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Colonial Continuities: The Impact of Structural Adjustment on Ethnic Cleavages in Ghana

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Abstract:

This paper examines the role of Structural Adjustment Programs (SAPs) in exacerbating the socio-economic and political landscapes. Using Ghana as a case study, the analysis explores how implementing SAP policies involving privatization and economic liberalization intensified socio-economic inequalities and deepened regional and ethnic disparities. It argues that SAPs produced the neocolonial dynamics of power, leveraging economic dependency to sustain unequal power dynamics. The paper connects the colonial-era exploitation of Ghanaian society and resources to the contemporary global economy, highlighting how SAPs undermined local development while favouring international financial institutions' interests.

Keywords: SAPs, neocolonialism, liberalization, Asante, IMF, conditionality

Introduction

What factors determine a state's economic productivity, and who holds the authority to determine it? During the decolonization period, spanning the 1960s to 1978, sub-Saharan Africa's gross domestic product (GDP) per capita grew at an annual rate of less than one percent, culminating in financial stagnation during the 1970s (Roemer 1982, 125–27). To remedy this problem, Structural Adjustment Programs (SAPs) were introduced in the 1980s. The appellation refers to projects that work to reconfigure the economies of developing countries. They are based on neoliberal economic tenets that were first practiced during the 1970s in several 'advanced' economies before being applied to the less industrialized world. Major international lenders, namely the World Bank and International Monetary Fund (IMF), established SAPs by attaching policy conditions to loans given to impoverished and indebted states (Mohan 2009, 1). Consequently, due to their financial leverage, lenders were able to exert a considerable amount of control over the policies that shape the lives of individuals in developing countries. These policies often had unintended consequences, with SAPs exacerbating inequalities within nations' social climates.

This essay will use Ghana as a case study to delve into the problematic nature of Structural Adjustment Program use in Africa. Ghana presents an ideal case for examination, as it had an efficient economy that benefited the subjects of the state before European contact. However, like several of its neighbouring countries, Ghana was left economically vulnerable by colonialism, a condition further exacerbated by the implementation of SAPs. Particularly, Ghana's economic fragility made it susceptible to loans featuring conditionalities imposed by international financial institutions. These conditionalities exacerbated pre-existing structural issues and impacted the state's constituencies, institutions as well as Ghanaian society as a whole. Building on this, this essay argues that Structural Adjustment Programs worsened the ethnic cleavages produced by colonialism in Ghana. We will first begin by investigating the political structure and ethnic relations in pre and post-colonial Ghana. Then, we will explore how SAPs led to privatization, which increased regional inequities. Afterwards, we will examine the damaging impacts of SAP-enforced globalization policies on the ethnically divided Ghanaian market. Following this, we will examine how the lending practices associated with SAPs reflect neocolonial tendencies, reinforcing the divisions established during the colonial period.

An investigation of SAPs is important to demonstrate how the global economy operates at the expense of African countries. Historically, this can be observed with capitalist imperialism. Hundreds of years before colonial rule, Europe vastly expanded its economic efficiency while Africa was ostensibly stagnant. In the late 1800s, Africa could be described as feudalist and communal, whereas Western Europe transitioned fully to capitalism. European economies were manufacturing significantly more goods by utilising their endowments and labour in addition to the resources and labour of other societies (Rodney 1983, 149). Qualitative innovations, such as using machinery and mills rather than land, facilitated increased production of goods and, consequently, national wealth. This also enabled the creation of European monopoly corporations that functioned by continuously competing to seize control over markets, natural resources, and communication channels within and beyond their country's borders. At the start of the imperialist era, Africa was targeted for natural materials such as cotton, palm derivatives, rubber, and nuts. Europe's fiscal capacity was expanded by these resources in a disproportionate trade dynamic (Rodney 1983, 150). This essay postulates that SAPs continued the trend of favouring Western societies at the expense of African communities by leveraging conditionality to disproportionately bolster Western interests.

Colonial Foundations of Ethnic Fragmentation

Prior to European colonization, the territory of modern-day Ghana was ruled by the Asante Kingdom. The Asante kingdom had agricultural industries and a complex network of administrative communities, creating a productive economic system (Davidson 2000). Led by King Osei Tutu, the Asante Kingdom initially featured several Akan groups, but by 1750 it contained neighbouring territories that it had conquered. During this time the principles of the Golden Stool, a symbol of national unity for the Ashanti people, allowed non-Akan subjects to maintain their own separate charters of identity as long as the representatives of each nation recognized its supremacy charter (Davidson 2000, 59-60). They were required to partake in celebrations and ceremonies honouring the precedence of national unity over sub-national or regional responsibilities. However, the commemoration of Asante unity was thoughtfully coupled with a sincere emphasis on the principles of power-sharing that underpinned the Asante union. For example, the yam festival coincided with the yearly meeting of the Asantemanhyiamu, a representative assembly of the Asante nation. This assembly operated similarly to a parliament, in which judicial and political affairs were discussed and matters relating to each constituency were addressed (Davidson 2000, 60). By operating in a system that emphasized political unity and coherence, the Asante kingdom consolidated power dynamics that could serve its diverse population efficiently.

Ultimately, the decline of the Asante Empire was brought on by internal conflicts that arose in response to Britain’s presence and later colonization of the state. In the early 1800s, Britain, through commerce or conquest, became ruler of a majority of fortresses along the coast. The British involvement in the Asante wars, as well as the destruction of trade and insecurity that would result, laid the foundations of British domination and the eventual institution of the Gold Coast colony. Throughout most of the nineteenth century, Asante acted to expand its power and facilitate and safeguard its trade. The coastal regions started getting invaded by Asante starting in 1807. The Asante pursued the South again in 1811 and 1814. These intrusions intercepted trade in timber, palm oil, and gold products. They also endangered European fortresses. For this reason, the African Company of Merchants, composed of Dutch, Danish, and British leaders, had to reconcile with Asante's influence. In 1817, they signed a friendship treaty acknowledging Asante's sovereignty over vast coastal zones and its residents. The residents of the coast, including the Fante/Fanti and people of Accra —a new town primarily inhabited by the Ga— began to rely on Britain for protection from Asante invasions, but the merchant business had limited capacities for defence (Berry and Library of Congress. Federal Research Division 1995, 13). Britain dissolved the company in 1821, transferring control of British fortresses in the Gold Coast to Governor Charles MacCarthy (Berry and Library of Congress. Federal Research Division 1995, 13-14). MacCarthy was responsible for enforcing peace and ending the slave trade. He attempted to do this by closing major roads to the coast and prompting residents of the coast to resist Kumasi authority. However, sporadic armed conflict continued. In 1824, Asante forces killed MacCarthy and most of his troops. Nevertheless, in 1826, the British, in collaboration with Accra and the Fante/Fanti residents, thwarted the Asante coast invasion. In the late 1820s, when Britain allowed Gold Coast settlements to be controlled again by the African Company of Merchants, relations with the Asante were still conflictual. The Asante perceived the British as failing to command the activities of their regional coastal populations. If this had been done, Asante may not have felt it necessary to seek to impose peace on the peoples of the coast. MacCarthy's promotion of coastal opposition to Asante and the following 1824 attack by British forces further demonstrated to Asante leaders that Europeans, particularly the British, disregarded them (Berry and Library of Congress. Federal Research Division 1995, 14).

The Asante kingdom would have many more military and political interactions with the British Empire in the nineteenth century. Following the British victory at the battle of Dodowa in 1826 and the signing of the Anglo-Asante Treaty in 1831, the British temporarily seized the southern Asante provinces, including Akyem, Denkyira, and Accra. From then on, Britain's economic and political influence grew consistently, destabilizing the Asante Empire. In the treaty of Formena a substantial indemnity of fifty thousand ounces of gold was levied on Asante. Following this in July, the British seized the provinces in the south as part of the Gold Coast colony. This shift in the economic base in addition to the strain of incessant wars, prompted internal tensions to emerge after 1850. Indeed, disputes over the concealment of Asante refugees by British authorities, trade abuses, and Britain’s distaste for Asante laws, lead to the unresolved war of 1863. Later on, hostile tensions erupted over the Dutch cession of Elmina (a power base from Asante on the coast) to Britain, culminating in the war of 1873-1874 which the Asante lost. Accordingly, the British army looted, burnt, and ransacked Kumase, later annexing their former southern provinces as the Gold Coast colony. This granted Britain a strong territorial base to exert forceful economic and political pressure on Asante until the kingdom was finally captured in 1896 (Aidoo 1977, 19). Britain's capacity to collaborate with coastal peoples in their early arrival and transition into modes of domination demonstrates how economic and political domination from external powers can translate into internal division.

Alienating Nature of Privatization

The legacy of economic and political domination can be observed in the imposition of Structural Adjustment Programs. Particularly, the imposition of privatization in SAP conditionality served to worsen ethnic relations. Privatization is the transfer of firm ownership from the state to the private sector. Altering the relationship between the state and the private sector may involve deregulation, denationalization (the sale of state-owned assets) and contracting out (the delegation of state-financed services and products production to private businesses through franchising) (Theodore 1992, 134). In the context of structural adjustment, privatization is used to support development based on three assumptions. First, the concept of administrative parsimony assumes that private operations are more efficient. Second, private administrators are assumed to respond faster to supply and demand shifts. Last, the concept of technological innovativeness suggests that profit as a motivator for private administrators increases the likelihood that they will adopt new production methods. Consequently, the pressure on policymakers to reduce state-owned enterprises is in line with the aims of privatization and the productivity goals of SAPs (Theodore 1992, 141-142).

Privatization in Ghana due to structural adjustment programs worsened ethnic cleavages by increasing inequalities between the Northern and the Southern regions. Ghana adopted SAPs in 1983 under the Provisional National Defense Council (PNDC). From 1983 to 1992, six IMF reform packages were accompanied by severe fiscal discipline policies (Boafo-Arthur 1999, 46). These policies were pursued and implemented without citizen consultation or participation. Additionally, the political environment became increasingly threatening and authoritarian, discouraging public opposition. IMF authorities tolerated democratic backsliding as donors believed democratisation could create challenges for economic reform. Although macroeconomic indicators hinted at increased growth and development, many Ghanaians continued to face the negative consequences of reduced spending on education, health and agricultural inputs, increased unemployment due to mass layoffs, more expensive utilities, and consistently low wages, particularly for public sector employees (Boafo-Arthur 1999, 53). These impacts of privatization were especially harmful to Ghanaians in the North, who had a history of facing discrimination.

The ethnic division of the North and the South is due to pre-colonial mass migration under the Asante empire. The Moshi-Dagomba and the Gonja groups mostly inhabit the Northern regions. The more populous Southern regions are mostly inhabited by the Fanti and Ashanti Akan groups ("Ghana High Commission Canada, Ghana Embassy Canada - Population," n.d.). North-South relations were heavily disrupted by colonial practices. Policies of direct and indirect rule through chiefs entrenched inequalities between North and South Ghana. Colonial rule formalised the idea of major and minor ethnic groups, which resulted in certain smaller groups being subsumed under larger ones as recognized subjects. The trans-Atlantic slave trade also weakened the human resource pool of several communities, intensifying inter-ethnic conflict (Tsikata and Seini 2004, 48). Before the implementation of SAPs, efforts were made to rectify the inequalities between the North and the South. For example, the federal government under President Nkrumah established free education in Northern Ghana in 1961 (Tsikata and Seini 2004, 19). However, efforts like these were swiftly abandoned in favour of the privatization measures of the 1980s. The previously mentioned impacts of privatization were more severe in the North. While some policies under the Nkrumah administration may have promoted unity and reduced ethnic tensions, subsequent regimes' shifts toward smaller governments exacerbated longstanding ethnic tensions, leading to the marginalization of several ethnic groups (Tsikata and Seini 2004, 48). SAPs reproduced colonial mistreatment as privatization reduced the state's capacity to create ethnic cohesion. By requiring less investment in social services, SAPs effectively removed the PNDC's control over welfare, thereby creating conditions where ethnic tensions could thrive.

Local Harms of Globalized Economic Integration

The liberalization of Ghana's economy, a core component of Structural Adjustment Programs, similarly deepened ethnic cleavages. By definition, an economy is considered liberal when trade restrictions are significantly reduced or removed by the state (Hartzell, Hoddie, and Bauer 2010, 340). International financial institutions (IFIs) impose trade liberalization using SAP conditionality. One way this is done is by ensuring the government plays a minimal role in international economic activity (such as setting import quotas). This, similar to privatization, radically modifies the nature of state-society and societal relations by reducing the government's capacity to implement policies reflecting the interests of its citizens (Hartzell, Hoddie, and Bauer 2010, 343).

SAPs often imposed tariff reductions to stop the protection of unproductive domestic producers. Previously used Import Substitution Industrialization (ISI) strategies left indebted states with inefficient industrial sectors producing basic goods such as cement or steel. Producers could charge prices for their products above the international market price as tariffs safeguarded them. This hindered domestic firms that required raw materials. Tariff reductions were intended to allow companies to purchase inputs at lower prices and potentially improve the competitiveness of companies more generally (Brawley and Nicole Baerg 2007, 604). Ghana's main export was cocoa, protected by the state's use of ISI policies. The introduction of SAPs required Ghana to liberalize the domestic cocoa marketing board. This was to ensure the returns on cocoa would go to the farmers who produced it. Cocoa requires a significant amount of land to be farmed efficiently. SAPs were intended to direct the country towards a comparative advantage in land-extensive agriculture. However, the number of large holdings decreased after liberalization. Additionally, smallholders who had been successful in the 1970s began to suffer when SAPs ended government policies such as rural road construction and subsidies on fertilizers (Brawley and

Nicole Baerg 2007, 614).

The focus on supporting land-intensive industries like the cocoa market produced ethnic inequality. This is because structural adjustment policies improved raw material exports of cocoa, timber and minerals, which benefited regions in the West and the South, such as Ashanti, Brong-Ahafo, and Accra, conceivably more than the historically disadvantaged Upper West, Upper East and Northern regions. For example, the Asantes from the Ashanti region, which produces the majority of cocoa in Ghana, could benefit more than the Ewe from the Volta region. This was significant as the Ewes and Asantes had a longstanding rivalry. In this way, SAPs reinforced spatial inequalities that could have consequences for ethnic tensions (Ke 2014, 148). The PNDC government implemented a series of policies aimed at reconciling these disparities, such as the implementation of the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD) in 1987. This could serve as an explanation for the absence of armed ethnic civil conflict in Ghana during this time (Ke 2014, 150). The role of SAPs in creating a dynamic of ethnic inequality reflects the British colonial role because trade liberalization exposed Ghana to a global economic system that was not made to accommodate them. Additionally, the Government's control over the market was significantly reduced, meaning that groups with colonially imposed endowments could thrive as they did in the colonial era.

Neocolonial Tendencies of Donors

Structural Adjustment Programs reproduced the harms of British colonialism by taking a paternalistic approach to conditionality creation. This is because the World Bank and International Monetary Fund were influenced tremendously by Western powers. The creation of these institutions, including their composition, mission and location, were mostly determined by the United States (US). The US would also have more than one-third of voting power in the IMF and World Bank (Woods 2003, 92). Western influence was also present in the knowledge base of these IFIs. For instance, a 1991 study revealed that approximately 80 percent of senior staff at the World Bank were trained in finance and economics in British and American institutions (Woods 2003, 109). This revelation is significant because it demonstrates the employment of a paternalistic model through structural adjustment policies. As institutions structured and informed by Global North countries that use Western principles of economics, the World Bank and IMF lacked the capacity to consider the African context within which it operated.

Structural adjustment programs do not construct economies that promote the interests of African communities: they construct economies that repay and manage debt (Zack-Williams 2013, 182). For this reason, the period of structural adjustment programs can be conceived as an epoch of imperialist intrusion in Africa, where the foundations for neoliberal economies would be laid for several countries. This epoch also exemplifies the continued refusal to acknowledge the impact of imperialist powers in intervening in African domestic affairs (Zack-Williams 2013, 180). The case of Ghana demonstrates this trend. In this instance, the dismissal of the colonial force is manifested in the SAP's ability to worsen ethnic cleavage. Structural adjustment programs intensified cleavages in a comparable fashion to Britain. Similar to the economic pressures imposed by Britain on the Asante Kingdom, the imposition of privatization and liberalization of Ghana’s economy created pressures for Ghanaian society that would ultimately fracture relations between ethnic communities. Ghana once again found itself in an unequal power dynamic, but instead of colonizing powers exerting control through military strength, money was used as a tool for domination and exertion of political control.

Conclusion

All in all, ethnic minorities, specifically those in the North, were failed by Structural Adjustment Programs that emphasized productivity over humanity. This is because privatization worsened living conditions for low-income individuals who were mainly in the North and liberalization in the form of tariff reduction disproportionately benefited the South, leading to further marginalization of the North. In both of these instances, there was a consistent pattern of IFI donors' reluctance to acknowledge the political underpinnings that shaped Ghana’s economy. Hence, the World Bank and IMF produced the same harm that imperial Britain did. The case of structural adjustment programs in Ghana offers two insights into Africa's position in the global economy. The first implication is that colonially imposed tensions must be considered. Structural adjustment programs utilized methods that were fundamentally incompatible with the needs of Ghanaian communities because administrators did not account for pre-existing ethnic tensions. A highly ethnically diverse state such as Ghana meant that there were equally diverse needs in terms of economic prosperity. Although SAPs are tailor-made, this approach failed to provide an economic reconfiguration that would not leave room for other forms of state instability to emerge. Building upon this idea, the second insight is that economic shifts are not independent of political shifts. Instead, the two are co-dependent. Ghana’s adoption of SAPs changed the character of the state, society, and the relations between the two. This meant that the economic inequality created by privatization and liberalization would transcend its financial dimension. Colonialism modified spatial boundaries for ethnic groups, which would lead to some having better capacities to profit than others. Like Britain in the 19th century, IFIs emphasized inequalities between ethnic groups in Ghana through policies that benefited land-endowed municipalities.

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