unions in independent Ghana as playing a quite different role from that of the colonial period. Thus, the CPP manifesto:

In the present stage of our development, Trade Union officials must discard their colonial mentality and methods and remember that they are not struggling against capitalists... The Trade Union Movement must spearhead their efforts to raise production and productivity and cease to be advocates for outmoded conditions.¹²²

Here again Nkrumah was willing to match his words with deeds. On the advice of Nicholas Kaldor, a budget was introduced in 1961 which both raised taxes and introduced a compulsory savings scheme with the purpose, as Nkrumah was later to explain, "to make the people aware of the false standards and illusory ideas of wealth in an economy which has not yet got off to a real start on the road of reconstruction and development."¹²³ When some workers struck in protest their nominal leader, the General Secretary of the Trades Union Council, berated them as,

Frightened by measures taken by the Government to streamline the nation's pattern of expenditure, demonstrate the soundness of our finances and gear both on to a programme of industrialisation...¹²⁴

and the strike leaders were imprisoned.

Even in 1965, when there was much inflation and shortages of consumer goods, the government brought in another budget to substantially raise taxes, and Nkrumah called for reductions in consumption

¹²²CPP, 1962, paragraph 121.

¹²³Nkrumah, 1963, p. 100.

¹²⁴John K. Tettegah reported in Ghanaian Times, 20 September 1961.

expenditures to make resources available for investment.¹²⁵ The foreign exchange budget for that year cryptically illustrated the government's priorities: "The allocation of consumer goods imports by the private sector is the residual after the minimum requirements for health, primary industries, manufacturing industries and government consumption have been fully met."¹²⁶ Besides overt taxation, the government also showed itself willing to resort to the 'inflation tax' as an additional means of mobilising resources, and there was large-scale deficit financing in 1964 and 1965.¹²⁷

¹²⁵Nkrumah reported in Ghanaian Times, 13 January 1965. This budget proposed tax changes to raise additional revenues of \$46 millions, equivalent to a 19 percent increase over estimated actual revenue in 1963/64--see The Budget, 1965, Part II, pp. 5 and 17.

¹²⁶The Budget, 1965, Part III, p. 8.

¹²⁷See Ahmad, 1970, especially Chapter 1.

Nkrumah's policies as a case study of applied development economics

At the end of the fifties, we have argued, Nkrumah was under considerable political pressure to deliver on the promises he had made before independence and, especially, to reward the party faithful. Owusu is one writer to have rightly stressed the economic basis of Ghanaian nationalism and politics; in an interesting article published in 1966 Rimmer made much the same point: that 'development in Ghana was not necessarily understood in the way that economists view it but was thought of rather in terms of the creation of jobs and of certain physical manifestations of economic change, such as the building of roads, schools, water supplies, and so on.¹²⁸ This point of view is not necessarily in fundamental conflict with the view that Ghana's leaders were also pursuing economic growth and development as it would more usually be thought of by economists. In a later article, however, Rimmer threw down a much more fundamental challenge to the idea that economic development is an important objective of economic policies in countries such as Ghana.¹²⁹ He would, I suspect, challenge the conceptual framework of this chapter, which views economic policies in Ghana as development oriented, and it is a challenge that cannot be ignored. To summarise, Rimmer's argument is that West African political realities are such that the chief concern of policy makers is to achieve a redistribution of income in favour of themselves and their supporters. Economic development, "in the usual

¹²⁸ Rimmer, 1966.

¹²⁹ Rimmer, 1969.

sense of higher living standards for the mass of the people, probably has to be accepted as an incidental outcome of human activity, rather than the result towards which all organised social effort is consistently directed" and planners can most usefully 'content themselves with securing marginal changes, or perhaps with defending particular sectors or policies, in a process of economic change which has a vigorous life independent of their designs.'" This view, he states, is particularly applicable to Nkrumah's Ghana.¹³¹ By implication, the use of terms such as socialism is a mere diversionary tactic, with little material content. The real ideology is acquisitiveness - the amassing of wealth by the leaders and their closer followers through graft, the creation of jobs, and other redistributive devices. These are the politics of cynicism, but do they fit the case they have been describing?

That there is an element of truth in it must be conceded; Rimmer is far too astute and experienced an observer of the West African scene for anything else to be the case. It is true, as will be shown in a later chapter, that, for all his talk of planning, Nkrumah showed little understanding of it and took little notice of his planners. It is also true, as subsequent commissions of enquiry were to establish, that there was a good deal of corruption in Nkrumah's government, from which the leader himself was not immune.¹³² It is also correct that the government devoted considerable resources to the 'uneconomic' creation of

¹³¹Ibid., p. 202.

¹³²See Chapter 10 below and also the reports of various commissions of enquiry into various malpractices, conducted after the 1966 coup.

employment.¹³³ But these elements of truth are smaller than the whole and, in my view Rimmer's analysis fails to provide a plausible explanation of Ghana's economic policies under Nkrumah or, indeed, under any other government.

It is interesting to recall, firstly, that it was neither Nkrumah nor his ministerial colleagues who stressed employment creation in the early sixties, but the Executive Secretary of the Planning Commission - a civil servant, not a politician.¹³⁴ Relatively little emphasis was placed on the unemployment problem in Nkrumah's writings and after his overthrow he was actually to make the extraordinary claim that "In Ghana, before 24th February 1966, unemployment was virtually unknown."¹³⁵ The 1962 CPP manifesto proclaimed that unemployment would be abolished by the end of the sixties but seemed as concerned with ensuring the release of surplus labour from the rural areas to near the factories that were to be set up.¹³⁶ Secondly, we may note that the bribery which occurred in his period did not have quite the distributive effects that Rimmer claims. It is true that some Ministers and party functionaries became wealthy men but others, like Kwasi Amoako-Atta, Nkrumah's last Minister of Finance and one who took his socialism seriously, were straight. At least a substantial proportion of the graft went to public servants- who had generally remained aloof from

¹³³The best known example was the creation of a 'Workers Brigade', a quasi-military organisation set up to provide employment. The Brigade's attempts at productive activities, chiefly in farming, were outstanding failures (see Chapter 9) but it is estimated that there were 19,000 brigadeers by 1965 (see Scott, 1967, p. 95). The State Gold Mines were also acquired primarily to prevent an increase in unemployment and considerable pressures were exerted on other state concerns to employ more workers than they needed (Chapter 9).

¹³⁴See p. ...

¹³⁵Nkrumah, 1968, p. 92.

¹³⁶CPP, 1962, paragraphs 125-127.

the CPP - rather than to the faithful, and another large part of it went to finance the considerable activities of the party itself, rather than being added to personal fortunes. Moreover, in my view, corruption was not especially serious during the Nkrumah regime - what went on in Ghana was modest by the standards that were being set, let us say, in Nigeria or Liberia.

However, these are quibbles. More fundamentally, a number of the chief aspects of the policies of the period we are concerned with simply do not fit into Rimmer's explanatory framework. The big push, the intensity of the drive to industrialise, the emphasis on the need to transform the colonial structure of the economy - these are not factors which can easily be explained in terms of a desire to redistribute wealth in favour of those in power rather than with a concern with development. Similarly, Nkrumah's attitudes and policies regarding the ownership and control of assets do not fit the Rimmer thesis. Nkrumah, we have shown, sought to limit Ghanaian businesses to small-scale enterprises and, if he had to choose, preferred foreign entrepreneurs to Ghanaians. He did not expropriate foreign businesses in order to transfer wealth and jobs to his friends, and the management of many of the public enterprises he set up was placed in the hands of expatriates rather than Ghanaians. Finally, we have noted that Nkrumah showed himself willing to adopt tough measures to restrain private consumption, even in times of hardship, rather than give up his vision of a modernised and industrialised Ghana. Certainly wealth and income were redistributed in Ghana but much of the shift was in favour of investment and of the state and was achieved at considerable political cost in

terms of lost support. Nkrumah's response to group demands was to ingest them more often than buy them off.

In short, Rimmer would have us view Nkrumah's economic policy as the essentially static one of redistributing wealth in the direction of favoured persons and groups. He provides us with a picture of politics as being preoccupied with aggrandizement, reward and economic appeasement. These were certainly parts of the scene; it would be naive in any setting to think of policy as being directed towards the single-minded pursuit of development to the exclusion of all other objectives. But Rimmer's thesis fails to explain the undoubted dynamism of the late Nkrumah period, it fits only some of the facts and conflicts rather strongly with Nkrumah's willingness to impose hardships in pursuit of a long-term vision of a modernised Ghana. It is impossible to obtain a rounded view of his policies unless we accept long-term economic development or modernisation as being one of his overriding purposes. We conclude, then, by summarising the case in favour of viewing Nkrumah's policies in the sixties as a case study of applied development economics.

In stressing the nationalist and socialist influences on Nkrumah's thinking and policies we have perhaps neglected the impact of the leading ideas of economists who were concerning themselves with the problems of low-income countries. Nkrumah showed some awareness of their writings and used some of their arguments,¹³⁷ although their direct influence

¹³⁷For example, he quoted and paraphrased Myrdal on the inappropriateness of free trade policies, on the need for planning and for intervening in normal market processes (see Nkrumah, 1963, pp. 1-9-10 and 161).

on him was probably not more than marginal. Of potentially much more importance was their indirect influence through the advice he received from his civil servants and advisers. Two Ghanaian civil servants who were particularly involved in the preparation of the Seven-year Plan were E. N. Omaboe, Government Statistician who acted as chairman of the Planning Commission when Nkrumah was absent, and J. H. Mensah, Executive Secretary of the Planning Commission and chief draughtsman of the plan. These were both relatively recent graduates from university who were well aware of the leading ideas in development economics at that time. We have already mentioned the influence of Mensah's writings on the Plan; Omaboe, who stated that implementation of the plan would "catapult the nation to the threshold of the take-off stage", was also an important figure.¹³⁸ In addition, over the years the Planning Commission and the Bank of Ghana (another important source of economic advice) built up a staff of recently graduated economists well versed in the ideas of mainstream development economists and it is reasonable to assume that they too had a bearing on what went on in Ghana in this period.¹³⁹

Mention might also be made of the considerable artillery of outside economic advice that Nkrumah and his aides had access to in these years. Among the most prominent of the foreign economists who at one time or another advised Nkrumah were Dudley Sears, W. Arthur

¹³⁸See Omaboe's interesting account of planning in Ghana in Omaboe, 1966, Chapter 18. The quote is from p. 459. See also Mensah's 1962 article.

¹³⁹The present writer was at that time on the teaching staff of the Department of Economics at the University of Ghana and was among those who went to some pains to 'de-colonise' the curriculum and to give it much more of a development orientation.

Lewis and Nicholas Kaldor. A conference of experts was held in April 1963 to discuss a draft of the Seven-year Plan which was attended by these three scholars and by such other well-known names as Albert Hirschman, K. N. Raj, and H. C. Bos, Tinbergen's associate. The strategy outlined in that draft was virtually identical with the one published in the final document and it is interesting to see what attitude the participants of the conference took towards it.¹⁴⁰ Their chief criticisms of the draft, as I recorded them at the time, were:

- (a) The plan was over-ambitious, especially with regard to what could be achieved in agriculture and with the supply of skilled manpower;
- (b) It did not contain enough specific projects (it was in this respect the opposite of 'colonial planning', which essentially consisted of a shopping-list of projects);
- (c) Insufficient work had been done on the internal consistency of the plan, and a working group proposed a simple form of input:output table that might be used for this purpose;
- (d) The plan covered too long a period.

In short, constructive professional advice was offered but very little by way of fundamental criticism of the strategy contained in the draft. Nkrumah's planners could reasonably have gone away from that meeting

¹⁴⁰I am here relying on notes I took as a participant of this conference.

in the belief that the principal ideas of the plan had found general acceptance.¹⁴¹

What this suggests, and what indeed is a chief contention of this study, is that what Nkrumah was trying to do in the sixties was in consonance with the ideas of most development economists. The view of the economists themselves had some influence on Nkrumah's decisions but what was decisive was the congruence that existed between the ideas of mainstream development economics at the beginning of the sixties and the views of Marxists and nationalists that was pointed out in the previous chapter. It was the mutual reinforcement of economics, socialism and nationalism that gave this set of ideas such an intense attraction to statesmen such as Nkrumah.

We have already shown marked similarities between Nkrumah's analysis of the obstacles to Ghana's economic development and the pessimistic diagnoses of the development literature of the fifties. Recalling now the description in Chapter 2 of the chief prescriptions of mainstream development economics at the beginning of the sixties, consider now the similarities between these and Nkrumah's views.

Firstly, they agreed that development was a discontinuous process of structural transformation; we have seen how insistent the Ghanaians were in their desire to remove the 'distortions' created by the 'colonial' structure of the economy, based upon primary production. Secondly, they were agreed that a big push was necessary in order to achieve the desired transformation - recall Nkrumah's

¹⁴¹For the record and to avoid any contrary impression, it should be stated that I was among those in agreement with the plan's broad strategy.

call for a "massively planned industrial undertaking" if Ghana was to break out of "the vicious circle of poverty."¹⁴² Thirdly, they were apparently agreed that a very high level of investment was a crucial component of the big push; Table 3.2 showed the dimensions of what was envisaged for Ghana. A fourth point of agreement was on the necessity for industrialisation, and a pattern of industrialisation which concentrated on the manufacture of import substitutes: Nkrumah, like many economists, was convinced by the industrial revolutions of the nineteenth century that industrialisation was the path to prosperity and that, by comparison with agriculture and other forms of primary production, industry was a much more potent modernising force.

Finally, we can note the concurrence of the economics profession and of Ghana's leaders on the need for planning and of the inadequacies of the market system. The centralised planning envisaged by the CPP would, as we have seen, replace or modify the markets for commodities and foreign exchange, for labour and for capital. In general, the policy instruments chosen were intended to replace the markets rather than improve upon them - price controls, foreign exchange regulations, industrial licensing, price controls - although there were exceptions like the Capital Investment Act, which essentially offered pecuniary incentives to foreign investors. Given a shortage (and suspicion) of local entrepreneurs, the state was to fill the vacuum by setting

¹⁴²Nkrumah, 1963, p. 167.

up its own farming, trading the industrial enterprises. Finally, the state was to play the major role in mobilising the savings necessary for the big push - through taxation and, in the last resort, through deficit financing.

This, then, is the case for treating Nkrumah's policies as a study in applied development economics. Much of the remainder of this book is taken up with an examination of how the application worked out in practice.

II - ECONOMIC STRATEGIES AFTER NKRUMAH

By the beginning of 1966 Ghana's economy was in a parlous state. Inflation and shortages had depressed living standards. The government's budget and the external payments position were gravely out of balance. Population was growing faster than output in spite of a massive investment effort, most state concerns were operating at miserable levels of efficiency, the Seven-year Plan had become a dead letter, and the country would clearly not be able to meet her external debt obligations in the months to come.

The obvious preoccupation of the military and police officers who overthrew Nkrumah in February 1966 and formed the National Liberation Council (NLC) was therefore to restore some order to the chaos, a task which filled most of their three-and-a-half years in power. The civilian administration under Dr. Busia's Progress Party which followed the NLC did concern itself more with development but the military allowed them only a little over two years of office before another coup swept the

National Redemption Council into power early in 1972, under the leadership of Col. J. K. Acheampong. This period of stabilisation and of political change is of less general interest to the student of the problems of economic development and only one of the following chapters is wholly devoted to the post-Nkrumah period. I will therefore be much briefer here in sketching the economic strategies pursued from 1966.

The soldiers and policemen of the NLC stood for a return to a far more pragmatic approach to the country's economic problems than had formerly been the case. They were not interested in socialism or, indeed, in any other ideology. They set out to restore some degree of 'efficiency' to the economy and were not much concerned with the elaboration of a coherent body of economic ideas. They throughout saw themselves as essentially a transitional government and adhered with a remarkable consistency to their state intention to return power to a popularly elected civilian government. As soldiers and policemen they were, in general, happy to leave the mysteries of economic management to the 'technocrats', their civil servants, and for most of their period Omaboe (Nkrumah's former Government Statistician) was the dominant influence in the formulation of economic policies. In his view, the chief problems facing the country at the time of the coup were:

- (1) The correction of the present imbalance in the country's foreign payments position;
- (2) The arrest of the inflationary pressures to which the economy has been subjected during the past few years;

- (3) The provision of more job openings for the rising population of the country; and
- (4) The restoration of balance to the Government's Budget¹⁴³

Their overall strategy for dealing with these, put together with the advice of the IMF,¹⁴⁴ was to pursue orthodox disinflationary fiscal and monetary policies while at the same time preventing an adverse effect on production by improving the utilization of existing productive capacity, and preparing the economy for another development effort to be launched as soon as the stabilisation objective had been achieved. The chief policies adopted in pursuit of this strategy are summarised in what follows.

Firstly, to reduce the pressure of demand on available resources, and thus to improve the balance of payments and ease inflationary pressures, major reductions were made in public-sector investments. The general principle was adopted that economically sound projects already under way should be completed but that few, if any, new projects should be commenced. This, of course, also reduced the budgetary deficit and permitted an end to inflationary deficit financing. (At the same time, though, the NLC undermined these policies by announcing tax cuts and by failing to bring the recurrent budget under control, of which

¹⁴³The key documents upon which the following account of NLC policies are based are NLC, Rebuilding the National Economy (March 1966); A. A. Afrifa, New Deal for Ghana's Economy (July 1967); NLC, Outline of Government Economic Policy (August 1967). The quote is from a statement by Onahoe in the March 1966 document, p. 9. Two other useful background documents are entitled Ghana's Economy and Aid Requirements and cover 1968 and 1969-70 respectively.

¹⁴⁴A resident representative of the Fund had an office in the Bank of Ghana from 1966 until early 1970, and in this period the Fund provided substantial financial assistance to Ghana.

more later.)

Secondly, the NLC pursued a policy of cautious liberalisation. Their stated intention was the eventual abolition of import, price and exchange controls but, in practice, the most that was achieved was a modest reduction in the coverage of import licensing.¹⁴⁵ In fact, it is not at all clear that the NLC had anything like a consistent liberalising philosophy - they were pragmatic about that too - for it was not until the period of the Busia government (and the hegemony of J. H. Mensah over that government's economic policies) that import liberalisation gathered pace. Price and foreign exchange controls were left intact, and so was industrial licensing.¹⁴⁶ It is true that in July 1967 the cedi was devalued by 30 percent but even at the time the NLC did not seem to believe that this went far enough to establish an equilibrium rate.

A third strand in the policies was much greater emphasis on the role of private enterprise, especially Ghanaian. Special measures were introduced to assist Ghanaian businessmen, and legislation was announced to reserve certain types of trading and other service activities exclusively for Ghanaians. But again the approach was pragmatic. State participation would be undertaken when private capital was not available for certain 'basic projects'. Some state enterprises were sold off to private investors, some state farms closed down, and an effort was made to improve the economic performance of remaining state enterprises. An Industrial Holding Corporation was set up to achieve this latter result

¹⁴⁵ By end-1968 only 17 percent of total imports had been placed on non-restrictive 'open general' licenses.

¹⁴⁶ It seems probable that the stated policy of removing all trade and exchange restrictions was chiefly for the loss of the IMF and creditor countries, and one of the key policymakers of the NLC period told me he did not believe it more than a very partial

with respect to state manufacturing concerns, and considerable numbers of redundant workers in organisations such as the Workers Brigade and a state construction corporation were laid off. Industrial capacity utilisation, public and private, was improved by the more adequate provision of import licenses for raw materials and spare parts, and import restrictions on these items were gradually lifted.

A fourth strand in the policies of the NLC was a major effort to secure external support, especially from the Western countries, in the forms of aid and debt relief. The response of these countries, as will be shown later, was the partly self-defeating one of being generous with aid and parsimonious with debt relief. Nevertheless, appreciable net assistance was received in both forms from 1966 to 1972.

Finally, the soldiers sought to prepare the economy for a fresh development drive (a) by strengthening the pad from which it would be launched, (b) by creating an atmosphere of confidence conducive to higher levels of private investment, (c) by beginning to repair the neglect suffered by the country's peasant farmers under Nkrumah, especially by rebuilding the agricultural extension services, and (d) by strengthening the economic planning capabilities of the public service.¹⁴⁷ Indeed, the NLC itself sought to move towards more growth-

liberalisation. Provision for industrial licensing was explicitly retained in the 1968 Industrial Policy Statement, p. 9.

¹⁴⁷The government requested the assistance of the Harvard Development Advisory Service in strengthening its economic planning potential and an advisory team worked in Accra from mid-1967 until September 1972. This writer was a member of the 'Harvard Group' working in the planning agency from October 1969 to July 1972.

oriented policies towards the end of its period of office and prepared a two-year development plan with the significant sub-title, From Stabilization to Development.¹⁴⁸ A family planning programme was adopted - thus making Ghana one of the first African states to have a population policy - although one that did not (and has not) taken on much concrete content.¹⁴⁹

When they handed over to the newly-elected Busia administration in October 1969 the NLC could claim that "Ghana has achieved a sufficient measure of economic stability and restored conditions for new growth," while conceding that major problems still awaited solution.¹⁵⁰

In spite of their long wait for power, Busia and his colleagues came to office with very little by way of an economic policy. It was, as those of us who were advising the new government quickly discovered, impossible to derive from the election manifesto of the Progress Party a meaningful economic philosophy, although it was generally in favour of private enterprise and placed considerable stress on giving Ghanaians a "greater stake in the economy of their own country."¹⁵¹ In spite of

¹⁴⁸ NLC, Two-year Development Plan: From Stabilization to Development. (July 1968).

¹⁴⁹ See NLC, Population Planning for National Progress and Prosperity (March 1969).

¹⁵⁰ Omaboe, Development in the Ghanaian Economy, 1960-68, p. 7 and passim.

¹⁵¹ Progress Party Manifesto, August 1969, p. 5.

an apparently positive general attitude to the freer operation of market forces, it also envisaged a very large role for the state in economic matters. This ambiguity was neatly illustrated by the co-existence on the same page of the manifesto of a pledge to move away from trade controls and another to improve the enforcement of price controls.

The man who immediately emerged as Busia's chief economic policy-maker was J. H. Mensah, Nkrumah's former chief of planning who has already figured frequently on these pages. He took over the portfolios of both finance and planning, which gave him virtual monopoly in the area of macro-economic policy making. As a trained economist in a Cabinet which contained little of that type of expertise, Mensah quickly assumed a dominant role in economic matters which only weakened in the last months of the Busia administration. What were Mensah's objectives and how did he intend to achieve them?

He revealed himself as preoccupied with three problems: growth, employment and equity. Having experienced nearly a decade of stagnation, he saw that Ghana needed a more rapidly growing economy; he saw too that the future of the government he belonged to depended upon improved economic performance.¹⁵² If a choice had to be made, he would sacrifice economic stability to the pursuit of accelerated growth - a point on which he was most explicit in his 1971 budget speech:

In the face of unfavorable trends which are forecast for tax revenues and the balance of payments, should Government cut back on development and even undertake measures of retrenchment in its current operations? Or should Government through its budget seek to support, maintain and perhaps

¹⁵²This point was stressed by him in a document submitted by the government to the creditor countries in April 1970.

increase the momentum towards accelerated development which had begun to show in the economy? The decision of our Government is that it is necessary and possible to maintain expansion. 153

His second prime concern, with the unemployment problem, was, of course, completely consistent with the approach he had taken in the early sixties when he was preparing the Seven-year Plan and it is certainly no coincidence that, of the three governments we have discussed so far, Busia's displayed the greatest sensitivity on the employment issue. His concern with equity (and this was something shared by the government as a whole) is a relatively new theme for this chapter. The concern was focussed around the large disparities that were believed to exist between living standards in the rural and urban areas. For Mensah,

the principal task that has to be accomplished in the search for social justice in Ghana is to raise the levels of rural incomes as a whole vis-a-vis the levels in urban income as a whole, rather /Ghan/ to make adjustment within the structure of urban incomes. 154

To the lower-paid urban workers who were asking for a higher minimum wage he had but cold comfort:

At the present time incomes policy is based on the assumption that the lower paid urban workers are ... an under-privileged group on whose behalf state intervention should be used in the pursuit of a more equitable income distribution. If instead of that hypothesis we substitute the more realistic assumption that the lower-paid urban workers are simply the less well-off members of a relatively wealthy urban minority in the country as a whole then our conclusion about a viable and realistic minimum wage ... would be quite different. 155

153 J. H. Mensah, Budget Statement, 1971/72, paragraph 74.

154 See J. H. Mensah, 1971.

155 Ibid.

Discussing the strategy adopted for dealing with these problems is more than usually difficult for they were nowhere set out in a consistent and coherent way and we are forced to judge what the government's strategy was, insofar as it had one, from what it did.¹⁵⁶

Four main strands can be identified:

- (a) That it was necessary to substantially raise the domestic investment and savings rates from the low levels to which they had fallen under the NLC;
- (b) That a growing volume of imports was essential if higher growth rates were to be achieved, which entailed an expansion of export earnings and even more external assistance;
- (c) That the Ghanaianisation of economic activities should be accelerated;
- (d) That special emphasis should be placed on rural development.

In terms of specific policy measures, this strategy was taken to entail higher levels of taxation and of public investment (especially in agriculture and other rural programmes). But while the state was to play a more prominent role in the development effort, moves were also made to further dismantle the instrumentalities of the command economy. Thus, imports were rapidly liberalised¹⁵⁷ (unfortunately

¹⁵⁶The following paragraphs are largely gleaned from Mensah's budget statements and other speeches, and, to a lesser extent, from the One-year Plan, 1970/71 (which, however, was largely written by officials and is a poor guide to the real thinking of Mensah and his ministerial colleagues).

¹⁵⁷It was estimated that the liberalisation announced in the 1971 budget would have only 20 percent of imports still subject to specific licensing.

without adequate measures to ration by price what had previously been rationed by fiat) and a reform was introduced that greatly raised the structure of interest rates available to the private saver and payable by the investor. A policy of wage restraint was pursued and the 1971 budget substantially reduced the real incomes of public servants.¹⁵⁸ Various small-scale service activities were reserved exclusively for Ghanaians and many aliens were summarily expelled from the country.

Finally, when high public expenditures and a large import boom brought the economy once again to crisis point, the government devalued the cedi by a massive 47 percent¹⁵⁹ (this time over the opposition of Mensah, whose power was by then in decline). Even though it was accompanied by a number of other measures intended to assuage public opinion, such as large increases in the wages of lower-paid government workers, a 25 percent increase in the cocoa producer price and various tax reductions, this drastic medicine proved too bitter to swallow and a group of army officers seized the opportunity to stage a second coup d'etat in January 1972.

Styling themselves the National Redemption Council (NRC), they partially revalued the currency (but left Busia's 'sweeteners' untouched), restored comprehensive import controls, widened the scope of price controls, subsidized certain imported consumer goods, and generally moved rapidly back in the direction of establishing a command economy. Ghana's economy had come full circle; the attempt to move it in the direction of more market-

¹⁵⁸ Reduced housing and other allowances were estimated to reduce the effective incomes of higher-paid civil servants by about a quarter.

¹⁵⁹ This is discussed in Chapter 12. A devaluation of this magnitude implied that the cedi cost of imported goods would rise by an average of 90 percent.

oriented policies had, at least for the time being, failed, and some of Nkrumah's old colleagues began to emerge in positions of influence, if not power.

From this sketch of economic strategies in the post-Nkrumah years two features emerge which are of particular interest to the theme of this book. The first is that just at the time when the economics profession began to form doubts about the grand theorising and interventionism of the early literature on development, to pay more attention to ways of making market forces operate more efficiently, and to concern themselves more with the problems of unemployment and income distribution, so were Ghana's policy makers moving in the same directions. Unemployment and urban-rural income inequalities were major concerns of the Busia government, and both his and the NLC's administration sought to at least partially dismantle the instruments of the command economy which Nkrumah had introduced. So, just as Nkrumah's policies reflected rather faithfully the economic strategies then propounded by many economists, the policies of the two administrations that followed mirrored the shifts of emphasis discernable in the writings on development, as described in the previous chapter.

The second point of interest is that the attempt to remove some of the disequilibria that Nkrumah's policies had created and to return to more market-oriented policies failed. The soldiers who overthrew Busia early in 1972 rapidly reverted to attempts to regulate the economy by fiat, even though they displayed little interest in the socialist ideology of the Nkrumah years.

Several questions arise. Is it possible to say whether the policies of 1966-71 promised better results than Nkrumah achieved? Was the heightened concern with employment and equity justified by the facts and did it lead to an improved set of policies? Why did the attempt to liberalise the economy fail; what difficulties were encountered in this venture? These are questions to which we will revert later, especially in Chapter 12.