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THE STATE AND THE DEVELOPMENT OF SMALL-SCALE INDUSTRY IN GHANA SINCE C. 1945

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ABSTRACT

Since c.1945, there has been an 'explosion' of small-scale industrial activity in Ghana. This thesis attempts to explain why this has happened.

First, developments in small industries during the colonial period are analyzed. Using new sources of data, it is argued that indigenous industries survived this period and were of significant importance by the end of British rule in 1957. Next, changes in the size and sophistication of these industries in the postcolonial period are quantified. It is estimated that, between 1960 and 1984, the number of workers employed in this sector more than doubled. There was also a clear increase in the small industry sector's sophistication.

A significant part of the thesis concerns government policy towards small industries since c.1945. Extensive use is made of newly-released archival material, particularly from the Nkrumah years (1951 to 1966). It is argued that, in general, government policies cannot explain Ghana's small industry expansion: although some governments have championed the cause of small industrialists, their small industry development programmes have been relatively small. Also, some government policies actually have prevented small industry growth.

Given that the state cannot be accountable for the 'explosion' of small-scale industrial activity, this thesis considers other possible reasons for this phenomenon. This is done by examining previous studies of the small industry sector and using new material from a survey of 40 small-scale industrialists conducted in 1996. It is argued that Ghana's small-scale industrial 'explosion' can be understood as one of the consequences of Ghana's pattern of economic development until the early 1960s, followed by a period of prolonged and rapid economic collapse during the 1970s and early 1980s.

CONTENTS

LIST OF TABLES

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Rajiv Ball, September 1997.

ABBREVIATIONS

AFRC	Armed Forces Revolutionary Council
BAC	Business Advisory Centre
CBS	Central Bureau of Statistics
CPP	Convention People's Party
DC	District Commissioner
EDP	Entrepreneurship Development Programme
GEDC	Ghanaian Enterprises Development Commission
GNAG	Ghana National Association of Garages
GRATIS	Ghana Regional Appropriate Technology Industrial Service
IDB	Industrial Development Board
IDC	Industrial Development Corporation
ILO	International Labour Office
IRS	Internal Revenue Service Archives, Accra
ITTU	Intermediate Technology Transfer Unit
KLO	Kumasi Lands' Office
MDPI	Management Development and Productivity Institute
MRO	Manhyia's Records Office
NAGA	National Archives of Ghana, Accra
NAGCC	National Archives of Ghana, Cape Coast
NAGK	National Archives of Ghana, Kumasi
NAGS	National Archives of Ghana, Sunyani
NAL	National Alliance of Liberals
NBSSI	National Board for Small-Scale Industries
NIB	National Investment Bank
NLC	National Liberation Council
NRC	National Redemption Council
NVTI	National Vocational Training Institute
PNDC	Provisional National Defence Council
PNP	People's National Party
PP	Progress Party

PRO	Public Records Office, London
SAP	Structural Adjustment Programme
SMC	Supreme Military Council
TCC	Technology Consultancy Centre
UGCC	United Gold Coast Convention
UGFC	United Ghana Farmers' Council
UNDP	United Nations Development Programme
UST	University of Science and Technology
WDP	Women in Development Project
WAI	Institute of West African Arts, Industries and Social Science (also known as the West African Institute)

1 INTRODUCTION

1.1 Theoretical and Comparative Perspectives

Since the 1970s, interest in small-scale forms of economic activity in the Third World has been increasing. In the African case, this development can be traced to the work of Keith Hart[1] and the International Labour Office[2] on the so-called 'informal sector' in the early 1970s. More recently, interest has shifted from the activities of small forms of economic activity in general, towards small-scale industries in particular. There has been extensive research into small industries in Africa for several reasons.

The Economic Contribution of Small Industries in Africa

The primary reason for the study of African small industries (industry defined here as the processing of raw materials, manufacturing and the repair of manufactured products) is a practical one. As Liedholm writes, in Africa, 'small firms dominate the industrial scene'.[3] Firms employing fewer than 10 workers provide up to 90 per cent of industrial employment in Sub-Saharan Africa.[4] Those with fewer than 60 workers account for up to 64 per cent of industrial value-added in the region.[5] Substantial small industry sectors exist in wealthier African countries such as Kenya,[6]

[1] Keith Hart, 'Small Scale Entrepreneurs in Ghana and Development Planning', *Journal of Development Studies*, 6 (1970) no. 4, pp. 104-20. Keith Hart, 'Informal Income Opportunities and Urban Employment in Ghana', *Journal of Modern African Studies*, 11 (1973) no. 1, pp. 61-89.

[2] International Labour Office, *Employment, incomes and equality. A strategy for increasing productive employment in Kenya* (Geneva, 1973), cited in S.V. Sethuraman, 'Concepts, methodology and scope', in S.V. Sethuraman (ed.), *The urban informal sector in developing countries. Employment, poverty and environment* (Geneva: International Labour Office, 1981), p. 11.

[3] Carl Liedholm, 'Small Scale Industries in Africa: Dynamic Issues and the Role of Policy', in Frances Stewart, Sanjaya Lall and Samuel Wangwe (eds.), *Alternative Development Strategies in Sub-Saharan Africa* (London: Macmillan, 1992), p. 185.

[4] Liedholm, *ibid.*, table 6.1, p. 186.

[5] *Ibid.*, p. 187.

[6] Peter Kilby, 'Breaking the entrepreneurial bottle-neck in late-developing countries: is there a useful role for government?', *Journal of Development Planning*, 18 (1988), pp. 221-49.

Nigeria and South Africa, as well as in poorer nations such as Tanzania[7] and Malawi.[8]

Surveys of African small industries indicate that important sub-sectors have been the manufacture of textiles, wood-working, metal-working, food production and brewing, as well as vehicle, shoe, electrical goods and bicycle repair.[9] Most small industries have been located in rural areas.[10] Moreover, small industries have not been a transient feature of the African industrial landscape. Studies of the small-scale industrial sector in Kenya conducted by House[11] and Mwega[12] suggest that a significant number of enterprises have been in existence for over a decade. Evidently then, small industries have been playing a major rôle in African economies. Therefore, interest in their activities is warranted.

Small-Scale Industries in the English and Japanese Industrial Revolutions

A further reason for the study of African small industries derives from the changing historiography of the Industrial Revolution in the West. In the English case, it used to be argued that the Industrial Revolution marked a period of discontinuity, with large-scale, high-technology, capital-intensive firms appearing suddenly from the late eighteenth century.[13] Nowadays, however, with regard to the Industrial Revolution, historians tend to stress 'continuity, rather than change'.[14]

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[7] M.S.D. Bagachwa, 'The Small Scale Industry Sector in Tanzania: a Review', *African Review*, 2 (1984) no. 2, pp. 90-103.

[8] Wim Ettema, 'Small-Scale Industry in Malawi', *Journal of Modern African Studies*, 22 (1984) no. 3, pp. 487-510.

[9] Liedholm, 'Small Scale Industries', p. 187.

[10] *Ibid.*, p. 189.

[11] William J. House, 'Nairobi's Informal Sector: Dynamic Entrepreneurs or Surplus Labour?', *Economic Development and Cultural Change*, 32 (1984) no. 2, pp. 277-302.

[12] F.M. Mwega, 'Informal Entrepreneurship in an African Urban Area', *Small Enterprise Development*, 2 (1991) no. 3, pp. 33-7.

[13] T.S. Ashton, *An Economic History of England* (London, 1955), p. 125, cited in Maxine Berg, *The Age of Manufactures, 1700-1820. Industry, Innovation and Work In Britain* (London, 2nd ed.: Routledge, 1994), p. 14. E.J. Hobsbawn, *The Age of Revolution, 1789-1848* (London, 1962), p. 28, cited in Pat Hudson, *The Industrial Revolution* (London: Edward Arnold, 1992), p. 2.

[14] David Cannadine, 'British History: Past, Present—and Future?', *Past and Present*, 116 (1987), p. 183.

One of the reasons for this revision has been the development of the proto-industrialization concept. The term proto-industrialization was coined by Mendels to refer to 'traditionally organized but market-orientated, principally rural industry', which existed in England before the advent of 'modern, factory, or machine industrialization'.[15] These proto-industries were mostly small, labour-intensive and used little fixed capital.

According to Mendels, and others writing in a similar tradition, proto-industries facilitated English factory industrialization in several ways. First:

> proto-industrialization created an accumulation of capital in the hands of the merchant entrepreneurs, making possible the adoption of machine industry with its (relatively) higher capital costs.[16]

Second, the skills developed in proto-industrial activities formed the basis of those used in factory industries. As Samuel notes, 'the mid-Victorian engineer was still characteristically a craftsman, an "artisan" or a "mechanic" rather than an "operative" or a "hand"'.[17] Third, proto-industrial technologies complemented modern factory technologies during the Industrial Revolution.[18] Thus, iron was smelted in the giant furnaces of the Black Country but worked in small, back-yard smithies. Textiles were manufactured in large, machine-powered factories in the Midlands, but tailored by hand in small workshops.[19] Finally, proto-industrial activities increased the responsiveness of populations to full-fledged factory industrialization, when this arrived. In this connection, Rowlands suggests that in the West Midlands, one of the centres of the Industrial Revolution in England, the proto-industrial past meant that:

> potent agents of change, such as the coke-fired furnace, the rotative steam engine and the long-distance canals, were introduced ... not into an agricultural society but into a region which had already served a long

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[15] Franklin F. Mendels, 'Proto-Industrialization: the First Phase of the Industrialization Process', *Journal of Economic History*, 32 (1972) no. 1, p. 241.

[16] *Ibid.*, p. 244.

[17] Raphael Samuel, 'Workshop of the World: Steam Power and Hand Technology in mid-Victorian England', *History Workshop: a Journal of Socialist Historians*, 3 (1977), p. 40.

[18] *Ibid.*, p. 20.

[19] *Ibid.*, p. 17.

apprenticeship to industrialization.[20]

Admittedly, in several instances, proto-industries failed to give birth to factory industries.[21] Moreover, as Coleman argues, industrialization in England appears to be correlated more closely to a region's proximity to coal and iron ore rather than its proto-industrial past.[22] Nevertheless, at the very least, it is difficult to dispute Mendels' original contention that proto-industries provided the basic skills and technology upon which England's Industrial Revolution was based. As Mendels remarks:

> many of the machine builders of the industrial revolution in England had been trained in the old handicraft industrial sectors, and they were in intimate contact with the scientific advances of their time.[23]

This raises the question of the extent to which the concept of proto-industrialization can be applied to small-scale industries in Africa today. The evidence suggests that Africa's small industries, like the proto-industries of early modern England, have used labour-intensive methods of production, little fixed capital and have been located in rural areas.[24] However, unlike English proto-industries, African small industries have not had a high degree of merchant capital penetration.

In the Japanese case, as in the English, small industries played a significant part in industrialization. This is important, given that Japan is one of the only non-Western countries to have industrialized fully. Before the Tokugawa Restoration in 1868, Japan had an agricultural economy, but non-farm by-employments were common: up to 25 per cent of the farm population was engaged part-time in commerce and manufacturing,[25] and around 55 per cent of rural income was non-

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[20] Marie B. Rowlands, 'Continuity and Change in an Industrializing Society: the Case of West Midlands Industry', in Pat Hudson (ed.), *Regions and Industries. A Perspective on the Industrial Revolution in Britain* (Cambridge: Cambridge University Press, 1989), p. 123.

[21] Eckart Schremmer, 'Proto-industrialization: A Step Towards Industrialization', *Journal of European Economic History*, 3 (1981) no. 10, pp. 653-70.

[22] D.C. Coleman, 'Proto-Industrialization: a Concept Too Many', *Economic History Review*, 36 (1983) no. 3, pp. 442-3.

[23] Mendels, 'Proto-industrialization', p. 244.

[24] Liedholm, 'Small Scale Industries', p. 189.

[25] Nomura Kametaro, *Mura meisaicho no kenky* (Tokyo, 1949), ch. 5, cited in Osamu Saito, 'The Rural Economy: Commercial Agriculture, By-Employment and Wage Work', in Marius B. Jansen and Gilbert Rozman (eds.), *Japan in Transition. From Tokugawa to Meiji* (Princeton: Princeton University Press, 1986), p. 406.

farm in origin.[26] During industrialization, small-scale industries survived: in 1930, almost 60 per cent of manufacturing workers were in establishments employing fewer than five workers.[27] In the postwar period, small-scale industries have maintained a large share of Japanese industrial employment in comparison to the West. For instance, in the late 1980s, firms employing fewer than 50 workers accounted for 47 per cent of manufacturing employment in Japan, compared to 16 per cent in Britain and 15 per cent in America.[28]

Just as in England, the existence of small industries facilitated the process of industrialization in Japan. First, small-scale industrial by-employments endowed agricultural workers with skills which were to be valuable in factory production. Smith writes that the first generation of factory-workers:

> thanks to by-employments, brought to their new employments useable crafts, clerical skills and even managerial skills. Thus traditional weavers had no great trouble learning to operate power looms ...[29]

In addition, certain factory industries evolved directly out of smaller industries. For example, Japanese bicycle manufacturing developed from the small-scale production of spares for imported British bicycles.[30] Finally, according to Friedman, Japanese manufacturing growth after 1945 was caused by 'the dramatic expansion of smaller producers throughout the nation's economy'.[31] Friedman contends that these small producers have been flexible in terms of design change, product differentiation and rapid response to altering market conditions. This has made them more efficient and dynamic than the rigid, mass-scale American systems of production.[32]

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[26] T.C. Smith, 'Farm Family By-Employments in Preindustrial Japan', *Journal of Economic History*, 29 (1969) no. 4, p. 692.

[27] Edwin O. Reischauer and Albert M. Craig, *Japan. Tradition and Transformation* (Boston: Houghton Mufflin Co. 1978), p. 200.

[28] Hugh T. Patrick and Thomas P. Rohlen, 'Small-Scale Family Enterprises', in Kozo Yamamura and Yasukichi Yasaba (eds.), *The Political Economy of Japan. Volume One. The Domestic Transformation* (Stanford: Stanford University Press, 1987), pp. 335-6.

[29] Smith, 'Farm Family By-Employments', p. 712.

[30] Penelope Francks, *Japanese Economic Development. Theory and Practice* (London: Routledge, 1992), pp. 224-5.

[31] David Friedman, *The Miracle Misunderstood. Industrial Development and Political Change in Japan* (New York: Cornell University Press, 1988), p. 2.

[32] *Ibid.*, p. 20.

Therefore, given the importance of small-scale industries in the English and Japanese industrial revolutions (and indeed elsewhere: in Germany before 1914, 95 per cent of industrial enterprises employed fewer than ten workers)[33] there is good reason to be interested in the activities of Africa's own small industrialists.

African Small-Scale Industries and Changing Development Theories

Another argument for the study of African small industries relates to the end of the consensus among development theorists from the 1970s, and the replacement of this consensus with the paradigm of neo-classical economics in the 1980s.

Small-scale industries hardly featured in the prescriptions of the first generation of development economists, who held that Western patterns of economic development could be replicated in the Third World.[34] Gerschenkron and Rostow had little concern for small industries. Gerschenkron argued that, in 'backward' countries:

> industrial labour, in the sense of a stable, reliable and disciplined group that has cut the umbilical cord connecting it with the land and has become suitable for utilization in factories is not abundant but extremely scarce.[35]

Thus, according to Gerschenkron, 'backward' countries usually industrialized through the 'application of the most modern and efficient techniques'.[36] In other words, industrialization in a 'backward' setting required high-technology and large, capital-intensive factories. Rostow adopted a similar approach by suggesting that an economy's 'take-off' into an era in which 'growth becomes normal and relatively automatic'[37] required the emergence of a 'leading sector'.[38] Rostow's 'leading sectors' were typically large-scale and capital-intensive: railway-building in America;

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[33] Paul Kennedy, *African Capitalism. The Struggle for Ascendency* (Cambridge: Cambridge University Press, 1988), p. 182.

[34] Rajnarayan Chandavarkar, 'Industrialization in India before 1947: Conventional Approaches and Alternative Perspectives', *Modern Asian Studies*, 19 (1985) no. 3, p. 623.

[35] Alexander Gerschenkron, *Economic Backwardness in Historical Perspective. A Book of Essays* (Cambridge, Mass.: Belknap Press, 1962), p. 9.

[36] *Ibid.*

[37] Walter W. Rostow, 'Take-Off into Self-Sustained Growth', in A.N. Agarwala and S.P. Singh (eds.), *The Economics of Underdevelopment* (New Delhi: Oxford University Press, 1958), p. 157.

[38] Rostow, *ibid.*, p. 178.

the modernization of the armed forces in Russia, Germany and Japan; timber-processing in Sweden.[39] Hence, Rostow did not consider that small industries had an important part to play in an economy's 'take-off'.

'Dual economy' theorists conceived of a developing economy as a dichotomy, with modern, industrial, large-scale, capital-intensive, high-technology enterprises on the one hand, and backward, agricultural, labour-intensive, low-technology firms on the other. This dichotomy ignored the small-scale industrial sector and again resulted in an obsession with capital investment. Thus, Higgins asserted that 'development requires primarily large amounts of capital investment',[40] while Lewis suggested that 'we cannot explain any 'industrial' revolution (as economic historians pretend to do) until we can explain why saving increased relative to national income'.[41]

To be fair, not all development economists opposed the notion of small industry development. For instance, Hoselitz presented the case for small industry promotion as early as 1959.[42] Also, in the context of the existing industrial technology of the immediate postwar years, development economists committed to using a 'big push' of investment to break out of the 'low level equilibrium trap' were obliged to opt for strategies of large-scale industrialization. After all, the small-scale, 'appropriate technology' route has been only a comparatively recent possibility.

Since the 1980s, development economists have become increasingly positive about the rôle of small industries in economic development in Africa.[43] Indeed, small industry promotion has been a central plank in World Bank and International Monetary Fund Structural Reform Programmes which have been implemented across Africa since the 1980s. For example, in 1985, during the early stages of the Ghanaian Structural Reform Programme, the World Bank wrote that:

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[39] *Ibid.*, pp. 182-4.

[40] Benjamin Higgins, 'The "Dualistic Theory" of Underdeveloped Areas', *Economic Development and Cultural Change*, 4 (1956) no. 2, p. 113.

[41] W. Arthur Lewis, 'Economic Development with Unlimited Supplies of Labour', in Agarwala and Singh, *Economics of Underdevelopment*, p. 416.

[42] Bert F. Hoselitz, 'Small Industry in Underdeveloped Countries', *Journal of Economic History*, 19 (1959) no. 4, pp. 600-18.

[43] Sanjaya Lall, 'Structural Problems of Industry in Sub-Saharan Africa', in World Bank, *The Long-Term Perspective Study of Sub-Saharan Africa. Volume Two. Economic and Sectoral Policy Issues* (Washington D.C.: World Bank, 1990), p. 106.

> The vigor of industrial recovery will depend in large measure ... on the responsiveness of small- and medium-scale entrepreneurs to the opportunities being provided [by the Structural Reform Programme].[44]

There are several reasons for contemporary interest in small industries. First, several studies suggest that small enterprises have certain economic advantages *vis-à-vis* larger firms. Sethuraman notes that the informal sector—which essentially consists of small firms—uses little capital, appropriate technologies and local raw materials. It also generates demand for semi-skilled and unskilled labour,[45] both of which have been in abundant supply in the Third World. By contrast, it often is argued that large-scale industries in Africa have under-performed significantly in terms of employment generation and the creation of backward domestic linkages.[46] This is not to argue that the case against large-scale industries is infallible. It is possible that market imperfections created by governments have encouraged large firms to use capital rather than labour[47] and imported raw materials rather than domestic inputs. It is possible that these market imperfections, rather than diseconomies of scale, have weakened large industry's performance compared to the small industry sector. If this is true then the case against large-scale industries has yet to be proven, although that would not be an argument for ignoring small-scale industrial development.

A second reason for interest is small industries is their development of indigenous technology appropriate for Third World factor endowments which, typically, have been characterized by a relative abundance of labour to capital. Technology is arguably the key to economic development.[48] One of the reasons for

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[44] NAGA RG 6/6/146, World Bank, 'Ghana: Industrial Policy, Performance and Recovery (Report No. 5716-GH, 1985)', p. 14.

[45] S.V. Sethuraman, 'The urban informal sector and development policy', in Sethuraman, *Urban informal sector*, p. 33.

[46] Tony Hawkins, 'Industrialization in Africa', in Douglas Rimmer (ed.), *Africa Thirty Years On* (Portsmouth: Heinemann, 1991), pp. 130-54.

[47] Hla Myint, *The Economics of Developing Countries* (London, 5th ed.: Hutchinson, 1980), p. 54 and ch. 5.

[48] Yoshihiro Tsurumi, *Technology Transfer and Foreign Trade: the Case of Japan, 1950-66* (New York: Arno Press, 1980), p. 13.

the African problem of 'growth without comparable development'[49] during the colonial period was the transfer of inappropriate technology from Europe to Africa. As Austen and Headrick write:

> from oceanic sailing ships through steam vessels and railroads, the transport technology which Europeans brought to Africa was simply too 'lumpy'—consisting of massive items which could not be reproduced in any but an advanced proto-industrial system—to be incorporated by Africans.[50]

It is clear that small industries in Africa have been developing appropriate technology for local use: the informal machine makers of post-colonial Kenya, engaged in the production of machine tools for bicycle accessory production, are a case in point.[51]

A further reason for interest in small industries is that, in Africa, a significant proportion of large firms have emerged from the ranks of previously small enterprises. A survey of 64 firms employing between 11 and 200 workers in Nigeria in 1965 found that 44 per cent of them originated in enterprises which once had fewer than 11 persons.[52] A study of 42 enterprises in Sierra Leone in 1975 yielded a corresponding figure of 30 per cent.[53] In the Ghanaian case, there are two notable examples of small industrial firms evolving into large concerns. Fan Milk started as a small company in 1960, but now employs 280 workers and produces a wide range of frozen confectionery products.[54] Nkulenu Industries began as a one-woman business in the 1940s[55] and now employs over 50 workers in the manufacture of jams, fruit juices, beverages and palm products for markets in Ghana, Europe and

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[49] Ralph A. Austen and Daniel Headrick, 'The Rôle of Technology in the African Past', *African Studies Review*, 26 (1983) nos. 3&4, p. 176.

[50] *Ibid.*, p. 177.

[51] Kenneth King, 'Kenya's Informal Machine-makers: a Study of Small-scale Industry in Kenya's Emergent Artisan Society', *World Development*, 2 (1974) nos. 4&5, pp. 9-28.

[52] J.R. Harris, 'Industrial Entrepreneurship in Nigeria' Northwestern University, PhD, 1967, cited in Liedholm, 'Small Scale Industries', table 6.8, p. 202.

[53] E. Chuta and C. Liedholm, 'Employment Growth and Change in Sierra Leone Small Scale Industry: 1974-80', *International Labour Review*, 121 (1982) no. 1, pp. 101-12, cited in Liedholm, *ibid.*

[54] Letter from the Managing Director, Fan Milk, to Rajiv Ball, ref: AOL/EA/C.5, 26/04/1996.

[55] NAGA RG 7/1/32, 'Memorandum on Lime Juice, Orange Squash and Marmalade Submitted by Miss Esther Nkulenu, Food Industry, Christianborg' to the Ministry of Commerce, Industry and Mines (1951).

North America.[56]

Even so, a host of factors (ranging from poor managerial skills, backward technology, lack of access to raw materials, credit and markets) impede the growth of African small firms. Hence, it sometimes is argued that there is a low 'graduation rate' from small to large firms in Africa. According to Onyeiwu, only 14 per cent of a sample of small industries in Eastern Nigeria 'graduated' into large firms between 1960 and 1991.[57] However, a sense of perspective is necessary here. Given the very substantial number of small firms in Africa, even a low 'graduation rate' would imply that a significant *absolute* number of small firms move into the ranks of medium and large enterprises.

Not all development economists believe that small industries have an important part to play in Third World industrialization. Little *et al.* have argued that Indian small-scale industries, far from employing optimal amounts of labour and capital, actually utilize resources inefficiently and therefore hinder economic growth.[58] They conclude, from a survey of 345 industries engaged in shoemaking, printing, soap-making, machine tool production and metal-casting, in and around Bombay, Calcutta and Delhi in the 1980s, that 'very often both capital and total factor productivity peak in the medium range of 50-200 workers'.[59] Wantabe arrives at a similar conclusion using Japanese data.[60]

However, it is important to recognize that the findings of Little *et al.*, may not be of much relevance to small-scale industries in either India or Africa. On the one hand, Mead argues that Little *et al.*'s methodology is flawed, and their contention that it is 'the medium-size, not the small that is beautiful',[61] is a 'most surprising

[56] Interview with Miss Ester Nkulenu, founder of Nkulenu Enterprises, conducted in Madina on 23/4/1996.

[57] Steve Onyeiwu, '"Graduation" Problems Amongst Micro and Small Enterprises in Eastern Nigeria, 1960-91', *Journal of International Development*, 5 (1993) no. 5, table 3, p. 505.

[58] Ian M.D. Little, Dipak Mazumdar, and John M. Page Jr., *Small Manufacturing Enterprises. A Comparative Study of India and Other Economies* (New York: Oxford University Press, 1987).

[59] *Ibid.*, p. 306.

[60] Susumu Wantabe, 'Reflections on Current Policies for Promoting Small Enterprises and Sub-Contracting', *International Labour Review*, 110 (1974) no. 5, p. 418.

[61] Little *et al.*, *Small Manufacturing Enterprises*, p. 126, cited in Donald C. Mead, 'Small Enterprises and Development', *Economic Development and Cultural Change*, 39 (1991) no. 2, p. 413.

conclusion ... only weakly supported by weak data'.[62] Also, it could be that the reasons for the apparent inefficiency of India's small industry sector are specific to Indian small firms, and not to small firms in general.[63] This may be a result of the substantial degree of protection that the Indian government has provided this sector since 1947.[64]

There is African evidence to support the contention that small-scale industries use capital efficiently and provide jobs cheaply. In an investigation of the beer industry in Botswana in 1982, Haggblade found that small brewers were more efficient and generated a higher level of employment than large-scale producers.[65] In Ghana, Aryee's study of small-scale manufacturing in Kumasi in 1975 found that, for each cedi of capital invested, small-scale manufacturers produced significantly more value-added than large-scale industries.[66] Van Heemst came to a similar conclusion from a survey of 27 Ghanaian shoe producers in 1976 and 1977.[67] Likewise, from an examination of small industries in the Ghanaian towns of Accra, Aburi and Nsawam in 1977, Steel argued that 'the data do not show any direct conflict between employing more workers through expanded investment in the small-scale sector and maximizing industrial output'.[68]

In short, evidence from Africa, and indeed from elsewhere in the Third World,[69] suggests that small-scale industries do have a crucial rôle to play in industrialization today.

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[62] Mead, *ibid.*, p. 414.

[63] Walter Elkan, 'Policy for Small-Scale Industry: a Critique', *Journal of International Development*, 1 (1989) no. 2, p. 253.

[64] *Ibid.*

[65] Steve Haggblade, 'Vertical Considerations in Choice-of-Technique Studies: Evidence from Africa's Indigenous Beer Industry', *Economic Development and Cultural Change*, 35 (1987) no. 4, p. 738.

[66] George Aryee, 'The informal manufacturing sector in Kumasi', in Sethuraman, *Urban informal sector*, table 5, p. 97.

[67] Jan van Heemst, *Scale, Organization and Efficiency in Footwear Production. An Analysis of Some Ghanaian Data* (The Hague: Institute of Social Studies, 1982), table III, p. 11.

[68] William F. Steel, *Small-Scale Employment and Production in Developing Countries. Evidence from Ghana* (New York: Praeger Publishers, 1977), p. 108.

[69] Fong Chan Onn, 'Small and Medium Industries in Malaysia: Economic Efficiency and Entrepreneurship', *The Developing Economies*, 28 (1990) no. 2, p. 169.

1.2 Small-scale Industries in Ghana: Literature to Date

Turning to the Ghanaian case of small industry development, it generally is argued that there has been an expansion in small-scale industrial activity since the Second World War, with most of this occurring since c.1970.[70] Whether this expansion actually occurred, and if so, its exact characteristics, will be examined in detail in Chapter Three. First, it is necessary to analyze critically the literature explaining this growth and to identify its deficiencies.

Supply-Side Explanations of Small Firm Growth

The literature on small-scale industries in the Third World usually locates the dynamics of small firm growth in two areas: the supply of factors of production necessary for small firm development (such as capital and labour) and the demand for the products of small firms.[71]

In the Ghanaian case, the 'supply-side' approach is expounded by Marxist theorists such as Kwame Ninsin.[72] Ninsin argues that the growth of the 'informal sector' (to which, according to Ninsin, small-scale industries belong)[73] can be explained in terms of the inability of the formal capitalist economy to create jobs for the growing labour force. As Ninsin writes, the 'informal' sector:

> refers to that array of precarious economic activities which have become the haven of people seeking desperately to eke out a living because they are unable to secure wage or salaried employment in the formal capitalist sector.[74]

Thus, according to Ninsin, the 'informal sector' is the 'dumping ground for unemployed labour'.[75] Here, Ninsin echoes what Engels wrote of England in the

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[70] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), pp. 173-207. Kwame A. Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra: Freedom Publications, 1991).

[71] Elkan, 'Policy for Small-Scale Industry'. Liedholm, 'Small Scale Industries'.

[72] Ninsin, *Informal Sector.*

[73] *Ibid.*, pp. 69-81.

[74] *Ibid.*, p. 2.

[75] *Ibid.*, p. 5.

mid-nineteenth century, the 'surplus population' of which kept 'body and soul together by begging, stealing, street-sweeping, collecting manure, pushing hand carts, driving donkeys, peddling or performing occasional jobs'.[76]

At times, non-Marxists too have explained the development of small-scale industries and the 'informal' sector in terms of the inability of the formal sector to provide adequate income opportunities. For example, Munro contends that, in post-colonial Africa:

> as the demographic dynamic met the rising capital-intensity of the 'modern sector', or the larger capitalist enterprises, there was an expansion of employment in small-scale urban services—what surprised economists would call the 'informal sector' once they had finally discovered it.[77]

Azarya and Chazan argue that the expansion of the 'informal' economy in Ghana since independence represents a 'hedge' against instability and the declining performance of the state.[78] Similar explanations exist for the development of small-scale industries in Kenya[79] and Indonesia.[80] Thirsk has suggested that, in early modern England, rural small industries appeared first in regions where income opportunities from farming were most restricted.[81]

Ninsin's explanation for the growth of Ghanaian small-scale industry is appealing. Recorded per capita income fell almost 40 per cent from 1974 to 1983.[82] By the 1980s, formal sector wages had become inadequate to support a family. According to one estimate, the academic salaries of senior members of the University

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[76] F. Engels, *Conditions of the working class in England in 1844* (London, 1920), p. 85, cited in S.V. Sethuraman, 'Introduction', in Sethuraman, *Urban informal sector*, p. 8.

[77] J. Forbes Munro, *Britain in Tropical Africa, 1880-1960. Economic Relations and Impact* (London: Macmillan, 1984), p. 67.

[78] Victor Azarya and Naomi Chazan, 'Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea', *Comparative Studies in Society and History*, 29 (1987) no. 1, p. 108.

[79] House, 'Nairobi's Informal Sector'.

[80] Tulus Tambunan, 'Rural Small-Scale Industries in a Developing Region: Sign of Poverty or Progress? A Case Study in Ciomas Subdistrict, West-Java Province, Indonesia', *Entrepreneurship and Regional Development*, 6 (1994) no. 1, pp. 1-13.

[81] Joan Thirsk, *The Rural Economy of England. Collected Essays* (London: the Hambledon Press, 1984), p. 232.

[82] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), table A.2, p. 288.

of Ghana covered only one-third of their total monthly expenditures in 1985.[83] With waged employment providing so little income and, in any case, being difficult to find, Ghanaians have had to use small-scale industrial employment specifically and the 'informal sector' more generally, in order to survive.

However, there is a problem with the Ninsin hypothesis. This derives from its failure to distinguish between those entering the small industry sector as *employees* and those entering as *entrepreneurs*. For prospective employees, there are virtually no barriers to entering small industries. Most do not require any industrial skills, since these are learnt on-the-job through the apprenticeship system.[84] Thus, in the case of employees, the growth of small-scale industries in Ghana can be thought of as being poverty-driven, since significant numbers of workers, unable to find employment elsewhere, have sought to 'eke out a living' in the informal sector.

Yet for there to be employees there needs to be entrepreneurs to create their jobs. It is here that Ninsin's hypothesis is deficient. Those entering the small industry sector as prospective entrepreneurs do face barriers to entry because they need to acquire skills and accumulate capital. In certain instances, these entry barriers may be small. For example, food-processing probably requires little start-up capital, while the necessary skills can be learnt within the household. However, in other sectors, the barriers to establishing a small firm may be considerable: prospective machine manufacturers probably require both very specific technical skills and substantial sums of capital.

Besides, if small industry growth is a function of poverty alone, then poor African countries in general would be expected to have comparatively substantial small industry sectors. This has not been the case. In 1983, Black Africa's per capita income was well below Ghana's.[85] However, with the exception of Nigeria, it is not known that small-scale industrial sectors comparable in size and

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[83] Kodwo Ewusi, *Structural Adjustment and Stabilization Policies in Developing Countries. A Case Study of Ghana's Experience in 1983-86* (Tema: Ghana Publishing Corporation, 1987), table 29, p. 61.

[84] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), pp. 33-35.

[85] World Bank, *World Development Report 1985* (New York: Oxford University Press, 1985), table 1, pp. 174-5.

sophistication to Ghana's exist anywhere else on the African continent.

Demand Side Explanations of Small Firm Growth

While Ninsin focuses on the supply side of small firm creation, Jonathan Dawson concentrates on the demand side of the equation. Dawson contends that, as foreign exchange became scarce in the 1970s, formal sector industries collapsed and manufactured imports became scarce. According to Dawson, this resulted in an 'economic vacuum'[86] which stimulated demand for small firm products, and resulted in small-scale industrial expansion. Dawson substantiates this explanation with reference to the small-scale vehicle spares industry, which grew as foreign exchange for the import of vehicle spares contracted in the 1970s. At the same time, the local Guinness factory stopped packaging its bottles in imported cardboard and switched to using wooden crates produced by the small-scale carpenters of Anloga.[87]

Dawson's hypothesis is useful because it draws attention to the fact that there would be no small industrial firms if the demand for their products did not exist. However, there are problems with this explanation as well. First, Dawson's focus on the demand side neglects unduly the supply side of small firm creation. As noted already, prospective entrepreneurs probably face barriers to entering the small firm industrial sector (p. 23); they do not appear on the scene simply when a demand for their services exists. As Peter Kilby writes in reference to the development of entrepreneurship in Africa:

> complex organisms—whether they be plant, animal or social—do not spring into existence robust and fully operational. They develop from fragile beginnings, gaining strength over time.[88]

A further problem is Dawson's assumption that the collapse of large-scale industrial production in the 1970s and early 1980s increased the demand for small-scale industrial products. This assumption is possibly false, for during the years of large-scale industrial collapse, recorded per capita income was also collapsing, which

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[86] Jonathan Dawson, 'The Wider Context: the Importance of the Macroeconomic Environment for Small Enterprise Development', *Small Enterprise Development*, 1 (1990) no. 3, p. 44.

[87] Jonathan Dawson, 'Small-Scale Adjustment', *West Africa*, 28/12/1988, p. 2439.

[88] Peter Kilby, 'Manufacturing in Colonial Africa', in Peter Duignan and L.H. Gann (eds.), *Colonialism in Africa, 1870-1960. Volume 4. The Economics of Colonialism* (Cambridge: Cambridge University Press, 1975), p. 511.

would suggest, *a priori*, that the overall market for industrial goods was contracting. Therefore, to argue that the foreign exchange crisis and the collapse of the large-scale industrial sector created the 'economic space' for small-scale industries is simplistic. If small industries carved out an increasing share of a contracting market for industrial products, then there may well have been other factors at work besides the fall in competition from large-scale industrial producers and imported manufactures.

1.3 The State and the Development of Small-scale Industry in Ghana: Issues and Hypothesis

Given the inadequacy of the existing literature, this thesis attempts to offer a more comprehensive explanation for the growth of small-scale industries in Ghana since c.1945. To this end, the thesis investigates two main issues and tests a central hypothesis.

Quantifying Small Industry Development Since 1945

The first main issue is the quantification of developments in Ghana's small-scale industrial sector since c.1945. This subject has not been researched adequately. The size and characteristics of Ghana's small-scale industrial sector at the end of the colonial period are unknown. Evidence concerning the years since the 1960s points to expanding employment and increasing sophistication in this sector, but is still thin and requires substance.

Government Policy Towards Small-Scale Industries Since 1945

The second main issue is the influence of government policy on small industry development. North argues that governments have a major rôle to play in economic development generally by 'getting the prices right', as well as establishing, and facilitating the enforcement of, property rights.[89] According to Gerschenkron, in 'backward' economies, governments have a major part to play by acting as the 'the

[89] Douglass C. North, 'The New Institutional Economics and Third World Development', in John Harriss, Janet Hunter and Colin Lewis (eds.), *The New Institutional Economics and Third World Development* (London: Routledge, 1995), pp. 17-26.

primary agent propelling the economic progress of the country'.[90]

In post-colonial Africa, the development of small industry, which is, in a sense, the development of private capitalism, cannot be understood adequately without reference to the activities of the state.[91] Although African governments typically have consumed a small proportion of national income,[92] their influence on African economies through various controls has been huge. As Iliffe contends:

> everywhere in Africa, the practical problems of government bureaucratic inefficiency and obstruction, foreign exchange shortages, corruption and the like—have been major obstacles to entrepreneurial success.[93]

David Andoh, a former Chairman of the United Africa Company Ghana, noted the importance of Ghanaian government policies on the private sector in a lecture delivered at the University of Ghana in 1978:

> The first consideration for investment must be the attitude and policies of Governments ... they have it in their power to either throttle business or conversely allow it to flourish and make its full potential contribution to national development.[94]

Hence, to understand the growth of Ghanaian small-scale industry, it is essential to consider government policy towards the private sector in general and the small industry sector in particular.

Iliffe has proposed that, in post-colonial Africa, the state 'as a very broad generalization',[95] has adopted one of three approaches towards private capitalism. The first has been to 'prevent the emergence of private African capitalism in any form'.[96] According to Iliffe, Ghana followed this model between 1961 and 1966, as did Guinea, Mali, Benin, Somalia and Tanzania at various times since the

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[90] Gerschenkron, *Economic Backwardness*, p. 17.

[91] John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983), pp. 76-7. Kennedy, *African Capitalism*, p. 1.

[92] World Bank, *World Development Report 1983* (New York: Oxford University Press, 1983), table 5, pp. 156-57. World Bank, *World Development Report 1996. From Plan to Market* (New York: Oxford University Press, 1996), table 13, pp. 212-3.

[93] Iliffe, *Emergence of African Capitalism*, p. 76.

[94] David Andoh, *The Private Sector: a Case* (Accra: Ghana Universities Press, 1980), p. 1.

[95] Iliffe, *African Capitalism*, p. 77.

[96] *Ibid.*

1950s.[97] The second approach has been one of 'parasitic capitalism', that is, the use of state power for the material gain of those connected closely to the state.[98] This occurred in post-colonial Zaire, when the Zairianization measures of 1973 and 1974 transferred almost all foreign-owned enterprises into the hands of some 2,000 Zairian 'acquirers'.[99] The third stance has been one of 'nurture capitalism'[100] or the use of the state as a vehicle for the advance of indigenous capitalism. Hence, the Kenyan state provided capital for Kenyans to buy out European farms in the early 1960s and passed legislation to parachute Kenyans into wholesale and retail trading.[101] In Nigeria, the Africanization decrees of the 1970s shifted economic control towards private Nigerians.[102]

What, then, has been the attitude of the state towards the development of private capitalism and small-scale industries in Ghana? Generally, it is thought that after the Second World War, governments across West Africa became more active in economic development.[103] Yet for the period between 1945 and 1951, government policy towards the development of indigenous private capitalism and small-scale industries remains unclear. Stockwell has written about the relationship between British business and industrial development in the Gold Coast, but offers little on the government's specific relationship with indigenous industrialists.[104] Bowden's work on British colonial policy in West Africa examines the period up to 1948, but from the perspective of the Colonial Office in London and not the colonial government in Accra.[105]

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[97] *Ibid.*, pp. 77-8.

[98] *Ibid.*, p. 80.

[99] *Ibid.*

[100] Sayre P. Schatz, *Nigerian Capitalism* (Berkley: University of California, 1977), cited in *ibid.*, p. 82.

[101] Iliffe, *ibid.*, p. 83.

[102] *Ibid.*, pp. 83-4.

[103] A.G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973), pp. 267-8.

[104] Sarah Stockwell, 'British Business, Politics and Decolonisation in the Gold Coast c. 1945-60', University of Oxford, D.Phil., 1993.

[105] Jane Helen Bowden, 'Development and Control in British Colonial Policy, with reference to Nigeria and the Gold Coast: 1935-1948', University of Birmingham, PhD, 1980.

For the Nkrumah years, 1951 to 1966, it usually is agreed that large-scale African private capitalists either were subsumed under a policy of *étatisme* or were subordinated to the interests of foreign capital. This process has been well-documented by Killick,[106] Esseks[107] and Garlick.[108] However, government policy towards small African businessmen has yet to be analyzed comprehensively, except for the work of Rathbone, who argues that, before independence, Nkrumah received support from 'aspirant' small businessmen.[109] With the advent of Structural Adjustment Programme in 1983, the attitude of the Rawlings government towards the development of private capitalism has been researched in detail. It is now commonplace to argue that the government has adopted a positive attitude towards the development of private capitalism and small-scale industries, although, at times, both rhetoric and substance have suggested otherwise.[110]

However, for the period between Nkrumah's overthrow in 1966 and the advent of structural reform in 1984, the state's policy towards indigenous private capitalism is unclear. Killick's major study of the Ghanaian economy closes shortly after 1966, covering only briefly the period to military coup of 1972.[111] Rimmer's work on the Ghanaian political-economy since the 1950s offers an overview of developments in the economy during the 1970s, but no detailed analysis of government policy towards indigenous private capitalism.[112] Yet the years from

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[106] Tony Killick, *Development Economics in Action. A Study of Economic Policies of Ghana* (London: Heinemann, 1978), ch. 3.

[107] John D. Esseks, 'Government and Indigenous Private Enterprise in Ghana', *Journal of Modern African Studies*, 9 (1971) no. 1, pp. 11-29. John Dixon Esseks, 'Economic Independence in a New African State. Ghana: 1956-65', Harvard Government Department, PhD, 1967.

[108] Peter C. Garlick, *African Traders and Economic Development in Ghana* (Oxford: Clarendon Press, 1971), ch.9.

[109] Richard Rathbone, 'Businessmen in Politics: Party Struggle in Ghana, 1949-57', *Journal of Development Studies*, 9 (1973) no. 3, pp. 395-6.

[110] Roger Tangri, 'The Politics of Government-Business Relations in Ghana', *Journal of Modern African Studies*, 30 (1992) no. 1, pp. 97-111. Gerhard Fischer-Quincke, 'Small Enterprises for the Needs of the People? Ghana's "Small-Scale Industrial 'Take-Off'"', in Karl Wohlmut *et al.* (eds.), *African Development Perspectives Yearbook, 1989. Volume One: Human Dimensions of Adjustment* (Berlin: Scholzky and Jeep, 1990), pp. 239-241.

[111] Killick, *Development Economics*.

[112] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), chs. 6, 7.

1966 to 1983 were clearly significant in the development of Ghanaian entrepreneurship. The government legislated substantial sections of the economy into the control of Ghanaians through the Indigenization Decrees of 1968 and 1970. At the same time, these years marked the beginning of what Dawson terms Ghana's small-scale industrial 'explosion'.[113]

Hypothesis

It is hypothesized that the expansion of small industries since 1945 has been one of the consequences of Ghana's particular history of economic development until the 1960s, followed by the specific manner of the country's subsequent economic collapse.

In outline, Ghana's experience of economic development and collapse can be described as follows. By 1960, income per head was approaching £70,[114] a figure higher than that in most Black African countries at the time. Levels of human and physical capital formation were high by African standards.[115] Indigenous entrepreneurship was well-developed in farming, trading[116] and, as this thesis will show, small industries. During Nkrumah's 'big push', large-scale state industries proliferated.[117] However, the 'big push' turned sour: between 1962 and 1974, Ghana's recorded per capita income stagnated, before falling almost 40 per cent between 1974 and 1983.[118] Imports fell severely,[119] and the Government's administrative capacity collapsed.[120] As the economy contracted, the parallel

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[113] Dawson, 'Development of Small-scale Industry', p. 173.

[114] Robert Szereszewski, 'The Performance of the Economy, 1955-62', in Walter Birmingham, I. Neustadt and E.N. Omaboe (eds.), *A Study of Contemporary Ghana. Volume One. The Economy of Ghana* (London: George Allen and Unwin, 1966), table 2.3, p. 42.

[115] Killick, *Development Economics*, pp. 4, 7.

[116] Margaret Katzin, 'The Role of the Small Entrepreneur', in Melville J. Herskovits and Mitchell Harwitz (eds.), *Economic Transition in Africa* (London: Routledge, 1964), pp. 179-198.

[117] Rimmer, *Staying Poor*, p.89.

[118] Huq, *Economy of Ghana*, table A.2, p. 288.

[119] *Ibid.*, table A.4, p. 290.

[120] 'Editorial: Reckless Dissipation of Public Funds', *The Legon Observer*, vol. XII, no. 5, 14-27 March 1980, pp. 97-98.

market or *kalabule* expanded,[121] while hundreds of thousands of Ghanaians emigrated in search of better living conditions.[122] Yet despite this collapse, the education system expanded throughout the period, and by 1986, the proportion of children enrolled in secondary education was higher in Ghana than in the wealthier Côte d'Ivoire and even Botswana.[123]

It is hypothesized that this particular experience of development followed by collapse can account for much of Ghana's small-scale industrial 'explosion'. For example, it is postulated that the large-scale industries established during the 'big push' provided a pool of skilled labour and capital for later small-scale industrial expansion. The growth of the education system added to the pool of skilled labour. Meanwhile, *kalabule* provided one of the sources of capital used to finance small industries.

Methodology and Structure of Thesis

Chapter Two examines the activities of small industrialists in the Gold Coast before 1945. This chapter demonstrates that, on the eve of independence, there was already a sizeable small industry sector to provide the foundations for post-colonial small industry expansion. The material for this chapter is drawn from the observations of visitors to, and officials in, the Gold Coast, as well as newspapers and government records.

Chapter Three surveys the small-scale industrial landscape in the immediate postwar decades and argues that the scope for further small industry expansion was great. This chapter also constructs a definition of small-scale industry and, using this definition, analyzes quantitative and qualitative changes in Ghana's small-scale industrial sector since the Second World War. It is argued that small industry employment has increased since c.1945 and small industrial firms have become increasingly sophisticated.

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[121] Richard Jeffries, 'Ghana: the political economy of personal rule', in Donal B. Cruise O'Brien, John Dunn and Richard Rathbone (eds.), *Contemporary West African States* (Cambridge: Cambridge University Press, 1989), pp. 77-81.

[122] Azarya and Chazan, 'Disengagement from the State', pp. 118-9.

[123] World Bank, *World Development Report 1989* (New York: Oxford University Press, 1989), table 29, pp. 220-1.

Chapters Four to Eight document government policy towards small-scale industries from c.1945 to c.1992. Much of the analysis for the period up to c.1966 is based on internal government documents in the National Archives of Ghana. In particular, Chapter Five examines the Nkrumah Cabinet Papers, which have yet to receive serious academic attention. Other sources include published policy documents, parliamentary debates and newspaper reports. For the period after c.1966, most of the archival material on government policy is still closed to the public. Given this, together with the dearth of published sources on the state's relationship with small-scale industries, the analysis is broadened to include the state's dealings with the indigenous private sector more generally. Although this is not an ideal approach, it is legitimate because small-scale industries are a sub-set of the private sector. Hence, by analyzing policy towards the private sector generally, it is possible to arrive at some useful conclusions about policy towards small-scale industries specifically.

The issue of policy is dealt with on two levels. First, there is an investigation of governments' public rhetoric and, where archival sources permit, their private language. A government's public rhetoric is important because persistent hostility towards small industries probably discourages businessmen from establishing such firms. Government rhetoric provides useful clues on the intentions of government policy as well. Second, actual government policies towards small industries are examined with a view to understanding their rôle in Ghana's small industry 'explosion'. The general conclusion of these chapters is that direct government policy cannot account fully for the expansion of Ghanaian small-scale industries. In fact, governments have impeded the development of this sector on numerous occasions.

Chapters Nine and Ten test the hypothesis that the growth of small-scale industries has been a result of Ghana's particular experience of development followed by collapse. This is done by reviewing critically the findings of previous surveys of Ghana's small industry sector, and analyzing data from 40 in-depth interviews which I conducted with small-scale industrialists in Kumasi in 1996. Some of the material from this 1996 survey is used in chapter Seven to provide tangible examples of the effects of government policies on small industries in the 1970s. The final chapter concludes the thesis by discussing some of its main findings.

2 SMALL-SCALE INDUSTRIES DURING THE COLONIAL PERIOD, c.1800-c.1950

This chapter examines issues relating to small-scale industries in the Gold Coast between the beginning of the nineteenth century and the end of the Second World War. In Section One, the characteristics of small industries before the establishment of British rule are considered. Section Two assesses what impact the region's integration into the world economy had on these industries and argues that, instead of dying out, many survived and expanded. Section Three investigates the reasons for this and for the failure of small industries to expand further. Section Four considers the period between the World Wars, and suggests that there was a profound structural change in the nature of indigenous industrial activities. This change marked the evolution of the modern small-scale industrial sector in Ghana.

2.1 Small Industries in Precolonial Ghana

In the early nineteenth century, most of the geographical area known today as Ghana was under the suzerainty of the Asantes, although the Fante states to the West of Accra maintained a limited degree of self-control.[1] Given Asante's dominant position, this chapter considers the development of small-scale industries with particular reference to Asante, but occasionally to other areas.

In precolonial Ghana, there existed a wide variety of small industry activities. An important one was iron-smithing. According to John Beecham, who collated the observations of visitors to the Gold Coast in the 1830s, iron was manufactured 'to a considerable extent'.[2] Iron products included farm implements, hinges, bolts, swords, knives, rings and chains; there was also some repair of firearms.[3] With

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[1] Edward Reynolds, 'The Gold Coast and Asante, 1800-1874', in J.F.A. Ajayi and Michael Crowder (eds.), *History of West Africa, Volume Two* (Harlow, Essex, 2nd ed.: Longman, 1987), pp. 215-9.

[2] John Beecham, *Ashantee and the Gold Coast* (London, 1841), republished (London: Dawsons of Pall Mall, 1968), p. 146.

[3] Joseph Raymond LaTorre, 'Wealth Surpasses Everything: an Economic History of Asante, 1750-1874', University of California, Berkeley, PhD, 1978, p. 46.

regard to iron-smelting, Bowdich observed in 1817 that the 'interior neighbours' of Asante knew how to do this, although the Asantes themselves had 'no idea of making iron from ore'.[4]

Another common industrial activity was goldsmithing, since grains and nuggets of gold were found in many parts of Asante. In the royal court at Kumasi, gold held a particular symbolic value and thus Kumasi was a magnet for goldsmiths.[5] Woodworking and textile manufacture were also commonplace. Wood was found in many parts of precolonial Ghana, and carpenters' main products included stools, umbrellas and musical instruments such as guitars.[6] There was also some canoe-building along the Coast.[7] In the textile industry, the main inputs were both locally-produced and imported. On the one hand, cotton often grew in the wild and dyestuffs were obtained from local plant products. On the other hand, yarn was imported from Europe and India, or obtained by unravelling imported cotton pieces and silk cloth.[8]

A variety of less common industries existed too. These included: pottery,[9] the tanning and working of leather,[10] basket-making,[11] palm wine fermentation,[12] rope-making[13] and the manufacture of beads.[14] In addition, there was some smithing of metals such as copper and brass, particularly around Kumasi.[15]

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[4] T. Edward Bowdich, *Mission from Cape Coast to Ashantee* (London, 3rd. edition: Frank Cass, 1966), p. 312.

[5] LaTorre, 'Wealth Surpasses Everything', p. 47.

[6] *Ibid.*, p. 313.

[7] J. Kopp, 'Eine Wolta-Reise auf dem "Pionier"', *Mitteilungen der Geographischen Gesellschaft für Thüringen zu Jena* (Band I, 1882), pp. 71-8.

[8] LaTorre, 'Wealth Surpasses Everything', p. 51.

[9] Beecham, *Asantee and the Gold Coast*, p. 147.

[10] *Ibid.* Bowdich, *Mission from Cape Coast*, p. 313.

[11] LaTorre, 'Wealth Surpasses Everything', p. 52.

[12] Henry Meredith, *An Account of the Gold Coast of Africa: with a Brief History of the African Company* (London, 1812), republished (London: Frank Cass, 1967), p. 26.

[13] *Ibid.*

[14] LaTorre, 'Wealth Surpasses Everything', p. 52.

[15] *Ibid.*, p. 48.

Markets for Small Industry Products

It is possible to distinguish two markets for small industry products in precolonial Ghana. The first was what LaTorre has termed the 'stoolholders' market',[16] which served the consumption needs of the 'leisure class'.[17] This 'leisure class' consisted of the various chiefs of the stools around Asante as well as the *Asantehene* and his court at Kumasi. The importance of state demand for manufactures was not unique to Asante among precolonial African states. For example, in Masina, the state's need for armaments stimulated local crafts there.[18]

The court at Kumasi created demand for small industry products from the neighbouring area because it had an income above its subsistence requirements and did not hesitate to exhibit its wealth openly, for example, through court regalia.[19] The link between court demand and the expansion of small industries can be discerned clearly from the development of craft villages around Kumasi. These satellite villages usually specialized in the manufacture of one particular product for the Kumasi court. Hence the villages of Breman and Adum were known for gold- and metal-smithing, Ahwia for wood-working, Ntonso for cloth-dyeing, Bonwire for weaving and Pankrono for pottery.[20] Within Kumasi itself, certain wards, or *abrono*, specialized in particular industries. Thus, goldsmiths were located in Burase and blacksmiths in Tunsuoarim.[21] All these satellite villages and *abrono* survived because of demand from the Kumasi court.

The second type of market for small industry products was what LaTorre has called the 'mass market'.[22] This served the population in the villages and towns of

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[16] *Ibid.*, p. 53.

[17] Stephen H. Hymer, 'Economic Forms in Pre-Colonial Ghana', *Journal of Economic History*, 30 (1970) no. 1, p. 34.

[18] Marion Johnson, 'The Economic Foundations of an Islamic Theocracy—the Case of Masina', *Journal of African History*, 17 (1976) no. 4, p. 485.

[19] Bowdich, *Mission from Cape Coast*, pp. 34-41.

[20] Kwame Arhin, 'Trade, Accumulation and the State in Asante in the Nineteenth Century', *Africa*, 60 (1990) no. 4, pp. 527-8.

[21] James Wilson Brown, 'Kumasi, 1896-1923. Urban Africa in the Early Colonial Period', University of Wisconsin, PhD, 1972, p. 26.

[22] LaTorre, 'Wealth Surpasses Everything', p. 53.

the region. This market existed because income levels in Asante and on the Coast were above subsistence levels. As Cruickshank remarked, in the average Fante house, it was common to find mats, stools, earthen pots, calabashes, pewters, cutlery, tables, chairs, beds, trunks, pictures and muskets.[23]

It is likely that, until the 1870s, the demand for small industry products in the 'stoolholders' market' was growing. Although the abolition of the Atlantic slave trade resulted in a significant loss of revenue for the Asante state, the Asante 'leisure class' managed to respond vigorously to the challenges of the new 'legitimate commerce' period.[24] However, from the 1870s, faced with the expansion of British colonialism, the Asante kingdom disintegrated slowly. As the position of the 'leisure class' weakened, so did its demand for small industry products. Hence, according to Brown, there was a exodus of craftsmen and artisans from Kumasi following its destruction at the hands of the British in 1874 because:

> the numerous artisans and craftsmen of Kumasi could find little employment in the town, and hence little reason to return, so long as limited Asante wealth remained there.[25]

In the 'mass market', the demand for small industry products probably was stagnant. Admittedly, incomes in the mass market were rising. The era of 'legitimate commerce' provided ample opportunities for West African small-scale producers to export cash crops.[26] In Asante specifically, commoners played an important part in this trade.[27] Even so, two factors worked in the opposite direction to constrict this market. First, general under-population and limited concentrations of population hindered market growth across West Africa because it 'encouraged extensive cultivation, favored dispersed settlement, and promoted local self-

[23] Brodie Cruickshank, *Eighteen Years on the Gold Coast of Africa, including an account of the native tribes, and their intercourse with Europeans*, volume two (London: Hurst and Blackett, 1853), republished (London: Frank Cass, 1966), p. 293.

[24] Gareth Austin, 'Between abolition and *Jihad*: the Asante response to the ending of the Atlantic slave trade, 1807-1896', in Robin Law (ed.), *From slave trade to 'legitimate' commerce. The commercial transition in nineteenth century West Africa* (Cambridge: Cambridge University Press, 1995), pp. 105-6.

[25] Brown, 'Kumasi, 1896-1923', p. 64.

[26] A.G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973), ch. 4.

[27] Gareth Austin, '"No Elders were Present": Commoners and Private Ownership in Asante, 1807-96', *Journal of African History*, 37 (1996) no. 1, pp. 12-6.

sufficiency'.[28] Where concentrations of population did exist (such as in Kano, in present-day Nigeria) manufacturing thrived[29] and productivity-enhancing techniques were introduced.[30] Wilks and Arhin have suggested that the population of Asante contracted in nineteenth century.[31] Although there are problems with this contention,[32] at the very least, it is unlikely that Asante's population grew significantly during this time.

A second factor restricting the expansion of the 'mass market' was the high cost of transport. With animal traction precluded by the incidence of tsetse fly, human porterage remained the main means of transporting goods until the advent of the railways in the late nineteenth century. Since human porterage was costly, it constricted trade in all but high value, low bulk manufactures. Hence, in 1921, the District Officer of Bawku, a small town in the Northern Territories, was pessimistic about the prospects for local industrial development. Although 'good quality' string and rope was manufactured locally, 'when the cost of transport to Tamale is taken into consideration it would not appear to be a paying investment'.[33] Around Wenchi, in 1926, cotton was spun into yarn but this was not exported since 'The cost of headporterage of so bulky yet light a substance renders it [*sic*] export unprofitable'.[34] Likewise, a small mill which was established in Tamale in 1930 to process local shea butter kernels for markets in the South proved a failure, again

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[28] Abdullahi Mahadi and J.E. Inikori, 'Population and Capitalist Development in Precolonial West Africa. Kasar Kano in the Nineteenth Century', in Dennis D. Cordell and Joel W. Gregory (eds.), *African Population and Capitalism. Historical Perspectives* (Boulder: Westview Press, 1987), p. 72.

[29] Hopkins, *Economic History of West Africa*, p. 50.

[30] Philip J. Shea, 'Economies of Scale and the Indigo Dyeing Industry of Precolonial Kano', *Kano Studies*, new series, 1 (1974/77) no. 2, pp. 55-61.

[31] Ivor Wilks, *Asante in the nineteenth century. The structure and evolution of a political order* (London: Cambridge University Press, 1975), table 8, p. 90. Arhin, 'Trade, Accumulation and the State', p. 530.

[32] Marion Johnson, 'The Population of Asante, 1817-1921: a reconsideration', *Asantesem: The Asante Collective Biography Project*, 8 (1978), pp. 22-8.

[33] NAGA ADM 56/1/273, District Commissioner, Bawku to the Provincial Commissioner, Northern Territories, 1921.

[34] NAGK D 2439, W.J. Pitt, District Commissioner, Wenchi, 'Report on the Country to the West of Wenchi' (1926), p. 10.

because of transport costs.[35] All these examples are from the twentieth century by which time there had been several decades of transport infrastructure development. Therefore, it is certain that, in the nineteenth century, transport costs constricted the demand for indigenous industrial products even more.

2.2 Small Industries during the Integration of the Gold Coast into the World Economy: c.1800-C.1940S

The Portuguese had built a fort at Elmina in 1482 to facilitate gold exports from the Costa da Mina,[36] while the Dutch, Danish and British had all been important traders in the Gold Coast from the sixteenth century.[37] However, West African economies were altered fundamentally with the transition from slave-trading to 'legitimate' cash-cropping in the nineteenth century,[38] and the gradual extension of formal British political influence in the region. This influence penetrated the Fante states of the Coast in the first half of the nineteenth century and culminated in the proclamation of the Gold Coast Protectorate in 1874.[39] Three decades later, Asante and its former northern states were brought under British control as well.[40] There are generally three views about the performance of small industries during the Gold Coast economy's integration into the wider world economy.

Small Industries during Integration into the World Economy

The Dependency view is that international free trade, combined with colonial government's economic policy of *laisser-faire* and ambivalence towards indigenous enterprise, meant that indigenous industrial activity in the colonized 'periphery' was

[35] ADM 5/1/70, W.J.A. Jones, Chief Commissioner of the Northern Territories, *Report on the Northern Territories for the Year 1937-38* (Accra: Gold Coast Colony, 1938), p. 39.

[36] Ivor Wilks, *Forests of Gold. Essays on the Akan and the Kingdom of Asante* (Athens: Ohio University Press, 1993), pp. 4-5.

[37] Larry W. Yarak, *Asante and the Dutch, 1744-1873* (Oxford: Clarendon Press, 1990).

[38] Hopkins, *Economic History of West Africa,* ch. 4. Law, *From slave trade to 'legitimate' commerce.*

[39] Reynolds, 'Gold Coast and Asante', pp. 229-31.

[40] *Ibid.*, p. 249.

eradicated by cheap, machine-produced manufactures from an industrializing Europe.[41] Agbodeka has expressed this Dependency view in the Ghanaian context:

> the art of tool-making which was basic to the growth of industry declined with the increasing dependence of the people on imported European tools. Since tool-making skills were impaired, the growth of industries like manufacturing industries, and even agricultural industries which depended on the use of improved tools were also stunted.[42]

Similarly, Hakam has claimed that the small weavers of Ashanti and Eweland 'were to perish in the aftermath of the colonization and the competition of unrestricted cheap imports'.[43]

An alternative interpretation is offered by Szereszewski. According to Szereszewski:

> In 1891 the Gold Coast was primarily an economy dominated by indigenous activities ... and by trade flows whose nature in terms of organisation, conveyance, spatial incidence and type of commodities had not changed significantly over centuries.[44]

To be fair, Szereszewski was writing before much research into this subject had been conducted and, in any case, not with particular reference to small-scale industries. However, the contention is clear: before the onset of the cocoa boom in the 1890s, the Gold Coast economy had been stagnant and without significant structural change.

A third interpretation is offered by Hopkins and Munro. Hopkins contends that, together with the growth of small-scale African cash cropping, some indigenous West African industries survived and expanded during the colonial period.[45] Likewise, Munro suggests that:

> particularly in the growth phases of the 1920s and 1950s ... there emerged a variety of small businesses and self-employed artisan workshops such as joinery and brick-laying, blacksmithing with imported scrap iron, tailoring,

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[41] Samir Amin, 'Underdevelopment and Dependence in Black Africa—their Historical Origins and Contemporary Forms', *Social and Economic Studies*, 22 (1973) no. 1, p. 193. Walter Rodney, *How Europe Underdeveloped Africa* (Washington D.C.: Howard University Press, 1982), p. 232.

[42] Francis Agbodeka, *An Economic History of Ghana From the Earliest Times* (Accra: Ghana Universities Press, 1992), p. 33.

[43] A.N. Hakam, 'Impediments to the Growth of Indigenous Industrial Entrepreneurship in Ghana: 1946-1968', *The Economic Bulletin of Ghana*, 2 (1972) no. 2, p. 6.

[44] R. Szereszewski, *Structural Changes in the Economy of Ghana, 1891-1911* (London: Weidenfeld and Nicolson, 1965), p. 1.

[45] Hopkins, *Economic History of West Africa*, p. 250.

shoe-making, or motor vehicle repair and servicing.[46]

The Survival of Small Industries

In the absence of comprehensive data on the subject, it is difficult to know what happened to small industries during the period c.1800 to c.1945. Nonetheless, three sources appear to confirm Hopkins' and Munro's view that many survived, despite competition from European imports.

The first source is the eye-witness accounts of contemporaries. These accounts require cautious use since they often consist of mere snapshots of particular areas at particular times. Thus, they may not be representative of general trends. Nonetheless, taken together, they do undermine the Dependency notion of complete small industry eradication. For example, in 1840, a British official wrote to the Colonial Office that many foreign manufactures entered the Gold Coast. These included: Manchester goods, guns, powder, lead, iron bars, flints, rum, pipes, tobacco, beads, cowries, brass wire, earthenware, soap, glassware, and perfumery.[47] Several of these items were used by small-scale industries. Some of the 'Manchester goods' were unravelled and their yarn used for weaving.[48] Some of the lead and iron bars were melted down and smithed, since they had no value in themselves. Another eye-witness account is provided by Mohr, a Basel missionary, who noted on one of his journeys to the Volta region in 1881 that weaving was very much alive in the areas which he visited.[49]

Turning to the twentieth century, eye-witnesses continued to refer to the existence of thriving small-scale industries. At the Kumasi Agricultural Show of 1908, an anonymous visitor observed 'Leather work from the North, iron work, cloths, wood-carving, stool, baskets, pottery, and other things too numerous to

[46] J. Forbes Munro, *Britain in Tropical Africa, 1880-1960. Economic Relationships and Impact* (London: Macmillan, 1984), p. 63.

[47] Report of Richard Robert Madden to the Colonial Office, 1840, in G.E. Metcalfe, *Great Britain and Ghana. Documents of Ghana History, 1807-1957* (London: Thomas Nelson, 1964), p. 168.

[48] LaTorre, 'Wealth Surpasses Everything', p. 51.

[49] 'Mohr to Basel—Report of a Journey from Begoro to the Hinterland of the Anum Station, July 1881 (no. 236)', in P. Jenkins, 'Abstracts from Correspondence in the Basel Mission Archives, 1852-1898', translated 1970 and deposited at the Balme Library, University of Ghana.

mention'.[50] Rattray found in Asante in the 1920s that there were weavers, cloth stampers, wood-carvers, potters and metal-casters,[51] and that 'though these arts and crafts were dying out, there was life still left in some of them'.[52] Adams, writing on the 'home industries' of the Gold Coast in 1931, remarked that in 'Keta district hundreds of men are weavers'.[53] In the Northern Territories, 'most of the cloth used is made in the villages',[54] while 'in every town of any size in the Colony and Ashanti there is a goldsmith ... Cape Coast had 86 goldsmiths in 1921'.[55]

Even the colonial administration, which is not known to have been interested in indigenous industries, did remark on their activities occasionally. For instance, in 1921, the Governor wanted to know what native industries existed in the Northern Territories.[56] According to submissions by various districts commissioners, local industrial products included baskets, string bags, straw hats, earthenware pots, ornamental pottery, beads, string, rope, mats and ornamental cloth.[57]

In addition to eye-witness accounts, import data also suggest that small industries survived. This is because they demonstrate that there were goods entering the Gold Coast which only could have been used in small-scale industrial production. Table 2.1 charts imports of cotton yarn between 1923 and 1929. In the absence of any textile factory in the Gold Coast in the 1920s, it can be assumed that all of this was destined for small weavers.

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[50] NAGK D 2026, 'Notes on the Kumasi Agricultural Show taken by an Anonymous Visitor' (1908), p. 3.

[51] R.S. Rattray, *Religion and Art in Ashanti* (Oxford: Clarendon Press, 1927), chs. 24-28.

[52] *Ibid.*, p. 217.

[53] David Thickens Adams, *An Elementary Geography of the Gold Coast* (London: University of London Press, 1931), p. 146.

[54] *Ibid.*, p. 147.

[55] *Ibid.*, p. 150.

[56] NAGA ADM 56/1/273, Colonial Secretary's Office to the Chief Commissioner, Northern Territories, 16/3/1921.

[57] NAGA ADM 56/1/273, District Officers (various) to Provincial Commissioner, Northern Territories (1921).

Table 2.1. Weights and Prices of Gold Coast Cotton Yarn Imports, 1923-29.

Year	Weight (lbs)	Value (£)
1923	369,803	52,734
1924	315,929	51,714
1925	511,818	75,398
1926	386,726	47,912
1927	591,520	63,726
1928	441,724	51,496
1929	369,864	40,292

Sources: Gold Coast, *Trade Report for the Year 1927* (Accra: Government Printer, 1928), table 5, pp. 32-47. Gold Coast, *Trade Report for the Year 1929* (Accra: Government Printer, 1930), table 5, pp. 40-55.

Table 2.2 shows that artisans' implements and tools were also imported during the 1920s, again implying the survival of small industries.

Table 2.2. Value of Imports of Artisans' Implements into the Gold Coast, 1923-29.

Year	Value (£)
1923	37,816
1924	44,086
1925	37,865
1926	37,620
1927	36,111
1928	46,910
1929	45,224

Sources: Same as table 2.1.

These import data prove beyond doubt that small industries were not eradicated completely by competition from European manufactures. There is the possibility that these data are inaccurate, because some imports may not have been recorded. However, non-recording would only strengthen the case for the survival of small-scale industries because then, the actual imports of small-industry inputs would be higher.

A third source which points to small industry survival is population censuses. A 1911 census of 110,000 African adults in 29 towns, enumerated 1,445 carpenters, 557 bricklayers and masons, 298 blacksmiths, 183 coopers, 87 sawyers, 40 fitters, 40 mechanics, 16 printers and 2 engineers.[58] Since large-scale industry did not develop in the Gold Coast until the 1940s, most of these workers must have been in small enterprises. Similarly, in 1921, the African population of Kumasi was estimated to be 18,058.[59] Among them, there were: 560 corn grinders, 107 dressmakers, 79 carpenters, 76 bricklayers, 71 bakers, 60 goldsmiths, 55 sawyers, 41 fitters, 35 weavers, 34 tailors, 21 blacksmiths, 15 mechanics, 8 shoemakers, 2 electricians and 1 cooper.[60] Assuming that Kumasi's labour force represented half of its total population, then about 13 per cent of the town's economically-active population was engaged in small industry activities in 1921.

Clearly then, some small industries did survive the competition from the factories of Europe. Naturally, certain indigenous industries fared better than others. For example, iron-smelting generally disappeared, squeezed by ecological factors and competition from imports.[61] By the 1920s and 1930s, this industry was confined to the Volta Region.[62] In place of iron-smelting, the smithing of imported iron bars[63] and scrap iron become more common. Thus, in the Northern Territories, it was observed in 1938 that:

> Iron smelting was formerly carried out ... but lorry parts, railway sleepers and other manufactured iron which can be purchased at a low price have

[58] Gold Coast, *1911 Census Report*, appendix G, cited in Szereszewski, *Structural Changes*, table 14, p. 59.

[59] *Census Report, 1921*, cited in Brown, 'Kumasi, 1896-1923', appendix E, p. 254.

[60] *Census, ibid.*, appendix F, cited in Brown, *ibid.*, pp. 256-7.

[61] Candice L. Goucher, 'Iron is Iron 'Til it is Rust: Trade and Ecology in the Decline of West African Iron-Smelting', *Journal of African History*, 22 (1981) no. 2, pp. 179-89.

[62] Rattray, *Religion and Art*, pp. 309-10.

[63] *Ibid.*

killed the industry.[64]

Against this, however, there is no evidence that iron-working itself experienced such a collapse.

In short, while some small industries were eradicated by European imports, many others were not. How did certain indigenous industries compete against Western manufacturers?

2.3 Explanations for the Survival of Small Industries

There are five reasons why some small industries survived the colonial period: the cost and opportunity cost of small-scale industrial activity; the cost of transport; the nature of consumer tastes; the new demands which were created by contact with Europeans; and the comparatively advanced state of African entrepreneurship. Each of these issues is now considered in turn.

Cost and Opportunity Cost of Production

For many small industries, the absolute cost of industrial activity was negligible. For instance, goldsmiths could find gold by panning for it in streams.[65] In the Volta River lagoon near Ada, when the rains ended and the lagoon dried out, 'anyone could collect as much [salt] as he wanted, piling it up'.[66] In both cases, there may have been a cost in securing raw materials in terms of labour and tools, but the absolute cost of the inputs themselves was probably minimal.

For a large number of households, the opportunity cost of engaging labour in industrial activities was also minimal, since these activities either were conducted by women or were carried out at times when the demand for labour in agriculture was low. Thus, in the Ada salt industry, 'Production costs were minimal. Women and

[64] NAGA ADM 5/1/70, W.J.A. Jones, Chief Commissioner of the Northern Territories, *Report on the Northern Territories for the Year 1937-38* (Accra: Gold Coast Colony, 1938), para. 265.

[65] Adams, *Elementary Geography*, pp. 158-9.

[66] I.B. Sutton, 'The Volta River Salt Trade: the survival of an indigenous industry', *Journal of African History*, 22 (1981) no. 1, p. 50.

children generally collected the salt; previously, it had been done by slaves'.[67] In 1926, the District Commissioner of Wenchi, noted, with regard to spinning, that:

> It is a home occupation and the women usually spend the evening in spinning as a relaxation after their days [*sic*] work. Only once have I met a woman ... who in court declared her occupation as a spinner.[68]

Basket-weaving in the North was carried out by women during the dry season. As the District Commissioner of Northern Mamprusi remarked in connection with a request for samples of local baskets in 1921:

> I cannot send specimens now as the basket season is over. Not until the New Year will the women begin to make them ... The supply is dependent on that of the grass which is only ready at the end of the rains.[69]

With the advent of cocoa farming, which is a major dry as well as wet season activity, the seasonal surplus of labour in agriculture probably diminished. Hence, the cocoa farms of the southern forest zone attracted large numbers of migrant labourers from the northern, savannah regions.[70] Nonetheless, it was not eradicated altogether. Thus, in a study of the cocoa village of Akokoaso in the 1940s, Beckett observed that cocoa farmers usually devoted 216 days a year to farm work, mostly between February and June.[71] This left 52 days for Sundays, 53 days for resting, 16 days for travel, 8.5 days for illness, 5.5 days for village work, 4 days for religious work and 10 days for miscellaneous activities.[72] Thus, for the cocoa farmers of Akokoaso, there were times of the year when household labour was otherwise unemployed and could engage in industrial activities at minimal opportunity cost to the household. In other words, there still existed a certain *seasonal* 'vent-for-surplus' for labour.

The dearth of well-paid, unskilled modern sector jobs reinforced the low opportunity cost for labour. A typical unskilled modern sector job was road-building,

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[67] *Ibid.*, p. 51.

[68] NAGK D 2439, W.J. Pitt, District Commissioner, Wenchi, 'Report on the Country to the West of Wenchi' (1926), p. 13.

[69] NAGA ADM 56/1/273, District Commissioner, Northern Mamprusi, to the Provincial Commissioner, Northern Territories, 1921.

[70] Szereszewski, *Structural Changes*, p. 58.

[71] W.H. Beckett, *Akokoaso, A Survey of A Gold Coast Village* (New York: AMS Press, 1979), pp. 81-3.

[72] *Ibid.*, p. 83.

but working conditions were unattractive as the Transport Department's records for 1908 suggest:

> with constant walking for a twelve month averaging 400 miles a month ... a large number of carriers have been incapacitated from sore feet ... the majority had their soles almost completely worn through, to say nothing of cracks ... The experiment was then tried of tarring the carriers' feet. Coal tar is most suitable. It fills the cracks and is good antiseptic ...[73]

Given these conditions, labour had little incentive to engage in unskilled, modern-sector activities when otherwise unoccupied.

Low opportunity costs for labour were characteristic of the urban economy as well. Many urban workers received incomes which hardly covered their subsistence needs. Thus, small-scale industrial by-employment offered an attractive avenue for supplementing income. There is evidence for this from a social survey of post-1945 Sekondi-Takoradi, where Busia found:

> labourers ... at nights weaving mats or handbags in order to supplement their wages. They explained that weaving mats did not pay as a full-time job, because it took two or three weeks to weave one which sold for five or six shillings; but the little extra they earned from weaving in the evenings enabled them to pay their rent.[74]

Transport Costs

While the cost of transport constricted the market for locally-produced manufactures, it also shielded existing indigenous industries against competition from imports. Indeed, this was the case across colonial Africa.[75] The cost of transport was probably one reason why a witness to the 1865 Select Committee on British Establishments in West Africa noted:

> If we come to the interior, six days' journey, people make iron and make their own clothes, but nobody thinks, along the coast, of making iron or

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[73] Quoted in D.K. Greenstreet, 'The Transport Department—the First Two Decades', *Economic Bulletin of Ghana*, 10 (1966), p. 42 and cited in Hopkins, *Economic History of West Africa*, pp. 230-1.

[74] K.A. Busia, *Report on a Social Survey of Sekondi-Takoradi* (London: Crown Agent for the Colonies, 1950), p. 23.

[75] David K. Fieldhouse, *Colonialism 1870-1945. An Introduction* (London: Weidenfeld and Nicolson, 1981), p. 96. Ralph A. Austen, *African Economic Development. Internal Development and External Dependency* (London: James Currey, 1987), p. 74. Hopkins, *Economic History of West Africa*, pp. 50, 251. Marion Johnson, 'Technology, Competition, and the African Crafts', in Clive Dewey and A.G. Hopkins (eds.), *The Imperial Impact: Studies in the Economic History of Africa and India* (London: the Athlone Press, 1978), p. 265.

clothes; native industry disappears, so far as the European trade is going.[76]

For the present century, it is likely that transport costs continued to protect indigenous industrialists, particularly in the North. The Chief Commissioner of the Northern Territories, reviewing the year 1937-38, observed that, during the dry season the main road to Asante and the South had become 'one long series of corrugations with pot-holes interspersed, and a journey over it in a light car was in the nature of a nightmare'.[77] As late as 1950, the poor state of the road network meant that a 760-mile round-trip in a 5-ton Bedford lorry from Kumasi to Bawku cost £30 in repairs and depreciation alone,[78] a figure equal to one-and-a-half times the average per capita income in the North in that year.[79]

To be sure, government advisors and politicians placed much emphasis on improving transport infrastructure,[80] and indeed, transport facilities did improve gradually. Shipping connections were enhanced with the creation of a steamship link with Europe by 1852.[81] The railway from Sekondi to Kumasi was completed in 1903,[82] while between 1918 and 1939, the road network expanded enormously, particularly in the cocoa belt.[83] In the 1920s a new, deep water port was constructed in Takoradi and the rail network was expanded further.[84] The *Ten Year Development Plan* for the 1920s earmarked 75 per cent of Plan expenditure for

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[76] *Select Committee on British Establishments in West Africa* (1865) evidence, Q. 3295, cited in Szereszewski, *Structural Changes*, footnote 17, p. 7.

[77] NAGA ADM 5/1/70, W.J.A. Jones, Chief Commissioner of the Northern Territories, *Report on the Northern Territories for the Year 1937-38* (Accra: Gold Coast Colony, 1938), para. 133.

[78] NAGA ADM 5/3/79, Colonial Office (John R. Raeburn), 'Report on a Preliminary Economic Survey of the Northern Territories of the Gold Coast (1950)', paras. 66-9.

[79] *Ibid.*, table 3, p. 26 and table 6, p. 29.

[80] Cmd 2744 (1926), *Report of the Hon. W.G.A. Ormsby-Gore (Parliamentary Under-Secretary of State for the Colonies) on His Visit to West Africa during the Year 1926*, in Metcalfe, *Great Britain and Ghana*, p. 609. Allan McPhee, *The Economic Revolution in British West Africa* (London, 2nd ed.: Frank Cass, 1971), p. 106. Governor's Annual Address, *Legislative Council Debates, 1921-2*, pp. 29-48 (extracts), reprinted in G.B. Kay (ed.), *The Political Economy of Colonialism in Ghana. A Collection of Documents and Statistics, 1900-1960* (London: Cambridge University Press, 1972), p. 54.

[81] Edward Reynolds, 'Gold Coast and Asante', p. 239.

[82] Brown, 'Kumasi, 1896-1923', p. 84.

[83] Kay, *Political Economy of Colonialism*, p. 22.

[84] *Ibid.*, pp. 20, 22.

developing the transport system.[85]

Yet despite these developments, transport costs still protected many indigenous industrial producers from competition from imports. By the early nineteenth century the rail network still extended only 250 kilometres north of the Coast to Kumasi. The Kumasi hinterland stretched a further 600 kilometres to the border of French West Africa. This Northern region remained reliant on road transport which was itself dependent on the season and condition of the roads until the 1950s.

Consumer Tastes

The only gradual erosion of consumer preferences for African products may have sustained the demand for some local industries. After returning from the Gold Coast, Meredith remarked on the potential market for European manufactures there. But he received this rebuff from an anonymous commentator:

> experience of the past, certainly, does not warrant this conclusion. The natives of this coast have had intercourse with Europeans about three hundred years, and (with the exception of a very small number ...) have adopted none of their customs but smoking and drinking. Their clothing, tools, houses, canoes, nets, etc. etc. are all after their old fashion.[86]

This is hardly surprising, since Africans attached a utility value to several locally-produced items. Textiles is a case in point. In West Africa, garments have reflected the social status of the wearer. Because of this, West African textile manufacturers, unlike some of their European competitors, have tended to tailor-make their products for this very differentiated market. This appears to be the key to understanding the survival of the indigenous textile industry in West Africa.[87] Another product which benefitted from the gradual erosion of traditional tastes was local salt which was said to promote virility, while local ironware was thought to be of a better quality than the imported equivalent.[88]

In addition to African consumer tastes, it is apparent that the colonial

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[85] *Ibid.*, p. 20.

[86] Anonymous Editorial Comment on Meredith, *An Account of the Gold Coast*, p. 37n, cited in LaTorre, 'Wealth Surpasses Everything', p. 403.

[87] John E. Flint and E. Ann McDougall, 'Economic Change in West Africa in the nineteenth Century', in Ajayi and Crowder, *History of West Africa*, p. 382.

[88] Hopkins, *Economic History of West Africa*, p. 251.

government and the expatriate community in the Gold Coast formed a market for locally-produced industrial goods too. In December 1921, 150 round baskets made by native industries in the Northern Territories were sent to the Public Works' Department in Accra, together with 90 waste paper baskets for the Printing Department.[89] In 1925, when the Chief Commissioner of the Northern Territories furnished his quarters, the records show that he spent £50 on local mats.[90]

New Demands of the Colonial Economy

During the colonial era, new products proliferated which generated 'backward' linkages to indigenous industries. The growth of palm oil production in the late nineteenth century stimulated cask-rolling (the main means of transporting palm oil until the arrival of the lorry in the 1920s) which in turn generated demand for carpenters, joiners and cask-makers.[91] Similarly, the import of firearms increased the need for blacksmiths to service the firearms themselves.[92]

Between the modern sector 'introduced' by the British and traditional small industry, a wide range of new industrial activities evolved. Examples of these include the 'mammy lorry', which was an imported truck chassis and engine fitted with a local wooden body,[93] canoes carved from tree trunks and fitted with out-board engines, and buildings constructed with swish, thatch and bamboo, as well as iron, asbestos and aluminium.[94]

Entrepreneurship

Small industries would not have survived the colonial period if there had not been

[89] NAGA ADM 56/1/273, 'Native Industries, 1921-9', p. 19.

[90] NAGA ADM 56/1/401, Chief Commissioner, Northern Territories, to the Executive Engineer, Public Works Department, Tamale, 16/12/1927.

[91] Agbodeka, *Economic History of Ghana*, p. 53.

[92] Goucher, 'Iron is Iron 'Til it is Rust', p. 179.

[93] NAGA CSO 6/6/177, Acting Chief Transport Officer to the Financial Secretary, Colonial Secretary's Office, 28/4/1938.

[94] Robert Szereszewski, 'Capital', in Walter Birmingham, I. Neustadt and E.N. Omaboe (eds.), *A Study of Contemporary Ghana. Volume One. The Economy of Ghana* (London: George Allen and Unwin, 1966), pp. 200-1.

entrepreneurs to keep them alive. An entrepreneur is defined here in the traditional Schumpeterian sense as a risk-taker, who also has the necessary technical skills for small industry. Using the history of commercialization and capital accumulation, it is possible to show that risk-taking was common in precolonial and colonial Ghana.

Before the establishment of British rule, the Asante kingdom had probably the most commercialized economy in West Africa, with the exception of the Sokoto Caliphate and the other *jihad* states of the northern savannah.[95] From before the nineteenth century, the Akan region used various currencies for exchange such as iron discs and cowrie shells.[96] In Asante proper, gold dust, or *sika futuro*, was used, even for petty transactions.[97] Markets were well-developed in Asante and on the Coast. For example, Bowdich noted how the main Kumasi market sat every day of the week and consisted of sixty stalls or sheds with 'throngs of inferior vendors seated in all directions'.[98] On the Coast itself, a market for labour existed from a comparatively early stage. As Meredith noted in 1812, in the coastal towns 'labourers may easily be had at the rate of from ten shilling to twelve shillings and six-pence *per* month'.[99]

Commoners were extensively engaged in trading. Cruickshank remarked that 'there was not a nook or corner of the land to which the enterprise of some sanguine trader had not led him',[100] and that 'the commercial spirit is very strong in the African'.[101] Likewise, Governor Sir William Brandford Griffith observed in 1893 that:

> there is in this Colony a vast and almost inexhaustible field for what is known as the petty trader, semi-educated men, who purchasing small quantities of dry goods and other articles saleable to the natives of the interior carry them

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[95] Flint and McDougall, 'Economic Change in West Africa', pp. 386-92.

[96] Timothy F. Garrard, *Akan Weights and the Gold Trade* (London: Longman, 1980), p. 3.

[97] Wilks, *Forests of Gold*, pp. 128-9.

[98] Bowdich, *Mission from Cape Coast*, p. 324.

[99] Meredith, *Account of the Gold Coast*, p. 181.

[100] Cruickshank, *Eighteen Years on the Gold Coast*, p. 33.

[101] *Ibid.*, pp. 280-1.

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to the inland towns and villages.[102]

Asante commoners played an important part in long-distance trade too, exporting kola nuts, gold and Western manufactures to the *jihad* states of the northern savannah, and importing, in return, salt, shea butter, livestock, thread, cloth, metal locks, gold and slaves.[103] African merchants along the Coast also exported palm products to Europe.[104] By the middle of the nineteenth century, an indigenous merchant class had evolved in the trading towns of the Coast,[105] although, subsequently, many of its members were squeezed out of the import-export trade as European merchant houses expanded their business with the region.[106] Nonetheless, as Dumett writes, on the Coast, 'small-scale trading was pervasive ... 'buying cheap' and 'selling dear' were raised to high arts'.[107]

Wealth was accumulated by commoners and merchants and often was mobilized to maximize returns in typical entrepreneurial fashion. Capital mobility underpinned the development of sophisticated credit markets in the region.[108] It is possible to discern two categories of capital mobility. First, there were capital transfers from the trade to the non-trade sector. An example of this was the transfer of capital from trading to cocoa production.[109] This occurred when returns from cocoa increased after the 1890s. Second, there were transfers within the non-trade sector. Hence, proceeds from rubber production were used for the establishment of

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[102] Dispatch dated 6 March 1893 (ADM 1/492, no. 67), cited in Polly Hill, *The Migrant Cocoa-Farmers of Southern Ghana. A Study in Rural Capitalism* (Cambridge: Cambridge University Press, 1963), p. 165.

[103] Arhin, 'Trade, Accumulation and the State', p. 529.

[104] Raymond E. Dumett, 'John Sarbah, the Elder, and African Mercantile Entrepreneurship in the Gold Coast in the Late Nineteenth Century', *Journal of African History*, 14 (1973) no. 4, p. 663.

[105] *Ibid.* Susan Kaplow, 'The Mudfish and the Crocodile: Underdevelopment of a West African Bourgeoisie', *Science and Society*, 41 (1977) no. 3, pp. 317-333. Susan B. Kaplow, 'Primitive Accumulation and Traditional Social Relations on the Nineteenth Century Gold Coast', *Canadian Journal of African Studies*, 12 (1978) no. 1, pp. 19-36.

[106] Kaplow, 'Mudfish and the Crocodile', pp. 323-33.

[107] Dumett, 'John Sarbah', p. 656.

[108] Gareth Austin, 'Indigenous Credit Institutions in West Africa, c.1740-c.1960', in Gareth Austin and Kaoru Sugihara (eds.), *Local Suppliers of Credit in the Third World, 1750-1960* (London: Macmillan, 1993), pp. 93-159.

[109] LaTorre, 'Wealth Surpasses Everything', p. 488. Arhin, 'Trade, Accumulation and the State', p. 530. Hill, *Migrant Cocoa-Farmers*, p. 166.

cocoa farms,[110] again when returns from cocoa became favourable.

Thus, there was no general entrepreneurial deficit in precolonial and colonial Ghana. In fact, it is probable that, throughout the period c.1800 to c.1945, there was an increase in the number of Africans having the specific technical skills for small industry work. With the expansion of the mission schools, the standard of technical education in the Gold Coast improved. Thus, while Horton complained in 1865 that skilled artisans were difficult to find,[111] by the 1870s, it was noted that Accra was *the* place for skilled labour in West Africa. According to Harford, 'you may procure any kind of mechanic you may mention ... For all these trades the natives have to thank chiefly the Basel Mission'.[112]

It is likely also that wider access to formal education[113] increased the number of entrepreneurs with industrial skills, although this issue will be analyzed in more detail in Chapter Nine (pp. 227-231). Small increases in the stock of educated Africans certainly had promoted the development of the trade sector: as Bowdich once remarked, even the 100 or school leavers each year were:

> compelled to seek out a way of respectable living and as they generally turn their attention in the direction of trade, it has given a most extraordinary impetus to business here and is most essentially adding to the amount of exports from the country.[114]

The effect of formal education on small industry specifically was probably similar. Of the 124 boys who had graduated from the Accra Technical School between December 1929 and April 1936, and whose subsequent employment activities are known, 52 were working in the private sector in 1936. Of this number, 12 were

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[110] R. Dumett, 'The Rubber Trade in the Gold Coast and Asante in the Nineteenth Century: African Innovation and Market Responsiveness', *Journal of African History*, XII, 1971, cited in Barbara Ingham, *Tropical Exports and Economic Development. New Perspectives on Producer Response in Three Low-Income Countries* (London: Macmillan, 1981), endnote 35, p. 103.

[111] J.A.B. Horton, *Political Economy of British West Africa* (London, 1865), p. 33, cited in Szereszewski, *Structural Change*, p. 8.

[112] J. Harford, 'A Voyage to the African Oil Rivers Twenty Years Ago', appendix to M. Kingsley, *West African Studies* (London, 1899), pp. 571-2, cited in Szereszewski, *ibid.*, p. 9.

[113] Szereszewski, *ibid.*, pp. 41, 59.

[114] PRO CO 97/17, Bowdich to Forster, 26/05/1849, cited in Reynolds, 'Gold Coast and Asante', pp. 234-5.

operating on their own,[115] presumably as small-scale industrialists.

2.4 The *Interbellum* and Structural Change: the Emergence of Modern Small-scale Industries

It would appear that, between the two World Wars, the small industry sector was in flux. Rattray had found that there was a wide variety of small industries in Asante in the 1920s.[116] However, many of these seem to have vanished by the 1930s. As Meyerowitz, an Arts Supervisor at Achimota College, wrote in 1937, 'I visited places where Capt. Rattray had been, and looked for the work he admired. It was gone; the last representatives had died there and craftsmanship had died with them'.[117]

What then was the nature of the structural change in the small industry sector in the *Interbellum*, and what can account for this?

Structural Changes: Incomes

According to Martin, the interwar years were a period of 'long depression' for West African cash crop producers.[118] Hopkins has argued that the effect of depressed cash crop prices was a general depression in the West African domestic market.[119] While this is true, it is evident that different sections of Gold Coast society were affected by the 'long depression' in different ways. The agricultural sector suffered, particularly during the Great Depression. Between the 1927-8 and 1933-4 season, the average price of cocoa fell almost 75 per cent.[120] Although some of the income effects of falling cocoa prices were mitigated by an increase in cocoa output, in

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[115] PRO CO 96/732/7, S.W. Saxton, 'Memorandum on the Proposed Establishment of a Technical School in the Takoradi-Sekondi-Ketan Area (1936)'.

[116] Rattray, *Religion and Art*, chs. 24-28.

[117] PRO CO 96/735/9, 'Memorandum on the Expansion of Arts and Crafts at Achimota College, submitted by H.V. Meyerowitz' (1937).

[118] S.M. Martin, 'The Long Depression: West African Export Producers and the World Economy, 1914-45', in Ian Brown (ed.), *The Economies of Africa and Asia in the Inter-war Depression* (London: Routledge, 1989), pp. 74-94.

[119] Hopkins, *Economic History of West Africa*, p. 253.

[120] Barbara Ingham, *Colonialism and the Economy of the Gold Coast 1919-1945* (Salford: University of Salford, 1986), p. 29.

general, there was a significant contraction in the disposable income of cocoa farmers.[121]

However, outside the cocoa sector, the situation was different. In the gold industry, the Gold Coast's second largest export industry after cocoa,[122] prices and output both rose and the number of African gold miners increased from 8,000 to 25,000 between 1931 and 1945.[123] In the urban sector, the incomes of some groups were growing. During the 1920s there had been much capital spending on physical infrastructure and this required a significant level of recurrent expenditure in the 1930s. For example, the Korle Bu hospital, which was built in the 1920s, required doctors, nurses, administrators and other staff in the 1930s.[124] Hence, between the census years 1931 and 1948, the number of skilled Africans in the Gold Coast increased substantially, as table 2.3 shows.

Table 2.3. Number of Skilled Africans in the Gold Coast, 1931-48.

Branch	1931	1948
Professional and technical	2,064	4,168
Commercial	48,388	93,204
Transport and communications	4,260	11,650
Blue collar	43,641	44,979

Source: Ingham, *Colonialism and the Economy*, p. 17.

Not only were the number of skilled and semi-skilled urban workers rising, but so too were their incomes. The real wages of railway workers were 37 per cent higher in 1939 than in 1920, while those of urban skilled workers (such as nurses, teachers and clerks) rose by 40 per cent between 1921 and 1938.[125]

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[121] Martin, 'Long Depression', table 3, p. 89.

[122] Kay, *Political Economy of Colonialism*, table 21A, pp. 334-5.

[123] Ingham, *Colonialism and the Economy*, p. 13.

[124] Kay, *Political Economy of Colonialism*, p. 44.

[125] Ingham, *Colonialism and the Economy*, p. 19.

Thus, the interwar years constituted a period of structural change in the economy of the Gold Coast, as incomes fell in the cocoa sector but increased in some non-agricultural sectors. Urban sectors were evolving as nodes of demand for manufactures. Such a rejigging of the economy had implications for small industries. In essence, it is likely that older small-scale industries in rural areas declined while a new small-scale industrial sector evolved in the towns.

There is support for this contention in the fact that exactly the opposite had happened in 1920 when the 'cocoa boom' had increased the income of the agricultural sector and led to an exodus of skilled labour from the urban sector. During that year, Governor Guggisberg had lamented that building works had had to be deferred on account of the 'shortage and quality of labour' caused by the 'cocoa boom'.[126] Guggisberg estimated that, in 1920, the government could find only 20 per cent of the carpenters and only 15 per cent of masons and painters it required.[127] However, by the 1930s, the situation was quite different. Agricultural income was depressed, and it is reasonable to suspect that the flow of artisans and craftsmen was reversed, with skilled labour moving from the countryside to the towns. Indeed, exactly this response to falling agricultural incomes occurred in British India during the Depression.[128]

Structural Changes: Artisans

In addition to changes in relative income levels within Gold Coast society, the number of skilled artisans available for work in the small industry sector as a whole rose substantially during the interwar years. In the early 1920s, skilled blue-collar workers were in short supply. In 1921, the Provincial Engineer in the Kumasi Public Works Department wrote, with regard to vacancies for Africans in the Public Works Department, that:

> With more particular reference to Leading Carpenters, Masons and Blacksmiths, I regret to say that I am of the opinion that it will be a very

[126] Governor's Annual Address, *Legislative Council Debates, 1921-2*, pp. 29-48 (extracts), in Kay, *Political Economy of Colonialism*, pp. 58-9.

[127] *Ibid.*, p. 59.

[128] Christopher Baker, 'Debt and Depression in Madras, 1929-1936', in Dewey and Hopkins, *Imperial Impact*, pp. 233-42.

difficult matter to find men who will fill the posts.[129]

Even in 1927, there were complaints of shortages of skilled artisans, with the Acting Provincial Engineer for Ashanti and the Northern Regions noting:

> As far as Ashanti and Northern Territories is concerned there is insufficient local skilled labour to execute the building works to be done ... Last year with our large programme of works the supply was not equal to the demand and we had difficulty in getting artisans ...[130]

By the end of the 1920s, the situation was very different as the shortage of skilled artisans had turned into a 'glut'.[131] According to the Secretary of Native Affairs, there were 50 applicants for every vacancy in the Public Works Department in 1931, while 'the supply of artisans and mechanics ... is considerably in excess of the demand'.[132] This was partly the result of the agricultural slump, but also a consequence of the increase in skilled labour graduating from the recently-established Trade Schools.[133] These trade schools had been set up in the 1920s in order to produce 'educated artisans ... the backbone of any community'.[134]

Therefore, during the interwar years, the foundations of Ghana's modern small-scale industrial base were laid. Craftsmen in rural areas disappeared and small-scale industries in urban areas evolved to serve the markets of the towns and cities. This marked a decisive break with the past. While before, small industry activity was generally a by-employment to farming, by the Second World War a group of urban small-scale industrialists was emerging, whose only income derived from manufacturing for the expanding urban market.

Before the advent of colonial rule, there were several small industries in the area which is known today as Ghana. The Dependency view suggests that these

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[129] NAGK D 2760, H. Gayton, Provincial Engineer, Kumasi, to the Director of Public Works, Accra, 11/11/1921.

[130] NAGK D 2397, H. Dyson, Acting Provincial Engineer, Ashanti and Northern Territories, to the Director of Public Works, Accra, 14/5/1927.

[131] NAGA ADM 11/1/1288, Secretary for Native Affairs to the Colonial Secretary, 22/6/1931.

[132] *Ibid.*

[133] *Ibid.*

[134] Gold Coast, *Junior Trade Schools of the Gold Coast Colony* (Accra: Government Press, 1923), p. 3.

indigenous industries were eradicated by competition from the West. However, this chapter has used eye-witness accounts, import data and population census material to demonstrate that this was not the case. Indeed, by the period between the World Wars, small industries were well-established in the emerging towns of the Gold Coast. This is important in explaining the postwar growth of the small industry sector, as Chapters Nine and Ten will demonstrate.

3 GHANA'S SMALL-SCALE INDUSTRIAL INHERITANCE AND THE GROWTH OF SMALL-SCALE INDUSTRIES, c.1945-TODAY

This chapter analyzes developments in Ghana's small-scale industries between c.1945 and the present day. Section One examines the characteristics of the small-scale industrial sector in the Gold Coast at the end of the Second World War. The types of small-scale industries are outlined and their economic importance is assessed. Section Two considers the potential for further small industry expansion as of c.1945. In Section Three, a definition of small-scale industry is constructed. Using this definition, Section Four measures changes in the size, output and sophistication of Ghana's small industry sector since c.1945.

3.1 Ghana's Small Industry Inheritance

It has been common to argue that few industries—be they small or large—existed in the Gold Coast after the Second World War. Seers and Ross, writing on the economy of the Gold Coast in 1952, observed that there was:

> practically no manufacturing for consumers—tailoring, a little handloom weaving, some handicrafts, a brewery and furniture making.[1]

Similarly, Arthur Lewis, assessing the prospects for industrialization in 1953, noted that:

> one of the remarkable features of the Gold Coast is the relative insignificance of handicraft industries ... There is some handloom weaving, but it probably does not account for more than about 4 per cent of the cloth used annually. There is a little rough pottery, and some weaving of mats and baskets. There is a fair amount of work with precious metals, but practically no work with iron or with the base metals ... One or two other even smaller trades exist. But the only substantial trade appears to be wood-working.[2]

Indeed, Kilby estimates that, in 1954, total manufacturing output was only 6 per cent

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[1] Dudley Seers and C.R. Ross, *Report on Financial and Physical Problems of Development in the Gold Coast* (Accra: Office of the Government Statistician, 1952), para. 41.

[2] W. Arthur Lewis, *Report on Industrialization and the Gold Coast* (Accra: State Publishing Corporation, 1953), para. 159.

of national income,[3] although he admits that these figures harbour a 'very wide margin of error'.[4]

The crucial issue is determining the size of this margin of error. This is difficult because of the large, but unknown, number of small industrial enterprises which did not register in official statistics. Nonetheless, it is likely that the margin of error was substantial. One attempt in 1954 to account for otherwise unrecorded economic activity attributed 12 per cent of Gold Coast national income to 'residual' activities comprising, *inter alia*, handicrafts and traditional industries, as well as unrecorded manufacturing and industrial activities.[5] If this particular estimate is correct, it is possible that small-scale industries were making a substantial contribution to national income in the early postwar period.

Various sources help to build a picture of the types and importance of small-scale industries in the Gold Coast in the years immediately following the Second World War.

Eye-Witness Accounts

The first source is the observations of contemporaries. They often remarked on the importance of certain small-scale industries. A case in point is wood-working. By the 1940s, large numbers of carpenters were seen all over the country producing furniture.[6] Indeed, by this time, wood-workers were supplying the Gold Coast railways with furniture, doors and windows frames for train coaches, as well as wooden sleepers for rails.[7]

Another important indigenous industry was textiles, and this was given a boost

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[3] Peter Kilby, 'Manufacturing in Colonial Africa', in Peter Duignan and L.H. Gann (eds.), *Colonialism in Africa, 1870-1960. Volume Four. The Economics of Colonialism* (Cambridge: Cambridge University Press, 1975), table 112, p. 475.

[4] Kilby, *ibid.*, p. 471.

[5] D. Walters, *Report on the National Accounts of Ghana, 1955-61* (Accra, 1962), cited in Robert Szereszewski, 'The Performance of the Economy, 1955-62', in Walter Birmingham, I. Neustadt and E.N. Omaboe (eds.), *A Study of Contemporary Ghana. Volume One. The Economy of Ghana* (London: George Allen and Unwin, 1966), pp. 55-7.

[6] NAGA ADM 1/2/279, Gold Coast no. 171 of 9/6/1945, cited in Francis Agbodeka, *An Economic History of Ghana From the Earliest Times* (Accra: Ghana Universities Press, 1992), p. 136.

[7] NAGA ADM 1/2/275, Gold Coast no. 222 of 26/7/1944, cited in Agbodeka, *ibid.*

during the War by the collapse of cloth imports from Europe and Asia.[8] Local textile production, particularly of the more elaborate and traditional cloths, appears to have survived when imports resumed after the War. Hence, the United Nations estimated that, in 1962, Ghanaian small-scale production of the expensive and weighty Kente cloth amounted to 2 million square yards or 900 tons.[9]

Household Budget Surveys

A second source which offers insight into the activities of small-scale industries is a series of government surveys into household budgets which were carried out across south and central Ghana in the mid 1950s. In some of these surveys, employment in the crafts and artisanal sector was enumerated as a distinct category. For instance, in the Accra survey of household budgets conducted in 1952, 599 artisans were counted among the 2,332 wage-earning heads of families interviewed.[10] Among the 2,566 non-wage earning heads of families, 458 were employed in artisanal activities.[11] If these figures were representative of employment patterns in Accra as a whole, then artisanal work—in other words, small-scale industrial activity—occupied about a fifth of all Accra heads of family.

In the household expenditure surveys in the rural regions of the Gold Coast, such as Oda-Swedru-Asamankese in 1955-6 and Ashanti in 1956-7, employment in crafts and artisanal activities was not recorded as a distinct category. The data produced by these surveys are useful nonetheless. It is known that large-scale industry developed mainly in the towns of the Coast, and in the Accra area in particular. According to Szereszewski, gross value-added in manufacturing in Ghana was £G8.3 million in 1960, of which £G5.8 million was generated in the Accra and

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[8] NAGA ADM 39/1/654, Controller-in-Charge, Northern Section, to the Comptroller of Customs, 8/9/1945, p. 29.

[9] United Nations, 'The Textile Industry in the West African Sub-Region', *Economic Bulletin for Africa*, 7 (1968), pp. 103-25, cited in A.G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973), p. 250.

[10] Office of the Government Statistician, *1952 Accra Survey of Household Budgets* (Accra: Office of the Government Statistician, 1953), appendix III, table 10, p. 58.

[11] *Ibid.*, appendix III, table 12, p. 59.

Western Regions alone.[12] Large-scale industry had little incentive to locate in rural areas where transport costs were high (pp. 45-47). Also, skilled industrial labour was concentrated in the towns of the coast: in 1960, the Accra region accounted for only 7 per cent of Ghana's population, but was home to 21 per cent of the country's mechanics, 34 per cent of students in higher education, 52 per cent of directors and managers, and 58 per cent of book-keepers, accountants and cashiers.[13] Given the absence of large-scale industries in rural regions in the mid 1950s, it would be safe to assume that the majority of those engaged in industrial activities in Oda-Swedru-Asamankese and Ashanti worked on a small scale. From this premise, table 3.1 outlines employment in small-scale industries in these areas by type of activity.

Table 3.1 Employment in Small Industries in the Rural Regions of the Gold Coast in the Mid 1950s.

Small Industry Sector	Oda-Swedru-Asamankese	Ashanti
Textiles and leather	1,978	2,891
Wood-working	706	899
Metal-working	505	679
Food-processing	457	497
Labourers in crafts	34	295
Total in small industry	3,680	5,261
Total adults enumerated	53,078	103,207
Percentage of all adults in small industry	6.9	5.1

Sources: Office of the Government Statistician, *Survey of Population and Budgets of Cocoa Producing Families in the Oda-Swedru-Asamankese Area, 1955-1956* (Accra: Office of the Government Statistician, 1958), table 2, p. 47, table 3, p. 48. Office of the Government Statistician, *Survey of Cocoa Producing Families in Ashanti, 1956-7* (Accra: Office of the Government Statistician, 1960), table 2, p. 33, table 3, p. 34.

[12] Robert Szereszewski, 'Regional Aspects of the Structure of the Economy', in Birmingham *et al.*, *Study of Contemporary Ghana*, table 4.2, p. 91.

[13] *Ibid.*, table 4.6, p. 100 and table 4.7, p. 101.

Table 3.1 demonstrates that between 5 and 7 per cent of the total adult population in the cocoa-producing regions of Oda-Swedru-Asamankese and Ashanti was engaged in small industry work. The most important sub-sector was textiles and leather-processing. Wood-working and associated activities were also important, most probably in the provision of firewood and charcoal for cooking and heating. In 1955, the average Kumasi family allocated about 4.5 per cent of its total monthly expenditure on the purchase of these items,[14] a figure not dissimilar from that in Sekondi-Takoradi.[15] Less important were metal-working and food-processing, although the seeming un-importance of the latter was probably not the case everywhere. In the coastal regions, the drying and salting of fish were major indigenous industrial activities,[16] with processed fish forming an important part of the average diet. In Accra in the 1950s, spending on dried and smoked fish consumed 6 per cent of the household budget,[17] while in the Oda-Swedru-Asamankese region, this figure was 16 per cent.[18] The existence of a number of 'labourers in crafts' indicates that some of these small-scale industries were more than just owner-proprietor businesses and that small industries which employed labour were beginning to emerge.

Clearly, small-scale industries were important in the Gold Coast economy in the early postwar period and, if anything, they had expanded since the interwar years. In 1953, imports of artisans' tools and implements amounted to £130,379. In absolute and nominal terms, this was almost three times its 1920s peak.[19] It is possible to form an idea of the employment significance of this figure by assuming

[14] Office of the Government Statistician, *Kumasi Survey of Population and Household Budgets, 1955* (Accra: Office of the Government Statistician, 1956), table 45, pp. 48-51.

[15] Office of the Government Statistician, *Sekondi-Takoradi Survey of Population and Household Budgets, 1955* (Accra: Office of the Government Statistician, 1956), table 43, pp. 44-7.

[16] NAGCC ADM 23/1/543, W.A.R. Walker, 'Report on the Economic Products of Nzima (1933)'.

[17] Office of the Government Statistician, *1952 Accra Survey*, appendix I, pp. 22-3.

[18] Office of the Government Statistician, *Survey of Oda-Swedru-Asamankese*, table 41, pp. 90-5.

[19] Office of the Government Statistician, *Monthly Accounts Relating to External Trade of the Gold Coast, December, 1953*, vol. III, no. 12 (Accra: Office of the Government Statistician, n.d.), table III, p. 31. Gold Coast, *Trade Report for the Year 1927* (Accra: Government Printer, 1928), table 5, pp. 32-47. Gold Coast, *Trade Report for the Year 1929* (Accra: Government Printer, 1930), table 5, pp. 40-55.

that all of these tools and implements consisted of handlooms for weaving. A handloom was estimated to cost approximately £12 in 1953, and gave employment to one weaver and two apprentices.[20] Therefore, if all the artisans' tools and implements imported in 1952 were handlooms, then in that year, they provided employment for about 30,000 workers.

3.2 Potential for further Small Industry Expansion

Before quantifying the growth of small-scale industries in the postwar period, it would be useful to assess the potential for further small-industry development at the end of the colonial period. This helps to place the postwar expansion of Ghana's small-scale industries into proper perspective. In this connection, one official at the Colonial Office in London argued in 1939 that indigenous craftsmanship in the Gold Coast was 'probably doomed'.[21] However, on careful analysis, it is evident that the potential for further development was actually favourable. This is because valuable small industry skills were being accumulated in several sectors of the economy, while African participation in commerce continued.

African Accumulation of Technical Skills

With the survival of small industry, institutions evolved for reproducing small industry skills. One was the passing of industrial skills from parents to their off-spring. Rattray found that in weaving, skills were handed down from fathers to sons with boys learning to weave by playing on small toy looms called *asase tama*.[22] In a similar fashion, pottery skills were passed down from mother to daughter. As Rattray remarked:

> pot-making is a hereditary craft, which is handed down from mother to daughter; whole families of girls are 'pottresses', having learnt the art from the time that they are quite small children.[23]

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[20] NAGA ADM 39/1/654, District Commissioner, Ho, to the General Manager, Industrial Development Corporation, 7/2/1950.

[21] PRO CO 96/761/4, Minute to the despatch of the Governor to the Colonial Office, 20/1/1939.

[22] R.S. Rattray, *Religion and Art in Ashanti* (Oxford: Clarendon Press, 1927), p. 233.

[23] *Ibid.*, p. 301.

Another institution for reproducing industrial skills was the apprenticeship system. This was widespread by the end of the colonial period. The Ga of the Accra region had such a system by 1913.[24] According to Adams, writing in 1931, goldsmiths took on apprentices who learned the trade for a number of years before becoming master goldsmiths themselves.[25] In a 1955 social survey of the Togoland village of Kete-Krachi, 20 apprentices were enumerated among the economically-active population of 1,877.[26]

From the late 1930s, the number of Gold Coast Africans with industrial skills increased dramatically and for two reasons. First, with the outbreak of the Second World War, skilled European labour left the Gold Coast to join the war-effort in Europe, while imports of manufactures contracted. This resulted in a substantial degree of import-substituting industrialization in the Gold Coast and across West Africa,[27] which in turn imparted technical skills onto the African population.

A second factor was army recruitment during the Second World War. It is estimated that about 65,000 Africans from the Gold Coast served in the Royal West African Frontier Force during the War.[28] In the army, recruits learnt a variety of skills ranging from driving to wood-working, and these were to be useful later. For instance, those who learnt to drive were in an excellent position to move into the haulage business after 1945 or even into the repair of motor vehicles. As Israel writes:

> after the end of World War II, most of the soldiers who had earlier received some education continued to work as skilled tradesmen—drivers, carpenters, electricians, or nursing orderlies.[29]

Of the 65,000 Gold Coast Africans serving in the British Army, about 30,000 were

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[24] A.B. Quartey-Papafio, 'Apprenticeship amongst the Gās', *Journal of the African Society*, 13 (1914) no. 52, pp. 415-422.

[25] David Thickens Adams, *An Elementary Geography of the Gold Coast* (London: University of London Press, 1931), p. 152.

[26] Office of the Town Planning Adviser, *Report on a Preliminary Social Survey of Kete-Krachi* (Accra: Government Printer, 1956), table 5, p. 23.

[27] Michael Crowder, 'The 1939-45 War and West Africa', in J.F.A. Ajayi and Michael Crowder (eds.), *History of West Africa, Volume Two* (Harlow, Essex, 2nd ed.: Longman, 1987), p. 681.

[28] Adrienne M. Israel, 'Measuring the War Experience: Ghanaian Soldiers in World War II', *Journal of Modern African Studies*, 25 (1987) no. 1, p. 159.

[29] *Ibid.*, p. 168.

stationed in Burma and India.[30] What they saw there, gave them new ideas. One of the recruits, Frederick Annan, marvelled at India's railway stations, roads and buses, and thought of developing his own village 'because of what we saw in India'.[31] While in India, some soldiers even learnt to weave on the Indian loom, and after returning to the Gold Coast, they sought to put their recently-acquired skills to use in the Gold Coast's own textile sector.[32]

African Enterprise in Commerce

Chapter Two has shown that Africans were extensively involved in commerce during the nineteenth century (pp. 48-52). During the twentieth century, this involvement continued. Africans were major participants in the cocoa trade, buying cocoa from farmers and selling it to European merchant houses.[33] The Watson Commission, set up after the War to investigate African grievances, found that, between 1937-41 and 1948, the proportion of total commerce conducted by Africans had increased from 1.75 per cent to 21 per cent in the sugar trade, 1 per cent to 12.4 per cent for canned meats, and 6.5 per cent to 26 per cent for unmanufactured tobacco.[34] The majority of the African population was involved in local petty trading as well. In 1954, in the Volta River town of Akuse, it was estimated that, on average, 55 per cent of total family income was derived from petty trading activities.[35] In Kumasi in 1955, this figure was believed to be even higher at 70 per cent.[36]

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[30] *Ibid.*

[31] Frederick S. Annan, cited in *ibid.*, pp. 166-7.

[32] NAGA ADM 39/1/415, Secretary and Executive Officer of the Industrial Development Board to the Paramount Chief, Awatime State, 5/6/1946.

[33] John Miles, 'Rural Protest in the Gold Coast: the Cocoa Hold-Ups, 1908-1938', in Clive Dewey and A.G. Hopkins (eds.), *The Imperial Impact: Studies in the Economic History of Africa and India* (London: the Athlone Press, 1978), pp. 152-70. Christer Gunnarson, *The Gold Coast Cocoa Industry, 1900-1939. Production, Prices and Structural Change* (Lund: Economic History Association, 1978), pp. 52-3.

[34] Colonial Office, *The Report of the Commission of Enquiry into Disturbances in the Gold Coast, 1948* (London: Colonial Office, 1948), in G.B. Kay (ed.), *The Political Economy of Colonialism in Ghana. A Collection of Documents and Statistics, 1900-1960* (London: Cambridge University Press, 1972), table 3.3, p. 70.

[35] Office of the Government Statistician, *1954 Akuse Survey of Household Budgets* (Accra: Office of the Government Statistician, 1955), table 1, p. 7.

[36] Office of the Government Statistician, *Kumasi Survey*, table 28, p. 36.

Trading not only provided a means of acquiring capital, but it represented an excellent introduction to entrepreneurship as well. In turn, this probably laid the foundations for subsequent small-scale industrial development. As Kilby writes in regard to African participation in produce-buying, retail and wholesale distribution, and transport in colonial West Africa:

> these activities in turn generated the technical skills, social traditions and market networks that would lead *inter alia* to the development of a substantial amount of small-scale industry.[37]

However, this issue will be investigated in more detail in Nine and Ten.

Clearly then, small industries survived the colonial period, and their potential for further expansion was considerable. In other words, Ghana's postwar small-scale industrial 'explosion'[38] did not materialize out of nothing. The remainder of this chapter considers the nature of this 'explosion'.

3.3 What is 'Small-scale'?

In order to measure the growth of small industries in Ghana since c.1945, it is necessary first to define what constitutes a small-scale industry. 'Industry' can be defined with comparative ease to include the processing of raw materials, manufacturing itself, and the repair of manufactured products.

The definition of 'small-scale' is more complicated. The literature offers two possibilities. The first is the dichotomic definition and examples of this include the formal-informal sector classification used by the International Labour Office[39] and writers such as Ninsin.[40] In these definitions, a firm is small-scale if it exhibits certain pre-defined 'informal' sector characteristics and large-scale if it has 'formal' sector attributes. The major problem with such definitions is their subjectivity. As

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[37] Kilby, 'Manufacturing in Colonial Africa', p. 488.

[38] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case Study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), p. 173.

[39] S.V. Sethuraman (ed.), *The urban informal sector in developing countries. Employment, poverty and environment* (Geneva: International Labour Office, 1981).

[40] Kwame A. Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra: Freedom Publications, 1991).

Sethuraman notes, the informal sector concept is 'vague and slippery'.[41] A further difficulty is that dichotomic definitions preclude the possibility of constructing time series data on small-scale industries, not least because the formal/informal sector concept dates back only to the 1970s.

The second type of definition is the size definition. Typically, such definitions are based on an enterprise's number of employees, assets or turnover. Some definitions use a combination of these indices. Staley and Morse pioneered this genre of classification in the 1960s, when they defined a small firm has having fewer than 100 workers.[42] Today, there are several size definitions for small-scale industry in Ghana. For instance, the National Board for Small-Scale Industries defines a small enterprise as employing fewer than ten persons and having less than US$100,000 of assets,[43] while social scientists such as Thomi and Yankson consider firms with up to 30 workers as small-scale.[44]

The utility of the size definition is that, unlike dichotomic definitions, it demarcates very precisely the set of firms under analysis. In turn, this facilitates the comparison of small-scale industries across places and times. Hence, it is ideal for constructing time-series data on small-scale industrial growth. The difficulty is that there remains a degree of subjective judgement as to which index to use: should a small firm be defined on the basis of the number of its employees or the value of its assets? An important consideration here is a practical one. In developed countries, tax obligations require most firms to maintain accounts. However, in Ghana, most small firms have operated outside the formal,[45] taxed economy and have not kept

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[41] S.V. Sethuraman, 'Summary and conclusions: implications for policy and action', in Sethuraman, *Urban informal sector*, p. 189.

[42] Eugene Staley and Richard Morse, *Modern Small-Scale Industry for Developing Countries* (New York: McGraw-Hill, 1965), p. 2.

[43] Nii K. Sowa, A. Baah-Nuakoh, K.A. Tutu and B. Osei, *Small Enterprises and Adjustment. The Impact of Ghana's Economic Recovery Programme on Small-Scale Industrial Enterprises* (London: Overseas Development Institute, 1992), p. 11.

[44] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), p. 15.

[45] Sowa *et al.*, *Small Enterprises*, p. 25. Helmut K. Anheier and Hans Dieter Seibel, *Small-Scale Industries and Economic Development in Ghana: Business Behavior and Strategies in Informal Sector Economies* (Saarbrücken: Verlag breitenbach, 1987), p. 9. Ghana Statistical Service, *Ghana Living*

regular financial records. As a result, estimating levels of turnover or the value of assets is difficult, and indices based on these have little practical value.

By contrast, defining a small firm by levels of employment is both practical and simple. Again though, the issue of subjectivity arises. Should 'small' be defined as having fewer than thirty workers or fewer than ten workers or, indeed, should some other cut-off point apply? As the Minister of Industries noted, in a draft memorandum for a cabinet meeting in 1962:

> ... the distinction between small, medium scale or large factories is like the distinction between hot and cold water. It is a matter of degree and any sharp line is necessarily arbitrary ... And just as water that is hot for washing one's hand may be cold for running a steam turbine, so the idea of what is a small or a large manufacturing establishment depends upon the industry, the country and the purpose in hand.[46]

Given that the problem of subjectivity will remain whichever index is chosen, a more important consideration is to have a definition of 'small-scale' which permits conclusions to be drawn from the thin statistical base which is available. In other words, what is required is a convenience definition of a small firm. In the analysis below, two definitions of small-scale are used. The first, used to measure changes in employment, defines a small firm as having fewer than ten workers. The second, used to measure changes in output, defines a small-scale firm as employing fewer than thirty workers. Both these definitions may lack qualitative significance, but they permit the generation of time series data on employment and output. Also, given that the Ghanaian government itself has used both of them at various times since the 1950s,[47] it seems sensible to continue to do so, rather than to create completely new definitions.

Standards Survey—Report on the Third Round (GLSS3) (Accra: Statistical Service, 1995), p. 98.

[46] NAGA RG 7/1/1958, 'Draft Cabinet Memorandum by Imoru Egala, Minister of Industries, on the Definition of Small-Scale Industry', 1962.

[47] Ghana, Central Bureau of Statistics, *1963 Statistical Yearbook* (Accra: Central Bureau of Statistics, 1966), table 93, p. 93 and table 100, p. 101. Ghana, Central Bureau of Statistics, *Industrial Statistics, 1979-81* (Accra: Central Bureau of Statistics, 1983), table 1.1, p. 5.

3.4 The growth of Small-scale Industries since c.1945: Employment, Output and Sophistication

There is general agreement that, since c.1945, employment in Ghana's small-scale industrial sector has grown.[48] However, this phenomenon has never been quantified accurately. This section attempts to rectify this deficiency.

Turning specifically to changes in employment, a first snapshot of employment in small-scale industries can be formulated for 1960, through an analysis of the national population census[49] and employment data from the Central Bureau of Statistics (CBS).[50] The 1960 population census enumerated the total population aged 15 and above by economic sector, while the CBS estimated the number working in industrial establishments with ten or more employees. By subtracting the CBS estimate from the population census count, it is estimated that there were 210,456 workers in Ghana's small industry sector in 1960. This figure was equal to 90 per cent of total industrial employment in that year, 22 per cent of employment in the secondary and tertiary sectors of the economy, and 8 per cent of total employment.

The possibility that these figures are erroneous cannot be discounted. Nonetheless, there are three reasons for confidence in their accuracy. First, it is likely that population census material is fairly reliable, since there is relatively little incentive to avoid enumeration. With regard to the CBS figures, it is probable that these are also quite accurate: while small firms may be able to avoid enumeration, larger firms, by their very size, must find this more difficult. Second, the estimate that small industries provided about 8 per cent of total employment in 1960 is similar to the 5 to 7 per cent of adults in Oda-Swedru-Asamankese and Ashanti who worked in the small industry sector in the mid 1950s (table 3.1, p. 60). Third, on the basis of a separate government sample survey of small industrial establishments conducted

[48] Ninsin, *Informal Sector.* Dawson, 'Development of Small-scale Industry'.

[49] Ghana, Census Office, *1960 Population Census of Ghana. Volume IV. Economic Characteristics of Local Authorities, Regions and Total Country* (Accra: Census Office, 1964), table 3, pp. 17-23.

[50] Central Bureau of Statistics, *1963 Statistical Yearbook*, table 93, p. 93, table 100, p. 101.

in 1963, the CBS calculated that there were 184,027 persons engaged in this sector.[51] This figure is somewhat different from the 210,456 derived from the population census and CBS material, but only in degree.

A second snapshot of small-scale industrial employment is available for 1970. Collating that year's population census figures[52] with data from the CBS,[53] it is estimated that 343,228 workers were engaged in small industry activities in 1970. This figure was equivalent to 90 per cent of total industrial employment, 25 per cent of total employment in the secondary and tertiary sectors of the economy, and 11 per cent of total employment in 1970. Therefore, from 1960 to 1970, there was clear growth in the absolute number engaged in small-scale industries, although as a proportion of the total labour force, the increase was slight.

Independent Ghana's third population census was conducted in 1984[54] and 588,418 industrial workers were counted. However, from 1980, the Central Bureau of Statistics discontinued counting the number engaged in enterprises with ten or more persons, opting instead to survey only those firms with thirty or more employees. In 1979, the last year for which statistics are available for industrial firms employing ten or more persons, approximately 79,800 industrial workers were enumerated.[55] The discontinuity of the series represents a problem for the purposes of continuity of measurement, but it is not insurmountable. It is highly probable that the number engaged in firms with ten or more employees—79,800 in 1979—did not rise between that year and 1984. The reason for this is that between 1979 and 1984, formal Ghanaian industry collapsed. By 1983, output in this sector had fallen to only 35 per

[51] Ghana, Central Bureau of Statistics, *Area Sample Survey of Small Manufacturing Establishments-1963* (Accra: State Publishing Corporation, 1965), table 2, p. 17.

[52] Unpublished but cited in Kodwo Ewusi, *The Size of the Labour Force and Structure of Employment in Ghana* (Legon: ISSER 1978), table 2.15, p. 84.

[53] Ghana, Central Bureau of Statistics, *Labour Statistics 1970*, Series III (1973) no. 15, table 13, p. 16.

[54] Ghana, Statistical Service, *1984, Population Census of Ghana: Demographic and Economic Characteristics* (Accra: Statistical Service, 1987), table 11, pp. 57-65.

[55] Ghana, Statistical Service, *Quarterly Digest of Statistics, June 1986*, 4 (1986) no. 2, table 42, p. 47.

cent of its 1977 level,[56] while the number of workers in industrial establishments with thirty or more employees fell 31 per cent between 1980 and 1984.[57] Even in 1987, after three years of rapid economic recovery, it was estimated that there were only 87,577 employees in industrial firms with ten or more workers.[58] Thus, it is unlikely that more than 79,800 persons were engaged in industrial firms with ten or more employees in 1984. Taking this into account, the number of workers in small-scale industries can be estimated at 508,618 in 1984. This figure was equal 86 per cent of the total number engaged in industry in that year, 24 per cent of the total employed in the secondary and tertiary sectors of the economy, and 9 per cent of Ghana's economically active population.

It is possible to estimate the sectoral distribution of small-scale industrial employment in 1960 and 1984 by using a similar methodology. For 1960, this can be done by comparing tallies for occupational sub-categories in the population census of that year[59] with material from the Department of Labour, which enumerated the number engaged in industrial firms with ten or more workers by occupational sub-category.[60] Using these two sources, it is estimated that, of the 212,836 workers employed in the small industry sector in 1960, there were: 89,474 in textile and garment manufacture; 34,220 in food-processing and beverage production; 26,245 in furniture and fixtures making; 8,254 in clay and clay product manufacture; 8,158 in vehicle repair; 8,144 in metal products manufacture; 7,502 in chemical manufacture; 6,293 in saw-milling and other milling; 2,464 in the repair of footwear; 530 in printing, publishing and allied industries; and 21,552 in miscellaneous industrial activities. Thus, in 1960, the most important small-scale industries from an employment-generation perspective were weaving and tailoring, food-processing, and

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[56] Ghana, Central Bureau of Statistics, *Quarterly Digest of Statistics, June 1984*, 2 (1984) no. 2, table 9A, p. 10.

[57] Ghana, Central Bureau of Statistics, *Industrial Statistics 1979-81* (Accra: Central Bureau of Statistics, 1983), table 1.1, p. 5. Ghana, Central Bureau of Statistics, *Industrial Statistics, 1982-84* (Accra: Central Bureau of Statistics, 1986), table 3.26, p. 62.

[58] Ghana, Statistical Service, *Ghana National Industrial Census, 1987. Phase II Report. Background and Results* (Accra: Statistical Service, 1991), table 1, p. 3.

[59] Ghana, *1960 Population Census*, table 3, pp. 17-28.

[60] Office of the Government Statistician, *Labour Statistics, 1959* (Accra: Office of the Government Statistician, 1960), table 5, p. 7.

furniture manufacture. Indeed, the 1963 Sample Survey confirms that these sectors were the largest providers of small industrial employment.[61]

Using the same technique, and comparing the 1984 population census[62] with the industrial census of 1987,[63] it is possible to estimate the sectoral distribution of employment in the small-scale industrial sector in the mid 1980s. To be sure, this estimate is liable to be somewhat inaccurate since the population census was conducted in 1984, while the industrial census was carried out in 1987. Nonetheless, by using these sources, it is possible to form a *general* idea of the sectoral distribution of small industry employment in the mid 1980s. It is estimated that, between 1984 and 1987, total employment in the small-scale industrial sector was in the region of 500,841. Encouragingly, this is close to the 508,618 figure obtained above using the 1984 population census and the CBS data (p. 70). Of these, 292,858 were engaged in food- and tobacco-processing and beverage manufacture; 120,282 in textile and garment manufacture; 36,638 in wood-processing; 17,783 in non-metallic mineral industries; 17,150 in chemical manufacture; 10,732 in basic metal industries; 2,184 in printing, publishing and allied industries and 3,214 in miscellaneous industries. Thus, in employment terms, the main small-scale industries in the mid 1980s were food- and tobacco-processing and beverage manufacture, followed by textiles and garment manufacture, and wood-processing. Comparing these figures with those for 1960, the most important small industries in terms of employment in 1960 remained the most important in the mid 1980s. What is striking, though, is the exceptionally rapid growth of the food, drink and tobacco sector. While in 1960 these industries provided 34,220 jobs or 16 per cent of all small industry jobs, by the mid 1980s these figures had jumped to 292,858 and 58 per cent respectively.

The picture that emerges from the official statistics is of a growing absolute number of people engaged in small-scale industries since the 1950s. Yet, given the poor quality of all African official data and the widespread shift of economic activity

[61] Ghana, *Area Sample Survey*, table 2, p. 4.

[62] Ghana, *1984 Population Census*, table 11, pp. 57-65.

[63] Ghana, *Ghana National Industrial Census*, table A.3.1., pp. 92-7.

into the parallel market during the 1970s,[64] it is worth seeking independent verification of this. In fact, independent sources confirm the picture from the official statistics. For example, in 1974, Steel conducted a survey of small-scale industries (defined as employing fewer than 30 workers) in Nsawam, a small town to the north of Accra.[65] In 1989, Steel revisited the town and conducted a similar survey.[66] These two surveys confirm the findings from the official statistics: between 1973 and 1989, the number of workers in Nsawam's small-scale industrial sector increased from 689 to 1,132,[67] or almost 65 per cent.

Within this picture of general employment growth, it is possible to discern certain geographical differences. One area that has seen particularly rapid growth has been the industrial 'shanty town' of Suame, on the outskirts of Kumasi. The number of workers in Suame's small industry sector is estimated to have increased more than seven-fold, from 5,500 in 1971, to 40,000 in 1984.[68] If there were about 510,000 small industry workers in 1984 (p. 70), then in that year, Suame was home to about 8 per cent of them. Suame's growth has outpaced that of the small industry sector overall, and today, Suame houses one of the greatest concentrations of small-scale industries in Africa. However, rapid growth of the type witnessed by Suame is not known to have occurred in other regions of Ghana, such as in the market town of Techiman in the Brong-Ahafo region.[69]

Before leaving the issue of small industry employment, it is useful to consider whether there have been any significant gender issues relating to employment growth in this sector. Steel argues that, during the 1960s and 1970s, the dearth of modern-

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[64] Victor Azarya and Naomi Chazan, 'Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea', *Comparative Studies in Society and History*, 29 (1987) no. 1, pp. 106-31.

[65] William F. Steel, *Small-Scale Employment and Production in Developing Countries. Evidence from Ghana* (New York: Praeger Publications, 1977).

[66] William F. Steel and Leila M. Webster, *Small Enterprises Under Adjustment in Ghana* (Washington D.C.: World Bank, 1991).

[67] *Ibid.*, table 11, p. 23.

[68] John Powell, 'Kumasi University's involvement in grassroots industrial development', *Small Enterprise Development*, 2 (1991) no. 2, pp. 35, 37.

[69] Jürgen Riedel and Hubert Schmitz, *Grass-Root Industrialization in a Ghanaian Town* (Munich: Weltforum Verlag, 1989).

sector industrial jobs for women, combined with the expanding female labour force, resulted in increasing numbers of women seeking small-scale industrial employment.[70] The evidence available suggests that Steel's hypothesis can be refined somewhat: in those instances where women have been engaged in small-scale industrial work, it generally has been in activities such as dress-making, pito-brewing, baking and oil-processing.[71] In these activities, the industrial skills required usually have been simple.

Changes in Output in the Small-scale Industrial Sector

Estimating changes in the output of the small-scale industrial sector is more difficult than calculating changes in employment. One problem is that the CBS only keeps data on net value-added in firms with thirty or more persons. Since these are the only time-series data for output in the Ghanaian economy by size of firm, it is necessary to redefine 'small-scale' to include firms with fewer than thirty workers if any time series data are to be constructed.

Another problem is that firms often have attempted to conceal the true value of their production, so as to evade taxes and government censure. Indeed, most Ghanaian small industries have not been registered with the government.[72] Therefore, the figures on small-scale industrial output generated here are extremely tentative. With this in mind, table 3.2 charts the growth of net value-added in industries employing fewer than thirty persons since the 1960s. The technique used is to subtract the documented net value-added in firms with thirty or more persons from the total contribution of the industrial sector to national income.

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[70] William F. Steel, 'Female and Small-scale Employment Under Modernization in Ghana', *Economic Development and Cultural Change*, 30 (1981) no. 1, pp. 153-67.

[71] Riedel and Schmitz, *Grass-Root Industrialization*, p. 83.

[72] Sowa *et al.*, *Small Enterprises*, p. 25. Anheier and Seibel, *Small-Scale Industries*, p. 9.

Table 3.2. Net Value-added in Industrial Establishments Employing fewer than Thirty Workers, 1965-84.

Year	Net Value-added (¢ Millions)	Net Value-added in Small Industry/ Total Industrial Net Value-added	Net Value-added in Small Industry/ National Income
1965	73	51	5.3
1970	102	40	4.5
1984	7,036	41	2.6

Sources: Kodwo Ewusi, *Statistical Tables on the Economy of Ghana, 1950-85* (Accra: University of Ghana, 1986), table 6. Central Bureau of Statistics, *1965-66 Statistical Yearbook* (Accra: Central Bureau of Statistics, 1969), table 50, p. 87. Ghana, Central Bureau of Statistics, *Economic Survey, 1972-74* (Accra: Central Bureau of Statistics, 1971), table 1.3, p. 5. Central Bureau of Statistics, *Industrial Statistics, 1970-71* (Accra: Central Bureau of Statistics, 1980), table 2, p. 8. Ghana, Statistical Service, *Quarterly Digest of Statistics, December 1988*, 6 (1988) no. 4, table 75, p. 83. Ghana, Statistical Service, *Industrial Statistics, 1982-84* (Accra: Statistical Service, 1986), table 3.5, p. 20.

At first sight, the conclusion to be drawn from these figures is that small industry's share of industrial value-added has fallen drastically between 1965 and 1984. However, such a conclusion is too pessimistic. A more appropriate one would be that, despite the state industrialization programmes of the 1960s and 1970s which sought to develop large-scale industrial concerns,[73] more than two-fifths of net industrial value-added has been taking place in enterprises employing fewer than thirty persons. Although small-scale industrial net-value added as a proportion of national income did fall to about half of its 1965 level by 1984, this was probably a consequence of the collapse of the Ghanaian economy as a whole (pp. 29-30). After all, this collapse led to a fall in the demand for industrial products generally, as per capita income edged back towards subsistence levels.

Whatever the case, it is almost certain that during the collapse of the economy in the late 1970s and early 1980s, small-scale industries started to assume a major importance in the provision of manufactures in urban areas. As Anheier and Seibel

[73] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), chs. 5, 6. Tony Killick, *Development Economics in Action. A Study of Economic Policies in Ghana* (London: Heinemann, 1978), chs. 3, 11.

observe:

> It was the small-scale industrialists in the urban areas who saved Ghana's urban economy from total collapse, when formal sector firms were either bankrupt or on the brink of becoming so.[74]

In rural areas too, small industries expanded during the 1970s. This is evident from Posnansky's study of Hani, a village in the Brong-Ahafo Region, between 1970 and 1980.[75] In 1970, indigenous earthenware pot-making was 'near extinction', but by 1980, it was replacing enamelware, as well as plastic and aluminium pots.[76] Likewise, blacksmiths were a 'doomed breed' in 1972, but by 1980, they were expanding their enterprises and taking on new apprentices.[77]

Qualitative Changes in the Small-scale Industrial Sector

To complete the outline of developments in Ghana's small industries since the 1950s, it is worth examining not just 'quantitative' indices such as employment and output, but 'qualitative' indices as well. By 'qualitative' is meant the sophistication of products being manufactured and the technology being employed in the manufacturing process.

Official statistics are of little help here, since they have tracked only quantitative indices. In the dearth of data, some have argued that small-scale industries have experienced little qualitative development. For instance, Ninsin, who classifies small-scale industries as members of the 'informal sector' (p. 21), argues with reference to the period 1983-87:

> the fact is, qualitative growth in the informal sector is impossible under an economic regime that caters primarily for the interest of big capital, and big business.[78]

However, there is some evidence which suggests the opposite conclusion.

A general impression of qualitative development can be formed by comparing two surveys of small industries in the Suame Magazine, one conducted by Aryee in

[74] Anheier and Seibel, *Small-Scale Industries*, pp. 23-4.

[75] Merrick Posnansky, 'How Ghana's crisis affects a village', *West Africa*, 1/12/1980, pp. 2418-2420.

[76] *Ibid.*, p. 2419.

[77] *Ibid.*

[78] Ninsin, *Informal Sector*, p. 81.

1977,[79] the other by Dawson in 1987-8.[80] In ,1977 Aryee found that only the formal sector had 'the capacity to produce essential primary and intermediate inputs', while buildings were 'the only type of fixed asset which is largely self-constructed, or constructed by other informal sector enterprise'. In addition, there were few salaried workers and, in general, no records of transactions were kept.[81] In contrast, Dawson's survey of 1987-8 paints a substantially different picture. Dawson found that 45 per cent of the sampled firms had at least one power machine, many of which were produced by other small firms in the Kumasi area.[82] These machines included benches, lathes, oxy-acetylene torches, drills, grinders, compressors and battery chargers.[83] Of the firms surveyed by Dawson, 18 per cent employed salaried workers,[84] while there were 'signs' of a growing division of labour within enterprises and an increasing number of entrepreneurs keeping written records.[85]

Admittedly, the experience of Suame may not be representative of trends in the small industry sector as a whole. It could be that the concentration of small firms in Suame has generated a dynamic of its own, perhaps through the creation of external economies. This issue will be returned to later in the thesis (pp. 269-271). Nonetheless, when taking a broader, Ghana-wide view, the impression that there has been a significant degree of qualitative development since c.1945 cannot be avoided. Simply comparing the range of products being manufactured by small industrialists today with those manufactured four decades ago, generates a sense of this. In the immediate postwar decades, there is no evidence to suggest that small-scale industries were producing anything but relatively simple consumer goods. By contrast, in the late 1980s and early 1990s, some were manufacturing machines,[86] while others were

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[79] G.A. Aryee, *Small-Scale Manufacturing Activities: A Study of Interrelationships Between the Formal and the Informal Sectors in Kumasi, Ghana* (Geneva: International Labour Organization, 1977), cited in Dawson, 'Development of Small-scale Industry', p. 184.

[80] Dawson, *ibid.*

[81] Aryee, *Small-Scale Manufacturing*, pp. 5, 2, 22, cited in Dawson, *ibid.*

[82] Dawson, 'Development of Small-scale Industry', p. 182.

[83] *Ibid.*

[84] *Ibid.*, p. 181.

[85] *Ibid.*, p. 184.

[86] *Ibid.*, p. 195.

producing inputs for the construction industry.[87]

Another indicator of qualitative development has been electricity use. In the 1960s, only a small proportion of small industrial firms used electricity. According to the 1963 sample survey, a mere 4.6 per cent of small industries used this.[88] By the 1980s and 1990s, this figure was considerably higher. Huq's survey of 60 small industries in the Ashanti, Central and Volta Regions in 1981 revealed that 10 per cent of sampled firms used electricity.[89] From a survey of 933 small-scale industries in 36 towns across Ghana in 1984, Thomi and Yankson found that 19 per cent of small industries used power-transmitted machines.[90] Similarly, a World Bank survey of 79 Ghanaian small industries in 1989-91 revealed that 62 per cent of them used electricity.[91] Thus, it would appear that small-scale industries have become more dependent on electrical power since the 1960s as power tools have replaced hand tools. This suggests a definite qualitative improvement in the technology being used in this sector.

This chapter has demonstrated that, since the 1950s, Ghanaian small industries have provided more employment, have been able to produce an increasingly sophisticated range of products, and have increased the level of technology in their production processes. In output terms, small-scale industries have accounted for a significant proportion of net industrial value-added. In short, the small industry sector in Ghana has developed rapidly since the 1950s. The next chapter starts to consider the rôle of postwar governments in this process.

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[87] Sowa *et al.*, *Small Enterprises*, p. 21.

[88] Ghana, *Area Sample Survey*, table 19, p. 21.

[89] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), table 6.7, p. 137.

[90] Thomi and Yankson, *Small Scale Industries*, table 9, p. 36.

[91] Ronald L. Parker, Randall Riopelle and William F. Steel, *Small Enterprises Adjusting to Liberalization in Five African Countries* (Washington D.C.: World Bank, 1995), table A1, p. 68.

4 THE BIRTH OF A SMALL INDUSTRY POLICY, c.1945-1951

This chapter examines government policy towards small-scale industries from c.1945 to 1951. The first of these years marks the end of the Second World War, and the opening of a new era of state expansion into investment, planning and crop marketing across West Africa.[1] The latter year represents the beginning of the close of colonial rule, with the Gold Coast being granted limited internal self-government.[2]

Section One examines government policy towards small industries before c.1945, in order to establish the historical context for the ensuing discussion. It is argued that, before c.1945, the colonial government did attempt to foster small industry development, although these attempts were generally *ad hoc* and piecemeal. Section Two outlines the various ideas on small industry promotion which were circulating after the War and Section Three analyzes how these ideas were formulated into actual policy. Section Four investigates the rationale behind the policy itself, while the final section assesses the factors which prevented the government from adopting a more aggressive strategy of small industry promotion. The central argument of this chapter is that, by 1951, a clear and permanent policy of small industry development had emerged.

4.1 Small-scale Entrepreneurs and Colonial Rule before c.1945

The Critics of Colonial Government Policy

It often has been claimed that colonial governments across Africa failed to assist African entrepreneurs in anything but the export of cash crops. Dependency theorists such as Amin and Rodney argue that colonialism sought to transfer economic surplus from the periphery to the colonial power. As a result, the emergence of indigenous

[1] A.G. Hopkins, *An Economic History of West Africa* (London: Longman, 1973), pp. 279-81.

[2] Richard Rathbone (ed.), *Ghana. Part I. 1941-52* (London: HMSO, 1992), p. lii.

industrial activity in the periphery was impeded.[3] Sometimes, non-Dependency theorists have arrived at the same conclusion. According to Fieldhouse, neither French nor British colonialism 'stimulated investment in local manufactures in the colonies'.[4] Munro asserts that the 'open economy' model favoured by British policy-makers and businessmen:

> did not necessarily preclude the emergence of some modern manufacturing industry in Africa ... but any industrialization would have to come about spontaneously, as a result of market forces exploiting conditions of comparative advantage, and should not be 'artificially' induced by the state.[5]

From the particular experience of the Gold Coast, Frimpong-Ansah contends that the Colonial Office in London had:

> a conservatively detached approach to the general economic welfare of the colonies except where the objectives related to the development of production for imperial trade.[6]

The idea that colonial governments in Africa were hostile towards indigenous industrialists derives in part from the claims of Africans at the time. Few felt that their governments were interested in promoting industrial development. Gold Coast Africans were no exception. For example, an African delegation visiting the Colonial Office in London in 1934 argued that a wide range of products could be manufactured in the Gold Coast, and that the main impediment to local industrial development was the absence of a protective tariff.[7] The delegation suggested that the British government appoint a 'special commissioner ... to find a way of adding to the wealth of the country in addition to the cocoa they now cultivate'.[8]

During and after the War, African critics of the Gold Coast government

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[3] Samir Amin, 'Underdevelopment and Dependence in Black Africa—their Historical Origins and Contemporary Forms', *Social and Economic Studies*, 22 (1973) no. 1, pp. 177-96. Walter Rodney, *How Europe Underdeveloped Africa* (Washington D.C.: Howard University Press, 1982), ch. 6.

[4] David K. Fieldhouse, *Colonialism 1870-1945. An Introduction* (London: Weidenfeld and Nicolson, 1981), p. 57.

[5] J. Forbes Munro, *Britain in Tropical Africa, 1880-1960. Economic Relationships and Impact* (London: Macmillan, 1984), p. 62.

[6] Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), p. 23.

[7] PRO CO 96/718/9, Extract from the Gold Coast and Ashanti Delegation's Memorandum on Trade and Industry, 1934.

[8] *Ibid.*

industrial policy became increasingly outspoken. J.B. Danquah, one of the leading African nationalists in the Gold Coast, argued in 1943 that 'It is not enough ... to live in the old agricultural economy. We must manufacture and buy our own goods. We must industrialise our country'.[9] William Ofori-Atta, a high-ranking member of the United Gold Coast Convention, made a similar case:

> the economic penetration of 'foreigners' into the territories of small local industries increases in momentum, but it must stop. The Government must ... adopt a constructive and bold policy of 'Protection of Infant Local Industries'.[10]

Government Policies Towards Small-scale Industries Before 1939

When analyzing the prewar period, the conclusion that the government was hostile to small industry development is justified, but only to an extent. It is true that many colonial administrators were sceptical about the benefits of encouraging African small industries. This sentiment was expressed on numerous occasions. For instance, in 1934, the Acting Director of the Medical and Sanitary Service claimed that, in the Gold Coast, 'most of these arts and crafts are moribund in spite of the fact that Government has done a great deal to try to keep them alive and to develop them'.[11] In the same year, the Chief Commissioner of the Northern Territories argued:

> I know of no article at present manufactured or capable of being manufactured in the Gold Coast, the imported counterpart of which is not only cheaper but of better quality. The only possible exception are straw-mats and baskets.[12]

But to conclude that the government was persistently hostile towards small-scale African entrepreneurs would be to conclude too much. This is because there are clear examples of government attempts to promote indigenous industries. For

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[9] J.B. Danquah, *Self-Help and Expansion* (Accra, 1943), p. 15, cited in Hopkins, *Economic History of West Africa*, p. 267.

[10] Watson Commission, Written Depositions (Dr. Murray's Collection), deposited with Richard Rathbone, School of Oriental and African Studies, London, 'Memorandum Submitted to the Watson Commission on the Industrial and Agricultural Development of the Gold Coast by William Ofori Atta of the United Gold Coast Convention' (not dated, but probably 1948), p. 11.

[11] NAGA CSO 6/6/151, Minute by The Acting Director of Medical and Sanitary Service, 7/6/1934.

[12] NAGA CSO 6/6/151, Chief Commissioner, Northern Territories, to the Acting Colonial Secretary, 29/8/1934.

example, in 1921, the Colonial Secretary wrote to the Chief Commissioner of the Northern Territories noting that:

> in order to encourage the native industries of the Protectorate, I ... request that you will cause to be collected and sent here 2 specimens of each variety of basket made in the Northern Territories, including ... earth baskets, waste paper baskets and also ones of an ornamental nature.[13]

Furthermore, the Colonial Secretary requested information on 'any native industries which ... could be usefully exploited outside the Protectorate'.[14]

Another example of government efforts to promote African industries was the Bureau of African Industries at Takoradi. In 1933, the government established a committee to investigate the possibility of developing a permanent institution to advertise and develop African craftwork.[15] In its report, the committee observed that it had 'been impressed by the large number of local crafts and industries the germs of which already exist in the Gold Coast'. Moreover, the committee felt that 'The Gold Coast has for too long relied on imported goods paid for by the export of one major crop, and attention should be given to supplying local need from local sources'.[16] Thus, it recommended that a Bureau of African Industries be established out of public money. The Bureau would act as a liaison between small industrialists and the buying public, arrange for the co-operative purchase and sale of produce, and organize the training of producers.[17] Subsequently, the Bureau of African Industries was established in Takoradi in 1938 and had some immediate success: within a month of its opening, it had attracted 24 interested craftsmen and 15 trade enquiries from the United Kingdom.[18]

To be sure, such measures to develop local small-scale industries need to be seen in perspective. In general, they were isolated, *ad hoc* efforts which did not

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[13] NAGA ADM 56/1/273, Colonial Secretary's Office to the Chief Commissioner, Northern Territories, 16/3/1921.

[14] *Ibid.*

[15] Gold Coast, *Report of the Committee appointed to investigate the Possibility of Establishing a Permanent Bureau of African Industries* (Accra: Government Printing Office, 1934), p. 1.

[16] *Ibid.*, p. 3.

[17] *Ibid.*, p. 2.

[18] PRO CO 96/761/4, Enclosure to Despatch from the Colonial Secretary to the Colonial Office, 20/1/1939.

make a significant call on government resources. The Bureau of African Industries was estimated to have cost the government a mere £1,550 in the ten years between 1937 and 1946.[19] This was hardly a sum which could have had a large impact on the small industry sector. Also, there was some substance in the *Echo*'s complaint of 1946 that the Bureau was:

> ... only a convenient collection depot for furniture and various African bric-à-brac ... What the people wish is such things as pottery, weaving, leatherwork, cabinet making, fish canneries and brick and tile making.[20]

Moreover, it is evident that expatriate businesses were in a better position to influence government policy than African themselves. For example, in 1916, the Seccondee Chamber of Commerce, a body dominated by expatriate interests, lobbied the Sekondi Town Council for seats in the Council Chamber. In the words of the Secretary of the Seccondee Chamber of Commerce:

> in view of the many important commercial questions which come under the consideration of the Seccondee Town Council, it should have some voice in the control of the Council's affairs.[21]

The request was granted quickly and a representative of the Chamber was installed in the Council.[22] It is unlikely that African business interests were treated so favourably.

The Second World War and the Promotion of Small-scale Industries

During the Second World War, government policy towards indigenous industries was transformed. With the outbreak of hostilities in 1939, Britain sought to secure maximum resources from the Empire for the war effort, while shipping space for imports became scarce.[23] Under these circumstances, the Gold Coast government

[19] NAGA RG 7/1/79, Minute by Assistant Commissioner of Industry?, 15/10/1957.

[20] NAGA ADM 1/2/286, *Echo*, 4/11/1946, cited in Savingram from the Officer Administering Government to the Secretary of State, London, 13/11/1946.

[21] NAGCC ADM 23/1/255, C. Richards, Secretary of the Seccondee Chamber of Commerce, to the Colonial Secretary, Accra, 26/1/1916.

[22] NAGCC ADM 23/1/255, H.W. Thomas, Acting Commissioner, Central Province, to the Acting Colonial Secretary, 8/3/1916.

[23] Michael Crowder, 'The 1939-45 War and West Africa', in J.F.A. Ajayi and Michael Crowder (eds.), *History of West Africa, Volume Two* (Harlow, Essex, 2nd ed.: Longman, 1987), pp. 678-9, 681.

(and indeed governments across West Africa)[24] sought to make full use of local resources. This policy received the complete support of the Colonial Office in London. As the Secretary of State for the Colonies explained, in a circular telegram to Governors in British West Africa in 1941, any welfare schemes which utilized local funds would receive his 'sympathetic consideration'.[25]

A prime example of the effects of the War on industrial policy was the attempt by the Gold Coast government to develop a roofing tile industry. In June 1939, much of Accra was destroyed by an earthquake,[26] and pressure mounted on the government to find accommodation for those who had been rendered homeless.[27] The Principal of Achimota College suggested that his college might be able to produce clay roofing tiles. Such tiles would cost £9.11.3d to roof a typical house, compared to £7.16.0d for the standard, imported, corrugated iron equivalent.[28] The starting costs of the scheme were estimated to be £4,800.[29] The proposal aroused the interest of the Governor, who submitted the plan to the Colonial Office in London. In his submission, the Governor noted that, although roofing tiles were more expensive than corrugated iron, the scheme had two main advantages. On the one hand, roofing tiles had a longer life than corrugated iron in Accra's salty, coastal air. On the other hand, the persons trained in tile-making at Achimota would 'be able to set up similar industries on a small scale in other parts of the Gold Coast'.[30]

The response from London was favourable, with the Colonial Office granting £4,800 with which to launch the project.[31] What appears to have influenced the Colonial Office's decision was the outbreak of the War. As the Colonial Secretary

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[24] *Ibid.*, pp. 665-92.

[25] NAGA CSO 1/3/393, Circular Telegram from the Secretary of State, London, to the Governor, Gold Coast, 22/5/1941.

[26] Gold Coast, *Report of the Accra Earthquake Rehousing Committee* (Accra: Gold Coast Government, 1940), para. 1.

[27] PRO CO 96/762/10, Despatch from the Governor, Gold Coast, to the Colonial Office, 18/9/1939.

[28] *Ibid.*

[29] *Ibid.*

[30] *Ibid.*

[31] PRO CO 96/762/10, Colonial Office to the Governor, Gold Coast, 11/11/1939.

indicated in his reply to the Governor, air-raid precautions in Britain had increased the demand for, and the price of, iron sheets.[32] Moreover, on account of the shortage of shipping space, the position as regards delivery was 'likely to continue to be difficult for several months'.[33] In the event, the Achimota tile scheme was unsuccessful, because the college failed to obtain secure title to the land containing the necessary clay.[34] Nonetheless, the Achimota tile scheme demonstrates vividly the impact of wartime realities on the government's industrial policy.

Another example of wartime import-substitution can be found in wood-working. During the War, the military was particularly eager to make full use of local wood products. To this end, it used the Forestry Department to send samples of its requirements to African wood-workers.[35] These samples were reproduced,[36] resulting in a considerable benefit to the war effort. As the Governor noted in 1942, for the past two years, 'numerous wood-workers' had been producing 'furniture and other wooden articles for the use of the fighting services', including 'tens of thousands of chairs, tables, tool handles, and other things'.[37]

During the War, the government took other initiatives to promote domestic industries. One of them was the establishment of the Institute of West African Arts, Industries and Social Science, otherwise known as the West African Institute (WAI). The WAI was funded by a £127,000 grant from the Colonial Development and Welfare Fund.[38] According to the Governor, the purpose of the Institute was 'to conduct research and experiment in secondary industries and the training of Africans for management of these industries' and to determine 'the conditions in which local industries can be developed'.[39] Already by 1944, the WAI was having an impact

[32] *Ibid.*

[33] *Ibid.*

[34] Gold Coast, *Report of the Accra Earthquake*, para. 14.

[35] NAGA ADM 1/2/268, Governor, Gold Coast, to Secretary of State for the Colonies, 15/12/1942, para. 1.

[36] *Ibid.*

[37] *Ibid.*

[38] Gold Coast, *Legislative Council Debates*, session 1943, issue no. 2 (Accra: Government Printing Department, n.d.), col. 3, Governor's address, 17/8/1943.

[39] *Ibid.*

on the small-scale industrial landscape in the Gold Coast. Some of those trained in brick- and tile-making at the Institute in 1943, later returned to Hohoe in Togoland to set up their own small businesses, using a £50 government loan.[40] Also, the WAI was involved in the development of the Awatime weaving industry. This venture consisted of the Institute and the government pooling resources to administer the Awatime Textile Unit. By 1945, the Awatime Unit consisted of 84 hand-spinning wheels and 31 hand-looms, and produced cloth with a market value of £1,200 per annum.[41]

Another wartime government industrial initiative was the creation of a Local Industries Depot in Accra. Proposals for the establishment of this Depot dated back to 1943, when the Director of Agriculture suggested that African manufactures could be sold through such an institution. Possible products for sales included: ropes, string, string waist belts, brooms, brushes, whitewash brushes, native cloths, flower pots, cooking pots, bowls, agricultural tools, mosquito boots, shoes, slippers, tobacco, cigars and wooden articles.[42] The Director of the WAI was also a keen supporter of the project, remarking in 1943 that 'if it is not dealt with quickly it may result in the loss of potential markets' for small industries.[43] The Accra Local Industries Depot eventually was established in October 1944[44] and served as an outlet for the products of local small industries.

4.2 The Postwar Period: Ideas on Small Industry Promotion

As the War drew to a close, the issue arose of how government policy towards small-scale industries would evolve after hostilities had ended.

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[40] NAGA ADM 39/1/415, 'Petition of Brick and Tile Makers, Hohoe, to the Commissioner, Eastern Province and the Industries Development Board', 26/2/1946.

[41] NAGA ADM 39/1/654, 'Report of the Industrial Development Sub-Committee of the Economic Development Committee', para. 6.

[42] NAGA CSO 6/6/212, Director of Agriculture, to the Secretary for Social Services, 4/8/1943.

[43] NAGA CSO 6/6/212, Director of the Institute of West African Arts, Industries and Social Science, to the Secretary for Social Services, 20/12/1943.

[44] NAGA CSO 6/6/212, Minute to p. 59.

The Colonial Government and Its Advisors

There are indications that the government expected to continue to promote small industries after the cessation of hostilities. As early as 1943, the Governor told the Legislative Council in his Sessional Address:

> I am considering what steps can be taken to improve, after the war, the economic condition of the Gold Coast ... it appears to me that there are numerous small industries which could be developed to the benefit of this country.[45]

These were probably not just hollow words, for in 1944, the Governor prepared a detailed plan on the postwar economic development of the Gold Coast. This Plan envisaged, among other things, a possible future rôle for the government in the expansion of indigenous fish-curing, brick- and tile-making, wood-working, soap production and weaving;[46] in an earlier draft of the Plan, salt-making was mentioned as well.[47] Furniture-making was singled out for particular government support after the War. Already in 1942, it was thought that small African wood-workers could produce affordable, high-quality furniture, suitable for middle-class European homes.[48] The Governor even had plans to build up stocks of such furniture, in preparation for its export to Europe once the War was over and shipping space was available.[49]

One of the key elements in the government's vision of postwar small industry development was the co-operative. It was envisaged that co-operative action would enable African petty industrialists to join together to secure better terms of trade, technical assistance and other advantages. Thus, according to the Governor's Plan of 1944, small-scale fish curing would benefit from more organization, while soap-making would be encouraged through co-operative societies.[50] Similarly, the

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[45] Gold Coast, *Legislative Council Debates*, session 1943, issue no. 1 (Accra: Government Printing Department, n.d.), col. 6, Governor's address, 23/2/1943.

[46] Gold Coast, *General Plan for the Development of the Gold Coast* (Accra: Government Printer, 1944), paras. 19-24.

[47] NAGA ADM 1/2/275, 'General Plan for the Development of the Gold Coast (draft)', para. 23.

[48] NAGA ADM 1/2/268, E. Maxwell Fry, 'Memorandum on Furniture Making in the Gold Coast for the European Market', enclosure to Gold Coast No. 346, 15/12/1942.

[49] NAGA ADM 1/2/268, 'Furniture Making in the Gold Coast for the European Market', Gold Coast No. 346 of 15/12/1942.

[50] Gold Coast, *General Plan*, paras. 19, 23.

Governor announced to the Legislative Council in 1944 that he was 'strongly of the opinion that economic development in this country ... can be attained largely through the medium of co-operative societies'.[51]

This emphasis on the development of small-scale industries along co-operative lines was supported by some of those advising the government. For instance, the Watson Commission, which had been charged with investigating the causes of the riots in the Gold Coast in 1948, concluded in its Report that 'the intense individuality of the Africans notwithstanding, unbridled private enterprise would at least lay the foundation of future social strife'.[52] On this account, co-operative lines of development should be encouraged, especially in fish canning, furniture manufacture, native cloth weaving, vegetable oil refining and soap-making.[53]

However, although the government did have plans to assist small industrialists, it is important to realize that, like before the War, other issues dominated the government's agenda. The Sessional Address of 1943, in which the Governor raised the possibility of developing small-scale industries after the War, actually was concerned in the most part with other issues, ranging from the course of the fighting in Europe to the provision in medical services.[54] Similarly, the Development Plan of 1944 addressed the issue of the future growth in social services above all else: 42 paragraphs of the Plan were devoted to this subject alone, against only 9 paragraphs on industrial development.[55]

The African Perspective

After the War, Gold Coast Africans were vocal in demanding aggressive small industry promotion. In the Legislative Council in 1947, Nana Frempong Manso II

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[51] Gold Coast, *Legislative Council Debates*, session 1944, issue no. 2 (Accra: Government Printing Department, n.d.), col. 7, Governor's Opening Address to the Session, 13/3/1944.

[52] Colonial Office, *The Report of the Commission of Enquiry into Disturbances in the Gold Coast, 1948* (London: Colonial Office, 1948), para. 301, cited in G.B. Kay (ed.), *The Political Economy of Colonialism in Ghana: a Collection of Documents and Statistics, 1900-1960* (London: Cambridge University Press, 1972), p. 78.

[53] Colonial Office, *ibid.*, para. 302, cited in Kay, *ibid.*

[54] Gold Coast, *Legislative Council Debates*, session 1943, issue no. 1, cols. 1 ff.

[55] Gold Coast, *General Plan.*

protested that rules preventing Africans from brewing their own spirits were too restrictive and that:

> Unless it is a laid-down policy that we West Africans are destined for ever to buy every manufactured article from Europeans ... and unless this country is intended never to be industrialised there is no reason why the manufacture and traffic of local gin should not be encouraged.[56]

In the same year, another African member of the Legislative Council complained that:

> for all the hundred and more years of our contact with our European friends we have never been properly taught to cure Tobacco which probably grows much better in the Gold Coast than in some parts of America—for all those years we have never been taught to improve our weaving industry ...[57]

These grievances were shared by many ordinary Africans. This is evident from the various memoranda submitted to the Watson Commission by the African public. A frequent complaint was the government's policy towards indigenous alcohol manufacture.[58] As one Joseph K.B. Pobee charged:

> ... after a hundred years with the British—owing to lack of enthusiasm of the officers brought to govern us the country still lacks INDUSTRIES. Bomkutuku—a sort of whisky—manufactured by people of the land is considered illicit on the score that it is injurious to health. Whilst we agree to its injuriousness I fail to see why the Gold Coast Government should not patronise to make the industry a respectable one.[59]

There were also complaints about the perceived failure of the government to provide adequate technical education facilities as well as controls over native goldsmithing. According to another submission:

> You would expect the Government to have first class polytechnic institutes spread over the country to teach efficiently the various trades such as tailoring, ship building, leather tanning, soap making and similar industries ... Our Government had always lacked vision in these things as the responsible officers of Government live in a world apart and know little of the needs of the people ... Another astonishing issue is that Government interest in established local industries is absolutely negative and particularly destructive in the case of the Goldsmith's industry ... Our Goldsmiths are

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[56] Gold Coast *Legislative Council Debates*, session 1947, issue no. 1 (Accra: Government Printing Department, n.d.), col. 210, Nana Frempong Manso II to the Legislative Council, 28/3/1947.

[57] Gold Coast *Legislative Council Debates*, session 1947, issue no. 2 (Accra: Government Printing Department, n.d.), col. 97, Nana Frempong Manso II, Gold Coast Industrial Development Corporation Ordinance, 18/9/1947.

[58] Emmanuel Akyeampong, 'What's in a Drink? Class Struggle, Popular Culture and the Politics of *Akpeteshie* (Local Gin) in Ghana, 1930-67', *Journal of African History*, 37 (1996), pp. 215-36.

[59] PRO CO 964/15, 'Memorandum submitted to the Watson Commission by Joseph K.B. Pobee' (undated, but probably May 1948).

first class craftsmen, second to none in West Africa.[60]

Although African members of the Legislative Council and the public were more eager to extend government assistance to local industrialists than the colonial administration itself, one point which both groups agreed upon was the need for co-operative development. African members of the Legislative Council largely echoed the Governor's views on this issue. For example, in 1947, Nene Azzu Mate Kole told the Legislative Council that 'It is my ardent desire ... that co-operation be fittingly made the keystone of our economic development'.[61] In the same year, another African member of the Legislative Council implored that industrial promotion 'be on such lines as they can eventually fall into the hands of co-operative societies'.[62]

4.3 From Ideas to Policy

Having analyzed government and African ideas on small-scale industrial development in the mid 1940s, it is now possible to turn the issue of policy itself. Government policy towards small-scale industry can be examined on two administrative levels: central government and local government.

Central Government Policy

To comprehend central government policy towards small-scale industry in this period, it is necessary to examine the activities of the Economic Development Committee. This was constituted at the Governor's request in 1945 and consisted of African and European members.[63] Its main function was to act as one of the Governor's principal sources of advice on economic policy.[64] Many of the debates and

[60] PRO CO 964/15, 'Memorandum Submitted to the Watson Commission by G.N. Alema of G.N. Alema and Co, 6 May 1948'.

[61] Gold Coast, *Legislative Council Debates*, session 1947, issue no. 1, col. 224, Nene Azzu Mate Kole to the Executive Council, 28/3/1947.

[62] *Ibid.*, col. 247, Mr. Ollenu, 28/3/1947.

[63] NAGA RG 7/1/1216, 'Minutes of the First Meeting, 16/1/1945'.

[64] *Ibid.*

decisions which influenced industrial policy in the Gold Coast after 1945 took place in this committee. Most of the committee's time was taken up by discussions of how to improve transport facilities in the Gold Coast.[65] Nevertheless, at its first meeting in January 1945, a decision was taken to form an Industrial Development Sub-Committee. This Sub-Committee was given the specific task of reporting on the prospects for industrial development.[66]

By May 1945, the Industrial Development Sub-Committee had prepared a detailed report on prospects for, and the government's rôle in, industrial development.[67] The report started by noting that there were two types of industry in the Gold Coast, factory industry and village/craft industry. The latter offered 'the wider field for development by way of Government assistance'. Of the various village/craft industries, the ones with the most potential for growth were wood-working, weaving and boot-making. To develop these industries, the Sub-Committee recommended the creation of an 'Industrial Development Board', arguing that industrial promotion neither could be pursued by a Government department alone, nor could be 'left as a part-time side-line of some enthusiastic individual'. The Board would be funded by grants from the Legislature, and:

> it should be required also to keep its eyes open for other opportunities for assistance to promising local industries: it should make and publish periodical reports on its activities: and generally study and watch the field of development of manufacturing industries by private enterprise and guide it, as far as possible, in the interests of the people.[68]

The Sub-Committee's proposals subsequently received the approval of the Colonial Office in London. The Secretary of State for the Colonies called it a 'practical initial move towards stimulating the development of local industries',[69] and, by the end of 1945, the Industrial Development Board (IDB) was operational. Two years later, the IDB was reconstituted as the Industrial Development Corporation (IDC), with increased financial resources and a broader remit to pursue matters relating to

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[65] *Ibid.* NAGA RG 7/1/1216, 'Minutes of the Second Meeting, 9/5/1945'.

[66] NAGA RG 7/1/1216, 'Minutes of the First Meeting, 16/1/1945'.

[67] NAGK D 2767, 'Report of the Industrial Development Sub-Committee'.

[68] *Ibid.*

[69] NAGA RG 7/1/1216, 'Appendix A, to Report of Action of the Second Meeting of the Economic Development Committee of 9/5/1945'.

industrial development.[70]

Between 1945 and 1947, the IDB was the government's principal institution for the promotion of small industries. Although working with only a skeletal staff (in November 1946, it had only one European officer)[71] the Board had managed, by 1947, to initiate several schemes which were having a direct impact on small industries. For example, the Board organized an eight-month course in cabinet-making at its own furniture workshop. At the end of this course, graduating participants received a package of tools and a guarantee of work for a further two years.[72] The Board also had a programme of financial support for spinners and weavers in Awatime, and offered sales advice to native weavers in Vane, Amedzofe, Gbandzeme, Biakpa, Dzokpe and Dzogbefeme.[73] In addition, the Board was experimenting with a brick-making machine which, if successful, could be fabricated 'by any carpenter and a blacksmith', would use local raw materials and would cost no more than £5 each.[74] The Board was providing financial support to a small burnt-brick making enterprise in Dzokpe which already had produced 13,000 bricks by 1947.[75] Furthermore, the IDB had organized a training course in beeswax production, through which 60 trainees had passed.[76] According to Acting Secretary and Executive Officer of the Board:

> these men are now going round stimulating the expansion of the industry by advising and teaching people how to make beeswax. There is a ready market for beeswax here—many firms in this country will gladly give a good price for it.[77]

Finally, the Board had taken over the management of the Local Industries Depot in

[70] NAGA RG 7/1/1216, 'Fifth Meeting of the Economic Development Committee, 25/3/1947'.

[71] NAGA ADM 36/1/140, Kenneth Bradley, Chairman of the Industrial Development Board, to the Chief Commissioner, Colony, 4/11/1946.

[72] NAGA ADM 39/1/91, 'Radio Interview with A.E.S. Alcock, Acting Secretary and Executive Officer, conducted by W. Eduful', *Gold Coast Bulletin*, 11 (1947) no. 4, p. 7.

[73] *Ibid.*, p. 7.

[74] NAGA ADM 39/1/592, H.A.S. Fraser to the Acting Commissioner, Colony, 1/8/1947.

[75] NAGA ADM 39/1/91, 'Radio Interview with A.E.S. Alcock, Acting Secretary and Executive Officer, conducted by W. Eduful', *Gold Coast Bulletin*, 11 (1947) no. 4, p. 7.

[76] *Ibid.*

[77] *Ibid.*, p. 8.

Accra which was proving quite a success. During the six months from January to June 1946, 120 craftsmen had supplied craft articles to the Depot and the total value of sales had amounted to £679.[78]

Between 1947 and 1951, the IDC was active in small industry development, although other activities (such as the creation of subsidiary companies in saw-milling and construction)[79] were starting to draw on its resources. The small industry development activities of the Corporation were three-fold. First, the Corporation's furniture workshop was expanded and fitted with modern machinery. By 1951, this business was providing employment for almost 350 craftsmen with turnover of £40,000 per year.[80] Second, the Accra Local Industries Depot continued to grow with turnover reaching £14,100 by 1950.[81] Third, the Corporation made a start on a small loans policy by lending a total of £13,251 to 8 concerns in brick and tile manufacture, cassava processing, printing, soap and chocolate production, corn-milling, baking and confectionary manufacture, and wood-working.[82]

However, to place these efforts into context, it is necessary to appreciate that the total resources devoted to small industry promotion were still relatively small. As of November 1946, it was estimated that the IDB had cost the government only £1,500 net,[83] which was hardly a large sum. Moreover, not all of the Board's projects had been successful. The Awatime weaving project (p. 85) was on the verge of collapse in 1947, with the Board recommending that it be wound up because of its

[78] NAGA CSO 6/6/212, 'Minutes of the Fifth Meeting of the Industrial Development Board, 10/8/1946'.

[79] NAGA ADM 13/2/1, E. Norton Jones, 'Report of the Gold Coast Industrial Development Corporation Limited', submitted to the Governor, 26/2/1951 and reproduced as enclosure to the Memorandum submitted to the Cabinet meeting of 9/8/1951 by the Minister Commerce, Industry and Mines.

[80] *Ibid.*

[81] NAGA RG 7/1/476, 'Local Industries Salesroom Project: a Project Proposal to expand the Accra salesroom' (n.d.).

[82] NAGA ADM 13/2/1, E. Norton Jones, 'Report of the Gold Coast Industrial Development Corporation Limited', submitted to the Governor, 26/2/1951 and reproduced as enclosure to the Memorandum submitted to the Cabinet meeting of 9/8/1951 by the Minister Commerce, Industry and Mines.

[83] NAGA ADM 36/1/140, Kenneth Bradley, Chairman of the Industrial Development Board, to the Chief Commissioner, Colony, 4/11/1946.

high supervision and overhead costs.[84] The attempt to promote the beeswax industry ended in failure as well, because those who had received training did not have the equipment to put their skills into use. Moreover, the price for beeswax proved too low to solicit any real interest from producers.[85] In addition, the Corporation itself was criticized in Cabinet for being:

> almost entirely passive rather than active in its operations, waiting for applicants to come to it for financial assistance, instead of going out, exploring possibilities, seeking the right men to carry them out and giving them all necessary guidance.[86]

Finally, it was alleged that the Corporation was over-centralized and thus unable to make any real contribution to small-scale industrial development in the localities.[87]

Local Government Policy

In the localities themselves, small-scale industries probably were affected more by the actions of local government than by the institutions of central government. With the exception of writers such as Robertson or Hill,[88] local area studies as an approach has received relatively little attention from historians of colonialism. Yet local history offers a potentially rewarding avenue for examining the impact of government policy on small-scale industries.

To analyze local government policy towards small African industries in the period from 1945 to 1951, it is necessary to focus on the activities of the District Commissioners (DCs). The DCs were the colonial government's representatives in the localities and they held considerable executive power. The evidence suggests that these D.C.s played a positive rôle in local small-scale industrial development and in

[84] NAGA ADM 39/1/654, The Industrial Development Board, to the District Commissioner, Ho, 15/2/1947.

[85] NAGA ADM 36/1/140, Assistant District Commissioner, Oda, to the Secretary and Executive Officer, Industrial Development Board, 13/1/1948.

[86] NAGA ADM 13/2/1, Memorandum from the Minister of Commerce, Industry and Mines on the Industrial Development Corporation—Annual Report and Accounts, for the Cabinet Meeting of 9/8/1951.

[87] *Ibid.*

[88] Claire C. Robertson, *Sharing the Same Bowl. A Socioeconomic History of Women and Class in Accra, Ghana* (Bloomington: Indiana University Press, 1984). Polly Hill, *The Migrant Cocoa-Farmers of Southern Ghana. A Study in Rural Capitalism* (Cambridge: Cambridge University Press, 1963).

several ways.

First, some DCs assisted their local small-scale industries directly. A case in point was the Awatime textile project. Although this was a joint-venture between the government and the WAI, in the early years of the scheme, the contribution of the local DC for Kpandu was critical.[89] Indeed, when a new DC for Kpandu took office in June 1945, he found himself over-burdened with the work of the textile unit. As he protested to the Commissioner of the Eastern Province:

> I was being asked to take over as a sort of combined textile manager, accountant, ledger clerk, store-keeper, packer and despatch clerk, tout for orders, butt for rude comment by dissatisfied customers, foreman of works to supervise manufacture of looms and spinning wheels and to erect several large buildings, and a few other odd jobs.[90]

The Assistant DC for Ho also took a direct rôle in the activities of local small industries. For example, in 1944, he tried to use his contacts in the Administration to locate supplies of scrap steel for the town's blacksmiths. As he wrote to the DC in Accra:

> There is a shortage of matchets in this area at present, and the blacksmiths are unable to get enough scrap steel to make good the deficiency ... I shall be very grateful if you could find out whether there is any good quality scrap steel with firms like U.T.C. and at what price they would sell it.[91]

The response from Accra was favourable and the Assistant DC sent a representative of the blacksmiths to collect the scrap.[92]

A second manner in which DCs assisted small industrialists was by attracting central government attention to potential projects in their localities. The DC of Sunyani appears to have been particularly active in this field. In early 1948, he wrote to the IDB, noting, 'I am anxious to encourage the development ... of cotton growing and weaving, among other things, since this is a backward area, having no cocoa'.[93]

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[89] NAGA ADM 39/1/654, Oliver Stanley, Colonial Office, to the Governor, Sir Alan Burns, 1/5/1945.

[90] NAGA ADM 39/1/654, District Commissioner, Kpandu, to the Commissioner of the Eastern Province, 12/6/1945.

[91] NAGA ADM 39/1/415, Assistant District Commissioner's Office, Ho, to the District Commissioner, Accra, 15/3/1944.

[92] NAGA ADM 39/1/415, Assistant District Commissioner, Ho, to the District Commissioner, Accra, 4/5/1944.

[93] NAGS DAOS 1/10, Acting District Commissioner, Wenchi/Sunyani District, to the Secretary and Executive Officer, Industrial Development Board, 22/1/1948.

He went on to observe that a certain amount of cotton was grown in the locality and used for weaving, while the one weaver in the area who had managed to obtain a loom from the IDB found that he 'could not produce enough to meet his demands'.[94]

A final, indirect manner in which some DCs assisted local small industries was through the organization of agricultural and craft shows. Such events brought publicity to local craftsmen, thereby increasing the market for their products. A typical example of a DC's contribution here was that of R.J. Moxon, the DC for Akuse, who played a leading part in the organization of the Odumase Agricultural and Commercial Show in 1947.[95] According to Moxon, this show lasted two days, attracted thousands of visitors, and had on display 'a great variety of excellent exhibits both in the crafts and produce sections'.[96]

4.4 Reasons for Policy

Pushed by international opinion, Britain began to accept the need for more economic development in the colonies after the War.[97] Thus, with regard to industrial development, Lord Trefgarne, the Chairman of the Colonial Development Corporation (a supra-Empire version of the IDC) boasted in 1948:

> No single industrial project which had come before the Corporation had been rejected on the ground that industrial production was the prerogative of the United Kingdom. That obsolete theory died fifty years ago in relation to the Dominions, and never existed in relation to the Colonies.[98]

Yet the government did not have to assist small-scale industries. After all, the Gold Coast had no institutions which could bring African pressure for small industry development to bear on the government. Nevertheless, while a recent acceptance of the right of the colonies to industrialize may have created the enabling environment

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[94] *Ibid.*

[95] NAGA ADM 39/1/91, District Commissioner's Office to the Commissioner, Eastern Province, 19/3/1947.

[96] NAGA ADM 39/1/91, R.J. Moxon, writing in *Gold Coast Bulletin*, 11 (1947) no. 4.

[97] Jane Helen Bowden, 'Development and Control in British Colonial Policy, with reference to Nigeria and the Gold Coast: 1935-1948', University of Birmingham, PhD, 1980, pp. 303-4.

[98] NAGA ADM 5/4/70, 'Means of Development', sixth communique of the African Conference, afternoon of 5th October.

within which the government encouraged small industry development, there were several more positive reasons behind the government's policy as well.

First, there is clear evidence that African pressure for small industry development actually did have an influence on policy-makers, despite the absence of institutions of representative government. Members of the administration often remarked in private on the need not to appear hostile towards indigenous industries. In 1945, when the Awatime weaving project was passing through a period of financial difficulty, the Chief Commissioner of the Colony advised the Colonial Secretary to keep alive the industry, noting:

> I can imagine nothing more calculated to destroy faith in Government by the people concerned than the complete abandonment of an industry which has been so fostered, and rather than close it down altogether I think that every endeavour should be made by Government to utilize the product itself ...[99]

Similarly, in 1949, when the distillation industry was still under strict government control, the Acting District Commissioner for Bekwai remarked:

> In principle I suggest that it is desirable to encourage a local industry to manufacture a product which can be made in the country. Any other attitude on the part of Government might foster the suspicion that imported goods and importing firms are favoured.[100]

Clearly then, the Gold Coast government—and indeed the government in London[101]—were not completely immune to popular African sentiment.

This pressure was particularly acute given that the government had administered some quite successful programmes of industrial development during the War (pp. 82-85). The War experience had demonstrated that, even with limited resources, measures could be taken to assist local industrialists. As a result, the government had little justification for claiming that these measures could not be replicated under peacetime conditions. The *Echo* made exactly this point in a scathing attack on the government in 1946:

> Government's procrastination is the stumbling block to development. Their refusal to take elementary and perfectly reasonable risks sets the country back. Had the war continued for another five years they would have been

[99] NAGA ADM 39/1/654, T.R.O. Mangin, Chief Commissioner Colony, to the Colonial Secretary, Accra, 22/6/1945.

[100] NAGK D 1987, Acting District Commissioner, Bekwai, to the Chief Commissioner, Ashanti, 9/11/1949.

[101] Bowden, 'Development and Control', p. 305.

forced to do something about their schemes for developing African Industries in spite of any alleged shortages and now that the war is over we see no reason why they should not make some kind of start ...[102]

The War experience pushed the government to assist small African industries in two other ways. First, there was concern about the employment prospects of those who had worked in the import-substituting industries of the War years. As early as 1942, while local wood-workers were turning out products for the military, the Governor was thinking ahead to the postwar situation and the fate of these wood-workers. The problem was that, with the changing military situation in Africa, demand for wood products probably would fall. 'In these circumstances', wrote the Governor to the Colonial Secretary in London, 'it is necessary to consider the future of those local workers who have learnt by experience the trades of carpentry and joinery'.[103]

At the same time, there was considerable concern about the fate of ex-servicemen, many of whom had valuable industrial skills.[104] As the Central Committee for Demobilization had remarked in 1943, 'the problem which presented the greatest difficulty was the employment and resettlement of the large number of artisans now in the army'.[105] After the War, government officials made every effort to find jobs for ex-servicemen. Hence, when the Chief Commissioner of Ashanti sought participants for the IDB's beeswax development scheme in 1946 (p. 91), he wrote to the Asantehene asking him to suggest names of possible candidates, remarking 'I think the claims of suitable ex-servicemen ... should be borne in mind'.[106] In the same year, the IDB attempted to place some ex-servicemen into

[102] NAGA ADM 1/2/286, *Echo*, 4/11/1946, cited in a Savingram from the Officer Administering Government to the Secretary of State, London, 13/11/1946.

[103] NAGA ADM 1/2/268, Covering letter to 'Furniture Making in the Gold Coast for the European Market' from Sir Alan Burns, the Governor, to Oliver Stanley, the Secretary of State for the Colonies, para. 2, 15/12/1942.

[104] NAGA ADM 11/1/1893, M.F.G. Wentworth, 'Demobilization Scheme for West Africa (secret memorandum) 6/10/1944?', appendices D and G.

[105] NAGA ADM 11/1/1893, 'Minutes of Second Meeting of the Central Committee for Demobilisation, 16/4/1943'.

[106] MRO SB 45, Chief Commissioner, Ashanti, to the Asantehene, 30/8/1946.

the Awatime weaving project.[107]

A final pressure on the government to act was external in the form of the Watson Commission (p. 87). One of the issues which the Commission addressed was the possibility of industrial development in the Gold Coast. Generally, the Commission was sceptical about the prospects of large-scale industrial development, recording that:

> while there is clearly room for many secondary industries which would enrich the country, we are unable to foresee, in any circumstances, the Gold Coast emerging as a unit of heavy industries in the world markets.[108]

However, with regards to small-scale industrial development, the Commission was more optimistic. In connection with the distillation of spirits, it argued that, given a reasonable degree of control to prevent distilled alcohol reaching human consumption, there was 'no reason why an African with the necessary capital should not be permitted to develop such a business'.[109] The Commission also agreed with the complaints of goldsmiths that restrictions on the recovery and treatment of gold had 'brought about a situation in which an ancient and worthy craft was in danger of extinction'.[110]

4.5 Limits on Government Assistance to Small-scale Industries

Previous sections have demonstrated that the government and its advisors took a more optimistic view of the potential for small-scale rather than large-scale industrial development. This was certainly the thinking of the Industrial Development Sub-Committee and the Watson Commission. Yet, it also has been shown that the government's small industry development efforts were relatively modest after 1945. Why did the government refrain from a more aggressive policy of small industry promotion?

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[107] NAGA ADM 39/1/415, Secretary and Executive Officer of the Industrial Development Board, to the Paramount Chief, Awatime State, 5/6/1946.

[108] Colonial Office, *Report of the Commission of Enquiry*, para. 300, cited in Kay, *Political Economy of Colonialism*, p. 78.

[109] Colonial Office, *ibid.*, para. 305, cited in Kay, *ibid.*

[110] Colonial Office, *ibid.*, para. 306 cited in Kay, *ibid.*, p. 79.

A primary consideration here is that some in the administration questioned the utility of assisting African entrepreneurs. At one of the meetings of the Economic Development Committee, the Colonial Secretary argued against establishing textile factories partly because it was 'most undesirable to attempt to convert the people of the Gold Coast from an agricultural to a factory population'.[111] At the same meeting, another member of the Committee claimed that whichever course industrial development took, it should not react adversely on the cocoa trade; thus weaving should be confined to cloths of native types only.[112] The Awatime weaving project also had numerous critics. One of them was Mangin, the Chief Commissioner of the Colony. In 1948, when the Awatime project was going through a period of renewed financial difficulty, Mangin contended that government subsidies to assist the weavers could not be justified since 'the plain truth of the matter is that the Awatime Weavers cannot and probably never will compete in the open market in utility weaving'.[113] Mangin added:

> I realize that it is a great 'pity' and that there is a sort of arty sentimentality attached to 'homespuns', but Government financial assistance to foster the industry simply for this purpose would not in my view be justified.[114]

Alongside the scepticism and conservatism of some members of the government, was the lack of any clear idea about what course a policy of small industry development could follow. The government had no real experience of industrial policy-making from which it could draw. Therefore, in the immediate postwar years, there had to be a certain degree of improvization and experiment. The early years of the Awatime weaving project demonstrates this clearly. During the War, the project was being administered directly by the DC at Kpandu (p. 94). However, such a form of organization could not continue in the long run. As the Chief Commissioner for the Colony argued in despair:

> It is quite preposterous that a District Commissioner should have to spend his time seeing to orders placed by the wife of the Colonial Secretary of Sierra-

[111] NAGA RG 7/1/1216, 'Discussion of the Report of the Industrial Development Sub-Committee'.

[112] *Ibid.*

[113] NAGA ADM 39/1/654, Minute by Chief Commissioner, Colony, 19/10/1948.

[114] *Ibid.*

Leone and trying to collect money from customers who fail to pay.[115]

It was only after the creation of the IDB in 1945, and the subsequent transfer of the responsibility for the Awatime project to the Board, that the institutional arrangements for administering the Awatime project were placed on a more effective foundation.

Yet even after the IDB had been created, its relationship with other institutions of government took time to define. For example, in November 1946, when the IDB established its beeswax course, the Chairman of the Board remarked in correspondence with the Chief Commissioner of the Colony, that:

> The Board realises that this proposal raises the big question of policy as to whether the Political Administration is able and willing to co-operate with the Board in the spread of industries over the country.[116]

With regard to DCs, the Chairman expressed the hope that 'we can receive an assurance of their willingness to co-operate as opportunities arise'.[117] This was a clear indication that the Board's relationship with the administration was still in its infant stages. The relationship between the Board and the Native Authorities—the British institutions of indirect rule—was in a similar state of immaturity. In 1947, the Board had plans to sell brick-making machines on hire purchase to Native Authorities, but such an arrangement did not meet with the approval of all DCs. The DC for Keta was apprehensive about the proposals arguing:

> At first sight I do not like the idea at all—the Anlo State has not in my opinion reached that state of development when it could enter such an undertaking without the practical certainty of a 'racket' ensuing.[118]

Part of the reason for such experimentation was the lack of administrative capacity with which to plan properly. The economic development plans which the Governor prepared in 1944 were sketchy because of the acute staff shortage which the government faced.[119] This problem was alleviated somewhat by the arrival of an Economic Advisor, Professor J.H. Richardson, at the end of 1944. It was

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[115] NAGA ADM 39/1/654, Chief Commissioner, Colony, to Commissioner, Eastern Province, 24/5/1945.

[116] NAGA ADM 36/1/140, Kenneth Bradley, Chairman of the Industrial Development Board, to the Chief Commissioner, Colony, 4/11/1946.

[117] *Ibid.*

[118] NAGA ADM 39/1/592, District Commissioner, Keta to the Commissioner, Eastern Province, 12/4/1947.

[119] Gold Coast, *General Plan*, paras. 2, 74.

expected that Richardson would be consulted 'in connection with all new proposals and any schemes for the extension of existing activities in the economic field'.[120] However, Richardson failed to have any significant impact on the government's planning capacity since he was taken ill while on leave in January 1945[121] and subsequently had to retire. It was not until 1946 that a replacement could be found.[122]

When examining government policy towards small-scale industries in the period from 1945 to 1951, the picture which emerges is one of initial, tentative efforts at nurturing petty African industrial enterprise. Admittedly, government schemes were small and under-funded. At times, they were poorly thought-through and lacking the full support of the administration. Nevertheless, by falling under the remit of the IDB, they did have a semblance of permanence. This permanence was a clear departure from the more *ad hoc* measures which had characterized government efforts at small industry development in the past.

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[120] NAGK D 2767, Circular no. 32/44 from the Acting Colonial Secretary to the Chief Commissioner, Ashanti?, 15/8/1944.

[121] NAGA RG 7/1/1216, 'Minutes of the First Meeting of the Economic Development Committee, 16/1/1945'.

[122] NAGA RG 7/1/1216, 'Minutes of the Fourth Meeting of the Economic Development Committee, 20/12/1946'.

5 VACILLATION: THE STATE AND SMALL-SCALE INDUSTRIES, 1951-66

Bowing to nationalist sentiment, which was energized and directed by Kwame Nkrumah and his Convention People's Party (CPP), Britain conceded a limited degree of self-rule to the Gold Coast in 1951.[1] Internal self-government followed in 1954[2] and full independence arrived in 1957. Nkrumah became Leader of Government Business in 1951, Prime Minister in 1957 and Head of State from 1960 until army and police factions overthrew him in a *coup d'état* in February 1966.

This chapter analyzes government policy towards small industries during the Nkrumah years. Section One outlines conventional interpretations of the government's relationship with Ghanaian industrialists. Section Two argues that, to understand the policies of the Ghanaian state between 1951 and 1966, it is necessary to focus on Nkrumah himself. This is because, by 1966, the state was functioning on the orders of this one man and his close colleagues. Section Three examines the state's relationship with small-scale Ghanaian industrialists. It is argued that this was ambiguous, though on balance generally negative: there were occasions when the Nkrumah regime spoke in their favour and promoted them; however, most of the time, the government was critical of them, failed to assist them and undermined them, intentionally or otherwise. In any case, the government could have done more to promote small industries if it wished. Section Four considers the government's small industry development programme in the context of wider government industrial policy. Sections Five and Six analyze the reasons for the government's reluctance to engage in a more comprehensive programme of small industry development.

5.1 Interpretations of the State-Private Sector Relationship

Since 1966, it has been usual to assert that Nkrumah sought to suppress African businessmen, be they industrialists or traders, large- or small-scale. These allegations

[1] Richard Rathbone (ed.), *Ghana. Part I. 1941-52* (London: HMSO, 1992), p. lii-lvii.

[2] *Ibid.*, p. lvii.

surfaced within months of the coup when Ayeh-Kumi, one of Nkrumah's senior economic advisors, wrote that Nkrumah had felt 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 ... what was done was to place a squeeze on them and their operations. The banks were not to offer them credit ... They were not to be issued with enough licences for importation, they should buy through the large firms or Government agencies.[3]

Generally, historians agree that the Nkrumah government disfavoured local businessmen.[4] Wilks has suggested that Nkrumah, like Asantehene Osei Bonsu before him, was hostile to the development of an entrepreneurial middle class.[5] According to Esseks, the position of *all* African businesses was one of weakness during the Nkrumah years.[6] However, there has not been any study which addresses the specific issue of the state's relations with small industries. This chapter starts to remedy this deficiency.

5.2 The CPP and Nkrumah's Domination of the Ghanaian State

Any analysis of government policy between 1951 and 1966 must consider the influence of the CPP and Nkrumah. This is because, between 1949 (when Nkrumah broke with the United Gold Coast Convention and created the CPP) and the 1966 coup, the CPP and Nkrumah increasingly dominated Ghanaian society.

Admittedly, the CPP's political position during the so-called 'dyarchy' from

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[3] 'Statement by Mr. E. Ayeh-Kumi, Economic Adviser to the Ex-President', in National Liberation Council, *The Rebirth of Ghana. The End of Tyranny* (Accra: Ministry of Information, n.d.), pp. 42, 43.

[4] Paul Kennedy, *African Capitalism. The Struggle for Ascendency* (Cambridge: Cambridge University Press, 1988), p. 98. Tony Killick, *Development Economics in Action. A Study of Economic Policies in Ghana* (London: Heinemann, 1978). Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992). John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983), p. 77. A.N. Hakam, 'Impediments to the Growth of Indigenous Industrial Entrepreneurship in Ghana: 1946-1968', *The Economic Bulletin of Ghana*, 2 (1972) no. 2, p. 13.

[5] Ivor Wilks, *Asante in the nineteenth century. The structure and evolution of a political order* (London: Cambridge University Press, 1975), p. 721.

[6] John D. Esseks, 'Government and Indigenous Private Enterprise in Ghana', *Journal of Modern African Studies*, 9 (1971) no. 1, pp. 11-29.

1951 to 1954, when Britain still held some political power,[7] was by no means supreme. In the 1954 elections, the CPP took 55 per cent of the total vote and 72 of the 104 seats in the Legislature; in the 1956 elections these figures were 57 per cent and 71 seats respectively.[8] However, there were still real threats to the position of the Party. The Ashanti-based National Liberation Movement was a major political force from 1954 to 1956, while the unification of all opposition parties under the banner of Kofi Busia's United Party in 1957 represented a considerable threat to the CPP's political status.[9]

However, the CPP increased its command over the Ghanaian political system after 1957. The Opposition, having been defeated in the elections, was intimidated into submission.[10] Potential institutions of dissent such as the Trades' and Students' Unions were 'internalized' as 'Wings of the Party'.[11] The United Ghana Farmers' Council (UGFC), the farmers' wing of the CPP, was made the sole buyer of Ghanaian cocoa in 1961, thus fortifying the CPP's political and economic position.[12] Newspapers critical of the government either were subjected to censorship (as in the case of the *Ashanti Pioneer* from August 1960) or were bought out and placed under government control (such as the *Daily Graphic* in 1962).[13] Following a referendum in 1964, the CPP became the sole political party.

Within this CPP state system, power was centralized in the person of Nkrumah, so that, by the mid 1960s, there was 'The complete domination of the man over his government and party'.[14] In 1960, a new constitution, officially approved

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[7] Rathbone, *Ghana*, p. lii.

[8] Roger Genoud, *Nationalism and Economic Development in Ghana* (New York: Praeger, 1969), pp. 87-8.

[9] *Ibid.*, p. 92.

[10] Richard Rathbone, 'Businessmen in Politics: Party Struggle in Ghana, 1949-57', *Journal of Development Studies*, 9 (1973) no. 3, p. 391.

[11] Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), pp. 97-8.

[12] Björn Beckman, *Organising the Farmers. Cocoa Politics and National Development in Ghana* (Uppsala: The Scandinavian Institute of African Studies, 1976), pp. 232-3.

[13] John Dixon Esseks, 'Economic Independence in a New African State. Ghana: 1956-65', Harvard University, PhD, 1967, p. 206.

[14] Killick, *Development Economics*, p. 33.

by 90 per cent of voters, empowered Nkrumah to rule 'until some other person assumes office' and furthermore 'to give directions by legislative instrument'.[15] In his 'Dawn Broadcast' of 1961, Nkrumah even told Ghanaians that:

> Statements which may be regarded as Government policy statements are those which I make myself, personally, and those which are clearly stated in the text to be the official policy of the Government.[16]

In private, Nkrumah manipulated government appointments and institutions in order to fortify his own hand. The State Planning Commission and the State Control Commission, both created by Nkrumah in 1961 and subsequently chaired by him, were authorized to review all development projects.[17] At meetings of the Cabinet, Nkrumah often neglected the advice of his ministers;[18] at other times his ideas were accepted unopposed as the Cabinet Minutes for the years 1960-66 reveal on numerous occasions.[19]

Thus, by 1966 and arguably even by 1960, Nkrumah was *the* locus of power within the CPP government. Omaboe, the Government Statistician during the Nkrumah years, observed after the coup that the Nkrumah state had been characterized by 'the extreme centralization of the decision-making process at the political top while the various agencies were isolated at the bottom'.[20] Esseks arrives at a similar conclusion.[21] Therefore, any analysis of government policy in the period 1951-66 must place considerable emphasis on the ideas and actions of Nkrumah and his party.

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[15] Rimmer, *Staying Poor*, pp. 70-1.

[16] Kwame Nkrumah, *Dawn Broadcast. Osagyefo Calls a Halt to Self-Seeking* (Accra: Ministry of Information and Broadcasting, n.d.), p. 4.

[17] NAGA RG 7/1/1956, Press Release from the Office of the President, 2/10/1961.

[18] Frimpong-Ansah, *Vampire State*, p. 98.

[19] NAGA ADM 13/1/30, Industrial Promotion, item 29 (viii) of the Cabinet Meeting of 30-1/5/1961. NAGA ADM 13/1/31, Industrial Hall, item 3 of Notes of an Informal Cabinet Meeting of 16/2/1962. NAGA ADM 13/1/33, Industrial Development and Tax Relief Measures, item 16 (v) of the Cabinet Meeting of 25/2/1964.

[20] 'Mr. E.N. Omaboe, Commissioner for Economic Affairs and the Chairman of the National Liberation Council, at the 5th Annual 'Bu Bere' School, organized by the National Institute of Adult Education of the University of Ghana at Kumasi, August 29 1967', in Ghana, *The State of Ghana's Economy Today* (Accra-Tema: State Publishing Corporation, n.d), p. 2.

[21] Esseks, 'Economic Independence', p. 29.

5.3 The State and Small-scale Industries

When examining the state's relationship with small industries, the picture which emerges is unclear. There were times when the government supported them, both in public and in private, and took measures to assist them. However, occasionally, the regime's rhetoric was condescending and its actions, both deliberate and unintentional, injured the prospects for small industry development.

Government Rhetoric

The government voiced support for small-scale industries on several occasions. The Second Development Plan of 1959, while arguing that foreign private industrial firms would be 'the principal agents of industrialisation',[22] also remarked that small-scale Ghanaian industries had the potential for development and would be given financial assistance.[23] The Plan allocated £250,000 to this end and noted that a Committee had been established 'to consider ways in which Ghanaian business of all kinds can be effectively strengthened by government action'.[24] At the Stone Laying Ceremony of the Kumasi Hotel in March 1962, Nkrumah expressed strong support for small Ghanaian businesses, and promised them protection from foreign competition. According to Nkrumah:

> 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 ... In future, therefore, there will be no room for overseas interests in the small-scale enterprises sector in Ghana.[25]

The Seven Year Plan of 1963 acknowledged that private Ghanaian investors had an 'important role to play' in industrial development.[26] In the words of the

[22] Ghana, *Second Development Plan, 1959-64* (Accra: Government Printer, n.d.), pp. 16-7.

[23] *Ibid.*, p. 22.

[24] *Ibid.*, p. 20.

[25] Kwame Nkrumah, *Overseas Capital and Investment in Ghana* (London: Ghana High Commission Information Section, n.d.).

[26] Office of the Planning Commission, *Seven Year Plan for National Reconstruction and Development, Financial Years 1963/4-1969/70* (Accra: Office of the Planning Commission, 1963), p. 47.

Plan:

> There is immense scope for small scale Ghanaian industrial establishments supplying many of the vital needs of the economy. Repair and maintenance, food processing and the production of numerous household necessities—all these are fields waiting for the enterprising Ghanaian businessman. Government will intensify its efforts in supplying all the assistance that it can command to any such businessman who comes to it with sound schemes and the ability to implement them.[27]

Furthermore, the Plan promised that 'the successful small businessman with potential for growth' would be 'sought out and offered a wide variety of assistance'.[28]

It is unlikely that these expressions of support were just rhetoric for public consumption because Nkrumah and government officials often voiced their support for small-scale industries in private too. The Cabinet Minutes for the 1960s record the discussions of several initiatives to promote small-scale industries. For instance, at the Cabinet Meeting of 16 February 1962:

> ... the President suggested and the Cabinet AGREED that private enterprise particularly in small industries should be encouraged. In this connection it was AGREED that a central Industrial Hall should be provided for those engaged in small industries for the manufacture of their products.[29]

In the same month, the Cabinet declared its support for the development of craft industries through the creation of a Ghana Crafts Centre:

> It was DECIDED that in order to encourage craftsmen and assist them to display and sell their products on a wider scale a suitable site should be selected as soon as possible for the construction of a Crafts Centre and sales depot. Space would be allocated in the Centre for workers in the various crafts, and ample space would be provided for the display of the manufactured articles.[30]

Later that year, it was decided that the government should promote small industries in the Northern Region:

> The Regional Commissioner of the Northern Region circulated to members of the Cabinet specimens of cotton prints, pottery and drawings produced by people in the Northern Region. The Cabinet DECIDED that the Ministry of Industries should take steps to establish Arts and Crafts Industries in the Northern Region so as to harness the potentialities of artists and craftsmen in

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[27] *Ibid.*

[28] *Ibid.*, p. 90.

[29] NAGA ADM 13/1/31, Industrial Hall, item 3 of Notes of an Informal Cabinet Meeting of 16/2/1962.

[30] NAGA ADM 13/1/31, Ghana Craft Centre, item 15 (xiii) of the Cabinet Meeting of 20/2/1962.

that Region ...[31]

Moreover, these discussions were not simply left for the record. After the Cabinet decision to promote craft industries in the Northern Region, the Ministry of Industries sought the advice of a U.N. economist, and soon had a short report on the prospects of craft development in the North of Ghana.[32]

One particularly interesting episode in the Cabinet Meetings, which demonstrates beyond question that the Nkrumah government was not entirely hostile towards small industries, was the cabinet stages of the National Investment Bank Bill. The government had hoped that the National Investment Bank (NIB) would fund industrial development in general, and small industries in particular. In the Draft Bill, it was envisaged that the NIB would provide funding to industries of all types: Clause three of the Draft proposed that the bank be able to provide 'funds in the form of loans of any description'.[33] However, the Cabinet rejected the Draft Bill because it did not make specific provision for credit to small businesses. According to the Cabinet Minutes:

> It was AGREED in discussion that the objects of the National Investment Bank Bill circulated with the memorandum as stated in Clause 3 of the Bill, did not provide sufficiently clearly that loans would be granted in respect of small Ghanaian Private Enterprises ... In the absence of this provision, the loans of the Bank would be limited to large scale Private Enterprises and Co-operative Enterprises.[34]

Subsequently, the Minister of Trade and Finance re-submitted the Bill, this time inserting a clause that the NIB be engaged in the 'counselling and encouraging of small Ghanaian business concerns'.[35]

Thus, from one reading of rhetoric and intent, it is difficult to avoid the

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[31] NAGA ADM 13/1/31, Establishment of Arts and Crafts Industries in Northern Ghana, item 14 (iii) of the Cabinet Meeting of 24/4/1962.

[32] NAGA RG 7/1/1956, M. Franek to J. Therson-Cofie, Chief Industrial Promotion Officer, Ministry of Industries, May 1962.

[33] NAGA ADM 13/2/93, 'Draft National Investment Bank Act, 1962', in a Memorandum submitted by the Minister of Finance and Trade, National Investment Bank Bill, for the Cabinet Meeting of 12/6/1962.

[34] NAGA ADM 13/1/31, 'National Investment Bank Bill', item 2 of the Cabinet Meeting of 12/6/1962.

[35] NAGA ADM 13/2/101, 'National Investment Bank Bill', Memorandum submitted by the Minister of Finance and Trade for the Cabinet Meeting of 5/2/1963.

impression that the government sought to promote the small industry sector. Such a stance was spelt out clearly during a meeting of the government and the International Monetary Fund which took place sometime in 1962. The minutes of the meeting read in part:

> Question 9: Please review developments in, and official policy towards, manufacturing industry during 1961?
> The present policy of the Government is to limit Ghana enterprises to the smaller units employing, in most cases, 10 or less.[36]

Yet while there was rhetoric in support of small-scale industries, there was also rhetoric of the opposite nature. For example, in October 1960, Nkrumah appeared to register opposition towards small-scale Ghanaian enterprises. Recognizing that the economy consisted of four sectors—the state sector, the state-private sector, the co-operative sector and the private sector—Nkrumah remarked that the co-operative sector was:

> intended to build up Ghanaian enterprise in all fields. In the past, the Government has given considerable assistance to Ghanaian private enterprise but the result has been negligible and disappointing. So disappointing in fact that the Government feels its assistance must be channelled in a more productive manner ... [this] does not mean that Ghanaian private enterprise is to be nationalised, but it must now stand on its own feet and not rely on the Government for its development.[37]

In Cabinet, small industries often were treated in a condescending fashion. A case in point was in 1962 when Imoru Egala, the Minister of Industries, urged the Cabinet to define what a small-scale industry was. By doing so, it was hoped that programmes of assistance could be focused more effectively. Egala noted that any definition of a small-scale industry 'should give a fair scope for Ghanaian entrepreneurship and reinvestment of capital'.[38] Nevertheless, the Minister suggested that the definition 'must exclude industries which are markedly significant from the point of view of employment, output, investment, foreign exchange earning,

[36] NAGA RG 7/1/1957, Minutes of the International Monetary Fund's meeting with the Ghana Government (1962).

[37] NAGA RG 7/1/1956, 'Statement on Ghana's Economic Policy by Nkrumah in a Broadcast to the Nation on Sunday 9 October, 1960'.

[38] NAGA ADM 13/2/95, Memorandum entitled 'Small Scale Industries', submitted by the Minister of Industries for the Cabinet Meeting of 21/8/1962.

interest of consumers, etc.'.[39] Therefore, in the Minister's opinion, small-scale industries were not of 'marked significance' to the economy as a whole.

On occasions, the government expressed both support for, and hostility towards, the small industry sector. The Seven Year Plan pledged that small industries would be given assistance,[40] but also envisaged that they had a minor part in future economic development. According to the Plan, small-scale industries had 'hitherto constituted the characteristic type of industry in Ghana'.[41] However, although incomes had expanded, these small producers had failed to supply goods to meet the demand. Thus:

> In order to correct this imbalance between domestic production and demand therefore, the types of industry that will be promoted under this and subsequent development plans will in general be on a larger scale than the types that have hitherto characterised industrial activity in Ghana.[42]

In effect, this meant that industrialization would be based on the state and private foreign sectors.[43]

The Industrial Development Corporation

Government rhetoric wavered between encouragement and discouragement of the small industry sector. Such a policy of vacillation is evident in the actions of the government as well, although, on balance, policy typically did little to promote small industries and often harmed them.

To analyze the actions of the government, it is necessary to focus on the Industrial Development Corporation (IDC). Although the Ministry of Commerce and Industry held general responsibility for industrial promotion,[44] the IDC was 'charged with the statutory duty of securing the investigation, formulation and carrying out of

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[39] *Ibid.*

[40] Office of the Planning Commission, *Seven Year Plan*, p. 90.

[41] *Ibid.*

[42] *Ibid.*, p. 90.

[43] *Ibid.*, pp. 108, 48.

[44] Gold Coast, *Legislative Assembly Debates, 1953: Official Report*, vol. 3, 9/3/1953-18/3/1952 (Accra: Government Printing Department, n.d.), col. 1969, Mr. Gbedemah, Minister of Commerce and Industry, written answer to Mr. Ofori Atta.

projects for developing industries'.[45] Therefore, small industry development fell under the IDC's remit. To this end, the IDC operated a sales depot in Accra (and one in Tamale from 1956)[46] through which the products of small-scale industries gained market exposure. According to the Managing Director of the IDC, the sales depot had 'kept alive and strengthened many individual craftsmen'.[47] The IDC also helped small industries to gain exposure abroad by organizing their participation in expositions such as the Handicrafts, Homecrafts and Hobbies Exhibition in London in the mid 1950s.[48]

However, the centrepiece of the IDC's small industry promotion strategy was the Small Loans Scheme. Although the technical details of this scheme changed over time, the basic principle of small industry promotion through credit provision remained constant. Through its Small Loans Scheme, the IDC disbursed an average of £G46,845 a year to small industrial firms between 1955 and 1958.[49]

The Small Loans Scheme did have some successes, most notably when it worked in partnership with another government scheme for the training of artisans abroad. In the early 1950s, the government was training Gold Coast artisans in Britain. In 1953, it was estimated that there were 103 such artisans being trained in bricklaying, moulding, electrical repair and installation work, motor engine maintenance and laundry work.[50] Returning artisans were offered special IDC financial assistance. As Nkrumah noted:

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[45] *Industrial Development Committee Reports and Accounts, 1955-6*, para. 4, cited in G.B. Kay (ed.), *The Political Economy of Colonialism in Ghana: a Collection of Documents and Statistics, 1900-1960* (London: Cambridge University Press, 1972), p. 92.

[46] NAGA RG 7/1/26, 'Industrial Development Corporation's Quarterly Development Progress Report, Third Quarter, 1955/56'.

[47] NAGA RG 7/1/26, Managing Director, IDC, to D.C. Ferguson, Commissioner of Commerce, 20/1/1955.

[48] NAGA RG 7/1/26, Press Release 'Local Industries and Handicrafts'.

[49] Calculated from Ghana, *Industrial Development Corporation, Report and Accounts, 1954-55* (Accra: Department of Information Services, 1955), appendix I, p. 27. Ghana, *Industrial Development Corporation, Report and Accounts, 1955-56* (Accra: Department of Information Services, 1956), statement F. Ghana, *Industrial Development Corporation, Reports and Accounts, 1956-57* (Accra: Guinea Press, 1957), p. 28. Ghana, *Industrial Development Corporation, Reports and Accounts, 1957-58* (Accra: Guinea Press, 1958), statement 5, p. 34.

[50] NAGA RG 7/1/1056, Minute by the Prime Minister, Kwame Nkrumah (undated, but probably 1953).

> It would be a mistake to invest over £1,000 in the training of a person and then to lose the advantage of that training by failing to help him with the funds required to establish him.[51]

Such a package of training and financial assistance had a positive impact on the development of the small industry sector. For example, G.K.B. Acquaah, an artisan trained in Britain and then given IDC financial aid, had established his own shoe and leather works in Kumasi in 1954. By the end of 1954, Acquaah's firm had capital valued at £600, power machinery and annual turnover of 60 pairs of shoes worth £132.[52]

Yet for all the good intentions of the Small Loans Scheme, there were some major failings. These became apparent in August 1955 during a Legislative Assembly debate on the IDC's loan policy.[53] First, there were widespread claims of irregularities in the distribution of loans, with one member of the Assembly alleging that the two loans that had been approved for small industries in the Northern Territories had both gone to CPP members.[54] Second, it was contended that the IDC was ineffective in reaching those who required its assistance most. The example was offered of an industrialist who was told that his 'very decent swish building' could not be considered adequate security for a loan, and that a concrete building would be required instead.[55] Third, repayment criteria were considered excessively stringent, especially the requirement that interest on loans be repaid within three years. As one Assemblyman explained to the House, 'Is it ... possible for a small business man who started with £500 to be able to pay interest on £500 in three years?'.[56] A fourth criticism was that the actual amounts loaned were inadequate and disproportionate to the IDC's potential lending capacity. It was pointed out that, as of 1955, the IDC had spent £571,000 on 26 expatriate members of staff; by

[51] *Ibid.*

[52] NAGA RG 7/1/28, Schedule of Local Industries in the Ashanti Regional Area, 1954.

[53] Gold Coast, *Legislative Assembly Debates, 1955: Official Report*, vol. 1, 26/7/1955-12/8/1955 (Accra: Government Printer, n.d), cols. 244-78, Private Motions: Review of I.D.C. Loan Policy, 4/8/1955.

[54] *Ibid.*, col. 253, Mr. Mumuni Bawumia, N.P.P., South Mamprusi East.

[55] *Ibid.*, col. 256, Mr. A.J. Dowuona-Hammond, C.P.P., Awutu.

[56] *Ibid.*, col. 247, A.S. Abban, C.P.P., Ajumako-Asikuma.

contrast, 67 loans had been disbursed to Africans totalling only £63,265.[57]

The problem of 'irregularities' within the IDC was indeed grave. Government and party officials regularly pressed the IDC into disbursing loans to their protégés. Arthur Lewis, reporting on the IDC in 1958, observed that it had:

> ... greatly suffered from outside interference, in the shape of members of Parliament and other influential persons expecting staff appointments to be made irrespective of merit, redundant staff to be kept on the payroll, disciplinary measures to be relaxed in favour of constituents, business to be purchased at inflated prices, loans to be made irrespective of security, etc.[58]

Because of such 'irregularities', it is likely that many undeserving small industrialists obtained loans, to the detriment of those who required them.

The allegation that the IDC's Small Loans Scheme was under-funded and under-staffed recurred throughout the 1950s. On several occasions, the loans process had to be frozen because of a lack of funds. According to IDC internal memoranda, this happened in July 1953,[59] March 1956[60] and September 1957.[61] The under-funding and under-staffing of the Small Loans Scheme was common knowledge, as the following notes of an interview with Mr. Alibah, a member of Small Loans Section of the IDC, suggest:

> [Mr. Alibah] emphasised that the Small Loans' Section is inadequately staffed and cannot cover the country satisfactorily. It is particularly difficult to cover the Northern Region; with so small a staff supervision of the use of loans granted and guidance to borrowers becomes virtually impossible ...[62]

Outsiders also recognized the lack of administrative capacity within the IDC more generally, with a British trade delegation report of 1959 remarking that 'we cannot escape the conclusion that ... the managerial resources of the corporation have been

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[57] *Ibid.*, col. 251, W.A. Wiafe, C.P.P., Kwahu South.

[58] Tony Killick, 'The State Promotion of Industry: The Case of the Ghana Industrial Development Corporation', *Ghana Social Science Journal* 2 (1972) no. 1 and 3 (1973) no. 1, part II, cited in Killick, *Development Economics*, p. 245.

[59] NAGA RG 7/1/26, General Manager, IDC, to the Permanent Secretary, Ministry of Trade and Labour, 24/9/1954.

[60] NAGA RG 7/1/26, Project Officer, IDC, to the Commissioner for Commerce, 9/3/1956.

[61] NAGA RG 7/1/1819, Memo from the General Manager, IDC, to the Small Loans Officer, IDC, 14/9/1957.

[62] NAGA RG 7/1/260, Interview with Mr. Alibah, Small Loans Section, Industrial Development Corporation, in Accra, 8/6/1959, in P.S. Wright, 'Draft Report on Small Scale Industrial Development in Ghana'.

inadequate'.[63]

The IDC's efforts to promote small-scale industries were not, then, very effective. In this connection, it is worth citing two examples of potentially successful small industrialists having to struggle to obtain loans from the Corporation. The first was Mr. A.E. Asare, a textile manufacturer. Asare had taken a four-year textile course at Achimota, served as head teacher of the Ghana Art and Crafts School at Juaso, and had been employed as manager of the Awatime Weaving Industry (p. 94). He had spent three years in Britain, one year of which was on a Textile Diploma Course, another studying Business Administration.[64] Following this impressive record of training and work-experience, Asare returned to Ghana in the early 1950s, established a small weaving factory at Nsawam, and started producing Kente, light material and heavy curtains. Asare's cloth was sold through Kingsway Stores, the Bureau of African Industries at Takoradi, the Lisbon Hotel at Accra Airport and a sales room at Nsawam.[65] In 1959, Asare applied to the IDC for a £3,000 loan to place his business 'on a sound and commercial footing',[66] and was willing to offer a building as collateral.[67] Asare's application received a frosty reception at the Ministry of Trade and Industries. According to one official there:

> The stumbling block which wrecks one-man businesses and family partnerships in every land is the owner's freedom to draw money from the business for his ever increasing living expenses, whenever he feels like it, without let or hindrance to anyone.[68]

Miss Ester Nkulenu faced similar problems in obtaining a loan from the IDC. Nkulenu had studied in Britain and later established her own fruit juice and marmalade factory in 1943.[69] By 1951, this had four employees and was producing

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[63] Board of Trade, *Report of the United Kingdom Trade and Industrial Mission to Ghana* (London: HMSO, 1959), p. 12.

[64] NAGA RG 7/1/1752, A.E. Asare to the Minister, Ministry of Commerce and Industries, 18/3/1959.

[65] *Ibid.*

[66] *Ibid.*

[67] NAGA RG 7/1/1752, 'Report of the Project Officer, IDC Small Loans Division' (1959?).

[68] NAGA RG 7/1/1752, Minute by unidentified official at the Ministry of Trade and Industries, 6/4/1959.

[69] NAGA RG 7/1/260, P.S. Wright, 'Small Scale Industrial Development in Ghana' (1959), p. 25.

orange juice and about 120 lbs of marmalade per week, with the potential for expansion.[70] In 1952, Nkulenu made an application to the IDC for a loan of £3,000 to expand her works.[71] Of this amount, only £1,000 was granted which apparently included a second-hand van valued at £460.[72] Throughout the 1950s, Nkulenu lobbied the government for assistance, but without success. Despite her failure to secure an IDC loan, Nkulenu eventually succeeded in developing a thriving business. In 1996, Nkulenu Industries employed over 50 workers and manufactured jam, fruit juice, beverages and palm products for markets in Ghana, Europe and North America.[73]

In certain instances, the actions of the IDC actually caused considerable harm to small-scale industries. In particular, the Corporation's encouragement of foreign industrialists resulted in increased competition for some local small industrialists. Thus, one government report into the small industry sector found:

> apprehension lest Government's industrialisation policy should result in the establishment, with the help of largely foreign capitals of large scale industries which would drive small Ghanaian concerns in the same line of manufacture out of business.[74]

The report continued by suggesting that small industries be given at 'least as much encouragement as foreign manufacturers', and some of them be accorded 'pioneer status'.[75] This was a clear reference to the 'pioneer status' and concomitant financial benefits which were being lavished on foreign firms investing in Ghana.

The prolific rôle of the state as an industrial entrepreneur itself, had a perceived as well as real deterrent effect on small industry development. The same government report found:

> Certain small concerns ... regard some of the existing Industrial Development Corporation industries as their rivals and in consequence do not believe that

[70] NAGA RG 7/1/32, Miss Esther Nkulenu to the Ministry of Commerce, Industry and Mines (1951) 'Memorandum on Lime Juice, Orange Squash and Marmalade Submitted by Miss Esther Nkulenu, Food Industry, Christianborg'.

[71] NAGA RG 7/1/260, P.S. Wright, 'Small Scale Industrial Development in Ghana' (1959), p. 25.

[72] *Ibid.*

[73] Interview with Miss Ester Nkulenu, founder of Nkulenu Enterprises, conducted in Madina on 23/4/1996.

[74] NAGA RG 7/1/260, P.S. Wright, 'Small Scale Industrial Development in Ghana' (1959), p. 26.

[75] *Ibid.*, Summary to Report.

> the Industrial Development Corporation can render them disinterested assistance. They fail to understand why the Industrial Development Corporation should enter into the manufacture of goods in competition with already long established Ghanaian firms.[76]

Indeed, Nkulenu's plans to build a cannery received no support from the IDC because the government already had plans to establish one itself.[77]

The Ministry of Trade and Industry and the Ministry of Finance

The operations of the IDC fell under the oversight of the Ministry of Trade and Industry (or, at various times in the 1950s, the Ministry of Commerce, Industry and Mines and the Ministry of Commerce and Industry). This Ministry did take certain steps to promote small-scale industries. In 1962, on the initiative of Imoru Egala, the Minister of Industries, the Cabinet reached a decision on what actually constituted a small industry.[78] This was a first step in assisting the small industry sector, because without a definition, it was impossible to focus any schemes of assistance. In the past, there had been the absurd case of the Rural Industries Division of the IDC—the function of which was to promote rural small industries—actually undertaking the initial development of a sugar scheme, with a fixed capital investment of over £1.4 million, on the grounds that the project was sited in a rural area.[79]

However, two serious problems diminished the Ministry's ability to lead industrial development. First, there was the lack of administrative capacity which was the result of a shortage of skilled staff.[80] Second, the division of responsibility between the Ministry and the IDC was often unclear. For example, in 1959, there was confusion within the Ministry about the respective rôles of the Ministry's own Investment Promotions Division and that of the IDC.[81]

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[76] *Ibid.*, p. 26.

[77] NAGA RG 7/1/32, The General Manager, Industrial Development Corporation, to Miss Esther Nkulenu, 27/6/1954.

[78] NAGA ADM 13/1/31, Small Scale Industries, item 10 of the Cabinet Meeting of 21/8/1962.

[79] NAGA RG 7/1/1958, 'Draft Cabinet Memorandum by Imoru Egala, Minister of Industries, on the Definition of Small-Scale Industry', 1962.

[80] NAGA RG 7/1/1884, Draft Memorandum submitted to the Cabinet by the Minister of Commerce and Industry, September 1959.

[81] NAGA RG 7/1/1884, Minute by Assistant Commissioner, Industries, 1/12/1959.

The problem of corruption dogged both the Ministry of Trade and Industry and the Ministry of Finance. In the case of the Ministry of Finance, this was particularly detrimental to small industry expansion because some small industries were dependent on imports. For example, the Acquaah shoe and leatherworks in Kumasi (p. 112) had imported £45 of goods between 1951 and 1954.[82] From 1961, imports were under strict Ministry of Finance control because of the shortage of foreign exchange. This control bred corruption. As the official report into 'irregularities and malpractices' at the Ministry of Finance made clear, officials had encouraged 'friends and favourites to see them in person for licences', while importers were obliged to employ 'contact men' in order to secure import permits.[83] The 'large sums of money'[84] need to pay such 'contact men' probably disadvantaged smaller importers *vis-à-vis* larger importers. After all, larger importers had the money to pay their 'contact men', something which smaller players, by their very nature, were less able to do. Indeed, allegations of large Levantine businesses using corrupt means to secure import licences were common during the Nkrumah years.[85]

The National Investment Bank

The NIB was established by the government in 1963 and, as the discussion of the Cabinet minutes has demonstrated (p. 108), one of its main functions was to disburse credit and technical assistance to small industries. However, these expectations were not realized, at least during the Nkrumah years.

It appears that from 1963-66, the NIB was too under-capitalized to influence small industry development in any significant way. This is evident from table 5.1.

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[82] NAGA RG 7/1/28, Schedule of Local Industries in the Ashanti Regional Area, 1954.

[83] Ghana, *Report of Commission of Enquiry into Alleged Irregularities and Malpractices in Connection with the Issue of Import Licences* (Accra: Ministry of Information and Broadcasting, n.d.), para. 41.

[84] *Ibid.*

[85] Hakam, 'Impediments', p. 12.

Table 5.1 NIB, 1963-66: Applications, Loans and Credits (Small and Large-scale Industries).

Year	Number of Applications	Number Approved	Amount Approved (¢)
1963	209	3	971,000
1964	100	11	1,822,000
1965	109	5	797,000
1966	90	5	360,000

Source: National Investment Bank, *Annual Report of the Board of Directors, 1963-75*, cited in Stephen Sekyere-Abankwa, 'Development Banking in Ghana. A Case Study of the National Investment Bank', University of Ghana, School of Administration, MBA, 1981, appendix 7, p. 210.

Table 5.1 shows that the total industrial promotion activities of the NIB were tiny. Even if all this activity was directed to the small industry sector, its effects would not have been substantial. Expressed in hard currency terms,[86] in 1964, only $1.56 million of loans were approved by the NIB. Thus, despite the demands made in Cabinet that the NIB counsel and encourage small Ghanaian businesses, this appears not to have happened.

5.4 Assistance to Small Industries in the Context of General Government Policy

Within the context of wider industrial policy, it is apparent that small industry development was a low priority. A top priority was the development of the state industrial sector. This was endowed considerable privileges. Thus, from 1963 to 1965, the NIB actually invested 91 per cent of its loanable funds in state enterprises,[87] while, between 1962 and 1966, the state's share of manufacturing

[86] Rimmer, *Staying Poor*, p. xi.

[87] Esseks, 'Government and Private Enterprise', p. 22.

output increased from 12 per cent to 20 per cent.[88]

The encouragement of the foreign industrial sector was also a high priority. The 1959 Development Plan allocated £G15.5 million for general industrial and trade promotion, but only £G500,000 of this was earmarked as aid for African business.[89] In the words of the Plan itself, this was only a 'token sum'.[90] By contrast, large-scale foreign industrialists investing in Ghana received lucrative financial incentives. One Western analyst at the time felt that these were so generous that they proved Ghana's 'sincere desire to do all in her power to encourage foreign investment'.[91] Ultimately, while African businessmen received an estimated £825,064 of government loans in the period 1957-60, the government offered a single £2 million loan to A.G. Leventis, a Greek-Cypriot businessman with close ties to Nkrumah.[92]

The government also provided the co-operative sector with considerable support. African nationalists frequently had urged the colonial government to promote industrial co-operatives (p. 89) and, once in power, the CPP did just that. Government ministers spoke glowingly about the prospects for the co-operative sector. At one Cabinet Meeting in 1961, the Minister of Trade went as far as to suggest that co-operatives were an effective form of business organization in almost all branches of industry. Indeed, the state sector needed to be confined only to those industries:

> which produce war equipment (including secret and atomic weapons), ballistic missiles and space ships. The Government should also be solely responsible for the supply of potable water and electricity on a non-profit making basis.[93]

The government's guidelines on the implementation of the Seven Year Plan noted that the Plan's three main goals were to increase the rate of growth in the economy, to

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[88] Central Bureau of Statistics, *Industrial Statistics*, cited in Killick, *Development Economics*, table 5.7, p. 126.

[89] Ghana, *Second Development Plan*, appendix, section 2.

[90] *Ibid.*, p. 20.

[91] Alan H. Smith, 'Tax Relief for New Industries in Ghana', *National Tax Journal*, 10 (1958) no. 4, p. 370.

[92] Esseks, 'Government and Private Enterprise', p. 14.

[93] NAGA ADM 13/2/78, 'Promotion of Industrial Projects in Ghana', Memorandum Submitted by the Minister of Trade, item 6 of the Cabinet Meeting of 24/1/1961.

'liquidate the colonial structure of the economy by the development of modern industry' and to 'embark on the socialist transformation of the economy through the development of the state and co-operative sector'.[94]

One example of assistance to the co-operative sector was the so-called Japanese small-scale industries episode. Following a trade and goodwill delegation visit to the Far East in 1959, machines were ordered for small-scale industries in Ghana.[95] These industries included rice-milling, bamboo-matting and blind production, shirt and blouse sewing, coir processing, as well as rattan, copra, peanut and bamboo-processing.[96] The machines, together with Japanese technicians, arrived in Ghana in 1960.[97] The workings of the project were outlined in a letter from the Chairman of the IDC to Regional Commissioners. First, it was 'intended that the operators of each plant should be organised into a co-operative unit'. The National Co-operative Council would help in this. Thereafter, the IDC would loan capital to the co-operative unit, establish the plant and provide technical assistance. The Corporation would 'supervise and exercise some measure of control' until the loans were repaid. Finally, co-operative members would 'make their minimum financial contributions for shares' so as to have a stake in the enterprise.[98]

It is interesting to note that, while cooperatives were encouraged in small industry, in cocoa farming they were smashed and subsumed under the UGFC in 1961.[99] The explanation for this may have much to do with power-political considerations. The cocoa co-operatives' economic power represented a considerable threat to the CPP state,[100] since by the 1952/53 season, co-operatives had 20 per

[94] Ghana, *Guide to the Implementation of the Seven-Year Plan* (Accra: Office of the Planning Commission, n.d.), p. 3.

[95] NAGA RG 7/1/464, 'Report of a Trade/Goodwill Mission and GATT Delegation to the Far East, September 28-November 21, 1959'.

[96] NAGA RG 7/1/153, Memo from V.D. Adu, Senior Projects Officer, Ghana Rural Industries Ltd., to the General Manager, Ghana Rural Industries Ltd., 13/7/1961.

[97] NAGA RG 7/1/153, General Manager, Ghana Rural Industries Ltd., to the Permanent Secretary, Ministry of Light and Heavy Industries, 9/10/1961.

[98] NAGA RG 7/1/153, J. Mensa Bonsu, Chairman of the Ghana Industrial Development Corporation, to E.H.T. Korboe, Regional Commissioner for the Eastern Region, 8/6/1961.

[99] Beckman, *Organising the Farmers*, pp. 91-102, ch. 5.

[100] *Ibid.*, p. 92.

cent of the cocoa market.[101] By contrast, small industry cooperatives were comparatively undeveloped and posed no such threat to the CPP's political position.

5.5 The Appeal of Small Industry Development

The government could have done more to assist small African businesses if it wished. In the event, it chose not to do so. For example, the government ignored the findings of the McCarthy Committee on Aid to Ghanaian Businessmen.[102] The McCarthy Committee had been established in May 1959 to consider ways in which Ghanaian businesses could be 'strengthened by government action'.[103] The committee had prepared its Report by July of that year.[104] However, no White Paper on the Report was published and its recommendations (which included a proposal to reserve a proportion of the retail trade for Ghanaians) were never implemented. In addition, offers of technical assistance from abroad were turned down. An offer from the Netherlands in 1962 to provide fellowships to Ghanaian students to study small industry development and management in Delft,[105] was rejected on the grounds that there was no suitable candidate for the course.[106] Why then was the government was so reluctant to develop small industry?

At first sight the reluctance is difficult to understand because the government had good reasons for aggressive small industry promotion. In addition, Ghanaian businessmen were vocal agitators for their rights and had channels through which to lobby the government for assistance.

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[101] J.C. DeGraft-Johnson, *African Experiment: Co-operative Agriculture and Banking in British West Africa* (London, 1958), p. 78, cited in *ibid.*

[102] IRS ADM 2616 (original file number C2500), 'The Report of the Chairman of the Committee on Aid to Ghanaian Business'. Esseks, 'Economic Independence', p. 88.

[103] NAGA RG 6/2/9, Memorandum by the Minister of Trade on the Committee on Aid to African Business submitted to the Cabinet, 1960?

[104] NAGA RG 6/2/9, Permanent Secretary, Ministry of Finance, to the Ministry of Commerce and Industry, 29/7/1959.

[105] NAGA RG 7/1/671, The Royal Netherlands Embassy, Accra, to the Ministry of Foreign Affairs, Accra, 25/10/1962.

[106] NAGA RG 7/1/671, Principal Secretary, Ministry of Industries to the Principal Secretary, Ministry of Foreign Affairs, 31/10/1962.

Government Awareness of Small Industry Promotion

The benefits of small industry promotion were known to the government by the late 1950s. The Wright Report of 1959, details of which reached the Permanent Secretary at the Ministry of Industries,[107] expounded at length the economic benefits of small industries[108] and noted that they had made a valuable contribution to economic development in Japan and India.[109]

The government was also aware of the conditions facing Ghana's existing small-scale industrialists. In other words, these enterprises were not hidden from, and unknown to, government officials. In 1962, the government conducted a large sample survey of the country's small-scale industrial sector which found that small industries provided the bulk of industrial employment.[110] In the following year, the Seven Year Plan actually drew on some of the survey's findings.[111] Thus, the government knew that there was a small industry sector in Ghana which could be supported. By contrast, the large-scale Ghanaian industrial sector was virtually non-existent at the time, and supporting it may not have been a viable policy option anyway.

At times, there were also practical reasons for the promotion of small industries. The events surrounding the Second Development Plan demonstrate this. The Plan called specifically for the creation of 600 new factories between 1959 and 1964.[112] Most of these were to be modern and large-scale. Yet, by the end of 1959, government finances were in crisis. Thus, proposals were mooted that cheaper, smaller and more traditional industrial enterprises could be established so as to meet the 600 factory target. According to one official:

> in order to comply with the Prime Minister's direction that 600 factories must

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[107] NAGA RG 7/1/260, Assistant Commissioner, Industries, to the Permanent Secretary, Ministry of Industries, 14/9/1959.

[108] NAGA RG 7/1/260, P.S. Wright, 'Small Scale Industrial Development in Ghana' (1959), pp. 37-8.

[109] *Ibid.*, p. 39.

[110] Ghana, Central Bureau of Statistics, *Area Sample Survey of Small Manufacturing Establishments-1963* (Accra: State Publishing Corporation, 1965).

[111] Office of the Planning Commission, *Seven Year Plan*, p. 90.

[112] Ghana, *Second Development Plan*, p. 16.

> be established in Ghana ... it might be necessary for the IDC to concentrate on the promotion of and development of small industries, preferably in the rural areas ... with the background knowledge that only about £G200,000 was uncommitted in the Second Development Plan allocation of £G10 millions set aside for Industries ... future Government financial participation in the promotion of large scale industries must be drastically cut down and IDC activities must be adapted accordingly.[113]

The Lobbying Capacity of Ghanaian Businessmen

In addition to these positive reasons for small industry support, it is pertinent to note that Ghanaian businessmen did have the capacity to lobby the government. This ability may not have been as great as some business groups, such as those which contributed visibly to foreign exchange earnings.[114] Local businessmen were also disadvantaged by their relatively low social status.[115] Nonetheless, Ghanaian businessmen did have access to the corridors of power.

Before independence, the CPP had received substantial support from 'aspirant businessmen' who were mainly small-scale.[116] During the 1950s, such businessmen had adequate representation within the government and Legislative Assembly. Komla Gbedemah, the Finance Minister, was a businessman, as were several back-benchers. As one Member of Parliament noted during a Legislative Assembly debate on the IDC's loan policy in August 1955, 'We are all business men ... '.[117] W.A. Wiafe, the CPP Member of Parliament for Kwahu South, was particularly active in lobbying for trade protection and government commitments to patronize African businesses, as the 1950s Parliamentary Debates demonstrate on numerous occasions.[118]

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[113] NAGA RG 7/1/1884, Minute by unidentified official, 4/12/1959.

[114] Esseks, 'Government and Private Enterprise', pp. 15-6.

[115] *Ibid.*, p. 16.

[116] Rathbone, 'Businessmen in Politics', pp. 395-6.

[117] Gold Coast, *Legislative Assembly Debates*, 4/8/1955, col. 247, A.S. Abban, C.P.P., Ajumako-Asikuma, Review of I.D.C. Loan Policy, 4/8/1955.

[118] Gold Coast, *Legislative Assembly Debates, 1955*, vol. 1, 26/7/1955-12/8/1955, cols. 250-1. Ghana, *Parliamentary Debates*, 1st series, vol. 6, 23/4/1957-12/7/1957 (Accra: Government Printing Department, n.d.), cols. 582-7. Ghana, *Parliamentary Debates. Official Reports*, 1st series, vol. 14, 19/2/1959-20/3/1959 (Accra: Government Printing Department, n.d.), cols. 278-86.

5.6 The Problems of the Small Industry Promotion Case

However, there were several reasons why the Ghanaian business community did not receive the assistance which it sought. These included prevailing political conditions and economic theories, the perceived inadequacies of local entrepreneurs, the government's 'modernistic' approach to development and, especially after 1960, the limits to the lobbying capacity of African businesses.

The 1950s: Political Pragmatism and Laisser-Faire Economics

During and after the Second World War, colonial governments across West Africa began to control imports and exports, together with the marketing of cash crops.[119] However, in the 1950s, the state refrained from playing an active part in industrial development for several reasons.

First, in the 1950s, securing the country's political independence was the overriding objective of the time. The CPP's constitution, passed at the Party's first national conference in 1949, made no reference to economic policy, but aspired to 'To fight relentlessly by all constitutional means to achieve and maintain full Self-Government for the people of this Country and their Chiefs'.[120] Likewise, the CPP's 1951 election manifesto argued that the CPP stood for 'Self-Government Now and the end of foreign control of our affairs'.[121] The manifesto made few references to economic policy, observing only in passing that industrialization required that the Gold Coast be self-governing. Independence was clearly the issue of the day and this was summed up neatly in the manifesto slogan 'seek ye first the political kingdom and all things will be added unto it'.[122] This lack of ideological baggage, in combination with the fact that the economy was expanding at a robust

[119] Michael Crowder, 'The 1939-45 War and West Africa', in J.F.A. Ajayi and Michael Crowder (eds.), *History of West Africa, Volume Two* (Harlow, Essex, 2nd ed.: Longman, 1987), p. 679.

[120] NAGK D 1952, 'Constitution of the Convention People's Party, passed at the First Party Conference in Sekondi, 17/7/1949'.

[121] National Executive of the Convention People's Party, *Towards the Goal. The Manifesto of the Convention People's Party for the Forthcoming General Election (February, 1951)* (Accra: Arrow Press, n.d.), p. viii.

[122] *Ibid.*, p. ix.

rate of over 4 per cent a year during the 1950s,[123] meant that the CPP had no reason to change the economic and industrial policy *status quo* which it had inherited from the colonial administration. The Opposition exerted little pressure for change either. The United Gold Coast Convention's (UGCC) *Plan for the Nation* of 1951 urged that 'the optimum diffusion of private enterprise and ownership of property shall be developed alongside the maximum attainment of personal liberty, within the framework of a welfare state',[124] and demanded the creation of a national bank as well as a reduction in manufactured imports.[125] In all these ways, the UGCC's economic agenda was similar to the CPP's.

Second, Nkrumah and the CPP were conscious that any radical break with the economic policy of the past probably would have met with British disapproval. This was something which Nkrumah sought to avoid, because it could have jeopardized the prospects for full self-government: until 1954, the Governor still retained his veto over policy, the key ministries of Law and Order and Finance were held by the British, while the Constitution could be withdrawn, *in extremis*.[126] In any case, to have embarked on a policy of socialism and statism would have alienated foreign capital which was needed desperately. For example, the Volta River Project, a scheme to dam the River Volta and generate hydro-electricity for the whole of Ghana (and a project particularly dear to Nkrumah),[127] was almost entirely dependent on foreign money.[128]

A third reason why 'orthodoxy' prevailed was that such a policy was consistent with the advice being given to Nkrumah by his economic advisors. Seers and Ross, reporting on the problems of development in the Gold Coast in 1952, recommended a concerted effort to support agriculture, suggesting that 'only by

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[123] World Bank, *World Tables 1976* (Washington D.C., 1980), cited in Rimmer, *Staying Poor*, p. 59.

[124] Quoted in Dennis Austin, *Politics in Ghana, 1946-1960* (London: Oxford University Press, 1964), p. 137 and cited in Genoud, *Nationalism and Economic Development*, p. 95.

[125] Genoud, *ibid.*

[126] Rathbone, *Ghana*, p. lii.

[127] Esseks, 'Economic Independence', pp. 53-4.

[128] *Ibid.*, p. 55.

increasing agricultural output more rapidly than the rate of growth of population can rapid development take place'.[129] Arthur Lewis epitomized the advice being offered to the government during the 1950s when he argued that the:

> number one priority is ... a concentrated attack on the system of growing food in the Gold Coast so as to set in motion an ever increasing productivity. This is the way to provide the market, the capital and the labour force for industrialisation ... Priority number two is to improve the public services. To do this will reduce the cost of manufacturing in the Gold Coast, and will thus automatically attract new industries without the government having to offer special favours.[130]

The government appears to have concurred with Lewis' thinking in the 1950s.[131] As the Ministerial Secretary at the Ministry of Trade and Labour told the Legislative Assembly in 1955:

> the Government is in general agreement with Professor Lewis's conclusion that priority must be given to the increase of agricultural productivity which alone can provide the economic conditions necessary to support industrial development.[132]

In short, industrial development would be based on private enterprise, not on government subsidy. Within the government, some were hostile to the idea of using subsidies to promote small industries. For instance, in 1955, A.T. Anaffu brought a motion to the Legislative Assembly that 'this House do request Government to help develop Local and Traditional Industries'.[133] In preparing a government response to this motion, D.C. Ferguson, the Commissioner for Commerce, noted that the government would not be prepared to offer subsidies to local industries, especially after the problems of the Awatime weaving industry (p. 93):

> It will be necessary ... to guard against a repetition of the position which arose with the Togoland Weavers ... where Government in an attempt to assist a traditional industry found itself saddled with a large stock of merchandise produced at uneconomic prices ... It is no service to persons

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[129] D. Seers and C.R. Ross, *Report on Financial and Physical Problems of Development in the Gold Coast* (Accra: Office of the Government Statistician, 1952), para. 368.

[130] W. Arthur Lewis, *Report on Industrialization and the Gold Coast* (Accra: State Publishing Corporation, 1953), paras. 252, 254.

[131] Sarah Stockwell, 'British Business, Politics and Deconolisation in the Gold Coast c. 1945-60', University of Oxford, D.Phil., 1993, pp. 97-8.

[132] Gold Coast, *Legislative Assembly Debates*, vol. 1, 26/7/1955-12/8/1955, col. 53, E.K. Bensah, Ministerial Secretary to the Ministry of Trade and Labour, to J.R. Asiedu, 28/7/1955.

[133] NAGA ADM 13/2/20, 'Private Members' Motions' in the Cabinet Agenda, 8/2/1955.

engaged in traditional industries to increase their production to a point where the products become unsaleable at commercial rates. This invariably leads to disappointment and to unwarranted criticism of Government for having left producers in difficulty ...[134]

The 1960s: New Theories and Étatist Economics

If the *laisser-faire* 'orthodoxy' of the 1950s offered little impetus for small industry promotion, then the new orthodoxies of the 1960s offered less still. By the end of the 1950s, the first generation of development economists were advocating a prolific rôle for the state in developing countries. This advice had a major influence on government policy.[135] In his 1957 Christmas Eve broadcast to the nation, Nkrumah told Ghanaians that:

> most of our major development so far has had to be carried out by the government itself. There is no other way out for our people lack the capital and technical know-how to embark on great industrial undertakings.[136]

Nkrumah's words here were virtually identical to those of the development economist Gunner Myrdal who observed in the same year:

> Because of the various deficiencies in a backward country it is ... accepted by everyone that the government will have to take over many functions which in most advanced countries in the Western World were left to private businesses.[137]

In other words, the prevailing economic orthodoxy of the 1960s encouraged the Ghanaian state to undertake industrial development itself, at the expense of private, African entrepreneurs.

Socialist Ideology and Étatism

Socialism and Dependency theories also encouraged the state to assume an active part in economic development. Nkrumah espoused the socialist cause on many occasions in the 1960s, and this led him to argue for a large state presence in the economy. In April 1961, Nkrumah told a CPP study group that:

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[134] NAGA RG 7/1/26, Minute by D.C. Ferguson (1955).

[135] Killick, *Development Economics*, ch. 2.

[136] 'Nkrumah's Christmas Eve broadcast to the nation', in E.D. Ziorklui, *Ghana: Nkrumah to Rawlings* (Accra: Ed-Zem Books, 1988), p. 21.

[137] Gunnar Myrdal, *Economic Theory and Under-Developed Regions* (London: Methuen, 1957), p. 79, cited in Killick, *Development Economics*, p. 22.

> Socialism is the only pattern that can within the shortest possible time bring the good life to the people. For socialism assumes the public ownership of the means of production—the land and its resources—and the use of those means for production that will bring benefit to the people.[138]

Although sympathetic to Marx and Lenin's teachings,[139] Nkrumah reasoned, nonetheless, that 'colonial rule precluded that accumulation of capital among our private citizens which would have assisted thorough-going private investment in industrial construction'.[140] Thus:

> Because colonialism prevented the emergence of a strong local capitalist class, because production for profit is based on exploitation, and because the less developed nations need a high rate of economic growth, the government is obliged to play the role of main entrepreneur in laying the basis of national economic and social advancement.[141]

During the 1950s, many of these ideas were suppressed, for fear of provoking British hostility (p. 125). However, by the early 1960s, the situation was quite different because Ghana was independent while the 'liberal' economic policies of Seers and Ross and Lewis had failed to deliver sustainable growth.[142] Thus, Nkrumah pushed for a more socialist, state-led economy.[143] Certainly, the CPP's rhetoric after 1960 became more statist than before. As the Party's *Programme for Work and Happiness*, endorsed by the CPP party convention of 1962, argued:

> Imperialism-colonialism left Ghana without the accumulation of capital in private hands which assisted the Western world to make its industrial revolution. Only Government therefore can find the means to promote those basic services and industries which are basic prerequisites to intensive, diversified agriculture, speedy industrialization and increased economic productivity.[144]

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[138] 'An Address by Osagyefo, Dr Kwame Nkrumah, to the CPP Study Group at Flagstaff House, Accra, 22 April, 1961', in S. Obeng (ed.), *Selected Speeches of Osagyefo, Dr Kwame Nkrumah, First President of the Republic of Ghana*, vol. 2 (Accra: Afram Publications, 1961), p. 82.

[139] K. Nkrumah, *Towards Colonial Freedom* (1947), p. 11, cited in Spark, *Some Essential Features of Nkrumaism. A Compilation of Articles from 'The Spark'* (Accra: Spark Publications, 1964), p. 5.

[140] K. Nkrumah, *Africa Must Unite*, p. 119, cited in Spark, *ibid.*, p. 20.

[141] Nkrumah, *ibid.*, cited in Spark, *ibid.*, p. 22.

[142] Beckman, *Organising the Farmers*, p. 16.

[143] Robert Fitch and Mary Oppenheimer, 'Ghana: End of an Illusion', *Monthly Review*, 18 (1966) no. 3, cited in Genoud, *Nationalism and Economic Development*, p. 78.

[144] Convention People's Party, *Programme of the Convention People's Party for Work and Happiness* (Accra: Ministry of Information and Broadcasting, n.d.), para. 8.

Perceived Weaknesses of Indigenous Businessmen

In the context of the prevailing economic thinking which encouraged the state to don the mantle of industrial development, there was also the perceived weakness of African businessmen.[145] Studies conducted in the 1950s appeared to confirm their entrepreneurial deficiencies. For example, Peter Garlick conducted research into African traders between 1957 and 1962 and concluded that their potential for long-term accumulation was low:

> the problems of finding business associates and reliable subordinates, the demands of the family, and indeed the whole social structure and ethos reinforced this tendency to keep business to within the size which one man could manage and, what was at least as important, to cream off profits into areas where they could not be lost.[146]

The government knew of Garlick's work in the 1950s,[147] with the McCarthy Commission (p. 121) drawing on it.[148] These perceived deficiencies explain, in part, the government's reluctance to aid African businesses. Thus, in 1959, the Minister of Finance, Gbedemah, defended his government's record on small industry promotion, charging that African businessmen 'should not expect assistance from the Government all the time when they are so obviously not doing those things which will mean that they are helping themselves'.[149]

In addition, the move towards a one-party state meant that, for Nkrumah, small-scale industrialists became an liability not an asset. According to a government report on small industries in 1959, small industry promotion helped 'to develop a middle class group of independent, smaller businessmen ... a desirable and much needed element in a society which values democratic self-rule'.[150] Therefore, after 1960, small industry promotion lay at odds with Nkrumah's wider political objective

[145] Esseks, 'Government and Private Enterprise', p. 15.

[146] Peter C. Garlick, *African Traders and Economic Development in Ghana* (Oxford: Clarendon Press, 1971), p. 139.

[147] Esseks, 'Economic Independence', p. 254.

[148] IRS ADM 2616 (original file number C2500), 'The Report of the Chairman of the Committee on Aid to Ghanaian Business', p. 5.

[149] Ghana, *Parliamentary Debates*, vol. 14, 19/2/1959-20/3/1959, col. 296, K.A. Gbedemah, Minister of Finance, Summing up Debate of the Second Development Plan, 5/3/1959.

[150] NAGA RG 7/1/260, P.S. Wright, 'Small Scale Industrial Development in Ghana' (1959), p. 37.

of creating a one-party state.

Modernization and Urgency

The government's development plans had a sense of both modernization and urgency, and these factors also worked against a comprehensive package of assistance to small industries. On countless occasions, Nkrumah made explicit his desire to modernize Ghanaian society completely. In his speech to the nation on the inauguration of the Republic in 1960, Nkrumah argued that:

> Our plan ... must be to build up industries, heavy and basic, and to diversify and mechanise our agriculture, and we must do this with the utmost speed ... our nation must throw in everything into this economic and social revolution, and make sure that Ghana comes out a winner. We must fight relentlessly to uproot backward conceptions and negative phenomena.[151]

The CPP's *Programme* of 1961 observed that 'Electricity and steel make the modern industrialised state'.[152] In the foreword to the Seven Year Plan of 1963, Nkrumah argued that the Plan represented 'a programme of social and economic development based on the use of science and technology to revolutionise our agriculture and our industry'.[153] In such a strive for modernization, small-scale units of production with their manual power, rudimentary tools and basic management practices inevitably were 'considered to be signs of under-development and backwardness',[154] and therefore unworthy of government assistance.

The urgency with which the government pursued its development agenda also worked against small industry support. Before independence, the CPP had won popular support by promising that there would be a substantial increase in living standards after independence.[155] After 1957, the pressure mounted on the Nkrumah

[151] 'Speech to the Nation on the Inauguration of the Republic, 1 July 1960', in S. Obeng (ed.), *Selected Speeches of Dr Kwame Nkrumah, First President of the Republic of Ghana* (Accra: Advance Press, n.d.), p. 93.

[152] CPP, *Programme for Work and Happiness*, para. 87.

[153] Office of the Planning Commission, *Seven Year Development Plan: A Brief Outline* (Accra: Government Printing Department, 1963), foreword.

[154] A.K. Appiah, 'Lending to Small Scale Enterprises (SSE)', *Journal of the Ghana Institute of Bankers*, 2 (1987) no. 2, p. 1.

[155] CPP, *Towards the Goal*, p. ix.

government to deliver on this promise.[156] Moreover, Nkrumah wanted to prove to other countries still under colonial rule that independence was the panacea for Africa's economic backwardness. As Nkrumah is alleged to have said, 'every African who visited Ghana ... should be made to see the fruits of independence'.[157]

Thus, the pace of development policy was stepped up. A British trade delegation, which visited the Gold Coast in 1958, observed that an 'overwhelming and infectious sense of urgency has built-up in Ghana to accelerate the tempo of industrialisation'.[158] Nkrumah remarked in 1961 that:

> Modern life has become so complex that we can no longer rely on the stone implements and simple tools which were adequate for the needs of our ancestors ... we must move swiftly from the stone age to the age of the atom. What has taken other peoples and nations centuries to achieve, we have to carry out in a decade.[159]

On another occasion, Nkrumah is said to have remarked, 'We are running against time in Africa ... we must also in the shortest possible time attempt to catch up with modern techniques'.[160]

With this in mind, it is understandable that the government preferred large-scale, prestige projects, which were tangible signs of progress (such as the Volta River Project) to programmes of small industry development. In the 'overwhelming and infectious sense of urgency' of the 1960s there was little concern for small-scale industries.

Limits on the Lobbying Capacity of African Businessmen

Although it has been argued that African businessmen had the capacity to lobby the government for assistance (p. 123), it is evident that this became limited over time.

From around 1960, some of the champions of the African businessmen's cause

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[156] Frimpong-Ansah, *Vampire State*, p. 75.

[157] K. Nkrumah, quoted in Frimpong-Ansah, *ibid.*, p. 76.

[158] Board of Trade, *United Kingdom Trade and Industrial Mission*, p. 10.

[159] 'Speech by Osagyefo at his Installation as First Chancellor of the Kwame Nkrumah University of Science and Technology, Kumasi, during the Inauguration of the University, 29 November, 1961', in Obeng, *Selected Speeches*, p. 166.

[160] The Editors of Panaf Books, *Forward Ever. The Life of Kwame Nkrumah* (London: Panaf Books, 1977), pp. 43-4.

were removed from positions of political influence. P.K.K. Quaidoo, the Minister of Commerce and Industry, and Kojo Botsio, the Minister of Economic Affairs, both prominent supporters of African business, were demoted to less influential Cabinet posts.[161] The lobbying capacity of African businessmen was reduced further following Nkrumah's 'Dawn Broadcast' of April 1961, when he prohibited Members of Parliament from undertaking any industrial or commercial activities.[162] According to Nkrumah, the purpose of this move was to prevent government officials from exploiting their positions for 'personal gain or for the amassing of wealth'.[163] The most famous casualty of the 'Dawn Broadcast' was Komla Gbedemah, the businessman and Finance Minister, who was forced to resign from the Cabinet in September 1961.[164] W.A. Wiafe, the prominent Kwahu businessman, CPP Member of Parliament for Kwahu South and outspoken critic of the government's policy towards African business (p. 123), was imprisoned without trial under the Preventive Detention Act.[165]

The harassment of the opposition from the late 1950s, and the establishment of the one-party state in 1964, reduced the lobbying capacity of African businessmen even more. The one-party state reserved political decision-making for the CPP leadership and, by consequence, for Nkrumah himself.[166] Therefore, the ability of African businessmen to influence policy-making was curbed drastically.

To return to the Iliffe schema of state-private capitalist relations (pp. 26-27), it would appear that the Nkrumah state was both 'nurturist' and 'suppressive' in its dealings with small-scale industries. There were times when the regime spoke in favour of

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[161] Esseks, 'Economic Independence', pp. 88-9.

[162] Nkrumah, *Dawn Broadcast*, pp. 2-3.

[163] *Ibid.*, p. 2.

[164] K.A. Gbedemah, *It will not be 'Work and Happiness for All!'. An Open Letter. Being also an appeal to Dr Kwame Nkrumah (First President of the Republic of Ghana) and comment on, and criticism of the proposed new 7 year Ghana Development Plan by K.A. Gbedemah (Ghana's former Finance Minister). Submitted and Published on September 29, 1962* (no publication details), appendices a and b, pp. 29-30.

[165] Garlick, *African Traders*, p. 121.

[166] Esseks, 'Government and Private Enterprise', p. 19.

them and took steps to encourage them. However, most of the time, the state ignored the case for small industry promotion, spoke out against local industrialists and encouraged the state and foreign-owned sectors instead.

To be sure, small industries were not ostracized to the same extent as large Ghanaian industrialists. In March 1961, Nkrumah expressed his unequivocal hostility to this sector, noting:

> The only form of private enterprise to which my Government is not prepared to give any positive encouragement is large-scale private investment by Ghanaian nationals ... We do not want to encourage Ghanaian capitalism in Ghana. Ghanaians can invest their money without being capitalists.[167]

Nonetheless, this chapter has demonstrated that the conclusion that the state was consistently and unwaveringly hostile towards Ghanaian private business cannot be sustained, at least with regard to the state's relationship with small-scale industries.

[167] NAGA RG 7/1/1956, 'Speech by President of Ghana at the West Africa Committee Dinner on 14 March, 1961'.

6 'NURTURE CAPITALISM', 1966-72

1966 marked the beginning of an era of profound political turbulence in Ghana, with seven different governments, five of them military, ruling between then and 1992. In the period from 1966 to 1972 there were two governments. Initially, there was the army and police regime of the National Liberation Council (NLC) under the leadership of General Joseph Ankrah and later Lieutenant-General Akwasi Afrifa. In 1969, the NLC transferred power to the democratically-elected civilian government of Professor Kofi Busia's Progress Party (PP). In January 1972, the PP itself was ousted in another military *coup d'état*.

Studies have tended to treat the years 1966 to 1972 as one distinct era in Ghanaian history, even though there were two governments.[1] There is some justification for doing this, because both the NLC and PP followed economic policies which were liberal in comparison to those of Nkrumah and those of the military after 1972. For this reason, the years 1966 to 1972 are considered together in this chapter.

Most post-1966 internal government documents are still closed to the public. Therefore, this chapter broadens the discussion to include the state's dealings with the private sector (p. 31). Section One outlines conventional interpretations of the state's relationship with small-scale industries and the private sector. Sections Two and Three examine this relationship in more detail, using published primary sources as well as the little archival material which is available. Section Four analyzes the forces that shaped government policy during these years. The chapter's central argument is that a comprehensive policy to assist Ghanaian businessmen evolved after 1966. Generally, this assistance was limited to small-scale businessmen in the service sector; small-scale industries received little government aid. Nevertheless, there was a clear break from the policies of the Nkrumah years.

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[1] Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), pp. 99-107. Tony Killick, *Development Economics in Action. A Study of Economic Policies in Ghana* (London: Heinemann, 1978), ch. 11. Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), ch. 6.

6.1 Historiography

Although there has been research into general industrial policy during the NLC-PP era,[2] there has not been any specific analysis of the state and its relationship with small-scale industries. The one exception is Hart's work on Accra's informal sector in the early 1970s,[3] which included occasional references to small industries.[4] Hart argued, in an implicit attack on the inadequacy of Ghanaian government support for small enterprises at the time, that 'attention to "indigenous" as well as Western forms of economic organization [should be] incorporated into the plans which are adopted by the governments of less developed countries'.[5]

There is a larger historiography on the state and its relationship with the private sector. There are generally two views. On the one hand, Esseks argues that the NLC and PP encouraged private sector development.[6] Esseks asserts that, while the later Nkrumah years saw 'state expansion at the expense of private enterprise',[7] economic policy between 1966 and 1969 was characterized by 'state sector retrenchment and promotion of Ghanaian business'.[8] Hence, according to Esseks, 1966 represented a 'very marked' break with the policies of the past:[9] the state's share of fixed capital formation fell from 66 per cent in 1965 to only 20 per cent by 1968;[10] private Ghanaian firms were given easier access to public building contracts and foreign exchange.[11]

Against this, Frimpong-Ansah, Killick and Rimmer contend that general

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[2] Frimpong-Ansah, *ibid.* Killick, *ibid.* Rimmer, *ibid.*

[3] Keith Hart, 'Small-Scale Entrepreneurs in Ghana and Development Planning', *Journal of Development Studies*, 6 (1970) no. 4, pp. 104-20. Keith Hart, 'Informal Income Opportunities and Urban Employment in Ghana', *Journal of Modern African Studies*, 11 (1973) no. 1, pp. 61-89.

[4] Hart, 'Informal Income', *ibid.*, pp. 68-9.

[5] Hart, 'Small-Scale Entrepreneurs', p. 118.

[6] J.D. Esseks, 'Economic Policies', in Dennis Austin and Robin Luckham (eds.), *Politicians and Soldiers in Ghana 1966-1972* (London: Frank Cass, 1975), pp. 37-61.

[7] John D. Esseks, 'Government and Indigenous Private Enterprise in Ghana', *Journal of Modern African Studies*, 9 (1971) no. 1, p. 22.

[8] *Ibid.*, p. 24.

[9] Esseks 'Economic Policies', p. 51.

[10] *Economic Survey, 1968*, pp. 120-3, cited in *ibid.*, p. 46.

[11] Esseks, *ibid.*, p. 47.

economic policy changed relatively little after 1966. Frimpong-Ansah concedes that the NLC and PP sought fundamental economic reform, but suggests that they were thwarted by the 'entrenched' Nkrumah state.[12] Killick writes that 'there remained much continuity after 1966; attempts to move towards the greater use of the market mechanism were half-hearted and partial'.[13] According to Rimmer, the years 1966-72 represented 'reform at half-cock',[14] implying that economic policies changed, but not radically.

There is some evidence that the policies of state-led industrialization and economic autarky continued after 1966. Of the 53 public enterprises in existence at the end of 1965, 43 remained wholly state-owned at the end of 1971, and 5 new state enterprises had been created.[15] Nevertheless, although general economic policy may have changed little after 1966, policy towards the private sector and small-scale industries did change quite considerably. The next section starts to explain why.

6.2 NLC Policy

Public Rhetoric

The NLC voiced support for the private sector and a desire to roll back the economic frontiers of the state on numerous occasions. For instance, in March 1966, just a month after the coup, General Ankrah argued that 'all existing corporations will be reviewed as a matter of urgency and some of the corporations turned back to the private sector'.[16] Unlike before 1966, when numerous benefits had been showered on state industries, Ankrah promised:

> ... fair treatment between the four sectors of our economy [private, private/public, state, co-operative]. Healthy competition will be encouraged to the advantage of the national economy. The National Liberation Council

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[12] Frimpong-Ansah, *Vampire State*, p. 99.

[13] Killick, *Development Economics*, p. 58.

[14] Rimmer, *Staying Poor*, ch. 6.

[15] Killick, *Development Economics*, p. 313.

[16] 'Broadcast by the Chairman of the National Liberation Council on Wednesday 2 March, 1966', in National Liberation Council, *The Rebirth of Ghana. The End of Tyranny* (Accra: Ministry of Information, n.d.), p. 34.

has no plans for nationalization.[17]

With regard to the promotion of Ghanaian private enterprises, General Ankrah pledged that:

> ... every effort and encouragement will be given to Ghanaians to organise themselves better and more efficiently so that they will be able to assume an increasingly large share of the sector.[18]

Within this general rhetoric of private sector promotion, small industries were targeted for particular attention. The NLC's Two Year Development Plan of 1968 acknowledged that there were small-scale industries which were 'economically viable' but held back by 'institutional difficulties'. These industries offered 'promising areas for government to promote entrepreneurship', through credit provision and training programmes. The Plan promised that the NLC would prepare a 'comprehensive programme for the development of small industries'.[19]

To be fair, this apparent support did not mean that the state would take no major rôle in industrial development at all. As the NLC suggested in 1969, there was justification for government participation in public utilities, industries of 'strategic importance' and infant industries.[20] Also, the NLC's general support for the private sector was tempered by an occasional high-handedness, particularly when the regime's popularity was threatened. To a large extent, this popularity rested on the NLC's ability to fill the shops with consumer goods, generate jobs for the expanding labour force and keep prices low. When these objectives were endangered, the NLC did not shirk from blaming the private sector and threatening to interfere in its activities. Thus, in a speech to businessmen in March 1966, E.N. Omaboe, the Chairman of the NLC's National Economic Committee, pledged to close down any factory which did not produce goods of a high standard:

> we want you to produce goods of high quality. The Ghanaian consumer likes good things ... the NLC will not hesitate to order the closing down of any factory which cannot justify its existence by producing high quality goods at

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[17] *Ibid.*

[18] *Ibid.*, p. 33.

[19] Ghana, *Two Year Development Plan: From Stabilization to Development; A Plan for the Period Mid-1968 to Mid-1970* (Accra: State Publishing Corporation, 1968), pp. 55-6.

[20] Ghana, *Ghana's Economy and Aid Requirements, January, 1969-June 1970* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 7.

reasonable and competitive prices.[21]

Moreover, Omaboe argued that, in return for government assistance, businesses should not shed jobs. According to Omaboe, there was an 'informal standstill understanding' on this matter. If business broke this agreement, then the state would act accordingly.[22] Following the devaluation of the cedi in 1967, Brigadier Afrifa, the NLC Commissioner for Finance, displayed similar high-handedness when he threatened 'stern action in defence of the people of this country' against businessmen who were found 'profiteering from the change in the exchange rate at the expense of the general public'.[23]

However, despite these instances, what is striking is the general consistency with which the NLC's public rhetoric favoured private sector development. A similar consistency is evident in the NLC's private language.

Private Language

The limited archival material which is available suggests that, behind the scenes, the NLC's private language was congruous with its professed public support for small industry promotion.

First, offers of foreign assistance for small industry development were sought out and followed up. In 1967, the NLC approved the Chief Industrial Promotion Officer's application to attend a symposium on small-scale industries in Denmark.[24] In 1966 and 1967, the Ministry of Industries, working on its own initiative, registered interest in small industry development courses in the Netherlands, Japan, and India.[25]

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[21] 'Meeting of E.N. Omaboe, Chairman of the National Economic Committee, with Businesses, 12 March, 1966', in Ghana, *Rebuilding the National Economy* (Accra: State Publishing Corporation, 1966), p. 12.

[22] *Ibid.*

[23] 'Radio Announcement by Brigadier A.A. Afrifa, NLC Member and Commissioner of Finance, 8 July, 1967', in Ghana, *New Deal For Ghana's Economy* (Accra: State Publishing Corporation, n.d.), p. 4.

[24] NAGA RG 7/1/1354, G.G. Mortty, Secretary of the National Liberation Council, to the Principal Secretary, Ministry of Industries, 8/3/1967.

[25] NAGA RG 7/1/1354, R. Quist-Arcton for the Principal Secretary, Ministry of Industries, to the Principal Secretary, Ministry of Foreign Affairs, 25/4/1967. NAGA RG 7/1/1354, J.F. Halm, for the Principal Secretary, Ministry of Industries, to the Principal Secretary, Establishment Secretariat,

This attempt to identify sources of foreign assistance for small industry development was a direct result of a shift in general government policy. According to J. Therson-Cofie, the Principal Secretary at the Ministry of Industries, the Nkrumah government:

> ... decided to embark upon a programme for the development of rural industries. At the time of the decision the policy was that these industries were all to be state-operated and controlled. General government policy has changed with the change of government, and the attitude now favours the establishment of small industries by nationals of this country.[26]

This new interest in foreign assistance for small enterprise development was in stark contrast to Ministry of Industry policy before 1966, when offers of foreign assistance were rejected (p. 121).

Second, after 1966, there was a fundamental reconsideration of the small industry development strategy of the past. Nkrumah's policy of creating state-owned small industries and then transferring them to the co-operative sector (p. 120) was dismissed as unworkable, with one official of the Ministry of Industries writing:

> ... in 1965 the ousted regime created a Ministry of Rural Industries and charged it with the responsibility of establishing, by totalitarian means, a large number of small resource-based industries in the rural areas of the country. The experience over two years of operation has shown that it is uneconomic to operate small industries as state-owned enterprises. Due to several disadvantages and difficulties inherent in their smallness, small industries tend to demand personal interest, closer attention to detail, the mastery of special skills and a special method of administrative handling.[27]

In a similar shift in policy, the Chief Industrial Promotion Officer reasoned that the state should equip Ghanaian entrepreneurs with the skills necessary for successful small business development. To do this, the Ministry of Industry's own administrative capacity had to be improved:

> To encourage participation of Ghanaians in industrial development of the country, therefore, amounts to stimulating the development of Ghanaian entrepreneurship. To accomplish this objective, it is necessary for the Ministry of Industries to provide the kind of staff trained in the special

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5/7/1967. NAGA RG 7/1/504, Minister of Industries?, 'Draft memorandum to the Economic Committee of the N.L.C. on Training in India in Small Industry Promotion', n.d., but probably 1966.

[26] NAGA RG 7/1/504, Application of Mr. J. Therson-Cofie, the Principal Secretary, Ministry of Industries, for the Small Industry Training Course in Hyderabad, India, n.d., but probably 1966.

[27] NAGA RG 7/1/504, Minister of Industries?, 'Draft memorandum to the Economic Committee of the N.L.C. on Training in India in Small Industry Promotion', n.d., but probably late 1966.

disciplines and techniques of small-scale industry promotion ...[28]

The Harley Committee, the Major Report and Decree 323

The NLC's public rhetoric was supported by concrete actions as well. In August 1966, the NLC established a committee to report on possible measures for Ghanaian business promotion.[29] This committee was chaired by G.C.K. Harley, a lecturer at the University of Ghana's School of Administration, and included a private businessman and an official of the National Investment Bank.[30] Its terms of reference were to 'investigate the problems which impede the progress of Ghanaian Business', and to 'advise on what measures should be taken to provide advice and assistance which can strengthen their management and production capabilities'.[31]

The Harley Committee spent more than six months collecting and analyzing evidence. In the main, the committee was concerned with issues relating to Ghanaian traders and industrialists were given only passing consideration. In its final report, which was submitted to the government in April 1967, the committee concluded that the underlying problem facing Ghanaian businessmen was foreign competition.[32] This was because:

> while the Ghanaian entrepreneur has been gradually increasing his expertise and capital funds, the relevant demands of international trade and domestic manufacturing activities have increased even more rapidly.

As a result, there was a growing 'gap between the skill and capital of the Ghanaian and that of his non-Ghanaian competitors'.[33]

In considering what measures the government could adopt to assist Ghanaian businessmen, the committee warned that a careful path needed to be followed between encouraging and over-assisting entrepreneurs. Any assistance programme should aid Ghanaian businessmen in the 'acquisition of improved competitive capabilities', but

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[28] NAGA RG 7/1/1354, Minute by the Chief Industrial Promotion Officer to the P.S. (Principal Secretary, Ministry of Industries?), 28/8/1967.

[29] NAGA ADM 5/3/166, *Report of Committee appointed by the National Liberation Council for the Promotion of Ghanaian Business Enterprises* (1967), pp. i-ii.

[30] *Ibid.*, p. ii.

[31] *Ibid.*, p. v.

[32] *Ibid.*, pp. vi-vii.

[33] *Ibid.*, p. vii.

should not consist simply of government grants.[34] First, the government should reserve wholesale and retail trading below a certain threshold to native-born Ghanaians.[35] Although the committee did not specify a threshold, it did suggest that this should be quite low, because it was 'in the smaller size enterprises that the entree is most needed', while the continuation of open competition among larger enterprises preserved 'the price competition needed to protect the consumer and the economy as a whole'.[36] Second, Ghanaian businessmen should be given the opportunity of improving their management and technical expertise through a programme of government-subsidized education. This education would be through evening classes, one-off seminars and consultation services.[37] Third, to increase credit flow to small businesses, the government, through the Central Bank, should create a Ghana Guarantee Fund, to guarantee small loans made by commercial banks to indigenous businessmen.[38] Finally, Ghanaian businessmen engaged in the import trade should be assisted by quotas, among other things.[39]

The Harley Committee's recommendation that the government provide management and technical education to Ghanaian businessmen was supported by Alan Major, an International Labour Office (ILO) specialist in small enterprise development.[40] Following discussions between the NLC and the ILO in 1967, it was decided that the Ghanaian government needed a special advisor on small industry development. According to the ILO, this was because the NLC was trying to 'rectify the omissions of the previous plans and give prominent attention to the development of small scale enterprises of local ownership'.[41] Major was chosen as the special

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[34] *Ibid.*, p. 33.

[35] *Ibid.*, ch. 2, pp. 2-3.

[36] *Ibid.*, p. 1.

[37] *Ibid.*, ch. 3, p. 8.

[38] *Ibid.*, ch. 5, pp. 18-9.

[39] *Ibid.*, ch. 6, pp. 22-6.

[40] NAGA RG 7/1/504, G. Alan Major (I.L.O. Regional Adviser, Africa, Small Enterprise Development), 'Report to the Republic of Ghana on the Development of Ghanaian Small Enterprises (1968)'.

[41] NAGA RG 7/1/1354, Draft job description for a post of small-scale enterprises expert/adviser, in Marcel Latour, Resident Representative of the United Nations Development Programme, to H.P. Nelson, Principal Secretary, External Aid Division, Ministry of Economic Affairs, 3/2/1968.

advisor and arrived in Ghana in December 1967.[42] His brief was to report on the situation regarding small enterprise development and to advise on possible measures of assistance.[43] Unlike the Harley Committee, Major focused on small-scale industries.[44] In his report, Major argued that, although the climate for small enterprise development in Ghana had been negative in the past, policy had changed substantially after 1966.[45] However, to support small enterprises further, Major recommended that the government establish a network of advice centres which could provide an 'integrated service' to small entrepreneurs.[46]

Most of the recommendations of the Harley Committee were accepted by the NLC and incorporated into Decree 323 of 1968, the Ghanaian Enterprises Decree.[47] This Decree reserved several sectors of the economy for Ghanaians from 1 July 1968, including: retail trade with a turnover of up to ₵500,000 per year; wholesale trade with a turnover of up to ₵1 million per year; taxi services; manufacturer's representation; and other small-scale business defined as:

> any establishment engaged in the extractive, processing, or manufacturing business, or in any other approved business (including transportation in Ghana) employing less than 30 persons (including working proprietors) and requiring simple unsophisticated production techniques and/or with a fixed capital investment of less than ₵100,000.[48]

Furthermore, the government promised to prompt foreign firms operating outside reserved fields to offer participation to Ghanaians,[49] and not to encourage foreign businesses to enter trading of any sort.[50]

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[42] NAGA RG 7/1/1354, Marcel Latour, Resident Representative, United Nations Development Programme, to the Principal Secretary, Ministry of Industries, 12/2/1968.

[43] NAGA RG 7/1/504, G. Alan Major (I.L.O. Regional Adviser, Africa, Small Enterprise Development), 'Report to the Republic of Ghana on the Development of Ghanaian Small Enterprises (1968)', pp. 1-2.

[44] *Ibid.*

[45] *Ibid.*, p. 12.

[46] *Ibid.*, p. 21.

[47] Ghana, *Government Policy on the Promotion of Ghanaian Business Enterprises* (Accra: State Publishing Corporation, 1968).

[48] *Ibid.*, para. 9.

[49] *Ibid.*, para. 14.

[50] *Ibid.*, para. 11.

In addition to this policy of reservation, Decree 323 outlined a programme of education, credit and institutional support, so as to create 'a comprehensive and integrated programme of assistance to Ghanaian businessmen'.[51] The Management Development and Productivity Institute (MDPI), created with United Nations Development Programme and ILO assistance in 1967,[52] was to offer training programmes, while 'development centres' were to be established in major towns.[53] To help Ghanaian businessmen acquire credit, plans were mooted for a Stock Exchange to 'provide an effective channel through which Ghanaian savers and investors can pool together scarce financial resources for the establishment of new business concerns'.[54] To develop the institutional framework for business support, the Ministry of Industry's Small Industries Division would be strengthened, and a new 'Special Division' within the Ministry of Economic Affairs would be created.[55]

The Effectiveness of NLC Policy

Compared to the late Nkrumah era, the NLC years do mark a distinct new period, and in two ways. On the one hand, the Nkrumah government typically refused to support Ghanaian private businessmen (Chapter Five). By contrast, more often that not, the NLC's rhetoric was in favour of private sector development. On the other hand, the NLC's policy of reservation marked a clear break with past policies. As early as 1957, W.A. Wiafe, the Convention People's Party (CPP) Member of Parliament for Kwahu South, had lobbied the government for trade reservation, arguing:

> What do we need? We need trade protection ... Since 1951 when this Government came into power not a single legislation has been passed to

[51] *Ibid.*, para. 19.

[52] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), p. 87.

[53] Ghana, *Government Policy on Promotion*, para. 22.

[54] *Ibid.*, para. 28.

[55] *Ibid.*, para. 30.

protect the African merchants in this country.[56]

The McCarthy Committee on Aid to Ghanaian Businessmen had also recommend trade reservation in 1959 (p. 121). However, despite Nkrumah's professed nationalism, Ghanaian businessmen had received no such assistance and the government's small industry promotion programme had been weak and ineffective.

To be sure, after 1966, policy took time to develop and government initiatives were slow to materialize. Hence, as late as 1968, an official at the Ministry of Industries felt that 'a clear-cut policy and programme in small Ghanaian enterprises dev. is long over due'.[57] In the same year, an ILO initiative to develop local small businesses almost was passed on to another West African country, apparently because of government procrastination.[58] As the frustrated Chief Industrial Officer fumed, 'this is a question I have raised ... many times. I have even put up brief papers on the subject, but no action was taken on them'.[59]

With regard to NLC policy towards the small industry sector in particular, there were a number of limitations. First, Decree 323's impact was mainly on the trading sector; the industrial sector was affected only slightly. This is because, in the 1960s, foreign industries were generally large-scale,[60] with most having either 30 or more workers or greater than ¢100,000 in fixed capital. As a result, although Decree 323 is known to have assisted the Ghanaian spare parts industry,[61] it is unlikely that it affected most small-scale industries since these were in Ghanaian hands already. In any case, it is likely that this measure was mitigated, in part, by the naturalization of hundreds of Levantines after 1967. According to one estimate,

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[56] Ghana, *Parliamentary Debates*, 1st series, vol. 6, 23/4/1957-12/7/1957 (Accra: Government Printing Department, n.d.), col. 582, W.A. Wiafe, CPP, Kwahu South, Consideration of the 1957-8 Appropriation Bill, 6/6/1957.

[57] NAGA RG 7/1/1354, R. Quist-Arcton to the Chief Industrial Promotion Officer, 12/2/1968.

[58] NAGA RG 7/1/1354, R. Quist-Arcton to the Chief Industrial Promotion Officer, 15/3/1968.

[59] NAGA RG 7/1/1354, J. Therson-Cofie, Chief Industrial Officer, to the Principal Secretary Ministry of Industries?, 15/3/1968.

[60] A.N. Hakam, 'Impediments to the Growth of Indigenous Industrial Entrepreneurship in Ghana: 1946-1968', *The Economic Bulletin of Ghana*, 2 (1972) no. 2, pp. 9-10, 14.

[61] Ghana, *Parliamentary Debates. Official Report*, 2nd series, vol. 3 (Accra: Ghana Publishing Corporation, n.d.), col. 1083, Mr. Alex Hutton-Mills, U.N.P., Ga, Debate on the Ghanaian Business (Promotion) Bill, Second Reading and Consideration, 23/6/1970.

1,350 Syrians and Lebanese obtained Ghanaian nationality between 1967 and 1969,[62] thereby diminishing the effectiveness of the Decree's provisions.

In addition, many of the initiatives promised by the NLC were never realized. The network of 'development centres' in major cities did not materialize until the Ghana Regional Appropriate Technology Industrial Service (GRATIS) project of the 1980s. Major had estimated that such centres would cost only $1.85 million build,[63] but evidently, the NLC's spending priorities lay elsewhere. Similarly, plans to create a Stock Exchange came to nothing, as did pledges to strengthen the Small Industries Division of the Ministry of Industries.

6.3 The Busia Years

Within two days of the 1966 coup, the NLC had pledged unequivocally to return Ghana to a 'duly constituted representative civil government as soon as possible'.[64] To this end, elections were held in 1969. Two main parties contested these elections, Kofi Busia's PP, and Komla Gbedemah's National Alliance of Liberals (NAL). The PP emerged victorious with 105 of the 140 seats in Parliament[65] and Busia became Prime Minister.

Public Rhetoric

During the election campaign, the PP made repeated pledges to change the political economy which had been inherited from the Nkrumah era. The party manifesto was politically liberal and *laisser-faire* in character, arguing both for the 'absolute necessity' of press freedom[66] and for the liberalization of external trade.[67] The

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[62] *Ibid.*, col. 1102, Mr. Alex Hutton-Mills, U.N.P., Ga, Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[63] NAGA RG 7/1/504, G. Alan Major (I.L.O. Regional Adviser, Africa, Small Enterprise Development), 'Report to the Republic of Ghana on the Development of Ghanaian Small Enterprises (1968)', pp. 44-5.

[64] NLC, *Rebirth*, p. 21.

[65] Yaw Twumasi, 'The 1969 Election', in Austin and Luckham, *Politicians and Soldiers*, table I, p. 141.

[66] Progress Party, *The 1969 Manifesto*, in Ray Kakrabah-Quarshie, *Achievements of the Progress Party, 1969-1971* (Accra: Bekumah Agencies, 1971), p. 45.

manifesto emphasized the PP's support for Ghanaian businessmen, noting that 'a vigorous internal trade predominantly in the hands of Ghanaians is essential to the economic well-being of the country'.[68] The manifesto continued:

> THE PROGRESS PARTY affirms its support for and confidence in private enterprise. Our government will constantly search for and devise other schemes to promote, assist, reward and encourage private risk taking.[69]

To realize these objectives, the PP pledged to extend the NLC's policy of reservation,[70] and planned a study into establishing a Trade and Development Bank to 'specialise in the provision of higher risk-loans especially to small-scale Ghanaian businessmen'.[71] In short, the PP's manifesto had all the hallmarks of a 'nurture capitalist' party.

Unlike for previous periods, internal government documents are not available to confirm whether the government's private language matched its public rhetoric. Nevertheless, the consistency with which the government voiced support for Ghanaian businessmen, both during and after the election campaign, suggests that these pronouncements were genuine. For instance, at the state opening of Parliament in October 1969, Busia reiterated that his government was:

> committed to a policy of helping Ghanaian businessmen to have a bigger and bigger share in the country's trade and economic enterprises ... Appropriate measures, including financial backing, will be taken so that sons and daughters of this country can take over this very important sector of our national economy.[72]

Likewise, the PP argued in 1970 that it sought to 'ensure that Ghanaian enterprises receive the maximum encouragement', so that there was 'no excessive concentration or control by foreign enterprises in any economic sector'.[73]

In Parliament, the PP spoke out for small-scale enterprises and the private

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[67] *Ibid.*, p. 43.

[68] *Ibid.*, p. 46.

[69] Progress Party, *The Progress Party Manifesto* (Accra: New Times Press, 1969), p. 7.

[70] *Ibid.*, p. 8.

[71] Quarshie, *Achievements*, p. 45.

[72] 'Address by Dr. K.A. Busia at the State Opening of the Second Republic's First Parliament, 2 October, 1969', in E.D. Ziorklui, *Ghana: Nkrumah to Rawlings* (Accra: Em-Zed Books, 1988), p. 148.

[73] Ghana, *Business Openings for All* (Accra: Ministry of Information, n.d.), p. 8.

sector on several occasions. In June 1970, the Ministerial Secretary at the Ministry of Finance and Economic Planning argued that the government was making a 'strong effort to promote the growth of small-scale enterprises'.[74] In August 1970, J.H. Mensah, the Minister of Finance and Economic Planning, observed that his government's policies were 'designed to stimulate the private sector principally by freeing it of a number of administrative constraints'.[75]

Therefore, in terms of public rhetoric towards small-scale industries and the private sector, the PP was very different from the government of Nkrumah, and almost identical to the NLC.

Act 334

Within two months of arriving in office, the PP began realizing its promise of increasing Ghanaian participation in the economy by demanding that all aliens without residence and work permits leave the country. As a result, 155,000 illegal aliens, mainly traders, artisans and labourers, left Ghana between December 1969 and April 1970.[76]

However, the centrepiece of the Busia government's private sector promotion policy was Act 334, the Ghanaian Business (Promotion) Act. This Act became law in August 1970, repealed NLC Decree 323, and had several features.[77] In the wholesale and retail trade, aliens were prohibited from owning firms which either had a turnover of less than N¢500,000 (as per the tax returns of the tax year 1967-68) or had not been in existence in the tax year 1967-8. This measure broadened the parameters of the reserved trading sectors which had been established by the 1968 Decree (p. 142). In addition, aliens were excluded from selling in markets or from kiosks, petty trading and hawking, and were barred from providing overseas business

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[74] Ghana, *Parliamentary Debates*, 2nd series, vol. 3, cols. 673-4, Question from Mr. E.K. Narter-Olaga (on behalf of Miss Lydia Akanbodiipo, N.A.L., Sandema) to C.O. Nyanor, Ministerial Secretary, Ministry of Finance and Economic Planning, 12/6/1970.

[75] Ghana, *Parliamentary Debates. Official Report*, 2nd series, vol. 4 (Accra: Ghana Publishing Corporation, n.d.), col. 706, Budget introduced by J.H. Mensah, Minister of Finance and Economic Planning, 25/8/1970.

[76] Esseks, 'Economic Policies', p. 50.

[77] Ghana, *Act 334. Ghanaian Business (Promotion) Act, 1970* (Accra-Tema: Ghana Publishing Corporation, n.d.), pp. 5-6.

representation, taxi services and selling taxis under hire purchase. Commercial transportation by land, baking, printing (other than the printing of textiles), beauty culture, produce brokerage, advertising and publicity, as well as the manufacture of cement blocks were all reserved for Ghanaians. Finally, to oversee the execution of the Act, an Office for Business Promotion was created within the Ministry of Finance and a Ghanaian Enterprises Advisory Committee was established to advise the government on Ghanaian business promotion policy.[78]

In the industrial sector, the Act probably increased the scope of reservation. At first sight, this may seem a false conclusion: while Decree 323 had reserved for Ghanaians any 'manufacturing business ... employing less than 30 persons ... and/or with a fixed capital investment of less than ¢100,000',[79] Act 334 reserved only 'baking, printing (other than the printing of textiles) ... and the manufacture of cement blocks'.[80] However, it has been noted already that since most foreign industrial firms were large-scale, they probably had fallen outside the provisions of Decree 323 anyway (p. 144). By contrast, the Act's sector-specific approach to reservation affected all foreign industries in baking, printing and cement block manufacture.

It is worth considering the drafting and passage of the Ghanaian Business (Promotion) Bill in detail, because this helps to illuminate more clearly the PP's policy. First, it is important to note the extent to which the business community was consulted in the formulation of the Act. Before 1966, the private sector had had only restricted access to government: during the colonial period, this had been limited mainly to expatriate interests (p. 82); during the Nkrumah period, the state virtually cut itself off from Ghanaian businessmen (Chapter Five). However, the PP's approach was different. Some critics did claim that the party failed to consult the private sector adequately.[81] However, Mensah defended his government's record with specific reference to the formulation of the Business Promotion Act. As Mensah

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[78] Ghana, *Business Openings for All*, pp. 33-6.

[79] Ghana, *Promotion of Ghanaian Business*, para. 9.

[80] Ghana, *Act 334*, p. 5.

[81] NAGA RG 6/1/190, E.B.B. Ofori-Atta in *Daily Graphic*, 12/8/1970, cited in J.H Mensah, Minister of Finance and Economic Planning, to the Editor, the *Daily Graphic*, 19/8/1970.

observed:

> numerous Ghanaian businessmen made known their views during the period when the act was being drafted through direct representation to me, through their members of Parliament and through my colleagues in the Cabinet, not excluding the Prime Minister who was in touch with a wide range of opinion in the business community.[82]

Second, the bill was introduced to Parliament in an unorthodox manner. Instead of a White Paper being published in advance, the government opted to by-pass the White Paper stage and introduce the bill straight to the House.[83] This unusual step was taken in order to bring forward the bill's enactment. This suggests that Ghanaian business promotion was indeed a top priority for the PP. Moreover, the Act was one of only six pieces of major legislation during the PP years.[84] Again, this confirms that Ghanaian business promotion was important for the party.

Third, the general contents of the bill received cross-party support,[85] although there was criticism of some specific aspects. One was the Minister's executive power to exempt businessmen from the provisions of the Act. According to R.T. Seglah, the NAL member for Anlo, such executive power was likely to lead to speculation and corruption.[86] Another point of disagreement was the parameters of the reservation policy. Several members of Parliament argued that more manufacturing industries should be reserved. F.A. Cobbah contended that the manufacture of baskets, furniture, hand bags and travel goods should be reserved since their production did 'not need any complicated machinery, and Ghanaians are known to be operating these efficiently'.[87] Another Member called for the manufacture of soap,

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[82] Mensah, *ibid.*

[83] Ghana, *Parliamentary Debates*, 2nd series, vol. 3, col. 1048, J.H. Mensah, Minister of Finance and Economic Planning, Second Reading and Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[84] 'Legislation for Social Change', in Quarshie, *Achievements*, pp. 4-5.

[85] Ghana, *Parliamentary Debates*, 2nd series, vol. 3, col. 1061, Dr. G.K. Agama, the Leader of the Opposition, Debate on the Ghanaian Business (Promotion) Bill, 23/6/1970.

[86] *Ibid.*, col. 1070, Mr. R.T. Seglah, N.A.L., Anlo, Debate on the Ghanaian Business (Promotion) Bill, 23/6/1970.

[87] *Ibid.*, col. 1108, Mr. F.A. Essel Cobbah, P.P., Gomoa Assin-Ajumako, Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

cloth, garments, bed sheets and pillow cases to be set aside for Ghanaians,[88] asking:

> The manufacturing of these items ... does not require any special technical knowhow. We have tailors, we have the machinists and we have the brains ... Why should we leave these small industries to those Lebanese, Syrians and Indians when these could be done in our backyard? Why?[89]

There were also demands for Ghanaians to have the exclusive right to engage in tyre remoulding and vulcanization, and the manufacture of cosmetics, polythene bags, ice blocks and distilled water.[90] However, the government voted down these apparently reasonable demands, with Mensah arguing that 'When we see where we are going we can re-plan'.[91]

Credit Schemes and Business Promotion Schemes

The policy of reservation under Act 334 was part of a wider package of Ghanaian business support, encompassing credit provision for small businesses, the creation of a small industries centre in Tema, the strengthening of the MDPI and enhanced vocational training.

The two main pillars of the government's credit provision programme were the Bank of Ghana's Credit Guarantee Scheme and the Small Business Credit Scheme. The Credit Guarantee Scheme was established in December 1969,[92] and provided commercial banks with a guarantee of up to 66.6 per cent of any amount that they lent to small businessmen (small defined as those requiring loans under N¢75,000) engaged in agriculture, the extractive industries, transportation, manufacturing and trading.[93] For those Ghanaians who were taking over alien enterprises, a further

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[88] *Ibid.*, col. 1112, Mr. Bliss Ackuaku, N.A.L., Dzodze, Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[89] *Ibid.*

[90] *Ibid.*, col. 1115, Mr. P.K.K. Quaidoo, A.P.R.P., Amenfi, Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[91] *Ibid.*, col. 1108, Mr. J.H. Mensah, Minister of Finance and Economic Planning, in reply to Mr. F.A. Essel Cobbah, P.P., Gomoa Assin-Ajumako, Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[92] *Ibid.*, C.O. Nyanor, Ministerial Secretary, Ministry of Finance and Economic Planning to Mr. E.K. Narter-Olaga (on behalf of Miss Lydia Akanbodiipo, N.A.L., Sandema), 12/6/1970.

[93] NAGA RG 6/1/189, Enclosure to letter from J.S. Addo, Deputy Governor of the Bank of Ghana, to C.O. Nyanor, Ministerial Secretary, Ministry of Finance and Economic Planning, 11/8/1970.

8.33 per cent of the value of the loan was guaranteed by the government.[94] The initial sum allocated to the Credit Guarantee Scheme was N¢6.5 million.[95] It was hoped that this guarantee facility would make commercial banks more amenable to lending to small enterprises.

The Small Business Credit Scheme was established in December 1970, with a budget of N¢1.5 million.[96] According to the Minister of Finance and Economic Planning, the purpose of the Scheme was to 'enable local businessmen with ability, drive, imagination and sound business ideas, but lacking adequate funds, to start business in a small way'.[97] There were three categories of loan on offer: type 'A' loans were below ¢500 and were administered by Regional Committees which were chaired by Regional Chief Executives; type 'B' loans were in excess of ¢500 and managed by a National Loans Committee; and so-called 'Medium Term Loans' were above ¢50,000 and distributed directly by the Ministry of Finance.[98] The terms and conditions of the loans were generous: interest rates were pegged at 6.5 per cent initially (against 14 per cent in the commercial banking sector) and repayment periods were typically 12 to 60 months (against 24 months for a commercial bank loan).[99] In addition, each region had a team of consultants to assist local businessmen. Each team comprised a professional accountant, a lawyer and a specialist in small business management.[100]

Alongside this attempt to increase the flow of credit to small Ghanaian businesses, the government embarked upon the creation of a Small-scale Industries

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[94] *Ibid.*

[95] NAGA RG 6/1/190, J.H. Mensah, Minister of Finance and Economic Planning, to the Editor, *Daily Graphic*, 19/8/1970.

[96] NAGA RG 6/1/189, 'Press Release by the Minister of Finance and Economic Planning on the Small Business Credit Scheme (9/12/1970)'.

[97] *Ibid.*

[98] Ghana, *Report of the Commission of Enquiry into the Operations of the Office of Business Promotion and the Small Business Loans Scheme* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 4.

[99] *Ibid.*, p. 3.

[100] NAGA RG 6/1/189, 'Press Release by the Minister of Finance and Economic Planning on the Small Business Credit Scheme (9/12/1970)'.

Centre in Tema in 1970.[101] This Centre was projected to cost N¢80,000 and was financed by the Ghanaian government, the Government of India and multilateral donors.[102] The purpose of the Centre was 'to assume the role of an Industrial Research Centre to identify small industries which will be viable when established and to provide for their growth needs'.[103] Meanwhile, the MDPI was instructed to focus its assistance on small businessmen,[104] and was given a government grant of N¢69,000 to establish a Ghanaian Business Bureau which would offer assistance to local businessmen.[105] Finally, the National Vocational Training Institute (NVTI) was formed in 1969 with technical assistance from the United Nations Development Programme and the ILO.[106] The NVTI was charged with standardizing the 'in-plant' training of apprentices and with expanding links between educators and employers,[107] with the ultimate goal of adding to the industrial skills of the Ghanaian workforce.

The Effectiveness of PP Policy

Clearly, the PP adopted several measures to assist Ghanaian businessmen. How effective were these in promoting the private sector and small industries?

It is clear that there were several positive developments. First, the government's rhetoric expounded consistently the benefits of private sector development. It is difficult to find any occasion when the PP spoke critically of the

[101] Ghana, *Parliamentary Debates*, 2nd series, vol. 4, col. 1195, Introduction to the Estimates of the Ministry of Trade, Industries and Tourism, R.A. Quarshie, Minister for Trade, Industries and Tourism, 9/9/1970.

[102] *Ibid.*, cols. 1195 & 1220.

[103] Ghana, *Parliamentary Debates. Official Reports*, 2nd series, vol. 8 (Accra: Ghana Publishing Corporation, n.d.), col. 1138, Mr. R.A. Quarshie, Minister of Trade, Industries and Tourism, Introduction to the 1971/2 Estimates of the Ministry of Trade, Industries and Tourism, 3/9/1971.

[104] Thomi and Yankson, *Small Scale Industries*, p. 87.

[105] NAGA RG 6/1/190, G.A. Boateng, Chief Executive of the Office of Business Promotion, 'First Report on Implementation of the Ghanaian Business (Promotion) Act', dated 1/9/1970, but probably actually 1/9/1971, p. 4.

[106] National Vocational Training Institute, *What is the NVTI?* (Accra: Public Relations Department of the NVTI, n.d.), p. 6.

[107] Terrence S. Smutylo, 'Apprenticeship in the Wayside Workshops of an Accra Neighbourhood', Institute of African Studies, University of Ghana, MA, 1973, p. 14.

private sector. Second, the Busia government extended the parameters of the NLC's reservation policy, particularly in the trading sector. In doing so, it gave a clear signal to the business community that it sought to nurture Ghanaian entrepreneurship where this was feasible. Ghanaian commentators and businessmen reacted with gratitude. For instance, E.K. Adu, the PP Member of Parliament for Kwahu North, told his colleagues in September 1970 that:

> when some of us started our businesses, we had to struggle while unscrupulous aliens thrived, and the Government of the day looked on ... But now, it is the opposite. Our progressive Government is helping Ghanaian businessmen.[108]

Yao Dankyi-Awere, President of the National Crusade for Protection of Ghanaian Enterprises, also commended the reservation policy. Writing to the Ministry of Finance and Economic Planning in October 1970, Dankyi-Awere expressed:

> ... tons of sincerest thanks to you, on behalf of all Ghanaian (small-scale) business operators, the direct victims of the aliens' interferences, mischievousness, and dubious business practices.[109]

Third, the PP's policy of credit provision to small Ghanaian businessmen via the Small Business Credit Scheme had certain successes. According to some members of the Anin Committee, which was formed in 1972 to investigate the workings of the Small Business Credit Scheme:

> the Scheme ... has enabled many dedicated Ghanaian business-minded people to start business from very modest beginning [*sic*], which are now booming. But for the Scheme, they would have found it almost impossible to launch out successfully into a business career.[110]

Finally, the small industry centre in Tema, although not ready to contribute to small industry development during Busia years, did form the basis for the highly successful GRATIS project of 1980s and 1990s (pp. 206-208).

Yet although these policies made a positive contribution to the development of small industries, it is also true that more could have been done, and that which was done, could have been done better. The policy on reservation is a case in point. It

[108] Ghana, *Parliamentary Debates*, 2nd series, vol. 4, col. 1235, Mr. E.K. Adu, PP Kwahu North, Estimates for 1970/1 of the Ministry of Trade, Industries and Tourism, 9/9/1970.

[109] NAGA RG 6/1/189, Yao Dankyi-Awere, the National President of the National Crusade for Protection of Ghanaian Enterprises, to Mr. C.O. Nyanor, Ministerial Secretary, Ministry of Finance and Economic Planning, 19/10/1970.

[110] Ghana, *Commission of Enquiry*, p. 19.

was observed earlier that reservation was limited mainly to the trade sector (pp. 147-148). Two points are relevant here. First, the impact on the trade sector itself was not expected to be substantial. Even by the government's own estimate, only about 600 alien enterprises, employing 4,000 workers were to be affected by the Business Promotion Act.[111] Evidently then, the Act was not about a mass transfer of assets from foreign to local businessmen.

Second, the impact of the Act on the industrial sector was limited. Hence, the PP's voting down of proposed amendments to the Business Promotion Act, which would have extended the reservation policy further into the industrial sector, caused much resentment. As P.K.K. Quaidoo told Parliament in March 1971:

> ... the Ghanaian Business (Promotion) Act was restricted only to a small section ... Indigenous manufacturing industries have not got any provision for their encouragement or their promotion. People tell us, 'It is the survival of the fittest'. That is all right. Survival of the fittest, but they will find to their dismay that the fittest will always be foreigners.[112]

In other words, the Business Promotion Act was concerned only marginally with the small industry sector.

Turning to the activities of the Small Business Credit Scheme, it is evident that, despite some successes, this failed to make a major impact on the small-scale industrial landscape and for three reasons: its orientation towards non-industrial sectors; its concentration on large firms; and the corruption of the loans process. The bulk of loans disbursed under the Scheme between 1970 and December 1973 went to traders and transporters. These two sectors alone received N¢8.3 million—or 81 per cent—of the N¢10.2 million which was loaned under the Scheme during this period.[113] At the same time, most loans were so large that they probably did not involve small firms: between December 1970 and December 1973, only ¢1.4 million worth of loans under N¢500 were disbursed to 5,294 successful applicants, while ¢8.4

[111] Ghana, *Burning Questions. Ghanaian Business Promotion (Act 334)* (Accra: Ministry of Information, 1970), p. 9.

[112] Ghana, *Parliamentary Debates. Official Reports*, 2nd series, vol. 6, no. 13 (Accra: Ghana Publishing Corporation, n.d.), col. 516, Mr. P.K.K. Quaidoo, Justice Party, Amenfi, Second Reading of the Manufacturing Industries Bill, 12/3/1971.

[113] Ghana, *Report on the Role and Activities of the Office of Business Promotion, August 1970-June 1974* (Accra: Ghana Publishing Division, n.d.), table I, pp. 11-2.

million in loans above N¢500 were distributed to 1,174 borrowers.[114] Indeed, there was even a case of the Small Business Credit Scheme loaning ¢350,000 to just one applicant.[115] Thus, as the Anin Commission pointed out, 'a loan of ¢350,000 granted to one person under the *Small* Business Loan Scheme can benefit 350 people if the upper limit is ¢1,000'.[116] Finally, it was common knowledge that the loans process of the Small Business Credit Scheme had become corrupted.[117] This corruption probably meant that undeserving candidates obtained loans at the expense of those who were in real need.

Similar charges of corruption were levelled against other institutions which disbursed loans to small businesses. The National Investment Bank appears to have attracted particular criticism, with one irate businessman, a Mr. Mensah of Accra, complaining:

> I must be frank that I have all along resisted an attempt to part with a pesewa in a form of a bribe to any official working on my loan, and this is the major contributory factor leading to the refusal of my application ... Is it a fact that no one can obtain Investment Bank loan without offering a bribe?[118]

As a result, it is likely that genuinely needy small businessmen found it difficult to receive much assistance with credit. As one writer in the *Daily Graphic* observed during this time:

> [I have] been in the business community for almost four years. I know those who are genuinely in need of money for expanding their businesses, and these people never had the access to these monies. I know some people too, who have good training and good intentions and who wanted to receive this money and use it properly. Their hopes were shattered.[119]

In short, although government policies may have had a significant effect on the development of Ghanaian entrepreneurship in trading, with regard to small-scale industries specifically, the Busia government's efforts were generally ineffective. In

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[114] 'A Report on the Role and Activities of the Office of Business Promotion in the Implementation of the Ghanaian Business (Promotion) Act, 1970 (Act 334) From August, 1970 to December, 1973', in Ghana, *Report of the Commission of Enquiry*, appendix A, table IV, p. 42.

[115] Ghana, *ibid.*, p. 6.

[116] *Ibid.*, p. 21.

[117] *Ibid.*, p. 12.

[118] NAGA RG 6/1/189, E. de C. Mensah to the Prime Minister, Kofi Busia, 10/7/1970.

[119] Peter Doe Dzilah, 'Promotion of Indigenous Entrepreneurs' p. 8, Supplement to *Daily Graphic*, 4/1/1972.

fact, some of the government's actions actually harmed the small industry sector. A case in point is the Manufacturing Industries Act of 1971. This Act required all manufacturing industries to be registered with the government. According to the Minister of Trade, Industries and Tourism, the Act was necessary 'not only to ensure the even distribution of manufacturing industries throughout the country but also to ensure that our scarce resources are carefully husbanded'.[120] However, the Act probably had negative implications for small industries, since it introduced a new level of bureaucracy and political control. As Mr. F.P. Segbefia surmised, during the Second Reading of the Manufacturing Industries Bill:

> If the Minister is allowed to take over control of our industries and have the power to issue licences, he may tend to use the power ... only in the interest of his party members, and he may even victimise the industrialists who do not share the same political views with the Government.[121]

6.4 Reasons for Policy

On balance, it would appear then that there was a clear shift in government policy towards Ghanaian business promotion after 1966. There may have been flaws in the new policy and small-scale industries may not have been affected significantly. Nonetheless, compared to the Nkrumah years, there was a clear change, at least in the government's intentions. This section considers why this occurred.

The Failure of Statism and the Pragmatic NLC

Nkrumah had sought state-led industrial development from the late 1950s, in part, because this was what development economists were recommending (p. 127). However, by 1966, it was quite clear that this strategy was not working. In fact, between 1960 and 1966, per capita income actually fell.[122]

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[120] Ghana, *Parliamentary Debates*, 2nd series, vol. 6, no. 13, col. 496, R.A. Quarshie, Minister of Trade, Industries and Tourism, Second Reading of the Manufacturing Industries Bill, 12/3/1971.

[121] Ghana, *Parliamentary Debates. Official Reports*, 2nd series, vol. 6, no. 14 (Accra: Ghana Publishing Corporation, n.d.), col. 539, Mr. F.P. Segbefia, Justice Party, Avenour, Winding Up for the Opposition, Second Reading of the Manufacturing Industries Bill, 15/3/1971.

[122] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), table A.2, p. 288.

Therefore, with the Nkrumahan *étatist* model of industrial development discredited,[123] there was a general consensus that private sector-led industrialization would be more effective. Hence both the main parties fighting the 1969 elections had distinctly pro-business economic policies.[124] This was the ideological background within which the NLC's policies were constructed.

After the coup, the NLC was quick to criticize Nkrumah's political and economic record. For example, in an address to the Nation on 28 February 1966—just four days after the coup—General Ankrah charged that Nkrumah:

> took advantage of the pure faith of his people to establish by intimidation, exemplified in the pernicious weapon of detention, a one-man dictatorship based on a so-called democratic centralism ... It was never anticipated nor was it the wish of the Ghanaian people that the powers of the State should derive from one man ...[125]

Moreover, Nkrumah had taken Ghana:

> to the brink of economic disaster by mismanagement, waste and unwise spending. Incomes are falling, the cost of living is rising, unemployment has struck many families. The basic necessities of life are often either unavailable or can be obtained only at cut throat prices.[126]

To remedy the political situation, the NLC had a clear agenda. This was to govern until the restoration of 'true democracy based on the popular will of the people, and not on the will of one man alone'.[127] However, the regime did not have such a clear economic agenda. According to Ankrah:

> The National Economic Committee is carrying out a complete rethinking of the economic set-up of the country and a major economic policy decision will be announced within the next few days.[128]

The only definite economic policy was to 'do everything to maintain the value of the Cedi at its present level'.[129]

Therefore, given that statism had proved unsuccessful in the past and the NLC

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[123] Esseks, 'Economic Policies', p. 48.

[124] *Ibid.*, p. 51.

[125] 'Broadcast to the Nation by the Chairman of the National Liberation Council, Lt.-Gen. J.A.Ankrah, on Monday, 28 February, 1966', in NLC, *Rebirth*, pp. 23-4.

[126] *Ibid.*, p. 24.

[127] *Ibid.*, p. 22.

[128] *Ibid.*, p. 26.

[129] *Ibid.*, p. 25.

had little economic ideology, it is likely that a policy of private sector promotion was the most pragmatic option for the NLC. The policy of promoting the Ghanaian private sector was certainly popular. Foreigners still played a major part in the country's trading system and this was resented.[130] The policy of Ghanaian business promotion played to this sentiment. As a member of the NLC's Executive Council commented later, in relation to the Ghanaian Enterprises Decree:

> It is no secret that this legislation was directed against the Lebanese and Indians ... They were here doing things which Ghanaians can easily do, like buying and selling goods. They came with little capital. They do not train Ghanaians to succeed them ... They are a serious drain on our balance of payments with their personal remittance quotas, and they have been deeply involved in illegal transfers and currency smuggling.[131]

Busia and the Political Economy

For the PP, Ghanaian business promotion was a preferred policy for two reasons. First, Busia, a distinguished social scientist in his own right,[132] was convinced by the economic arguments for small industry development. Speaking to the Legislative Assembly during the debate on the Finance Bill for 1957-8, Busia had condemned the Nkrumah government for trying to industrialize too quickly:

> So they [foreign investors] come and start industries on a large scale and then tell us that in order to be successful in industry, we want the latest equipment, we want skill, we want the formation of capital, we want managerial experience and things which we have not got. So they come here not only to start the industries but also to man them. This is where we are going wrong. We are going one step too far ... We want the Government to be able to assist small industries not just by lending them money, but by giving them equipment, technical supervision, training and enabling them to form capital. Then we shall be ready for larger schemes.[133]

In addition, the policy of Ghanian business development was a natural corollary of the PP's efforts to construct a democratic political system. According

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[130] Esseks, 'Economic Policies', p. 48.

[131] Interviewed in Accra, July 1970 and cited in *ibid.*

[132] K.A. Busia, *Report on a Social Survey of Sekondi-Takoradi* (London: Crown Agent for the Colonies, 1950). K.A. Busia, *The position of the chief in the modern political system of Ashanti. A study of the influence of contemporary social changes on Ashanti political institutions* (London: Oxford University Press, 1951).

[133] Ghana, *Parliamentary Debates,* 23/4/1957-12/7/1957, cols. 612-3, K.A. Busia, Consideration of the 1957-8 Appropriation Bill, 6/6/1957.

to the PP, a democratic political system could not function without a strong capitalist class. The PP alluded to this point on several occasions. In its manifesto for the 1969 elections, the Party pledged:

> ... maximum support for Ghanaian businessmen to ensure that Ghanaians themselves acquire greater stake in the economy of their own country and thus provide the economic basis for viable democracy in Ghana.[134]

In introducing the Second Reading of the Business Promotion Bill in 1970, the Minister of Finance and Economic Planning returned to this theme, observing that the 'spreading of ownership of business capital is one of the foundations of the democratic system which we seek to establish in this country'.[135] In the ensuing debate on the bill, Dr. Jones Ofori Atta, the Ministerial Secretary at the Ministry of Finance and Economic Planning, told Parliament that:

> In my view, as has been said, no viable democracy can be created in this country if the nationals of the country have no stake in maintaining and supporting the democratic system ... [the Ghanaian Business (Promotion) Bill represented] the economic underpinning for our system of government by ensuring that the people have deep economic stakes in the maintenance of democracy.[136]

Thus, the promotion of Ghanaian business complemented closely the PP's policy of creating and maintaining a democratic political system, just as the opposite had been true before 1966 (p. 129).

Interest Groups and the Post-1966 Political System

After 1966, the political system changed considerably. While Nkrumah had ejected businessmen from the political system following his 'Dawn Broadcast' (p. 132), many businessmen re-entered the political arena after the coup. From instance, P.K.K. Quaidoo was appointed Chairman of the Black Star Line in 1966. The businessman E.K. Dadson, who had been a Parliamentary Secretary from 1957-61, became Chairman of the State Gold Mining Corporation.[137]

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[134] PP, *Progress Party Manifesto*, p. 5.

[135] Ghana, *Parliamentary Debates*, 2nd series, vol. 3, col. 1051, J.H. Mensah, Minister of Finance and Economic Planning, Second Reading and Consideration Stages of the Ghanaian Business (Promotion) Bill, 23/6/1970.

[136] *Ibid.*, col. 1074, Dr. Jones Ofori Atta, Ministerial Secretary to the Ministry of Finance and Economic Planning, Debate on the Ghanaian Business (Promotion) Bill, 23/6/1970.

[137] Esseks, 'Economic Policies', p. 49.

Although the NLC suspended the Republican Constitution, dissolved the CPP and issued laws by decree,[138] the political environment became considerably more open after 1966. This permitted old associations which had represented businessmen's interests to be revived (like the Ghana Contractors' Association), while new interest groups were formed, such as the Association of Ghanaian Businessmen, the Indigenous Ghanaian Manufacturers' Association and the Crusade for the Protection of Ghanaian Enterprises.[139] The new political environment was clearly responsible for these developments: as Mrs. Esther Ocloo, President of the Indigenous Ghanaian Manufacturers' Association, remarked in 1970, her organization had been transformed from a 'dinner club' into a formal interest group in response to the Ghanaian Enterprises Decree and its promise of protection for 'indigenous entrepreneurs'.[140]

Within this new political environment, Ghanaian businessmen lobbied aggressively for support. In September 1967, Quaidoo renewed his calls for trade protection, charging that:

> under no circumstances should a foreign investor be encouraged directly or indirectly to permanently oust the citizen from the trade and industry of the country or to confine him to a narrow section of it.[141]

The new climate of political openness not only allowed Ghanaian businessmen to voice their interests, but also made the NLC more sensitive to them. A prime example of this can be found in the case of an editorial from *The Pioneer*, in September 1967, which criticized the NLC's efforts at Ghanaian business promotion and called for 'substantial encouragement' to be given to Ghanaian enterprises.[142] Compared to the Nkrumah era, what is striking about this editorial is not only its open criticism of the government, but also the fact that it actually had an effect on policy itself. The editorial elicited a series of initiatives, and not just public rhetoric, from officials within the Ministry of Industries. The Senior Industrial Promotion

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[138] NLC, 'Proclamation', 26/2/1966, in NLC, *Rebirth*, pp. 2-3.

[139] Esseks, 'Economic Policies', p. 49.

[140] Interview with Mrs. Esther Ocloo, Madina, Ghana, 10 July 1970, cited in *ibid.*

[141] NAGA RG 7/1/1354, P.K.K. Quaidoo, in *The Legon Observer*, 15/9/1967.

[142] NAGA RG 7/1/1354, Editorial from *The Pioneer*, 11/9/1967.

Officer argued on the basis of it that:

> It is my considered opinion that this Ministry should boldly formulate plans or proposals on entrepreneurial development and industrial extension service work in small-scale industries for consideration by the Government.[143]

In turn, this provoked the Chief Industrial Promotion Officer to observe, 'I am putting up proposals and recommendations for the development of Ghanaian industries. This will be ready for consideration shortly'.[144]

Turning to the Busia years, there was again a clear relationship between the democratic political system established in 1969 and the PP's efforts to promote Ghanaian business. Businessmen continued to return to politics in large numbers. In 1969, Esther Ocloo ran for Parliament, together with E. Acquah-Harrison (President of the Ghana Manufacturers' Association), K. Amuah-Seki (Treasurer of the Association of Ghanaian Businessmen) and J.C. Yeboah (Secretary of the Ghana National Contractors' Association).[145] In the post-'Dawn Broadcast' Nkrumah period, all of these businessmen would have been barred from standing for office.

Moreover, like the NLC, the PP realized how popular the policy of Ghanaian business promotion could be. Thus, the PP aimed to throw its populist net as widely as possible by pledging support for both businessmen *and* businesswomen. As the Party promised in its manifesto, it would 'ENSURE that increasingly the control of the economy shall be in the hands of Ghanaians (market-women and Ghanaian businessmen)'.[146] The PP's actions after 1969 stemmed from its populist campaign promises. In introducing the Ghanaian Business (Promotion) Bill to Parliament for its Second Reading, the Minister of Finance and Economic Planning observed that the bill followed from the PP's specific manifesto pledge to 'provide maximum support for Ghanaian businessmen to ensure that Ghanaians themselves acquire greater stake in the economy of their country'.[147]

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[143] NAGA RG 7/1/1354, R. Quist-Arcton, Senior Industrial Promotion Officer, to the Chief Industrial Promotion Officer, 18/9/1967.

[144] NAGA RG 7/1/1354, Chief Industrial Promotion Officer to the PAS and PS, 18/9/1967.

[145] Esseks, 'Economic Policies', p. 49.

[146] PP, *Progress Party Manifesto*, p. 2.

[147] Ghana, *Parliamentary Debates*, 2nd series, vol. 3, col. 1046, J.H. Mensah, Minister of Finance and Economic Planning, Second Reading and Consideration Stage of the Ghanaian Business (Promotion) Bill, 23/6/1970.

This chapter has used some new archival material, together with published sources, to argue that a comprehensive policy to assist Ghanaian businessmen evolved between 1966 and 1972. Admittedly, most of the government's efforts were directed towards Ghanaian traders. The link between trading and small industry development will be analyzed in more detail later (pp. 244-245, 249-250). Nevertheless, for the meantime, it is difficult to avoid the impression that the NLC and PP states were both 'nurturist'.

This conclusion is at odds with the general view in the literature as represented by Frimpong-Ansah, Killick and Rimmer.[148] Nonetheless, it lends support to Esseks' view that 1966 marked a distinct break in the Ghanaian state's relationship with private businessmen.[149] It is interesting that Esseks, writing closer to the time, was more positive about the NLC and PP's record on private sector promotion than later historians. This could be because, on a longer-term view, Esseks' argument loses its appeal, since after 1972, many of the NLC-PP reforms were reversed quickly and the economy went into acute collapse.

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[148] Frimpong-Ansah, *Vampire State*, pp. 99-107. Killick, *Development Economics*, ch. 11. Rimmer, *Staying Poor*, ch. 6.

[149] Esseks, 'Government and Indigenous Private Enterprise', pp. 22, 24.

7 'MICRO' NURTURING, 'MACRO' SUPPRESSION, 1972-79

In a *coup d'etat* in January 1972, Colonel Ignatius Acheampong dismissed the Busia government and established a military regime. This was known as the National Redemption Council (NRC) until 1975, and the Supreme Military Council (SMC) thereafter. In 1978, Colonel Acheampong himself was overthrown in a palace coup by Lieutenant-General Fred Akuffo. Under popular pressure to concede power to a democratically-elected government, Akuffo lifted the ban on multi-party politics in January 1979 and permitted the formation of a Constituent Assembly. Elections were scheduled for June 1979, but before then, disaffected members of the military, calling themselves the Armed Forces Revolutionary Council (AFRC), overthrew the government again. The AFRC was led by Flight-Lieutenant Jerry Rawlings. Rawlings sought a 'house-cleaning exercise',[1] and executed several members of the *ancien régime*, including Acheampong and Akuffo. Nevertheless, elections were held as planned in June 1979.[2]

This chapter examines government policy towards small-scale industries during these military years. The analysis is based on published government material in the main, since most post-1972 internal government documents in the National Archives of Ghana remain closed to the public (p. 31). However, I have found some internal documents and these have been used. Information from interviews with small-scale industrialists which I conducted in the Suame Magazine in 1996 (pp. 223-227) has been included as well. Because of the dearth of archival material, this chapter has no section on private government language and the analysis of the reasons for policy is less extensive than in previous chapters. Also, with limited material on government policy towards small-scale industries specifically, there is more discussion of policy towards the private sector in general, just like in Chapter Six.

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[1] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), p. 138.

[2] Richard Jeffries, 'Ghana: the political economy of personal rule', in Donal B. Cruise O'Brien, John Dunn and Richard Rathbone (eds.), *Contemporary West African States* (Cambridge: Cambridge University Press, 1989), pp. 84-7.

The remainder of this chapter is structured as follows. In Section One, the historiography of state-private sector relations during the period 1972-79 is examined. Sections Two and Three outline the NRC/SMC's rhetoric and policies towards the private sector and small-scale industries respectively. Section Four documents the reasons for the NRC/SMC's policies, while Section Five deals with the short period of the AFRC government. The main conclusion of this chapter is that the NRC/SMC encouraged small industry development. Moreover, while government policy before 1972 had concentrated on assisting Ghanaian traders, after 1972, there was a clear redirection of assistance towards small-scale industrialists. However, during the AFRC period, policy changed significantly as small-scale industrialists came under intense government hostility.

7.1 Historiography

Ghana's economic collapse during the 1970s has been documented extensively, together with the policies which caused this plunge 'into the abyss'.[3] However, there has been no research on specific government policy towards small-scale industry. The one exception is Appiah, who contends that the Five Year Plan of 1975 marked a break with previous policy because it singled out the small-scale industrial sector for government support.[4]

Despite the dearth of a specific historiography, the wider literature on Ghanaian economic policy provides some clues to the government's relationship with small industries. For instance, Hutchful argues that 1972 marked no break with previous economic policy. According to Hutchful, the Acheampong and Akuffo regimes preached a policy of 'national self-reliance' and 'capturing the commanding heights of the economy', but in reality, few foreign debts were repudiated and foreign investment was courted actively. Thus, despite the military's anti-imperialist rhetoric,

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[3] Rimmer, *Staying Poor*, ch. 7. Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), pp. 108-112.

[4] A.K. Appiah, 'Lending to Small Scale Enterprises (SSE)', *Journal of the Ghana Institute of Bankers*, 2 (1987) no. 2, pp. 1, 2.

Ghana's neo-colonial status remained in 1979.[5] The implication here is that economic policy, as before 1972, continued to favour the private sector.

There is no extensive literature on economic policy during the AFRC months, although conventional wisdom has it that the AFRC was hostile to the private sector. Frimpong-Ansah writes that the economic policies of the AFRC meant that 'Substantial production and working capital were lost through confiscation of goods and arbitrary sales at below cost'.[6] According to the World Bank, the AFRC 'reacted strongly against corruption and profiteering with measures aimed at tightly restricting, and essentially suppressing the private sector'.[7]

7.2 Rhetoric and Policies towards the Private Sector

At first sight, there are two reasons for suspecting that the military's rhetoric and policies were hostile to the private sector. First, Acheampong appeared to discredit completely the *laisser-faire*, liberal ideology which he claimed had prevailed between 1966 and 1972. In a speech to the staff of the Ministry of Finance and Economic Planning in February 1972, Acheampong warned:

> ... we cannot proceed as a nation on the same basis on which previous governments have operated. The political frame of reference which has guided your actions and your advice especially in the past two years must be cast into the rubbish heap of history. This means a departure from the laissez-faire, so called free market economy and the institution of effective planning in the allocation and utilisation of resources.[8]

Indeed, planning would permeate all levels of the economy. As Acheampong observed in a speech to the State Insurance Company shortly after the coup, 'We should plan the allocation and utilisation of all our resources and seal all the areas of

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[5] Eboe Hutchful, 'A Tale of Two Regimes: Imperialism, the Military and Class in Ghana', *Review of African Political Economy*, 14 (1979), pp. 39-40.

[6] Frimpong-Ansah, *Vampire State*, p. 112.

[7] NAGA RG 6/6/146, World Bank (Western Africa Region and Industry Department), 'Ghana: Industrial Policy, Performance and Recovery (Report No 5716-GH)' (1985), p. 63.

[8] NAGA ADM 5/4/358, 'Address by Col. I.K. Acheampong, Chairman of the N.R.C. and Commissioner for Finance, Economic Planning and Defence, to the Staff of the Ministry of Finance and Economic Planning on Monday February 7, 1972', p. 10.

possible drain'.[9]

The corollary of planning appeared to be private sector suppression. Acheampong delivered an attack on private businessmen in August 1972, claiming that the private sector had 'not as yet found it convenient to marry their profit maximisation criterion with the social desirability of having certain projects'[10] and had sought 'a kind of world of Adam Smith' where regulation was minimal.[11] In view of these circumstances, Acheampong promised that his Government would 'be the first to adopt a hands-off policy as soon as our business friends learn to strike this happy balance between private profit maximisation and social profit maximisation'.[12]

At times, the military interfered directly in the activities of the private sector. Shortly after coming to power, the military ordered all major manufacturing industries to develop backward linkages with the local economy. As the NRC put it:

> all major manufacturing industries in the country, which depend solely on imported agricultural raw materials are directed to undertake farming projects to produce their own raw materials.[13]

This policy caused serious grievances among private businessmen, with David Andoh, the Chairman of the United Africa Company, Ghana, complaining in 1978 that:

> An enterprise engaged in industry may have no skills nor expertise in agriculture, and, in my opinion, it is a waste of resources to compel any such enterprise to go into agriculture. It is no answer to say in that case they should invest in agriculture.[14]

Apart from discrediting *laisser-faire* and liberalism, the military often attacked the small-scale private sector directly. Immediately after the coup, Acheampong lashed out at private traders and middlemen whom he accused of perpetuating

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[9] NAGA ADM 5/4/358, 'Address by Col. I.K. Acheampong, Chairman of the National Redemption Council, and Commissioner for Defence, Finance and Economic Planning on his First Visit to the State Insurance Corporation', p. 2.

[10] 'Colonel I.K. Acheampong's address at the beginning of negotiations between BASCOL and the Government of Ghana, on the possibility of establishing a bauxite mine in the Kibi area, 18/8/1972', in Capital Investments Board (Ghana Investments Centre), *A Brief Guide for Prospective Investors* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 4.

[11] *Ibid.*, p. 5.

[12] *Ibid.*

[13] National Redemption Council, *First Hundred Days of the National Redemption Council. The Fall of the Second Republic* (Accra-Tema: Ghana Publishing Corporation, 1972), p. 3.

[14] David Andoh, *The Private Sector: A Case* (Accra: Ghana Universities Press, 1980), p. 7.

Ghana's economic crisis:

> Much of the waste on our foreign exchange on consumer goods, has been due to the large number of importers and middlemen. Most of these persons do nothing more than ordering goods and piling their profits on when these goods arrive ... This must stop! ... Anyone caught hoarding, or smuggling or speculating in such goods would be regarded as an economic prisoner of war, and dealt with accordingly.[15]

To rectify this situation, Acheampong announced that the state would establish a central depot which would have a monopoly on the importation and ex-factory purchase of rice, sugar, corned beef, milk, codfish, matchets and sardines,[16] thus cutting out the 'hoarding' private middleman. Later that month, there were reports of soldiers entering shops and bringing out 'hoarded' goods for sale at pre-devaluation prices.[17] Acheampong was still denouncing private traders a year after the coup, when he told them:

> Our students, school children, military personnel have offered free and voluntary service to the nation by harvesting sugar cane, corn and rice. What can you offer to the nation? Are hoarding, profiteering, smuggling and refusing to sell at controlled prices all you can offer your suffering brothers and sisters? ... Are you with us or against us? Ponder about these very seriously. Examine your conscience and change now.[18]

Thus, from the military's anti-*laisser-faire* and anti-private sector rhetoric, as well as its words and actions against private traders, there is *prima facie* evidence that its policy towards small-scale industries was 'suppressive'. However, this would be a false conclusion because, at the same time, the regime pursued the twin policies of self-reliance and Ghanaianization.

Self-Reliance

At Acheampong's first press conference after the coup, he told assembled reporters

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[15] 'Radio and Television Broadcast by the Chairman of the National Redemption Council, 20 January, 1972', in Ghana, *Good Tidings of Redemption. Official Statements Made by Colonel I.K. Acheampong, Chairman, National Redemption Council* (Accra: Public Relations Directorate of the Ghana Armed Forces, n.d.), p. 16.

[16] *Ibid.*

[17] 'Forced Selling at Old Prices', *Daily Graphic*, 28/1/1972.

[18] Colonel Acheampong, 'First Anniversary Broadcast Speech' 13/1/1973, in Office of the Press Secretary to the National Redemption Council, *Two Years in Office of Colonel Ignatius Kutu Acheampong, 13th January 1972-12th January 1974* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 101.

that, although the military had not yet formulated an economic policy, whichever one it constructed would have as its 'bedrock the principle of *self-reliance*'.[19] Later in 1972, in its first 'White Paper' on economic policy, the NRC declared that it had set Ghana on an economic war to raise living standards, and that:

> The guiding principle in this economic war is self-reliance ... Ghana must make full use of its total human and material resources and should not depend upon external assistance for its survival.[20]

It is highly probable that this rhetoric of self-reliance was genuine, because it was supported by policies such as *yentua*, or repudiating some of Ghana's foreign debts, and attempting to decouple Ghana's economy from that of the West.[21] In addition, the consistency with which the military repeated this mantra of self-reliance suggests that this was, in fact, government policy. For example, in 1974, the military launched its National Charter which embodied seven 'goals of action'[22] that Ghanaians were urged to embrace. One of these was self-reliance. As the Charter declared, 'Our national regeneration depends on our own efforts. We must stand for self-reliance. We must want and strive to solve our own problems'.[23] Similarly, the aim of the Five Year Plan for 1975-80 was:

> to build an independent national economy firmly structured on the resource potentials of our land and the culture of our peoples in the context of the stated Government principle of Self-Reliance.[24]

The pursuit of self-reliance probably had a positive significance for small industries since these firms have been dependent on local factor and product

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[19] 'First Press Conference Given by the Chairman of the N.R.C. on 17 January, 1972', in Ghana, *Good Tidings*, p. 8.

[20] Ghana, *Outline of Government Economic Policy* (no publication details), p. 4.

[21] Kodwo Ewusi, *The Political Economy of Ghana in the Post Independence Period: Description and Analysis of the Decadence of the Political Economy of Ghana and the Survival Techniques of Her Citizens* (Legon: ISSER, 1984), p. 18.

[22] 'Charter of Our National Redemption', in Office of the Press Secretary to the NRC, *Two Years in Office*, p. 15.

[23] *Ibid.*, p. 19.

[24] Ghana (Supreme Military Council), *Five-Year Development Plan, 1975/76-1979/80, Part I* (Accra: Ministry of Economic Planning, 1977), p. 26.

markets.[25] Hence, when addressing a group of way-side fitters in Suame in June 1973, Acheampong drew a direct link between promoting indigenous enterprise and increasing self-reliance. As the *Daily Graphic* recorded, Acheampong:

> said that the Government had the welfare of wayside fitters at heart and would provide them with every assistance to enable them to make use of their talents to make Ghana a self-reliant country.[26]

Ghanaianization

Closely associated with this policy of self-reliance, was that of Ghanaianization, or increasing Ghanaian control over the economy. This idea was mooted shortly after the coup and was referred to on several occasions. Thus, Acheampong observed in 1972 that:

> We should seek to place the commanding heights of the economy in the hands of our people so that the profits from the toil of our workers shall remain with us and be ploughed back for greater development and not repatriated, as of now, to foreign lands.[27]

Later that year, in its 'White Paper' on economic policy, the military confirmed that:

> The National Redemption Council is ... determined to work towards the Ghanaianisation of the economy by ensuring that the greater share of economic activity in the country passes into Ghanaian hands, both in the private and public sectors.[28]

Similarly, the Five Year Plan of 1975-80 sought 'to increase the capacity of Ghanaians to participate actively and meaningfully in the country's industrial development'.[29]

This rhetoric on Ghanaianization was followed up with several actions. The most important of these was Decree 329, The Investment Policy Decree, which became law in 1975. Decree 329 maintained the areas of reservation which had been

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[25] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), pp. 37-8, 51.

[26] Kidd Darko, 'Aid for Fitters', *Daily Graphic*, 16/6/1973, p. 1.

[27] NAGA ADM 5/4/358, 'Address by Col. I.K. Acheampong, Chairman of the N.R.C. and Commissioner for Finance, Economic Planning and Defence, to the Staff of the Ministry of Finance and Economic Planning on Monday February 7, 1972', p. 12.

[28] Ghana, *Outline*, p. 5.

[29] Ghana (Supreme Military Council), *Five-Year Development Plan, 1975/76-1979/80, Part II* (Accra: Ministry of Economic Planning, 1977), p. 192.

inherited from the Progress Party (PP) and added new ones. In the industrial sector, reserved areas were broadened to include the manufacture and tailoring of garments, textile screen hand printing and tyre retreading, as well as the manufacture of suit cases, brief-cases, portfolios, hand bags, shopping bags, purses and wallets.[30] To be sure, the military's reservation policy did not cover as many sectors as in Nigeria at the time.[31] Nevertheless, it was in stark contrast with the actions of the Nkrumah government, which had no reservation policy at all. It also contrasted with that of the PP which had voted down proposals to extend reservation to sectors such as hand bag manufacture and tyre retreading (pp. 149-150). Thus, while the PP claimed that its Ghanaian Business Promotion Act 'invites foreigners to shift into industry and manufacturing and beckons Ghanaians to enter the retail and wholesale business',[32] it would appear that the military's reservation policy beckoned Ghanaians to move into industry and manufacturing as well.

Thus, while there may be *prima facie* evidence for supposing that the military was hostile to the domestic private sector, the policies of self-reliance and Ghanaianization probably benefitted small industries. With this in mind, the next section considers the military's specific policy towards the small industry sector.

7.3 Policy towards Small-scale Industries

It is apparent that the military was eager to portray itself as the champion of small industries, and this eagerness was demonstrated on several occasions. The Five Year Plan is a case in point. The Plan both expounded the virtues of small-scale industrialization and promised assistance to Ghana's small industries—in sharp contrast to the sometimes dismissive rhetoric of Nkrumah's Seven Year Plan of 1963

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[30] 'Report of the Address of Lt.-Col. R.J.A. Felli, Commissioner for Economic Planning, delivered at GIMPA on 4 September, 1975', in National Committee for the Implementation of the National Charter/Ministry of Information, *Report of the First Conference on the National Charter of Redemption* (Accra-Tema: Ghana Publishing Corporation, 1976), pp. 35-6.

[31] NAGA RG 6/9/125, Agenda of the Meeting of the Ghanaian Enterprises Development Commission, 25/8/1977, Appendix 2B, 'Implementation of the Investment Policy Decree and the New Nigerian Enterprises Promotion Decree, 1977'.

[32] Ghana, *Burning Questions. Ghanaian Business Promotion (Act 334)* (Accra: Ministry of Information, 1970), p. 16.

(p. 110). For example, the Plan acknowledged that:

> Small-scale industries play an important role in the development of indigenous entrepreneurship and technical skills, in the creation of job opportunities and in correcting imbalances in the dispersal of industries ... appropriate programmes, embracing financial and technical assistance, training and procurement of equipment and other inputs, for the development of small-scale industries are being worked out ...[33]

According to the Plan, small industries would be developed through a five point programme. First, such firms would 'be encouraged, wherever possible, to organise into viable groups and co-operatives in order to reap the benefits of economies of scale in all spheres of their activities'.[34] Second, the government would build industrial zones equipped with roads, electricity, water, telephones and extension facilities, and let these to small industrialists 'on reasonable rental terms'.[35] Third, small-scale industrial training centres such as that in Tema (p. 152) would be encouraged to provide training, advisory and other extension services to Ghanaian businessmen.[36] Fourth, the government pledged to collaborate with the Ghana Manufacturers' Association to establish a research and technical services centre in Accra, which would guide and assist small manufacturers.[37] Finally, and most importantly, the recently-established Ghanaian Enterprises Development Commission would 'draw up and implement a comprehensive programme, embracing financial, commercial and technical assistance schemes, aimed at the development of small-scale Ghanaian enterprises'.[38]

The Successes of Government Policy

Not all of the pledges contained in the Five Year Plan were fulfilled. For example, the government's record on industrial training was particularly poor. By the end of 1977, only a handful of the 3,720 apprentices registered under the apprenticeship contract of the National Vocational Training Institute were from the small industry

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[33] Ghana, *Five-Year Plan, Part II*, p. 199.

[34] *Ibid.*, p. 197.

[35] *Ibid.*, p. 199.

[36] *Ibid.*

[37] *Ibid.*

[38] *Ibid.*

sector.[39] Of the 2,029 persons trained in-plant between 1969 and 1977, only 513 were small industrialists.[40] Nevertheless, many of the other promises made in the Five Year Plan were realized.

First, the military did encourage small industrialists to group together in co-operatives. In June 1976, the SMC wrote to the Commissioner for Industries and the Commissioner for Labour, Social Welfare and Co-operatives remarking:

> The Chairman of the Supreme Military Council is concerned about the difficulties being experienced by Ghanaian fitters who have sizeable workshops in securing their raw material requirements for their operation. It is understood that, on account of lack of proper organisation, it has not been possible to secure import licences for these requirements.[41]

It was recommended that such fitters be encouraged to form co-operatives in order to increase the viability of their enterprises. As a first step, the Commissioner for Industries ordered a survey of all fitters, to be conducted in co-operation with Regional Commissioners.[42]

Second, the government did attempt to develop industrial zones for small producers. In Suame, on the outskirts of Kumasi, the government embarked on a ¢3 million light industrial project in 1973, which, according to the *Daily Graphic*, was designed to provide fitters 'with modern facilities to boost their work'.[43] The Suame light industrial project included a vocational training centre where fitters would be taught auto-body repair, together with auto-electrical and auto-mechanical engineering.[44] Similarly, in Sunyani, the government mooted plans for transferring local fitters to a permanent site in 1976.[45] By early 1979, some fitters had been

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[39] J.K. Akushie, 'Apprenticeship Training in Ghana', Seminar Paper on Modules of Employable Skills Concept, NVTI, 6-8 December, 1977, p. 7, cited in Thomi and Yankson, *Small Scale Industries*, p. 89

[40] JASPA/ILO, 'Employment Problems in the Rural and Informal Sector in Ghana' (Addis Ababa, 1977), 4.10, cited in Thomi and Yankson, *ibid.*, p. 89.

[41] NAGS RAO 12/16, F.W. Beecham, the Secretary of the Supreme Military Council, to the Commissioner for Industries and the Commissioner for Labour, Social Welfare and Co-operatives, 1/6/1976.

[42] *Ibid.*

[43] Darko, 'Aid for Fitters', p. 1.

[44] *Ibid.*, p. 3.

[45] NAGS RAO 12/16, G.D.K. Fianu, Chief Executive, Wenchi District Council, to the Regional Administrative Officer, Sunyani, 28/6/1976.

moved to a new location and attempts were being made to provide them with electricity.[46]

Third, the small-scale industrial centre in Tema, which had been established with Indian assistance in the early 1970s, was maintained. Thus, in the estimates for the 1976-77 financial year, the government earmarked ¢225,000 for this purpose.[47] Fourth, the government did collaborate with the Ghana Manufacturers' Association to create a research and technical services centre for small-scale industrialists in Accra. According to the estimates for the 1975-76 financial year, ¢75,000 was set aside for this scheme,[48] with this figure projected to increase to ¢182,000 in the 1976-77 financial year.[49]

Clearly, there was some substance behind the military's pro-small industry rhetoric. However, perhaps the most important initiative was the reform of the Small Business Credit Scheme through the establishment of the Ghanaian Enterprises Development Commission.

The Ghanaian Enterprises Development Commission

The Small Business Credit Scheme, the centrepiece of the PP's small industry development strategy, had had only a marginal impact on the small industry sector. This was because the loans process was corrupted, while most of the loanable funds was disbursed either in large sums, or to non-industrial sectors (pp. 154-155).

After 1972, the Small Business Credit Scheme was reformed substantially. The impetus for reform can be traced to April 1972, when Acheampong appointed a commission to review the operations of the Scheme.[50] The Commission of Enquiry into the Operations of the Office of Business Promotion and the Small

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[46] NAGS RAO 12/16, O.Y. Sarkodie, District Chief Executive, Sunyani District Council, to the Regional Administrative Officer, Sunyani, 9/1/1979.

[47] Ghana, *The Annual Estimates for 1976-77. Part I, vol. VI, Industries* (Accra: Ministry of Finance, 1976), p. 8.

[48] Ghana, *The Annual Estimates for 1975-76. Part I, vol. VI, Industries* (Accra: Ministry of Finance, n.d.), p. 8.

[49] Ghana, *Annual Estimates for 1976-77*, p. 8.

[50] Ghana, *Report of the Commission of Enquiry into the Operations of the Office of Business Promotion and the Small Business Loans Scheme* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. v.

Business Loans Scheme, otherwise known as the Anin Commission, published its final report almost two years later. In it, the Commission criticized the Small Business Credit Scheme on two counts. First, it charged that the loans process was opaque, since there was 'a lack of any consistent criteria' for deciding who should be given a loan.[51] Moreover, the fact that politicians dominated the loan disbursement committees 'tilted the grant of loans in favour of party members'.[52] To rectify this problem, the Commission recommended that an independent board should preside over the loans process. This would remove the 'stigma of political patronage' from which the Scheme had suffered since its inception.[53] Second, the Commission condemned the fact that a high proportion of credit had been disbursed in the form of large loans. In this connection, it recommended that a:

> clear policy decision should be taken by the Government about the optimum upper ceiling of this *Small* Loans Scheme before the Scheme escalates into a *Big* Loans Scheme, which presumably was never the ideal envisaged ...[54]

The military concurred with these findings. In a 'White Paper' on the Anin Commission's Report, it accepted, as an 'irresistible conclusion',[55] that the loans process had been corrupted, and agreed to limit the size of loans.[56] As a first measure, it proposed transferring the administration of the scheme to the Ghanaian Enterprises Development Commission (GEDC). The GEDC had been established by the terms of Decree 330 of 1975, the Ghanaian Enterprises Development Decree.[57] It was the government's 'key agency' for ensuring that Ghanaians exerted 'their rightful roles in the management and control of the national economy'.[58] To this

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[51] *Ibid.*, p. 17.

[52] *Ibid.*, p. 12.

[53] *Ibid.*, p. 18.

[54] *Ibid.*, p. 5.

[55] Ghana, *White Paper on the Report of the Commission of Inquiry into the Operations of the Office of Business Promotion and the Small Business Loans Scheme* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 2.

[56] *Ibid.*

[57] *Ibid.*, pp. 2-3.

[58] Ghanaian Enterprises Development Commission, *First Annual Report of the Ghanaian Enterprises Development Commission and the Office of the Ghanaian Enterprises Commission, for the Period July 1, 1975 to June 30, 1976* (Accra-Tema: Ghana Publishing Corporation, n.d.), p. 1.

end, the GEDC's main function was to provide Ghanaian businessmen with technical and financial assistance, as well as a 'general advisory service'.[59]

With regard to small-scale industries, the GEDC had two notable achievements during the NRC-SMC period: placing a ceiling on the size of loans and reorienting the Credit Scheme towards the industrial sector. In preparation for the fiscal year 1978-79, the GEDC decided that only firms with less than ¢300,000 in fixed assets would be eligible for its loans.[60] In addition, the GEDC acknowledged that, in the past, most of money disbursed under the Small Business Credit Scheme had been directed towards non-industrial sectors. This is evident from table 7.1.

Table 7.1. Small Business Credit Scheme, Loan Disbursements by Sector, 1970-June 1978.

Sector	Number of Loans	Amount (¢)
General Trading	9,468	10,161,598
Commercial Transport	525	7,712,132
Manufacturing	604	3,022,260
Services (including repair)	367	2,427,012
Farming	26	122,989
Exports (coffee, lumber)	19	225,500
Totals	11,009	23,671,491

Source: GEDC, *Third Annual Report*, part II.

Hence, it was decided that, in future, loans would be re-directed towards the industrial sector. As the GEDC observed:

> In the light of the current economic situation and fiscal policies of the government which places emphasis on the productive sector and export promotion, there is ample justification for the suspension of loans for

[59] *Ibid.*

[60] Ghanaian Enterprises Development Commission, *Third Annual Report, 1977/78* (Accra: Ghana Publishing Corporation, n.d.), p. 1.

trading.[61]

This decision marked a significant break with previous government policy. For the most part, business lobbyists and Ghanaian governments before 1978 had sought to promote Ghanaian traders. This had been the agenda of veteran lobbyists such as W.A. Wiafe, the CPP Member of Parliament for Kwahu South, in the 1950s (p. 143). It had also been the agenda of the PP (Chapter Six). By contrast, the GEDC's decision to alter its loans policy signalled that the government no longer considered Ghanaian participation in trading to be a critical issue. Instead, Ghanaian business promotion efforts would be targeted at the small industry sector.

There is evidence that this new policy was implemented successfully. In the 1980-81 financial year, the GEDC granted 166 loans, 90 of which were for manufacturing, 49 for services, 22 for agriculture and 5 for trade, commerce and transport.[62] In money terms, manufacturing accounted for 68 per cent of the total credit disbursed in that year, while the share of trading, commerce and transport had fallen to a mere 1.3 per cent.[63] In short, the GEDC's reform of 1978 marked a definite watershed in the loans policy of the Small Business Credit Scheme.

Policy Towards Small-scale Industry: Failures

Despite these developments, there are grounds for questioning the depth of the government's real commitment to assisting small industries. In addition, the military actually worsened the climate for small-industries in many ways.

First, if the government was committed to small industry promotion, then it is reasonable to expect that significant resources would have been earmarked for this purpose. However, an analysis of government spending intentions shows that this was not the case. For example, the Five Year Plan seemed to promise substantial assistance for small industrialists but, in reality, did nothing of the sort. Over the Plan period, 1975-80, it was estimated that ¢745,438 would be spent on the reactivation of cottage industries which had fallen into decay since the Nkrumah

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[61] *Ibid.*, p. 7.

[62] Ghanaian Enterprises Development Commission, *Annual Report, 1980/81* (Accra, 1981), cited in Thomi and Yankson, *Small Scale Industries*, p. 86.

[63] *Ibid.*

years, ¢2 million would be spent on small-scale industrial sites, and ¢2.5 million would be used to construct a small-scale industrial training centre.[64] Yet such figures were trivial in comparison to the government's other industrial spending plans which included: ¢6 million on the establishment of a steel mill in Kumasi with a capacity of 30,000 tons per annum;[65] ¢18.6 million on a joint venture between Ghana, Togo and the Ivory Coast to produce 200,000 tons of clinker per year;[66] and ¢50 million for GIHOC, the huge state industrial conglomerate.[67] Evidently, if small industry development was a priority, then the government was certainly not putting its money where its mouth was.

There is also reason to doubt the vitality of the government's small industry development strategy. This is apparent from an examination of the annual estimates of the Ministry of Industries in the 1970s. Each annual estimate provides a good summary of the Ministry of Industries' activities in small industry promotion. These summaries suggest strongly that the Ministry's small industry development division was characterized by severe inertia. For instance, in 1974, the Ministry described its Small-Scale and Rural Industries Division as being:

> responsible for the maintenance of 16 small-scale industries which were closed down in 1968 and whose re-activation is under active consideration. The Division is also responsible for rural industries and the Small-Scale Industrial Training Centre which has been established at Tema under a programme sponsored jointly by E.C.A. and U.N.I.D.O.. The Centre, which is to train Ghanaians in the techniques of handling small plant and machinery necessary for small-scale industries, is manned by three Indian technical experts. The centre will also be used as a repair workshop for small-scale industries.[68]

Four years later, using virtually identical words, the Ministry described this Division as being:

> responsible for the maintenance of small scale industries which were closed in 1968 and whose re-activation is under active consideration. The Division is also responsible for rural industries and the Small-Scale Industrial Training

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[64] Ghana, *Five-Year Plan, Part II*, p. 203.

[65] *Ibid.*, p. 201.

[66] *Ibid.*, p. 202.

[67] *Ibid.*, p. 204.

[68] Ghana, *The Annual Estimates for 1974-75. Part I, vol. V, Industries* (Accra: Ministry of Finance, 1974), p. 6.

> Centre which has been established in Tema under Indian Government Technical Aid. The Centre, manned by three Indian technicians has started training Ghanaians in techniques of handling small plant and machinery necessary for small-scale industries. The centre will also be used as a repair workshop for small-scale industries.[69]

What these extracts suggest is serious administrative lethargy in the Small-Scale and Rural Industries Division of the Ministry of Industries. Over the four year period from 1974 to 1978, the re-activation of the small industries which had been closed in 1968 was still 'under active consideration', while there were still plans to use the Tema Centre as a 'repair workshop for small-scale industries'.

In contrast to the government's failure to develop the Tema Centre further, the Technology Consultancy Centre (TCC), an initiative of the University of Science and Technology (UST) in Kumasi, was a real success. The TCC had been established in 1969, when the UST first developed informal links with small-scale manufacturers in the Suame Magazine.[70] In 1972, these links were formalized through the creation of a Technology Consultancy Centre, which sought to develop technology to suit Ghana's factor endowments.[71] Some of these attempts were quite successful. For instance, during the 1970s, the TCC developed a technology for producing nuts and bolts which was taken up later by a local entrepreneur, and used as the basis for a successful business.[72] The development of a saw bench manufacturing capacity at Anloga revolutionized wood-working there, by making cheap saw benches readily available.[73]

Certain broader government policies probably worsened the environment for small industries. A prime case of this can be found in the growth of the parallel market or *kalabule*. Government policies after 1972 distorted prices within the economy. For example, the government's refusal to devalue the cedi, despite high domestic inflation, resulted in the cedi's real exchange rate appreciating more than

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[69] Ghana, *The Annual Estimates for 1978-79. Part I, vol. 6, Industries* (Accra: Ministry of Finance, 1978), p. 6.

[70] John Powell, 'Kumasi University's Involvement in Grassroots Industrial Development', *Small Enterprise Development*, 2 (1991) no. 2, p. 37.

[71] *Ibid.*

[72] *Ibid.*

[73] *Ibid.*, p. 38.

three-fold between 1973 and 1979.[74] These price distortions stimulated the growth of the parallel market, where prices were determined freely by supply and demand. As the economy collapsed during the 1970s, people sought to buy goods at the official, distorted price, and sell them in the parallel market where prices were higher. In other words, the incentive for arbitrage and trading between the controlled and parallel markets was immense.

Trading between these markets became a national obsession during the military years, and not just for the wealthy. An ordinary farmer could buy a bag of fertilizer at the official government price, smuggle it into the CFA zone, sell the fertilizer for CFA francs, and then return to Ghana to sell the bag, in the process earning more than the original cost of the bag and fertilizer.[75] Likewise, a cocoa farmer could smuggle produce into the CFA zone, where cocoa could be sold for CFA Francs which, when converted back into cedis, yielded much more than the government rate for cocoa. Accordingly, by the early 1980s, a significant proportion of the Ghanaian cocoa crop was being smuggled out of the country.[76]

While there was every incentive to trade, for small-scale industries the price incentives were different. Although industrialists could produce for the parallel market directly and thereby secure high prices for finished products, quite often, they had to buy their inputs from this parallel market as well. Thus, the military's policy of controlling the economy created price distortions which resulted in there being relatively greater incentives to trade than to engage in small industrial activities. To be sure, the military did try and ease controls over the economy from 1977. The budget of that year was meant to be 'a major attempt to move away from stringent controls',[77] and in 1978, the cedi was finally devalued, albeit by only 58 per cent. Nevertheless, *kalabule* persisted and so did incentives to trade.

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[74] World Bank, *Ghana: Policies and Program for Adjustment* (Washington, D.C., 1984), statistical appendix, table 7.1 and table 5, cited in Rimmer, *Staying Poor*, table 7.4, p. 149.

[75] Ewusi, *Political Economy*, p. 29.

[76] Victor Azarya and Naomi Chazan, 'Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea', *Comparative Studies in Society and History*, 29 (1987) no. 1, p. 121.

[77] Ghana, Supreme Military Council, *Budget Statement for Fiscal Year 1977-78, by General I.K. Acheampong, Chairman of the Supreme Military Council* (Accra: Ministry of Finance, 1977), p. 17.

The growth of corruption and the arbitrary use of government power also worsened the climate for small-scale industries. Corruption had been prevalent before 1972 in the Industrial Development Corporation and the Ministry of Finance (pp. 113, 117). However, it multiplied after 1972[78] and infiltrated many of the institutions which assisted Ghanaian businessmen. The National Investment Bank (NIB) appears to have been affected particularly severely. One of the objectives of the NIB was the 'counselling and encouraging of small Ghanaian business concerns',[79] in particular, through the provision of loans. Yet military interference in the day-to-day operations of the NIB became 'rampant' after 1972.[80] As Sekyere-Abankwa writes:

> The management of the Bank has often come under pressure to assist and give loans to specified clients despite that such clients by the Bank's criteria do not qualify for financial assistance.[81]

In this corrupted loans process, it is likely that small-scale industrialists who genuinely required loans were at a disadvantage compared to those who could acquire them through their 'connections'.

The growth of the arbitrary use of government power probably worsened the climate for small industrialists as well. For business to prosper, it generally is agreed that governments need to establish a legal system which enforces contracts quickly and fairly. As the World Bank observes:

> A simple and transparent legal framework, properly enforced, is indispensable for the long-term success [of a business] ... Such conditions, in which the official rules of the game are uncertain, exact a heavy price from firms and the economies in which they operate. Entrepreneurs need consistent and enforceable laws, which subject all parties—from the politically or economically powerful to the microentrepreneur—equally to the rule of law.[82]

After 1972, the 'official rules of the game' were uncertain. The military government

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[78] Jeffries, 'Ghana', pp. 77-81.

[79] NAGA ADM 13/2/101, 'National Investment Bank Bill', Memorandum submitted by the Minister of Finance and Trade for the Cabinet Meeting of 5/2/1963.

[80] Stephen Sekyere-Abankwa, 'Development Banking in Ghana. A Case Study of the National Investment Bank', University of Ghana, School of Administration, MBA, 1981, p. 144.

[81] *Ibid.*

[82] World Bank, *Sub-Saharan Africa: from crisis to sustainable growth* (Washington D.C.: World Bank, 1989), pp. 143-4.

by-passed the judiciary on numerous occasions. For instance, 'Army-cum-Police intervention', rather than court action, was used to pursue those who had defaulted on loans provided under the Small Business Loans Scheme.[83] Meanwhile, soldiers on the ground frequently took the law into their own hands. Numerous cases of this are on the record, such as that of Asante Kusi from Sunyani. Writing in a petition to the Regional Commissioner of Sunyani in July 1976, Kusi claimed that, in an argument over payment of a particular public levy, a soldier from the Sunyani Barracks had beaten him with a gun and then shaved his head bald while slapping him.[84] Thus, as state power was wielded in an increasingly indiscriminate fashion after 1972, the climate for small industrialists worsened.

7.4 Reasons for Policy

Government policy to small industries then, was not wholly negative. Yet at the same time, the military refused to commit significant resources to small industry development and, in many ways, the environment from small industries worsened. Why did government policy take this form?

While the military may have preferred planning and harboured suspicions of the private sector, these were not ideals which were adhered to dogmatically. Unlike Nkrumah, who was a committed socialist (pp. 127-128), Acheampong and the military had no definite economic agenda when they ousted the Busia government. The NRC did argue that 'The bizarre economic policies of the Busia Government could only, given a few more months, have led to a total collapse of the national economy'.[85] However, the military, like the National Liberation Council in 1966 (p. 157), had no clear idea of what policies to pursue. Hence, in the new regime's first press conference, four days after the coup, Acheampong offered some broad ideas on economic policy, but nothing definite:

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[83] Ghana, *Commission of Enquiry*, p. 21. GEDC, *First Annual Report*, pp. 10-11.

[84] NAGS RAO 6/4, Petition of Asante Kusi ... In Respect to the Behaviour of N.N. Danquah of the 3rd Battalion of Infantry, Liberation Barracks, Sunyani, to the Regional Commissioner, Regional Office, Sunyani, 21/7/1976.

[85] NRC, *First Hundred Days*, p. 10.

We have taken steps to initiate a number of measures aimed at reviewing the various aspects of this crisis with a view to suitable solutions being evolved for them. I would like to emphasize, however, that whatever measures we evolve for dealing with our national problems will be *national* in scope and character; will be based on *hard work* and will have as their bedrock the principle of *self-reliance*.[86]

Acheampong's remarks suggest clearly that economic policy was still being formulated and that the military was being flexible about it, so long as it conformed to the principle of self-reliance, among other things.

Given that self-reliance was to be central to economic policy, and considering that the repudiation of some foreign debts had alienated Ghana from the international financial community, the military had to exploit the totality of domestic resources—including those in the hands of Ghanaian entrepreneurs—if it was to revive the economy. This explains the Acheampong regime's particular emphasis on developing agriculture through 'Operation Feed Yourself' and other programmes.[87] It also explains the GEDC's decision in 1978 to reduce loans to traders and increase those to industrialists (pp. 175-176): this was a direct attempt to increase the productive base of the economy, at a time when output was contracting sharply. Hence, Acheampong was eager not to portray himself as hostile towards Ghanaian businessmen, when interviewed by *Africa* magazine:

Africa: Your Excellency, the entrepreneurial spirit seems very strong in Ghana. Do you think that a more socialist system would be acceptable?
Acheampong: I am reluctant to talk in terms of labels, but I do believe that the state is bound to play a forceful role, a leadership role in the development of the economy. I have said that a country with our limited resources cannot leave everything to market forces, and I have said that we have to use state power to capture the commanding heights of the economy for Ghanaians. We can do this without curbing the entrepreneurial spirit of Ghanaians.[88]

In any case, just as the PP had associated Ghanaian business promotion with the political goal of building a democratic society, so Acheampong appears to have associated Ghanaian business promotion with the broader social goal of creating a better, happier society. As he noted in March 1972, private investment would be

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[86] 'First Press Conference Given by the Chairman of the N.R.C. on 17 January 1972', in Ghana, *Good Tidings*, p. 8.

[87] Rimmer, *Staying Poor*, pp. 163-4. Frimpong-Ansah, *Vampire State*, p. 109.

[88] 'Why I Sacked Busia', Col. I.K. Acheampong in an Interview with *Africa* (n.d., but probably early 1970s), in E.D. Ziorklui, *Ghana: Nkrumah to Rawlings* (Accra: Em-Zed Books, 1988), p. 208.

encouraged since:

> It has been our belief that a system, which permits individuals to show initiative and to develop a sense of pride in their achievement, is bound to yield maximum benefits for the country.[89]

Why did the military not develop more dynamic policies for small industry development? The explanation for this probably lies in the government's administrative collapse after 1972. Unlike in Nigeria, where the 'oil boom' increased the disposable resources of the federal government,[90] the Ghanaian state became increasingly impoverished and impotent during the 1970s.[91] Consequently, its administrative capacity withered. Thus, the NRC published outlines of its Five Year Plan in 1975, but failed to start implementing them until two years later.[92] By the late 1970s, the Ministry of Finance and Economic Planning was releasing departmental budgets several months after the commencement of the financial year to which they related.[93] Small industry development plans suffered in this environment of administrative impotence. As a result, plans to extend the field of reserved industries, which had been mooted as early as December 1977, were still being considered by the government in 1981.[94]

7.5 AFRC Rhetoric and Policies

The AFRC period lasted only three months, but, during this time, the environment for small-scale industrialists worsened dramatically. There were three reasons for this.

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[89] 'Speech delivered at the Offices of the Capital Investments Board', in CIB, *Brief Guide*, p. 2.

[90] Tom Forrest, 'State Capital, Capitalist Development, and Class Formation in Nigeria', in Paul M. Lubeck (ed.), *The African Bourgeoisie. Capitalist Development in Nigeria, Kenya and the Ivory Coast* (Boulder, Colorado: Lynne Rienner Publishers, 1987), p. 315.

[91] Azarya and Chazan, 'Disengagement', pp. 129-30.

[92] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), p. 10.

[93] 'Editorial: Reckless Dissipation of Public Funds', *The Legon Observer*, vol. xii, no. 5, 14-27 March, 1980, p. 97.

[94] NAGA RG 6/7/83, Investment Policy Implementation Committee, 'Report on the Implementation of the Investment Policy Decree for the Period January 1977 to May 1981' (1981), p. 5.

First, the AFRC launched a 'moral revolution'[95] against corruption and profit-making, and lashed out against all manifestations of *kalabule*. It is known that traders were particular targets of this 'moral revolution', because the AFRC perceived them as being the linchpin of *kalabule*. One measure to curb *kalabule* was the forced reduction of prices. Thus, following the coup, the price of bread was pegged at ¢2.30.[96] Traders who resisted, and even those who did not, were harassed, as *The Legon Observer* recorded at the time:

> if the forced price cuts did not please business and, especially, market women, they were in for a more mind-boggling experience. Makola women (or generally market women) ... practically saw their nakedness in public as many were whipped (by men), their hair shaven and forced to roll in odorous gutters as punishment for their alleged leading role in the unscientifically defined mess of 'kalabule'. To cap it all, the citadel of the Accra Market women, Makola No. 1, was demolished on September 20 ... Four days later, the sprawling Kantamanto market in Accra was also pulled down.[97]

Although traders bore the brunt of government actions against *kalabule*, the interviews which I conducted in Kumasi in 1996 suggest that small-scale industrialists were affected as well. A small-scale nut and bolt manufacturer in Suame provided this vivid account of working conditions during the 'moral revolution':

> Q But then what happened during the Uprising Time, 1979?
> A That one there I would say was a Revolution.
> Q A what?
> A It's a Revolution. So, I can't blame. A Revolution, I can't blame. The man there, I can't blame. The word Revolution there, say, big changes.
> Q What sort of change happened?
> A During the Revolution time? They say everything must come down.
> Q The price?
> A Eh ... men of integrity. No Kalabule. That was the Revolution time we're talking about. So that time, it's a Revolution time.
> Q And did the soldiers come—
> A Hey! Harassment! I won't lie. I won't lie. If you don't sell your thing at the appropriate price, they will harass you. That time. At that time. That time I'm talking about, not now.
> Q Not now. No. Now what sort of harass—
> A Because by that time, they need us to obey the law. And do everything and at that moment. That was my mind. So that time. So it's harassment, just harassment. They used to come and force us: sell this thing at this.

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[95] 'Observer Leader: The Year 1979 in Retrospect', *The Legon Observer*, vol. xii, no. 1, 18-31 January, 1980, pp. 1, 4.

[96] *Ibid.*

[97] *Ibid.*

That's all.
Q Now, if you refused to do that, what would they do?
A They harass you. They harass you. Harassment. My friend why they selling this thing, ¢100, you sell them for 150? My friend sell them for ¢100. If you say, no sell, they will take you away. They will organize many people and come and buy the goods the ¢100. Because they say that is the control price we want to sell at. You, you should have sell it. So that so, that time, that was the main problem. That's all.
Q So they said no Kalabule?
A That time now they say they are sending Kalabule away. That time. That time, 1979 [laughter] they say they don't mean any Kalabule again. If you buy something ¢100, at least percentage you get you must watch out. No good. You can't double the percentage. That time, that was they were telling us. By that time, 79.[98]

To what extent the experience of this particular respondent is representative of others at the time is unclear. Nevertheless, it does indicate that the AFRC's attack on *kalabule* was not limited to the petty trading sector.

A second reason for the deterioration of the environment for small-scale industrialists was that the indiscriminate use of state power, which had increased in the Acheampong-Akuffo years, reached new peaks during the AFRC months. Several small-scale industrialists narrated their fear of military harassment in 1979. One agricultural machinery manufacturer recollected being harassed by the military for working on a holiday:

Q In what way were you affected?
A They told us, not to come on holiday and I came. That day, they came and arrest me. So, instead to send me to prison, they rather gave me some jobs to be done. To manufacture some cornmill machine, which is very cheating ...
Q For them?
A For them.
Q And free?
A Free. So I just manufacture it and they release me.
Q When was that? Which year?
A It was 79.[99]

This picture is confirmed by the recollections of another respondent:

Q Did other people in the Magazine get in trouble? Do you know anybody who did get in trouble with the soldiers [in 1979]?
A I can't point to, let's say, this man or that man. But all that I heard is, let's say, this much like this, you have to stay home for holiday. And you are working on a roadside, and you will soldiers passing by and you are still

[98] Metal 7.

[99] Metal 3.

working, maybe they will come and beat you. I've heard such things that they have been beating some people in the Magazine inside, while working on holiday.[100]

Finally, the AFRC targeted the self-employed for tax revenue, thereby bringing more small-scale industrialists into the tax net and diminishing the incentive for small industry work. The collection of tax from the self-employed had been a major problem for the government, even in the early 1970s. As the Central Revenue Department had noted in 1973, 'the greatest difficulty in tax collection lay with the self-employed'.[101] In June 1979, the AFRC observed that revenue collection for the year lay 'far behind expectations' on account of tax evasion, poor collection as well as corruption,[102] and mounted a major tax collection drive:

So as to leave no stone unturned, the Armed Forces Revolutionary Council has directed the Military Intelligence and other security agencies ... to mount a special exercise to expose all companies and self-employed people, including the professionals, artisans, trader, businessmen etc. who contravene existing legislation. As already indicated all those caught infringing tax laws and regulations will be made to face the full rigours of the law ... No mercy will be shown when dealing with those caught either evading or refusing to pay taxes.[103]

This tax collection drive is likely to have brought many small industrialists into the tax net. After all, in 1980, there were only 1,122 registered small-scale industries in Ghana.[104] It is highly probably that the many thousands of non-registered firms were paying no tax at all.

Using the little archival material which is available, together with interview data and published primary sources, this chapter has arrived at several important conclusions. First, despite the anti-private sector rhetoric and actions of the NRC and SMC, small-

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[100] Metal 6.

[101] IRS ADM 2605 (Original File No. 2280), Minutes of a Meeting of the Heads of the Major Revenue Departments, held in the Ministry of Finance and Economic Planning, 13/2/1973.

[102] NAGS RAO 15/15, 'Serious Short Fall in Revenue Collection and Measures to Arrest the Situation', Circular from E.K. Minta, Secretary to the Armed Forces Revolutionary Council to Commissioners, Senior Principal Secretaries, Principal Secretaries, Regional Administrative Officers, Heads of Departments, Public Boards and Corporations, 21/6/1979.

[103] *Ibid.*

[104] NAGA RG 6/6/174, Ghana, 'Government's Economic Programme, 1981/82-1985/86. Annexure I. Sectoral Plans (Part A)' (1981), p. 117.

scale industrialists actually benefitted from the regime's policies of self-sufficiency and Ghanaianization. In this respect, the experience of small industries mirrored that of the agricultural sector, the output of which expanded between 1970 and 1974 because of self-sufficiency programmes like 'Operation Feed Yourself'.[105] Thus, ironically, the military's policy of self-sufficiency, which was itself an anti-market impulse, actually encouraged small-scale industrialization.

Second, the NRC inherited a programme of Ghanaian business promotion from the PP. However, the GEDC's decision to re-direct loans from traders and transporters and towards industrialists marked a significant shift in policy, and one which the literature to date has ignored. By the mid 1970s, Ghanaian traders were well-established, as their active participation in *kalabule* demonstrated. Thus the government legitimately could focus its efforts on Ghanaian small industrialists instead.

Third, general economic and political developments worked against the military's specific efforts to promote small industries. On the one hand, general economic policy encouraged *kalabule* and shifted incentives from manufacturing to trading. On the other, general administrative collapse, corruption and the arbitrary use of state power all worsened the climate for small industrialists. Thus, the NRC-SMC years can be thought of as constituting 'micro' nurturism, but 'macro' suppression.

Finally, this chapter has provided a different perspective to industrial policy during the AFRC months. While the AFRC's hostility towards traders is well-documented, it has been demonstrated that this hostility extended to small industries as well. In other words, this chapter supports and extends the conventional literature which suggests that the AFRC was hostile to the private sector.

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[105] Huq, *Economy of Ghana*, table 4.1, p. 82.

8 THE BIRTH OF NURTURE CAPITALISM? 1979-92

In the 1979 elections, the People's National Party (PNP) won 71 seats in the 140 seat legislature and Dr. Hilla Limann became President.[1] The Armed Forces Revolutionary Council (AFRC) transferred power to the PNP, with Rawlings claiming that the military had 'every confidence' that it would never regret its 'decision to go back to the barracks'.[2] However, in 1981, Rawlings returned to mainstream Ghanaian political life by deposing the Limann government and establishing a new regime called the Provisional National Defence Council (PNDC). The PNDC ruled until 1992.

This chapter completes the discussion of government policy towards small-scale industries since c.1945. Like in Chapters Six and Seven, the analysis continues to include the state's relationship with the private sector. Section One reviews the historiography for this period. Sections Two and Three examine government rhetoric and policies during the PNP and PNDC periods respectively. The chapter's central conclusion is that, by 1992, institutional support for small industries had become so effective that Ghana's model of small industry promotion was being exported to other African countries. In addition, the macro-economic climate in which small industries operated had improved considerably.

8.1 Historiography

The PNP years have not attracted much academic interest. Perhaps this is because, as Jeffries writes, there have been 'few regimes, in Africa or elsewhere, about which it is so difficult to find anything interesting to say'.[3] With regard to economic policies, Jeffries contends that, apart from soliciting grants and accumulating debts

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[1] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), p. 139.

[2] *Ghana, Parliamentary Debates. Official Report*, 3rd series, vol. 1, no. 1 (Accra, n.d.), col. 10, J.J. Rawlings, Inauguration of the Third Republic, 24/9/1979.

[3] Richard Jeffries, 'Ghana: the political economy of personal rule', in Donal B. Cruise O'Brien, John Dunn and Richard Rathbone (eds.), *Contemporary West African States* (Cambridge: Cambridge University Press, 1989), p. 92.

from abroad, the Limann government sought just to muddle through.[4] Ewusi argues that the Limann regime 'fumbled with its economic policies'[5]: its first Minister of Finance and Economic Planning was dismissed after a year and Parliament almost rejected its second budget. Nevertheless, according to Ewusi, Limann tried to pursue an agenda of trade and price liberalization, complemented by the formulation of a liberal investment code.[6]

The relationship between the state and the private sector during the PNDC era has been analyzed in more detail. Most studies contend that the PNDC attempted to suppress the private sector until 1983. Thereafter, in a Damascene conversion, it embraced free-market, *laisser-faire* capitalism and supported private enterprise.[7] Although this is the general consensus, there are some divergent views. Tangri contends that the PNDC's pro-private sector credentials were weak, even after 1983,[8] and that the regime was not 'perceived by Ghanaian business as being a strong and unequivocal supporter of the private sector'.[9] According to Tangri, 'ambiguity and equivocation' were 'marked features of the attitudes of PNDC leaders towards local entrepreneurs'.[10]

With regard to the PNDC's post 1983 assistance programmes for small industry, it generally is thought that, although the PNDC was sympathetic to the case for small industry encouragement, in reality, direct assistance to this sector was small. Dawson suggests that the PNDC's small industry promotion programmes

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[4] *Ibid.*

[5] Kodwo Ewusi, *The Political Economy of Ghana in the Post Independence Period: Description and Analysis of the Decadence of the Political Economy of Ghana and the Survival Techniques of Her Citizens* (Legon: ISSER, 1984), p. 19.

[6] *Ibid.*

[7] Rimmer, *Staying Poor*, ch. 8. Baffour Agyeman-Duah, 'Ghana, 1982-6: the Politics of the P.N.D.C.', *Journal of Modern African Studies*, 24 (1987) no. 4, pp. 613-42. James C.W. Ahiakpor, 'Rawlings, Economic Policy Reform and the Poor: Consistency or Betrayal?', *Journal of Modern African Studies*, 29 (1991) no. 4, pp. 583-600. Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), p. 153.

[8] Roger Tangri, 'The Politics of Government-Business Relations in Ghana', *Journal of Modern African Studies*, 30 (1992) no. 1, pp. 97-111.

[9] *Ibid.*, p. 99.

[10] *Ibid.*, p. 104.

achieved little,[11] as does Fischer-Quincke.[12]

8.2 The Limann Years

In many ways, the PNP was a resurrection of Nkrumah's Convention People's Party (CPP). Nkrumah's former Minister of Industries, Imoru Egala, led the PNP until his disqualification from holding public office in 1979. The PNP also exploited old CPP networks to mobilize popular support during the election campaign.[13]

Yet the CPP and PNP shared not only personalities and institutions but also ideas. This is evident from the PNP's manifesto for the 1979 election, which had striking parallels to the CPP's *Programme for Work and Happiness* of 1962 and the CPP's *Seven Year Plan* of 1963. For example, the manifesto observed that:

> The Government of the first republic, inherited in 1957, a considerable legacy of poverty, disease and illiteracy. It had to grapple quickly with the problem of re-organising the whole of the life of the nation based on improvements in agriculture, communications, health, commerce, industry, finance, education, housing, energy and social services.[14]

This was virtually identical to the CPP's own assessment of the colonial inheritance in its *Programme for Work and Happiness*:

> The Party and Government ... inherited a miserable legacy of poverty, disease and illiteracy and had to grapple quickly with the problem of reorganising the whole of the life of the nation based on improvements in agriculture, commerce and industry, finance, education, communications, housing and health services.[15]

The PNP manifesto promised that 'science and technology' would be the basis of its agricultural, industrial and energy policies,[16] just as the *Seven Year Plan* had pledged 'social and economic development based on the use of science and technology to

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[11] Jonathan Dawson, 'Small-Scale Adjustment', *West Africa*, 28/12/1988, p. 2440.

[12] G. Fischer-Quincke, 'Small Enterprises for the Needs of the People: Ghana's "Small-Scale Industrial 'Take-Off'"', in Karl Wohlmuth *et al.* (eds.), *African Development Perspectives Yearbook, 1989. Vol. 1: Human Dimensions of Adjustment* (Berlin: Scholzky and Jeep, 1990), pp. 233-47.

[13] Jeffries, 'Ghana', pp. 88-91.

[14] People's National Party, *Manifesto of the People's National Party* (no publication details), p. 9.

[15] C.P.P., *Programme of the Convention People's Party for Work and Happiness* (Accra: Ministry of Information and Broadcasting, n.d.), para. 32.

[16] PNP, *Manifesto*, p. 23.

revolutionise our industry'.[17]

Many of the PNP's leaders had socialist sympathies. For example, in an interview with the BBC in April 1979, Egala argued that private capitalism had to be controlled and that all Ghanaians were socialist at heart:

> **BBC** You're not hostile then in principle to private capital and private investment?
> **IMORU EGALA** No, no, no, not at all. I think ... er ... it's a good thing, once it's under control. You see, some of our people call Ghanaians capitalists ... I don't see any capitalists in Ghana. They are all living on overdrafts ... There are no capitalists. We are all background socialists ...[18]

Similarly, Limann spoke in typical socialist fashion of reducing 'inequalities and inequities'. As Limann told Parliament at the official inauguration of the Third Republic, his vision of Ghana was one in which 'the majority of our people shall not be reduced to grinding poverty again' and where 'Crying inequalities and inequities shall be drastically curbed'.[19]

Clearly, the PNP had socialist leanings. This would suggest, *prima facie*, that the PNP was hostile to the Ghanaian private sector, just like the CPP had been (Chapter Five). However, this was probably not the case, because although the PNP did express socialist leanings, it had none of the CPP's socialist dogma. This is evident from the PNP's manifesto. In it, economic policy was nebulous, containing promises to eliminate hoarding, profiteering and smuggling,[20] while increasing industrial capacity utilization by improving the distribution of import licences.[21] In contrast to Nkrumah's clear policy of state-led, import-substituting industrialization, the manifesto had few concrete policies, except to promise that the PNP would establish iron and steel and heavy chemical industries.[22] One of the manifesto's only clear pledges on general economic policy was to promote self-sustaining development,

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[17] Office of the Planning Commission, *Seven Year Development Plan: A Brief Outline* (Accra: Government Printing Department, 1963), foreword.

[18] 'We Are All Socialists', Interview by BBC Network Africa with Imoru Egala, Leader of the People's Nationalist Party (PNP), *West Africa*, 30/4/1979, p. 741.

[19] Ghana, *Parliamentary Debates*, 3rd series, vol. 1, no. 1., col. 14, President Limann at the Inauguration of the Third Republic, 24/9/1979.

[20] PNP, *Manifesto*, p. 13.

[21] *Ibid.*, p. 25.

[22] *Ibid.*, pp. 25-6.

by 'making agriculture feed our industry, and industry feed our agriculture'.[23]

With regard to small industry development, it is clear that the PNP had none of the bold plans for Ghanaian business promotion which the Progress Party had in 1969 (pp. 145-147). Nevertheless, it had none of the CPP's 'doctrinaire socialism'[24] either. As a result, the Limann government was generally sympathetic towards small-scale industrial development. This is evident in the Five Year Economic Programme of 1981.[25] Although this programme was neither published nor implemented because of the fall of the government,[26] it does give an insight into the PNP's intentions. In the programme, the government recognized:

> the importance of small scale industries and its contribution to employment and to the industrial development of the country in the production and processing of food, manufacture of consumer goods and the repair of transport and other mechanical facilities in the system.[27]

It argued that, in the past, the industrial sector had developed through import-substitution, but this strategy had suffered from its over-reliance on imported inputs.[28] By contrast, small-scale industries used local raw materials, employed simple technology and were labour-intensive.[29] Nevertheless, previous governments had neither promoted nor co-ordinated their development:

> The country's industrialization efforts have concentrated mainly on the establishment of large-scale manufacturing industries. Consequently, there has been a complete lack of a co-ordinated programme for the promotion of rural and small-scale industries ... Responsibility for rural and small-scale industries development is diffused, fiscal incentives are non-existent, infrastructural and physical facilities are not well developed and extension services are lacking.[30]

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[23] *Ibid.*, p. 26.

[24] 'Observer Leader: The Year 1979 in Retrospect', *The Legon Observer*, vol. xii, no. 1, 18-31 January, 1980, p. 2.

[25] NAGA RG 6/6/174, Ghana, 'Government's Economic Programme, 1981/82-1985/86. Annexure I. Sectoral Plans (Part A)' (1981).

[26] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), p. 11.

[27] NAGA RG 6/6/174, Ghana, 'Government's Economic Programme, 1981/82-1985/86. Annexure I. Sectoral Plans (Part A)' (1981), p. 22.

[28] *Ibid.*, p. 116.

[29] *Ibid.*, p. 122.

[30] *Ibid.*, p. 120.

To rectify past failings, the programme envisaged that various government institutions would increase training for small industrialists. It was estimated that the number of participants on Management Development and Productivity Institute (MDPI) training programmes would increase from 1,170 in 1981-82 to 1,320 in 1985-86,[31] while the number on National Vocational Training Institute training schemes would rise from 2,037 to 2,779.[32] In addition, the Programme proposed to improve the co-ordination of government institutions engaged in small industry development by establishing a 'Small-Scale Industries Promotion and Development Board' within the Ministry of Industries. This Board would 'plan and execute a strategy for the accelerated growth of the cottage and small-scale industries sector'.[33]

It would appear that the PNP's private language, as expressed in the Plan, was not entirely hollow. In the 1979-80 Settlement, 13.5 per cent of the budget of the Ministry of Industries, Science and Technology was earmarked for small industry development projects.[34] This was up from 12.7 per cent in 1978-79[35] and a considerable jump on the 1.8 per cent spent on small industry programmes in 1972-3.[36] In real terms, this represented a three-fold increase in the amount being devoted to small industry promotion between 1972 and 1979.[37]

However, perhaps the biggest achievement of the Limann years lay in producing legislation for the creation of the National Board for Small-Scale Industries.

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[31] *Ibid.*, table 4.7, p. 83.

[32] *Ibid.*, table 4.8, p. 84.

[33] *Ibid.*, p. 122.

[34] Ghana, *Annual Estimates for 1979-80. Part I, vol. V, Ministries of Industries, Science and Technology* (Accra: Ministry of Finance and Economic Planning, 1979), p. 8.

[35] Ghana, *The Annual Estimates for 1978-79. Part I, vol. 6, Industries* (Accra: Ministry of Finance, 1978) pp. 2-10.

[36] Ghana, *The Annual Estimates for 1973-74. Part I, vol. V, Industries* (Accra: Ministry of Finance and Economic Planning, 1973), pp. 2-8.

[37] *Ibid.*, pp. 2-8. Rimmer, *Staying Poor*, table 7.4, p. 149. Ghana, *Annual Estimates for 1979-80*, p. 8.

The National Board For Small-Scale Industries

There had been calls for a more co-ordinated approach to small industry development as early as 1978,[38] but little action was taken until the establishment of the National Board for Small-Scale Industries (NBSSI) by Act of Parliament in June 1981. According to the National Board for Small-Scale Industries Act, the main functions of the NBSSI were to: establish the criteria that constitute a small-scale industry; identify the types of small-scale industries in the country; assist the government on issues relating to the development and support of small industries; implement government policies with regard to small-scale industries; render general support (such as infrastructure and extension services) to small industries; co-ordinate the 'efforts of all agencies ... to ensure proper flow of information and avoidance of duplication of efforts and waste of material resources'; and control foreign aid and Ghana Government spending on the small-scale industrial sector.[39] Further, the Act prohibited other organizations from engaging in small industry promotion without the prior consultation and approval of the NBSSI.[40] In other words, the NBSSI was to be the umbrella institution under which all small industry promotion would take place.

In its passage through Parliament, there was criticism of particulars of the National Board for Small-Scale Industries Bill. For example, P.K. Owusu-Ansah argued that 'small-scale' should be defined by the Act itself and not left to the 'whims and caprices of the Board'.[41] However, the key points of the Bill had cross-party support[42] for numerous reasons. First, there appeared to be a clear-cut case for having an umbrella institution to promote small industries, since this sector had received inadequate institutional support in the past. As Nenyi Arkaah, Chairman of the Parliamentary Committee which had considered the Bill, explained to the House,

[38] Ghana Enterprise Development Commission, *Third Annual Report, 1977/78* (Accra: Ghana Publishing Corporation, n.d.), p. 24.

[39] Ghana, *The National Board for Small-Scale Industries Act, 1981 (Act 434)* (Accra-Tema: Ghana Publishing Corporation, 1981), pp. 3-4.

[40] *Ibid.*, p. 4.

[41] Ghana, *Parliamentary Debates. Official Report*, 3rd series, vol. 6, 29/4/1981-21/9/1981, col. 700, Dr. P.K. Owusu-Ansah, P.F.P., Wenchi-East, Second Reading of The National Board for Small-Scale Industries Bill, 12/6/1981.

[42] *Ibid.*, cols. 690-710.

in the deliberations of his committee:

> It was realised that studies conducted by international organisations, aid donor countries, and Ghanaian agencies, pointed to the fact that although the country had the institutional infrastructure and hence the capability to achieve a sustainable growth and development through small-scale industries (S.S.I.), inadequate attention had been given to this subsector. Among the studies referred to were those submitted to the Government by the World Bank, the Canadian International Development Agency, Indian Government Mission of experts, and local governmental and private agencies.[43]

Second, the idea of having one, co-ordinating institution for small industry development was particularly attractive to foreign donors. By the early 1980s, foreign donors were deeply involved in small industry promotion: the MDPI had been created with International Labour Office and United Nations Development Programme support in 1967 (p. 143), while the Tema small industries centre had been established in 1970 as a joint Ghanaian-Indian-foreign donor project (p. 152). Thus, Arkaah observed:

> international organisations, notably the United Nations Development Programme, the European Economic Community, and the World Bank preferred channelling aid for the promotion of small-scale industries through a national body such as the proposed board.[44]

Third, it was realized that small-scale industries not only made a major contribution to the economy, but also that they had the potential for further expansion. One Member of Parliament told the House that:

> small-scale industries have contributed in no small measure to the economy of this country, but it looks as if they are not being recognised and put in their proper places. For example, the shoes and sandals industry at the Kantamanto market. These small-scale industries have been able to support the poor worker in a way and this is one of the reasons why I think it is time now to give them recognition.[45]

Another member, Owusu-Ansah, took the argument further by pointing to the 'stupendous success' of Indian small-scale industrialization, and noting that 'Our problems are not dissimilar, and I would strongly urge that we can learn from the

[43] *Ibid.*, cols. 690-1, Nenyi Nkensen Arkaah, P.N.P., Efutu-Ewutu-Senya, Chairman of the Committee on Trade, Tourism, Industry, Science and Technology, The National Board for Small-Scale Industries Bill, Second Reading, 11/6/1981.

[44] *Ibid.*, col. 693.

[45] *Ibid.*, cols. 693-4, W.N. Grant, A.C.P., Takoradi, The National Board for Small-Scale Industries Bill, Second Reading, 11/6/1981.

Indian experience'.[46]

Finally, small industry promotion had cross-party support because there was a consensus that state-led, import-substituting industrialization *à la Nkrumah* was impossible in Ghana's economic circumstances. In the immediate post-colonial years, there had been a tendency to think about development in terms of reproducing the technological achievements of the West (p. 130). By the early 1980s, the economy was on the verge of complete collapse,[47] and such a strategy was clearly unfeasible. Members of Parliament knew this reality. As Nana Akuoku-Sarpong remarked:

> At long last by the introduction of this Bill, we are now making an open admission that we cannot turn this country into an industrial giant overnight ... After two decades of attempts at development in Ghana, there has been a sense of disappointment and frustration. We have painfully realised that we have to be creative in the sense of developing models and providing solutions which are indigenous. We have, so to speak, to go back to our roots and ensure that whatever solutions we evolve for our development problems are related to our experience.[48]

Evidently, in clear distinction to the situation in the immediate post-colonial years, the ideological undercurrent in early 1980s Ghana favoured small-scale and organic, rather than large-scale and 'turn-key', industrial development.

The Failures of the PNP

Although the National Board for Small-Scale Industries Bill was enacted in 1981, the NBSSI did not actually become operational until 1985. Thus, the Limann government did not survive to witness its most important measure for small industry promotion.

Besides the NBSSI Act, the achievements of the government were minimal. Many of the factors which had worsened the environment for small-scale industrialists during the Acheampong-Akuffo period remained. Price distortions continued to grow. By 1983, the parallel, market rate for the cedi reached 22 times the official,

[46] *Ibid.*, col. 698, Dr. P.K. Owusu-Ansah, P.F.P., Wenchi-East, The National Board for Small-Scale Industries Bill, Second Reading, 11/6/1981.

[47] World Bank, *Ghana: Policies and Program for Adjustment* (Washington D.C., 1984), p. xvi, cited in Rimmer, *Staying Poor*, p. 133.

[48] Ghana, *Parliamentary Debates. Official Report*, 3rd series, vol. 6, cols. 702-3, Nana Akuoku-Sarpong, P.F.P., Asante-Akim North, The National Board for Small-Scale Industries Bill, Second Reading, 12/6/1981.

controlled rate[49] and, according to the World Bank, Ghana had become one of the world's most 'distorted' economies.[50] Therefore, *kalabule* remained, and with it the incentive to engage in trading rather than production (pp. 178-179). Furthermore, the Limann regime continued with the AFRC policy of increasing the tax burden on the self-employed. In the budget for the financial year 1979-80, taxes on the self-employed were raised.[51] It is likely that this diminished the expansion potential of small-scale entrepreneurs. As *The Legon Observer* remarked:

> how can the government seek to foster the growth of small scale enterprises by going to such great lengths to provide them with access to credit, among other things, and yet wish to reduce own-savings in so drastic a fashion? Own-savings after all are the primary sources of investment funds for small enterprises.[52]

Finally, the government's financial position remained precarious. With this financial fragility, the administrative inertia which had characterized government in the Acheampong-Akuffo years remained. By 1981, government revenue had fallen to only 4.5 per cent of national income[53] and the state's capacity to administer a programme of small industry development—let alone carry out more important functions of government—was impaired seriously.

8.3 The Provisional National Defence Council

In 1979, Rawlings had few economic policies, except to stamp out all manifestations of *kalabule* (p. 184). However, between 1979 and 1981, Rawlings had come under the influence of a group of Dependency theorists at the University of Ghana.[54] As a result, in 1982, Rawlings was preaching the doctrine of Dependency theory and was blaming Ghana's economic condition on neo-colonialism.

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[49] Rimmer, *Staying Poor*, p. 168.

[50] World Bank, *World Development Report 1983* (New York: Oxford University Press, 1983), table 6.1, pp. 60-1.

[51] 'The Political Economy of the 1980 Budget', *The Legon Observer*, vol. xii, no. 5, 14-27 March, 1980, p. 100.

[52] *Ibid.*, pp. 101-2.

[53] Frimpong-Ansah, *Vampire State*, table 6.2, p. 95.

[54] Jeffries, 'Ghana', pp. 92-3.

The PNDC's attachment to Dependency theory is evident from many of its pronouncements. In its major economic policy statement of 1982, the PNDC reasoned:

> The historical roots of our present state of underdevelopment stem from British colonialism which bequeathed a set pattern of economic development, social structures, attitudes and an oppressive and parasitic state machinery.[55]

Thus, Ghana was a 'neo-colony',[56] and the PNDC proposed to eliminate 'foreign monopoly control over the economy and the social life', and to pursue a goal of 'total economic independence'.[57]

Following from the PNDC's ideological convictions, the private sector was suppressed. Government rhetoric turned against it. The PNDC condemned the 'phony businessmen and lazy annuitants'[58] and the 'corrupt company officials and profiteering middlemen' who used their 'connections' to obtain goods at official prices for resale at 'cut throat prices'.[59] Farmers and market women who refused to accept official prices were harassed physically, while controlling shares in foreign-owned commercial and manufacturing enterprises either were threatened with confiscation or confiscated.[60] House rents were reduced, thus cutting the incomes of private landlords, and Citizens Vetting Committees were established to 'investigate and punish economic crimes and corruption'.[61] In 1982, a network of 'Peoples' Shops' was planned to 'facilitate the popular control over the distribution of basic goods'[62] and so eliminate the private trade sector. A Tax Court was planned to reinforce the

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[55] Ghana, *Policy Guidelines of the Provisional National Defence Council* (Accra: Ghana Information Services, 1982), pp. 2-3.

[56] *Ibid.*, p. 3.

[57] *Ibid.*, pp. 5, 6.

[58] Ghana, *The PNDC's Programme for Reconstruction and Development. Statement by the PNDC Secretary for Finance and Economic Planning on Radio and Television on December 30, 1982* (Accra: Information Services Department, n.d.), p. 2.

[59] *Ibid.*, p. 3.

[60] Ahiakpor, 'Rawlings', p. 589.

[61] Zaya Yeebo, *Ghana: The Struggle for Popular Power. Rawlings: Saviour or Demagogue* (London: New Beacon Books, 1991), p. 62.

[62] Ghana, *PNDC's Programme*, p. 7.

tax collection drive.[63] Workers Defence Committees were formed to defend workers' rights in businesses. All the while, the judicial system was by-passed and the system of law and order became increasingly partial.[64]

Some of these measures worsened the environment for small-scale industrialists. For example, the drive to increase tax collection affected small industries. Van Ommering and van der Ree, who were conducting fieldwork on small-scale industries in May and June of 1982, found that soldiers were forcing small industrialists to register their businesses and pay income tax.[65] Similarly, the forced reduction of prices is likely to have affected small-scale industrialists, just as it had in 1979 (pp. 184-185).

The Volte Face of 1983

In 1983, the PNDC's economic policies changed completely. From that year, the PNDC embraced *laisser-faire* and free markets, supported the private sector and came to terms with the West. This was symbolized by the PNDC's decision to follow an 'orthodox' Structural Adjustment Programme (SAP) developed in conjunction with the World Bank and International Monetary Fund (IMF).

The shift in the PNDC's policies was expressed in numerous policy statements. In 1983, the regime conceded that a 'series of past policy decisions and actions' had had a 'cumulative adverse effect on the economy'.[66] These included an overvalued cedi, fiscal deficits, price controls and import licensing.[67] As far as the industrial sector was concerned, the PNDC would let inefficient industries collapse, including:

> those industries which were not economically viable, are a net drain on foreign exchange, provide few employment opportunities, are based on highly capital intensive techniques of production, generate almost no revenues for

[63] *Ibid.*, p. 19.

[64] Agyeman-Duah, 'Ghana, 1982-6', p. 629.

[65] Addie van Ommering and Kees van der Ree, 'Small-Scale Industries in Ghana. Past, present and possible role in economic growth and spread of development', University of Amsterdam, Department of Human Geography, MA, 1983, p. 60.

[66] Ghana, *Economic Recovery Programme, 1984-1986. Vol I* (Accra: Government of Ghana, 1983), para. 26.

[67] *Ibid.*

the Government or can only operate behind excessive tariff protection.[68] Accordingly, the SAP after 1983 consisted of a classic World Bank/IMF package of price and trade liberalization together with public sector reform.[69]

The reasons for Rawlings' *volte face* are numerous. By 1983, the policies recommended by Dependency theorists were failing to revitalize the economy[70] and, given the precarious economic situation at that time, the likelihood of the PNDC being toppled was great.[71] Also, substantial external backing from the Soviet Union and Libya for the PNDC's original policies were not forthcoming.[72] Whatever the reasons, it is clear that the SAP embodied several moves to support the private sector. For instance, institutional links between the PNDC and the private sector were cultivated. Thus, by the early 1990s, the Association of Ghana Industries was having 'regular meetings' with government ministers, as well as the Governor of the Bank of Ghana.[73]

After 1983, the PNDC's rhetoric towards the private sector became positive, and there are countless examples of this. The Economic Reform Programme of 1984-86, noted that:

> The Government recognizes that the private sector has a distinct role to play in successfully implementing the ERP. Accordingly, the Government is now in the process of finalizing a revised investment code so as to attract more private investment into the country.[74]

In 1984, the Governor of the Bank of Ghana gave notice that the PNDC was relying on the private sector to revitalize the economy. In Addo's words:

> given the dismal performance of the public sector, there is need for greater reliance on private investment in the Government's efforts to resuscitate the

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[68] *Ibid.*, para. 86.

[69] Rimmer, *Staying Poor*, pp. 183-85. Kodwo Ewusi, *Structural Adjustment and Stabilization Policies in Developing Countries. A Case Study of Ghana's Experience in 1983-86* (Tema: Ghana Publishing Corporation, 1987), pp. 17-8.

[70] Ahiakpor, 'Rawlings', p. 598.

[71] Frimpong-Ansah, *Vampire State*, p. 112.

[72] Jeffries, 'Ghana', pp. 94-7.

[73] The Secretariat of the Association of Ghana Industries, 'The Association of Ghana Industries' (Accra: typescript, 1993), p. 2.

[74] Ghana, *Economic Recovery Programme, 1984-86: Review of Progress in 1984, and Goals for 1985, 1986* (Accra: Ghana Publishing Corporation, 1984), p. 7.

economy.[75]

In 1986, Rawlings himself promised a new era of government-private sector relations, arguing that 'we are depending on the private sector to play a dynamic role in the resuscitation of our industries'.[76] Similarly in 1992, K.A. Butah, the PNDC Secretary for Industries, Science and Technology, observed that the private sector would be the 'prime mover' of industrialization, with the government playing 'a largely supportive role'.[77]

To be sure, the PNDC was not always as pro-private sector as might first appear. As late as 1990, the private sector felt that the government was not being as supportive as it could be. Among the private sector's complaints were:

> the need for officials of the highest echelons of the government machinery to acknowledge the efforts of the private sector through their pronouncements and actions, and to give due recognition of the role being played by the private sector in Ghana's economic recovery efforts ... [private entrepreneurs] observed with great concern that the harassment of investors by organs of the revolution/security agencies has not changed much.[78]

Tangri claims that 'In all the years of economic reform since 1983, the private sector has not felt adequately consulted'.[79] In addition, the PNDC's anti-private sector stance before the SAP remained etched in the memories of businessmen during the 1980s.[80] Indeed, these memories still haunted the private sector in the mid 1990s.[81]

Nevertheless, these problems need to be seen in historical perspective. The

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[75] J.S. Addo, 'The Rôle of Private Investment in Ghana', Ghana Manufacturers' Association, Accra, 24 February 1984, cited in Tangri, 'Politics of Government-Business Relations', p. 97.

[76] J.J Rawlings, 'Keynote Address at the Opening of the First Ghana Industry and Technology Fair, 1 March, 1986', in Ghana, *The New Direction and Purpose: Selected Speeches of Flt. Lt. J.J. Rawlings*, vol. 5 (Accra: Information Services Department, 1987), p. 17.

[77] 'Foreword by Captain (GN) K.A. Butah (PNDC Secretary for Industries, Science and Technology)', in Ghana, *Industrial Policy Statement. A Strategy for Industrial Regeneration* (Accra: Ministry of Industries, Science and Technology, 1992), p. ii.

[78] Ghana Investments Centre, 'Discussion Paper on Private Sector Development Issues, 1989/90' (1990), p. 3, cited in Tangri, 'Politics of Government-Business Relations', p. 99.

[79] Tangri, *ibid.*, p. 102.

[80] *Ibid.*, pp. 101-3. NAGA RG 6/6/146, World Bank (Western Africa Region and Industry Department), 'Ghana: Industrial Policy, Performance and Recovery (Report No 5716-GH)' (1985), pp. 41-2.

[81] Andrew Album and Andrew Lycett, 'Taking Stock of Africa', *African Business*, 206 (1996), p. 31.

PNDC's rhetoric of private sector support was more pronounced than any postwar government in Ghana with the possible exception of the Busia regime (Chapter Six). Consultation with the private sector did occur. Although the private sector was harassed at times by the 'organs of the revolution', the situation was clearly better than during the Acheampong-Akuffo period (p. 180), and certainly an improvement on the AFRC's own record in 1979 (pp. 184-186). By the standards of postwar Ghanaian history then, the PNDC was clearly pro-private sector.

The PNDC and Small-scale Industries: Rhetoric

Within this general policy of private sector support, the PNDC expressed its specific support for small industries. In 1986, Rawlings argued that Ghanaian industry had suffered from AIDS or 'Acquired Imports Dependency Syndrome'.[82] Hence, the PNDC was keen to stimulate small-scale industries which used locally-available inputs:

> Encouragement is also being given to the establishment and growth of small-scale, rural and agro-based industries which can take up the processing of local raw materials and thereby gradually reduce to the minimum, industry's dependence on foreign exchange-consuming raw materials.[83]

In the same year, Rawlings again championed the cause of small industry, arguing that:

> we must not permit the situation to develop, where small industries using traditional methods of production with low capital input will experience severe survival difficulties as the efficiency and privileged position of more modern industries strangulates them without making any kind of provision to absorb the workers being put out of a job.[84]

The PNDC's rhetoric of small industry support continued into the 1990s. In an industrial policy statement in 1992, the PNDC Secretary for Industries, Science and Technology observed that small-scale industry, 'a seed-bed for industrial entrepreneurship and a large employer of labour', would receive 'special attention'.[85] Moreover, the PNDC's policies would 'give full rein to the latent

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[82] Rawlings, 'Keynote Address', p. 15.

[83] *Ibid.*, p. 16.

[84] *African Affairs*, 178 (1986), p. 30, cited in Fischer-Quincke, 'Small Enterprises', p. 239.

[85] Ghana, *Industrial Policy Statement*, p. ii.

dynamism of entrepreneurs in the small-scale and informal sectors'.[86]

The Reconstruction of the Incentive Structure

During the 1970s and early 1980s, price controls encouraged the growth of *kalabule*, and thereby increased the incentive to trade rather than engage in production (pp. 178-179). After 1983, this incentive structure was reversed, as the PNDC discarded the belief that prices could be decreased through price controls and the elimination of *kalabule* by force.

On launching the SAP in 1983, the PNDC recognized that price incentives had suppressed industrial activity in the past. Rawlings asked:

> ... why has it become so profitable in this country simply to engage in trade instead of production? Why are the most productive and industrious people usually the poorest? Why do we make it less profitable for a person to produce maize here than for him to get an import licence to import it from abroad? Idleness and parasitism have become more rewarded in this economy than productive work.[87]

In an open admission of past policy failures, Rawlings explained how the incentives structure had disfavoured production. For example, in 1983, a metric ton of salt exported fetched ¢200 at the official rate, while the same quantity of salt could be sold locally for ¢1,127. This gave entrepreneurs no incentive to export salt and surrender foreign exchange to the Bank of Ghana.[88] Conversely, there was every incentive to import salt rather than produce it locally.

To restructure incentives in favour of production, the PNDC liberalized prices. The cedi was devalued progressively until the official rate touched the market rate in November 1990.[89] The 1,000 per cent devaluation of the cedi between 1983 and 1990 gave many small-scale industries which used local inputs a competitive advantage over larger industries using imported inputs.[90] It also reduced

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[86] *Ibid.*, pp. ii-iii.

[87] J.J. Rawlings, 'Ghana's Moment of Truth. Radio and Television Broadcast to the Nation on the 1983 Budget Statement, by Flt-Lt J.J. Rawlings, Chairman of the PNDC on Monday May 2, 1983' (no publication details), pp. 4-5.

[88] *Ibid.*, p. 5.

[89] Rimmer, *Staying Poor*, p. 184.

[90] Jonathan Dawson, 'The Wider Context: the Importance of the Macroeconomic Environment for Small Enterprise Development', *Small Enterprise Development*, 1 (1990) no. 3, pp. 41-2.

significantly the price advantage that foreign manufacturers held over local ones. External trade was liberalized as well, to the extent that, by 1989, the import licensing system had been scrapped.[91] As a result of price and import liberalization, *kalabule* diminished together with the incentives for trading over industrial activity.

The NBSSI

Although the NBSSI was conceived during the last year of the Limann government, the Board did not actually come into existence until 1985, and then with a skeletal staff of only three.[92] In part, the delay between conception and birth was a result of the chronic administrative collapse within government. Nevertheless, after absorbing the Ghanaian Enterprises Development Commission in 1991,[93] the NBSSI became the apex government organization for the promotion of small industries in Ghana. By 1994, the NBSSI had become a sizable institution, with 184 members of staff.[94]

The NBSSI attempted to promote small-scale industries in three main ways: the Entrepreneurship Development Programme (EDP), Business Advisory Centres (BACs) and direct credit provision. Under the EDP, 10 'trainers' were sent to the Entrepreneurship Development Institute of India to learn entrepreneurship development skills. Using these trainers, 10 Entrepreneurship Development workshops were held in Ghana between 1988 and 1991.[95] The EDP was targeted at graduates of tertiary education institutions, as well as retired and redeployed public officers, vocational and technical school leavers, and youth and school drop outs.[96] By 1994, 135 start-up entrepreneurs and 232 practising entrepreneurs had attended such workshops.[97]

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[91] Rimmer, *Staying Poor*, p. 184.

[92] F.C. Nkuakotse, Chairman of the Board of Directors of the NBSSI, 'Message Two', in NBSSI, *NBSSI News*, 1 (1994) no. 1, p. 3.

[93] 'Restructuring of National Board for Small-Scale Industries', in *ibid.*, p. 13.

[94] Nkuakotse, 'Message Two', p. 3.

[95] NBSSI, *NBSSI News*, 1 (1994) no. 1, p. 6.

[96] *Ibid.*

[97] *Ibid.*

BACs were established in large towns throughout Ghana from 1991. By 1994, there were Centres in Cape Coast, Kumasi, Accra, Koforidua, Sunyani and Tamale,[98] offering training and counselling services to small entrepreneurs, together with advice on securing credit.[99] Also, BACs acted as government centres where small businessmen could register their firms instead of having to do this in person at the Register-General's Department in Accra.[100]

By 1994, the NBSSI was disbursing credit to small-scale enterprises directly under three schemes. The first was the PAMSCAD—Programmes of Action to Mitigate the Social Costs of Adjustment—credit scheme, which had been established in 1989.[101] Under the PAMSCAD scheme, 570 entrepreneurs had received credit totalling ¢228 million by 1994.[102] Unlike the Small Business Credit Scheme before 1978 (table 7.1, p. 175), PAMSCAD targeted industrial entrepreneurs directly. Up to the end of 1992, 369 small industrialists had received ¢154.9 million of credit, compared to 154 service sector beneficiaries who had secured only ¢56.8.[103] Another credit scheme operated by the NBSSI was the Women in Development Project (WDP). This project was funded by foreign donors and was aimed at women entrepreneurs specifically. Between 1991 and 1993, over 3,600 women received ¢192 million under this initiative.[104] Finally, the NBSSI administered its own 'Revolving Fund', which offered credit to small-scale entrepreneurs. The Revolving Fund was capitalized out of a ¢80 million loan arranged in 1989.[105] There were 634 beneficiaries of the fund between 1989 and 1994.[106]

There are some tangible examples of how the NBSSI helped Ghana's small-scale industrial sector. One was Mrs. Osafo-Addo. Mrs. Addo returned to Ghana

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[98] *Ibid.*, p. 7.

[99] *Ibid.*, pp. 7-8.

[100] *Ibid.*, p. 7.

[101] *Ibid.*, p. 10.

[102] *Ibid.*

[103] *Ibid.*

[104] *Ibid.*

[105] *Ibid.*

[106] *Ibid.*

from Germany in 1982, having studied anaesthesia and intensive care therapy.[107] In 1987, using ¢2,600 of her own capital, she began growing peppers on a small plot of land and processed these peppers into shito, a hot sauce used to accompany a variety of Ghanaian dishes.[108] At this point, Mrs. Addo approached the NBSSI for assistance and, using a loan from the Board, expanded her business. Having always repaid the Board promptly, she developed a good repayment record, and was able to approach the commercial banks for further loans.[109] By 1993, Mrs. Addo's annual turnover had reached ¢51 million and her products were being exported to Britain, Germany and Scandinavia.[110]

GRATIS

The Small-scale Industries Centre in Tema was intended to provide for the technical needs of small-scale industries (p. 152). The project was initiated by Indian technicians, but, once they had left, the centre fell into disrepair. By the mid 1980s, most of its equipment was broken and staff morale was low.[111]

By contrast, the Technology Consultancy Centre (TCC) of the University of Science and Technology was proving quite a success (p. 178). A major development in the TCC concept occurred in 1980, when an Intermediate Technology Transfer Unit (ITTU) was opened in the Suame Magazine.[112] The Suame ITTU lobbied for the provision of an electricity supply to the Magazine, taught Suame businessmen industrial skills and identified 'appropriate' technologies for local small industries. Some of these technologies were imported and offered on hire-purchase to Suame businesses.[113] The hire-purchasing of imported small-scale iron foundries was particularly successful. Using these imported foundries, a pair of corn mill grinding

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[107] 'Moving to the Top with NBSSI: interview with Mrs Leticia Osafo-Addo, proprietress of Processed Foods and Spices Ltd', in NBSSI, *NBSSI News*, 1 (1994) no. 2, pp. 18-20.

[108] *Ibid.*

[109] *Ibid.*

[110] Association of Ghana Industries, *Newsletter*, July-September, 1994, p. 10.

[111] GRATIS, *Annual Review, 1988* (Tema: GRATIS, n.d.), p. 26.

[112] John Powell, 'Kumasi University's Involvement in Grassroots Industrial Development', *Small Enterprise Development*, 2 (1991) no. 2, pp. 38-40.

[113] *Ibid.*, pp. 38-9.

plates could be produced for ¢9,000 in 1990, while imported grinding plates of comparable quality from China and Britain cost ¢14,000 and ¢25,000 respectively.[114]

Already in the PNP era, plans had been mooted to revitalize the Tema Centre by making it a full ITTU.[115] There also had been calls to establish a national network of ITTUs. This idea was aired in Parliament in 1981, when one Member of the House observed in relation to the NBSSI Bill that:

> The Ministry of Industries, Science and Technology has a small-scale industrial training centre at Tema. I recommend that one of such schools be opened in each region to cater for the development of specific technologies that are relevant to resources available in those regions.[116]

The impetus to develop a national network of small industry centres originated from within the ITTU system as well. In 1982, small industry clients of the Suame ITTU formed the TCC Clients' Association.[117] One year later, the Clients' Association held an exhibition of locally-produced goods entitled 'Ghana Can Make It'.[118] This exhibition was such a success that, in 1984, Dr Francis Acquah, the PNDC Secretary for Industries, Science and Technology, called for the development of a national ITTU network.[119] The result of this initiative was the creation of the Ghana Regional Appropriate Technology Industrial Service (GRATIS) in 1987.[120] By 1993, GRATIS had established six ITTUs in regional capitals across Ghana.[121] These were providing free-of-charge information, advice and training to established small-scale industrialists, as well as importing and reselling cheap, second-hand

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[114] *Ibid.*, p. 40.

[115] Ghana, *Parliamentary Debates*, 3rd series, vol. 5, 20/1/1981-27/3/1981 (no publication details), col. 686, Oral Answer by Mr. M.P. Ansah, Minister of Industries, Science and Technology, to Mr. B.K. Nyame, 4/3/1981.

[116] Ghana, *Parliamentary Debates*, 3rd series, vol. 6, cols. 708-9, Mr. Martin Adane, P.F.P., Jaman, Second Reading of the National Board for Small-Scale Industries Bill, 12/6/1981.

[117] John Powell, *The Intermediate Technology Transfer Unit. A Handbook on Operations* [no publication details, but probably] (London: Intermediate Technology Publications, 1995), p. 2.

[118] *Ibid.*

[119] *Ibid.*

[120] *Ibid.*

[121] GRATIS, *GRATIS News*, 21 (1993), cover page.

machine tools.[122] By the early 1990s, the ITTU concept had become so successful that it was being exported to other African countries: in 1991, a Kenyan team visited Ghana to experience the ITTU concept first-hand and to draw up plans to create an ITTU in Mombasa,[123] while delegations had visited Ghana from Tanzania, Lesotho, Botswana, and Mali.[124] In addition, international organizations such as the European Community, Canadian International Development Agency and Economic Commission for Africa had expressed interest in replicating the ITTU idea elsewhere.[125]

A powerful force which shaped GRATIS was foreign aid. Foreign aid had influenced government policy towards small industries before, such as in the establishment of the MDPI (p. 143), the development of the Tema Centre (p. 151), and the formulation of the NBSSI Act (p. 194). It was also crucial in the GRATIS project: the European Community's European Development Fund provided ECU1.2 million to initiate the project; after that, the Canadian International Development Agency contributed C$3.5 million to construct an ITTU in every region.[126] Table 8.1 shows that foreign aid continued to finance GRATIS after its initial establishment.

Table 8.1. GRATIS' Sources of Income, 1988.

Source	¢ Million	Per Cent of Total Income
Government Subvention	12.6	27
Foreign Support	28.0	61
Earned Income	5.5	12

Source: GRATIS, *Annual Review, 1988*, p. 18.

[122] Powell, *Intermediate Technology Transfer Unit*, pp. 8-9.

[123] Caroline Gockah, 'ITTU idea glitters in the Mombasa "sun"', in GRATIS, *GRATIS News*, 13 (1991), p. 2.

[124] *Ibid.* Sabina Anokye Mensah and Patrick Nimo, 'Rate of Exchange Rises for African Ideas', in GRATIS, *GRATIS News*, 10 (1990), p. 7.

[125] *Ibid.*

[126] Powell, *Intermediate Technology Transfer Unit*, p. 3.

Policy Problems

So far it has been argued that, after 1983, the PNDC adopted a positive attitude to the private sector generally and small industries specifically. Nevertheless, there were several failings as well.

With regard to the PNDC's efforts to promote small-scale industries, a case can be made that public money was not always spent efficiently. To develop effective policies for small industry promotion, enough needs to be known about the characteristics of the sector first. Yet actually, the PNDC knew very little about this. As a World Bank study observed in 1985, 'Data on small-scale enterprises (fewer than 30 workers) are scarce, with little information gathered specifically on these enterprises since 1973'.[127] The PNDC did embark on a National Survey of Small Scale Industries in 1989, similar to that which had been conducted in 1963 (p. 69). Although data for this Survey was collected, computer software problems prevented it from being processed and the project was scrapped.[128] Therefore, it could be argued that without comprehensive information on the small-scale industrial sector, the PNDC framed its policies in the dark, or at least in the twilight.

There were also specific cases of public money not being spent cost-effectively. For example, the NBSSI Act set out that one of the primary functions of the NBSSI would be to define what constituted a small-scale industry.[129] However, as of 1990, the Board had failed to arrive at a definition.[130] In its absence, it can be surmised that the policies of the NBSSI were not focused and therefore did not represent the most efficient use of public money. In addition, there were some clear cases where public money was wasted. The Suame Workshop is a good example of this. The Suame Workshop was built in 1984 using $400,000

[127] NAGA RG 6/6/146, World Bank (Western Africa Region and Industry Department), 'Ghana: Industrial Policy, Performance and Recovery (Report No 5716-GH)' (1985), p. 35.

[128] Informal discussion with staff at the Statistical Service, March 1996.

[129] Ghana, *NBSSI Act*, p. 3.

[130] Bridget Kyerematen, 'Financing Small Scale Enterprises in Ghana', University of Ghana, School of Administration, MBA, 1991, p. 39.

provided by the Government of India.[131] The workshop consisted of foundry equipment and machine tools,[132] and its purpose was to introduce new skills and technologies to the Suame Magazine.[133] The decision to establish the workshop had been taken before a proper feasibility study had been completed.[134] In due course, the 'feasibility study' found that the project would be 'commercially unattractive' because of its large overhead costs,[135] and remarked diplomatically that 'A political decision was made to proceed with this project before a feasibility study was completed ... only a political decision was appropriate'.[136] Thus, it is certain that the $400,000 earmarked for the Suame Workshop could have been used more productively elsewhere.

Another important failing was the size of the PNDC's initiatives. Although not much was known about Ghana's small industries, what was certain was that this sector was large. In relation to the size of the sector, the PNDC's assistance schemes were insignificant. According to Fischer-Quincke, less than $2 million was spent on direct small-scale industrial development programmes in 1987.[137] GRATIS did not have a significant impact on the small-scale industrial landscape, providing training for only 637 people in 1989,[138] against an estimated small-scale industrial population of 509,000 in 1984 (p. 70). In fact, comparatively few small businessmen had any idea that schemes for their assistance existed. In Sowa's study of 1,365 small businessmen conducted in 1990, it was found that 52 per cent of respondents were aware of the existence of the NBSSI, but only 25 per cent knew of GRATIS and

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[131] NAGA RG 6/6/120, Technology Consultancy Centre (J.W. Powell, S. Buatsi, M.N. Washington, R. Moshage), 'Ghana Government Sponsored Workshop at Suame Magazine, Kumasi. A Feasibility Study' (1984), p. 1.

[132] *Ibid.*

[133] *Ibid.*, p. 17.

[134] *Ibid.*, p. 1.

[135] *Ibid.*, p. 17.

[136] *Ibid.*

[137] Fischer-Quincke, 'Small Enterprises', p. 239.

[138] *West Africa*, 23/4/1990, p. 662.

a mere 18 per cent had heard of a TCC.[139] Even fewer actually benefitted from existing schemes. In a study of 672 small-scale industries in the Suame Magazine in 1988, Dawson found that there was an 'almost total absence of official assistance of any sort'.[140] Only four firms had received any bank credit and fewer than ten had received any managerial training; only six firms had been assisted directly by the Suame TCC.[141]

Although the PNDC sought to increase credit to small enterprises, it would appear that this did not occur. Commercial banks continued to be wary of lending to small enterprises because of their high risk of default. As a result, by 1984, only Barclay's and Standard Bank were still participating in the Bank of Ghana's Credit Guarantee Scheme,[142] while by 1990, even the National Investment Bank had abolished its Small Scale Enterprises Department.[143] In contrast to the dearth of bank lending to small industries, banks 'showered abundant credit on formal sector manufacturers'[144] by recycling foreign loans secured by the government. As a result, between 1985 and 1990, lending to small manufacturing enterprises dropped as a share of total lending to manufacturing.[145]

Finally, it is possible that, although the PNDC did construct programmes for the promotion of small-scale industries, some of the PNDC's general economic policies were unhelpful. For instance, the PNDC's policy of public sector reform resulted in some 100,000 state employees being made redundant over the period

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[139] Nii K. Sowa, A. Baah-Nuakoh, K.A. Tutu and B. Osei, *Small Enterprises and Adjustment. The Impact of Ghana's Economic Recovery Programme on Small-Scale Industrial Enterprises* (London: Overseas Development Institute, 1992), table 6, p. 24.

[140] Dawson, 'The Wider Context', p. 43.

[141] *Ibid.*

[142] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), p. 83.

[143] Kyerematen, 'Financing Small Scale Enterprises', p. 53.

[144] Kwame A. Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra: Freedom Publications, 1991), p. 73.

[145] Ernest Aryeetey, 'Sectoral Credit Allocation Policy and Credit Flow to Small Enterprises in Ghana', in A.H.J. Helmsing and Th. Kolstee (eds.), *Small Enterprise and Changing Policies* (London: IT Publications, 1993), fig. 10.1, p. 194.

1983-89.[146] In turn, this pushed labour into the small industry sector,[147] increased competition, and may have reduced possibilities for capital accumulation and growth. Also, the rapid liberalization of imports after 1983 affected the market for some small industry products, by leading to a flood of cheap, foreign manufactures.

Nevertheless, despite all these failings, it is likely that the environment for small-scale industries was more friendly by the end of the PNDC era than at any other time since c.1945: the PNDC's rhetoric was more positive than that of any other postwar government except possibly the Progress Party; incentives for trading relative to producing were reduced to a level last seen in the early Nkrumah years; and a host of sector-specific measures to assist small-scale industries had been instigated.

The Reasons for PNDC Small Industry Policy

There were at least three reasons why the PNDC was positive about the private sector and small industries after 1983: the new paradigm of economic development which stressed small-scale over large-scale; pressure from abroad to accept this new paradigm; and internal power-political considerations.

First, the paradigm of development which had stressed large-scale, statist, import-substituting industrialization in the 1960s (pp. 15-16) had given way to the paradigm of small-scale, private sector, 'organic' industrial development. By the 1980s, only a small minority of development economists were arguing for the Nkrumahan model of industrialization, and even fewer were doing so after the collapse of communism in Eastern Europe from 1989. Instead, small-scale industries were being seen as *the* vehicle for exploiting Third World factor endowments (p. 16). Moreover, the reality of Ghana's economic conditions in the 1980s reinforced the belief that an Nkrumahan model of industrialization was unfeasible. By 1982, the public sector deficit had reached 14.6 per cent of national income, or 65 per cent of

[146] EIU, *Country Profile: Ghana, 1988-89* (London: 1987), cited in Dawson, 'The Wider Context', p. 43.

[147] Dawson, *ibid.*

government spending.[148] In contrast, at the beginning of the Nkrumah period in 1951, the public sector actually had a surplus equal to almost 18 per cent of its outlays.[149] Therefore, it is important to remember that the ideological environment and the economic realities in which the PNDC operated were very different from that in which the Nkrumah regime found itself after independence.

Second, there was pressure from abroad to accept this paradigm of private sector-led, small-scale, organic industrialization. From 1983, the PNDC followed a World Bank and International Monetary Fund SAP. Although the focus of the SAP was on macro-economic and public sector reform,[150] it was envisaged that small industries would play an important part in industrial regeneration. Hence, in 1984, at the start of the SAP, the World Bank called on the PNDC to encourage indigenous forms of production:

> the indigenous markets, entrepreneurship and institutions of Ghana are well advanced compared with other African countries, and their positive encouragement rather than their suppression may yield better results in responding to changing economic opportunities.[151]

In this particular context, 'indigenous entrepreneurship' was a clear reference to small-scale forms of enterprise.

Third, the PNDC had domestic, power-political reasons for promoting the private sector and small industries. Since one of the main elements of the SAP was public sector reform, public sector job losses—or 'redeployment'—increased. As Rawlings observed in 1986, 'We have said, and I will reiterate that, the public sector will have to pay its way by becoming more efficient and productive'.[152] In view of the need to streamline the public sector, the PNDC sought to promote the private sector, so as to provide jobs for these ex-government employees. Moreover, this was exactly the policy which the World Bank and IMF were encouraging Ghana to follow. According to a World Bank report in 1985, the unemployment created by the SAP

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[148] World Bank, *Ghana: Policies and Program for Adjustment* (Washington D.C., 1984), p. xvi, cited in Rimmer, *Staying Poor*, p. 133.

[149] Rimmer, *ibid.*, p. 40.

[150] Ewusi, *Structural Adjustment and Stabilization*, pp. 17-8.

[151] World Bank, *Ghana: Policies and Program for Adjustment* (Washington: World Bank, 1984), p. 47.

[152] Rawlings, 'Keynote Address', p. 17.

could be offset by an increase in jobs in agriculture, while 'Small (scale) industry should also show dynamism in employment growth'.[153]

The necessity to provide jobs for ex-public sector employees was strong. As the PNDC's *National Programme for Economic Development* of 1987 noted:

> Support will be given for the establishment of small-scale industries. The National Board for Small-Scale Industries has designed a project to identify potential entrepreneurs particularly from among personnel being redeployed from the public service.[154]

In an industrial policy statement in 1992, the PNDC argued, with regard to the promotion of small industries, that 'A particular priority is to create income generating opportunities for people displaced by the down-sizing of the public sector'.[155] Indeed, some of the PNDC's small industry promotion programmes were solely for 'redeployed' workers. Thus, the NBSSI's Entrepreneurship Development Programme for Accra in 1989 was for 'redeployees' only.[156]

In this chapter, the small industry development policies of the Limann government were examined in detail. From this, it is difficult to agree with Jeffries' contention that there is little of interest to say for the Limann years.[157] Despite the PNP's socialist leanings, the Five Year Economic Programme of 1981 was generally positive about small industry development. The same conclusion must be drawn from the NBSSI Act, which attempted to organize and simplify government institutions for small industry promotion. Nevertheless, just as in the years before 1979, price distortions grew and with it the incentive to trade rather than to produce.

For the PNDC years, this chapter has supported conventional interpretations, namely, that the PNDC was eager to promote the private sector and small-scale industries after 1983. Significant steps were taken to this end, although problems still remained. Two conclusions deserve to be highlighted. First, the restructuring of

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[153] World Bank, *Country Report: Ghana* (Washington D.C.: World Bank, 1985), cited in Ninsin, *Informal Sector*, p. 70.

[154] Ghana, *National Programme for Economic Development (Revised). Wednesday, 1st July, 1987* (no publication details), pp. 16-17.

[155] Ghana, *Industrial Policy Statement*, p. 9.

[156] Kyerematen, 'Financing Small Scale Enterprises', pp. 41-2.

[157] Jeffries, 'Ghana', p. 92.

prices, and in particular, the external price of the cedi, gave a significant boost to production over trading. In 1990, thanks to the devaluation of the cedi, a pair of corn mill grinding plates could be produced locally for ¢9,000, while the imported equivalent cost up to ¢25,000 (p. 206). In the 1970s, it is highly likely that the imported item would have been substantially cheaper than the locally-manufactured product. Second, this chapter has given a domestic perspective to the PNDC's decision to promote the private sector after 1983. The PNDC genuinely was concerned about the effects of public sector job losses; the promotion of the private sector can be interpreted as a measure to mitigate the effects of this.

Examining the long period from c.1945 to c.1992, it is evident that government policy towards small industry has been both 'nurturist' and 'repressive', but never 'parasitic'.[158] However, government policies cannot account directly for the 'explosion of small-scale industrial activity in Ghana'[159] since 1945. This is because even the most 'nurturist' governments (such as the Progress Party and the PNDC after 1983) had relatively minor small industry development programmes, which themselves were beset with problems. What can explain the 'explosion' of small-scale industrial activity in Ghana since 1945? The next two chapters address this question.

[158] John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983), ch. 4.

[159] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case Study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), p. 173.

9 EXPLANATIONS FOR SMALL INDUSTRY GROWTH: ENTREPRENEURSHIP

Chapters Two and Three established that small industries survived the colonial period and that employment in them has expanded significantly since c.1945. Government policy towards this sector changed from ambivalence before 1966 into gentle encouragement by the late 1970s (Chapters Four to Eight). Nevertheless, direct government policy cannot explain fully the 'explosion of small-scale industrial activity in Ghana',[1] not least because that 'explosion' predated the change in policy. Similarly, Ninsin's 'supply-side' and Dawson's 'demand-side' explanations are inadequate (pp. 21-25).

This chapter and the next broaden the discussion to consider what other factors may account for Ghana's small industry growth. This is done by reviewing critically the data which have been generated from surveys of Ghana's small-scale industrial sector already, and considering new material derived from a study of small-scale industries in Kumasi which I conducted in March 1996.

9.1 The dynamics of Small Industry Growth: the Steel Framework

To understand the dynamics of small firm establishment, it is useful to adopt a wide approach. The one employed in this chapter is based on the work of William Steel,[2] albeit with modifications. In its original context, Steel's framework was designed to provide a vehicle for analyzing the impact of government policies on the small-scale industrial sector in Africa.[3] The framework does not claim to be a theory for explaining small industry growth. Nevertheless, for the purpose of this thesis, it does

[1] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case Study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), p. 173.

[2] William F. Steel, 'Analysing the Policy Framework for Small Enterprise Development', in A.H.J. Helmsing and Th. Kolstee (eds.), *Small Enterprises and Changing Policies. Structural Adjustment, Financial Policy and Assistance Programmes in Africa* (London: IT Publications, 1993), pp. 39-49.

[3] *Ibid.*, p. 39.

provide a useful organizing tool for examining the wide range of factors which determine small industry development.

Based on the Steel framework, three factors can be identified as being crucial for small-scale industrialization.[4] First, agents or entrepreneurs with the necessary technical and managerial skills must be available to establish a firm. Second, such agents must have the requisite complementary resources (including capital, raw materials and labour) with which to create a firm. Finally, profitable opportunities must be available for small firms to exploit. In other words, there have to be incentives for small-scale industrial activity.

The value of Steel's framework lies in the fact that it is broader than the supply-demand approaches of Ninsin and Dawson. Using the Steel framework, it is possible to scrutinize a whole range of issues affecting a small firm. For instance, the influence of government policy can be investigated when considering whether profitable business opportunities are available. The question of how industrialists acquire their skills can be examined when enquiring about the availability of agents willing and able to respond to profitable opportunities. The origins of the capital used for small firm creation can be explored when analyzing whether agents have the resources to respond to opportunities.

Admittedly, there are some overlaps among each of the factors in Steel's framework. For example, the existence of a profitable opportunity may be a function of an industrialist's technical skill *and* access to cheap complementary resources. This problem of overlap can be resolved by thinking of firm-creation as a two-stage process. In Stage One, the prospective industrialist acquires the 'ingredients' for small-firm creation by accumulating the necessary skills and capital, while establishing a supply of labour and raw materials. This stage can be thought of as relating to the first and second factors in Steel's framework. In Stage Two, these ingredients are brought together in the form of a firm. In this stage, the firm must be producing goods which are competitive and in demand; in other words, there has to be an incentive for production. This second stage corresponds to the third factor in the Steel framework. By thinking of small firm creation in these terms, some of

[4] *Ibid.*, p. 40.

the overlaps of the Steel framework may be avoided.

This chapter considers the first factor in the Steel framework, namely, the existence of entrepreneurs. Chapter Ten considers the issues of complementary resources and incentives. The next section introduces the sources to be used.

9.2 Introduction to the Sources

A wealth of data has been generated from surveys of Ghana's small-scale industrial sector. These surveys can be divided into two categories: published surveys conducted by established social scientists and unpublished surveys conducted by bachelors and masters students. Tables 9.1 and 9.2 introduce these works.

Table 9.1. Published Surveys of Ghana's Small-scale Industrial Sector.

Authors	Date of Survey	Main Sectors Surveyed	Survey Location
Kennedy	1968-70	Saw milling, printing, furniture, textiles, garments, food-processing	Accra, Kumasi
Sunnu	1974	Auto repair	Tema, Accra, Kumasi
Aryee	1975	Fitting, tailoring, leather manufacturing, metal- and wood-work	Kumasi
Kennedy	1977	Metal- and wood-work, auto repair, bags, footwear, upholstery, cement blocks	Accra
Thomi and Yankson	1984	Various	36 towns across Ghana
Anheier and Seibel	1985	Metal- and wood-work	Accra, Kumasi
Riedel and Schmitz	1987	Textiles, food processing, metal- and wood-work, auto repair	Techiman
Dawson	1988	Auto repair, metal-work	Kumasi

Steel and Webster	1989	Food processing, textiles, toiletries, building materials, metal- and wood-work	Four regions of Ghana
Sowa *et al.*	1990	Auto repair, metal- and wood-work, textiles, food processing	Accra, Ho Takoradi, Cape Coast, Kumasi, Tamale

Sources: Paul T. Kennedy, *Ghanaian Businessmen. From artisan to capitalist entrepreneur in a dependent economy* (Munich: Weltforum Verlag, 1980). Samuel Billy Kofi Sunnu, *The Wayside Fitters. A Study of Small-Scale Vehicle Repair Activity in Urban Areas of Ghana* (Kumasi: UST Department of Planning, 1975). George Aryee, 'The informal manufacturing sector in Kumasi', in S.V. Sethuraman (ed.), *The urban informal sector in developing countries. Employment, poverty and environment* (Geneva: International Labour Office, 1981), pp. 90-100. George Aryee, *Small-Scale Manufacturing Activities: A Study of the Inter-relationships Between the Formal and the Informal Sectors in Kumasi, Ghana* (Geneva: International Labour Office, 1977). Paul Kennedy, 'The Rôle and Position of Petty Producers in a West African City', *Journal of Modern African Studies*, 19 (1981) no. 4, pp. 565-94. W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985). Helmut K. Anheier and Hans Dieter Seibel, *Small-Scale Industries and Economic Development in Ghana: Business Behavior and Strategies in Informal Sector Economies* (Saarbrücken: Verlag breitenbach, 1987). Jürgen Riedel and Hubert Schmitz, *Grass-Root Industrialization in a Ghanaian Town* (Munich: Weltforum-Verlag GmbH, 1989). Dawson, 'Development of Small-scale Industry'. William F. Steel and Leila M. Webster, *Small Enterprises Under Adjustment in Ghana* (Washington D.C.: World Bank, 1991). Nii K. Sowa, A. Baah-Nuakoh, K.A. Tutu and B. Osei, *Small Enterprises and Adjustment. The Impact of Ghana's Economic Recovery Programme on Small-Scale Industrial Enterprises* (London: Overseas Development Institute, 1992).

Table 9.2. Unpublished Surveys of Ghana's Small-scale Industrial Sector.

Authors	Date of Survey	Main Sectors Surveyed	Survey Location
van Ommering, van der Ree	1982	Oil- and soap-making, metal- and wood-work	Kumasi, Dunkwa-on-Offin, 4 villages in Denkyira Local Council area
Nikoi	1985	Soap-making	Accra
Domfeh	1987	Scrap metal products	Wenchi
Koney	1987	Auto repair, metal-work	Kumasi

Effah	1988	Auto repair, metal-work	Kumasi
Elleithy	1990	Carpentry, saw-milling, charcoal-making	Anloga, Kumasi
Kwame	1990	Auto repair, metal-work	Kumasi

Sources: Addie van Ommering and Kees van der Ree, 'Small-Scale Industries in Ghana. Past, Present and Possible Role in Economic Growth and Spread of Development', University of Amsterdam, Department of Human Geography, MA, 1983. Samuel Nii Ashie Nikoi, 'Economic Problems of the Small-Scale Soap Manufacturing Industry in Accra', UST, BA (Social Sciences) 1985. Samuel Djiabour Domfeh, 'Problems and Prospects of Small Scale Scrap Metal Workshops in Wenchi', UST, BA (Social Sciences) 1987. Daniel Laryea Koney, 'The Role of Artisans in the Socio-Economic Development of Ghana. A Case Study of Suame Magazine in Kumasi', UST, BA (Social Sciences) 1987. Alex Effah, 'The Role of Small-Scale Metal Industries In The National Economy. (A Case Study of Suame in Kumasi)', UST, BSc (Development Planning) 1988. Amr Ali Elleithy, 'Small Scale Industrial Agglomeration. A Case Study of the Small Scale Wood Industry Spontaneous Agglomeration at Anloga, Kumasi', UST, MSc (Development Planning and Management) 1990. Adjei Kwame, 'Locational Analysis of Selected Informal Metal Industries in Kumasi', UST, BSc (Development Planning) 1990.

Together, these surveys constitute a rich vein of information about small-scale industrial activity in Ghana since the 1960s. They have a wide geographical and temporal spread, with data covering around 4,800 small industrial firms from across the country between 1968 and 1990. There may be doubts about the quality of the unpublished surveys. However, most of these were conducted by students at Kumasi's University of Science and Technology (UST), one of Ghana's premier universities. Therefore, it is likely that they were supervised to a high standard. In any case, the unpublished surveys account for only 554—or about 12 per cent—of the total number of observations.

Two methodological issues need to be resolved before the data from these surveys can be analyzed. The first is what constitutes a small firm. The surveys have used a range of definitions. Table 9.3 gives an indication of this.

Table 9.3. Definitions of Small-scale Industry Used in Selected Surveys.

Authors	Definition of Small-scale Industry
Anheier and Seibel	Fewer than 15 workers
Van Ommering and van der Ree	10 or fewer workers and less than ¢234,000 of capital
Thomi and Yankson	Up to 30 workers
Dawson	Any firm located within the spatial boundaries of the Suame Magazine

Sources: Anheier and Seibel, *Small-Scale Industries*, p. 18. Van Ommering and van der Ree, 'Small-Scale Industries', p. 55. Thomi and Yankson, *Small Scale Industries*, p. 15. Dawson, 'Development of Small-scale Industry', p. 173.

The second issue is that each survey has its own methodology and none can claim to be truly representative of Ghana's small-scale industrial landscape. For instance, Aryee first compiled a register of all small industrial firms in the Kumasi area and then drew a 10 per cent random sample for detailed analysis.[5] Using data on small-scale metal industries registered with the Ghana National Association of Garages, Effah used stratified sampling to generate a 10 per cent sample of firms for further scrutiny.[6] By contrast, Kennedy attempted to obtain interviews 'wherever it was possible to do so while attempting to include firms from all industries and size groups'.[7] Sowa *et al.* preselected certain industrial activities and then ensured that no more than 10 firms were chosen from any specific locality.[8] Thus, given that the surveys were carried out under differing conditions, it is necessary to be cautious about generalizing from their data.

The methodological issues of definition and sampling technique are serious, but should be considered in perspective. Although the surveys use different definitions of a small firm, the vast majority of observations relate to firms with 30 workers or fewer. This almost coincides with the definition used in Chapter Three

[5] Aryee, *Small-Scale Manufacturing*, p. 22.

[6] Effah, 'Small-Scale Metal Industries', pp. 6-8.

[7] Kennedy, *Ghanaian Businessmen*, p. 33.

[8] Sowa *et al.*, *Small Enterprises*, p. 21.

to measure changes in output from the small-firm industrial sector since the 1950s (p. 67). In fact, only a small minority of the 4,800 or so observations relate to firms with more than 30 workers. Dawson's survey[9] probably includes a few large firms since some of the workshops in the Suame Magazine engage more than 30 workers. Steel and Webster also surveyed some large firms intentionally.[10]

On the question of sampling technique, it has to be remembered that the methodologies used in the surveys cannot claim to be representative of Ghanaian small industries generally. Hence, it is difficult to use the survey data to generalize about the reasons for the growth of small-scale industry in *Ghana*, which is the central task of this thesis. In theory, this problem could be solved by constructing a representative sample of small-scale industries. In practice, such an approach would be inferior to using the data produced by the surveys and on two counts. On the one hand, such a sample would capture only today's small-scale industries. By contrast, the data from previous surveys provide information on firms operating as early as the 1960s. On the other hand, it would be impossible to create a perfect, representative sample. This could be done only if, first of all, a list of all small-scale industries in Ghana is made. From this list, a randomly selected sample would have to be drawn, with a statistically significant number of observations. Since the last major national survey of small-scale industries was conducted in 1963,[11] no list of small-scale industrial firms exists. In any case, for the purposes of this thesis, resource constraints would not have permitted more than about 50 small-scale firms to have been surveyed, a number which is hardly sufficient to form a representative sample. Therefore, it is probably more useful to analyze the data from the 4,800 observations which have been generated already than to attempt to generate a representative sample.

For the present purpose, a more serious deficiency with the surveys is that they do not address directly the question of why Ghana has so many small industries. In general, the surveys pose questions which are different from those in this thesis.

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[9] Dawson, 'Development of Small-scale Industry', p. 173.

[10] Steel and Webster, *Small Enterprises*, pp. 14-5.

[11] Ghana, Central Bureau of Statistics, *Area Sample Survey of Small Manufacturing Establishments-1963* (Accra: State Publishing Corporation, 1965).

Aryee's work concentrates on the relationships between the formal and the informal manufacturing sectors in Kumasi,[12] while Domfeh's study concerns the problems and prospects of small-scale scrap metal-workers in Wenchi.[13] Elleithy's survey examines the specific agglomeration of small-scale wood-workers around Anloga,[14] and Sowa *et al.*'s central concern is the impact of the Structural Adjustment Programme on employment and output in the small firm sector.[15] This is not to argue that the surveys offer no help in understanding the growth of small-scale industry in Ghana since c.1945; nevertheless, they do not address this issue directly.

With this problem in mind, I interviewed 40 small-scale industrialists in Kumasi in March 1996 (henceforth, the Kumasi Survey). The Kumasi Survey focused on two groups of small industries. The first comprised 20 metal-workers (table 9.4). All the metal-workers were located in the Suame Magazine, a vast industrial 'shanty town' on the outskirts of Kumasi, Ghana's second largest city. The metal industries were chosen to represent a small industry sector which makes intensive use of skills, capital and technology: today, small-scale metal-workers are producing not only consumer goods, but also capital goods for use in other industries.

Table 9.4. The Kumasi Survey: Small-scale Metal-workers.

Metal-Worker Number	Year of Estab-lishment	Number of Workers Excluding Owner, March 1996	Branch
1	1993	6	Agricultural machinery
2	1978	6	Agricultural machinery
3	1964	25	Agricultural machinery
4	1977	4	Agricultural machinery
5	1988	11	Welded metal products
6	1991	2	Nuts and bolts

[12] Aryee, *Small-Scale Manufacturing*.

[13] Domfeh, 'Problems and Prospects'.

[14] Elleithy, 'Small Scale Industrial Agglomeration'.

[15] Sowa *et al.*, *Small Enterprises*.

7	1968	4	Nuts and bolts
8	1971	1	Exhausts, auto body welding
9	1962	2	Exhausts, compressed gas cylinders
10	1988	12	Industrial machines
11	1988	6	Engine reboring and relining
12	1986	15	'Donkey carts', trucks, block-making machines
13	1994	2	Ice trays, block-making machines
14	1988	7	Welded metal products
15	1984	0	Agricultural machinery, block-machines, trucks
16	1989	4	Welded metal products
17	1981	11	Exhausts
18	1993	10	'Donkey carts', block-making machines, welded metal products
19	1989	2	Electrical engineering
20	1978	16	Electrical engineering

The second group in the Kumasi Survey (henceforth, miscellaneous workers) consisted of a variety of small-scale industries which were typified by their use of simple skills, little capital and basic technology. The 20 firms in this group were engaged in food-processing, brewing and soap manufacture (table 9.5) and were located across Kumasi.

Table 9.5. The Kumasi Survey: Small-scale Miscellaneous Workers.

Misc-Worker Number	Year of Estab-lishment	Number of Workers Excluding Owner, March 1996	Branch
1	1992	2	Orange juice
2	1993	10	Soap, detergents, cosmetics
3	1989	0	Palm oil
4	1988	2	Grinding
5	1984	5	Soap
6	1983	3	Soap
7	1990	0	Palm kernel oil
8	1981	0	Palm nut oil
9	1992	1	Grinding
10	1994	2	Palm nut cracking
11	1988	4	Soap
2	1966	7	Palm kernel oil, pito, nut cracking
13	1989	3	Ice cream
14	1988	6	Soap
15	1966	9	Pastries, shito, corn flour
16	1995	3	Soap
17	1990	5	Bread
18	1970	2	Bread and doughnuts
19	1979	3	Bread and cakes
20	1986	4	Palm kernel oil, pito

It is important to note that the respondents in the Kumasi Survey were not selected with the aim of constructing a representative sample of Ghana's small-scale industrial population. This would have been impossible given the methodological constraints discussed (p. 222). Since it was clear from the early stages of the Kumasi

Survey that a representative sample could not be constructed, it was decided that a case study approach would yield greater returns to the time invested. According to Casley and Lury, the case study approach has the main advantage that:

> it provides in-depth, detailed analysis ... The method is indicated when it is necessary to probe deeply into systems governing behaviour ... and to show why certain behaviour occurs. Case studies are particularly appropriate when a high analytical content is required, such as the study of causal relationships.[16]

In large part, small-scale industrialization relates to the behaviour of an entrepreneur. For example, the first pillar of the Steel framework concerns how entrepreneurs acquire the necessary technical and managerial skills for small industry activity. To answer this question, which is essentially about the behaviour of the industrialist, a case study approach is probably most suitable.

For a case study approach to be successful, it is necessary to select a wide range of respondents so that all possible variables are included. In the Kumasi Survey, respondents were chosen specifically along these lines. As tables 9.4 and 9.5 indicate, there were single-man firms, as well as firms with over 25 workers. The oldest firm was established in 1962, the youngest in 1995. There were builders of sophisticated capital goods such as industrial machines and producers of basic consumer items such as orange juice.

A second requirement for a case study approach to be successful is a detailed examination of issues. Hence, attempting to increase the number of respondents is not the primary concern. As Casley and Lury note:

> ... if the general structure of the survey is such that no statistically valid generalization of the results to a wider population can be made, these measures may be fruitless, and nullify the advantage of the case study method, if the increase in the number of interviews reduces the in-depth quality of the data.[17]

To this end, the emphasis in the Kumasi Survey was on the in-depth analysis of why Ghana has so many small-scale industries. The interviews were tape-recorded and lasted about 30 minutes on average. Nineteen interviews were conducted in English, with the remainder in Twi, the *lingua franca* in Kumasi. The Twi interviews were

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[16] D.J. Casley and D.A. Lury, *Data Collection in Developing Countries* (Oxford, 2nd ed.: Oxford University Press, 1987), p. 64.

[17] *Ibid.*, p. 65.

conducted through a Twi-speaking research assistant from the UST. Unlike in most previous surveys, respondents were not confronted with a specific list of questions with closed or multiple choice answers. Rather, the questions were open-ended in order to elicit responses which demonstrated the full range of variables involved in small-scale industrial growth, and the interactions among these variables.

In short, the Kumasi Survey represents an in-depth analysis of the factors behind Ghana's small-scale industrial 'explosion'. It may not be possible to generalize from its results, but, at the very least, its 'qualitative' nature complements the 'quantitative' character of previous studies.

9.3 Are there Agents Willing and Able to Respond?

It would appear that, since the end of the colonial period, there has been an increase in the number of Ghanaians possessing the technical and business skills for small industry work. Several 'agents of skill transfer'[18] have been responsible for this: general and technical education, work experience in large-scale industries, the apprenticeship system, learning by observation, and trading.

General and Technical Education

Some social scientists claim that general and technical education stimulates the industrial-entrepreneurial capacity of the population at large. As Geiger and Armstrong contend:

> The expansion of vocational training in modern agricultural, industrial and commercial skills in the primary and secondary school curricula is essential for fostering the development of African private enterprise of all kinds. Over the long term, such changes in curricula and attitudes, combined with the growth of educational facilities generally, would result in a new generation of Africans much better equipped for engaging in modern economic activities—as entrepreneurs, managers, and employees of private and public enterprises—than are the great majority of adult Africans today.[19]

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[18] Tidiane Boye, Allen Fenichel and Maimire Mennasemay, 'Skill Transfer and African Development: a Conceptual Research Note', *Journal of Modern African Studies*, 26 (1988) no. 4, p. 686.

[19] Theodore Geiger and Winifred Armstrong, *The Development of African Private Enterprise* (Washington D.C.: National Planning Association, 1964), pp. 96-7.

The surveys show a very strong correlation between education and small-scale industrial activity, with the typical small industrialist being more literate, numerate and educated than the average Ghanaian. For example, only 21 per cent of respondents in Anheier and Seibel's survey were illiterate, compared to the prevailing illiteracy rate of 49 per cent in Accra and 72 per cent in Kumasi.[20] In addition, 15 per cent of Anheier and Seibel's respondents had received some sort of formal vocational training,[21] a figure greater than that for the population as a whole. In Sowa *et al.*'s survey, 81 per cent of small-scale industrialists had received some formal education.[22] From this, Sowa *et al.* estimate that at least 80 per cent of their respondents were literate, compared to a Ghana-wide literacy rate of 40 per cent at the time.[23] Also, Sowa *et al.* found that 13 per cent of respondents had received some formal vocational or technical training.[24]

The other studies paint a similar picture. In Aryee's survey, only 28 per cent of small industrialists interviewed had had no formal schooling, while 60 per cent had been to school for 10 or more years.[25] Dawson found that just 23 per cent of respondents were without a formal education and that 'A majority of the sample of entrepreneurs were found to be at least functionally literate and numerate'.[26] Among engineering entrepreneurs, Dawson observed that 26 per cent had attended technical colleges.[27] Similarly, only 11 per cent of Suame metal-workers interviewed by Effah had no formal education.[28] In Steel and Webster's study, small-scale industrialists had had 10 years of schooling on average. Indeed, 45 per cent of them had completed middle school and 17 per cent had finished post-secondary education;

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[20] Anheier and Seibel, *Small-Scale Industries*, table 5.4, p. 50.

[21] *Ibid.*, table 5.9, p. 52.

[22] Sowa *et al.*, *Small Enterprises*, table 8a, p. 27.

[23] *Ibid.*, p. 26. World Bank, *World Development Report 1991* (Washington D.C.: World Bank, 1991) cited in *ibid.*, p. 26.

[24] Sowa *et al.*, *ibid.*, table 9, p. 28.

[25] Aryee, 'Informal manufacturing', pp. 90-1.

[26] Dawson, 'Development of Small-scale Industry', p. 180.

[27] *Ibid.*

[28] Effah, 'Small-Scale Metal Industries', p. 37.

only 15 per cent had had no formal education at all.[29]

Clearly, the surveys show a strong correlation between the variables of general or technical education on the one hand, and subsequent small-scale industrial activity on the other. However, correlation does not necessarily imply causation: general and technical education may have been a crucial determinant of small industry entrepreneurship; it may have been insignificant. It is here that the Kumasi Survey, with its in-depth analysis, is useful.

In the Kumasi Survey, 19 metal-workers had attended primary school and one had remained at school until he was 15 years old. When asked if school had helped them to establish a firm, most felt that it had. One metal-worker suggested that attending secondary school had enhanced his ability to perform calculations.[30] Another argued that school had taught him how to take measurements, a skill which he required to manufacture exhausts and compressed gas cylinders.[31] An exhaust manufacturer reasoned that the art and craft courses which he had attended at school had taught him how to mould objects, which increased his ability to design car exhausts. Speaking through a translator, this respondent explained:

> ... when he was in school, he was very interested in things, moulding things, art and craft. So he thinks that that helped him to learn the exhaust—the making of exhaust—very quickly at the first attempt. Because he has some apprentices who have spent nearly 10 years and they aren't as good as he was when he spent the 5 years.[32]

Likewise, a master electrical engineer felt that those with a school education had more 'sense' and an ability to learn the trade faster.[33] Hence, he himself tried to avoid taking on apprentices who were not 'educated'.[34]

To be sure, not all those interviewed found that a formal education had been useful. One respondent remembered with affection that history had been his 'special subject' at school, but admitted that it had not helped him much in his work as a

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[29] Steel and Webster, *Small Enterprises*, p. 11.

[30] Metal 2.

[31] Metal 9.

[32] Metal 17.

[33] Metal 20.

[34] *Ibid.*

producer of nuts and bolts.[35] Several of the other metal-workers felt that attending school had been of no benefit to them whatsoever.[36]

With regard to technical school, the five metal-workers who had attended such institutions were quick to list a clutch of skills which they had acquired there. These included bench fitting, electric welding, technical drawing and metal fabrication.[37] Thus, the Kumasi Survey suggests that, for the metal-workers, there is a strong causal relationship between attending technical school and subsequent small-scale industrial activity. The causal relationship between general education and small industry activity appears weaker, but existent nonetheless.

Among the miscellaneous workers, none had attended vocational school, but ten had been to school. Of these, two claimed that it had not helped them in their business.[38] The remainder found that school had been of considerable utility. For instance, one respondent felt that learning science at school was helping him to produce ice cream.[39] Learning how to calculate was cited by four respondents as being useful,[40] with one noting of her school education: 'I think it has helped me in calculations. I don't think people can't cheat me when it comes to counting money'.[41]

A particularly interesting case is of a soap-maker, who first learnt about soap-making during a chemistry class at school, and later built on this knowledge while working in a large-scale soap factory. Recalling the experience of his school years, this respondent observed:

> I was good at chemistry, you see, in secondary school. I was so good, but somehow, I had forgotten about so many things, but, you see, when you've done something before and then you get the practical training, you see, it's an intuition. Somehow, what you learnt, you seem to recall them, and then through reading and researching, you are in a better position to understand certain things than somebody who has had no contact at all with any textbook

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[35] Metal 7.

[36] Metal 7, 11, 13, 15 and 18.

[37] Metal 2, 5, 6, 10 and 14.

[38] Misc 5 and 15.

[39] Misc 13.

[40] Misc 3, 6, 8 and 14.

[41] Misc 8.

on the subject![42]

Clearly then, the Kumasi Survey suggests the existence of a causal relationship between school education and small-scale industrial activity among the miscellaneous workers as well.

Work Experience in Large-scale Industry

A second factor which has increased the stock of industrial entrepreneurs has been the transfer of skilled labour from large-scale to small-scale industries. During Nkrumah's 'big push', the state led the industrialization drive by encouraging the creation of large factories (pp. 130-131). From the late 1960s, this 'big push' turned sour because of poor planning, technology which failed to maximize returns from Ghana's factor endowments, and a critical dependence on imported inputs.[43]

There is evidence that, as large industries collapsed, skilled labour migrated to small industries. In Anheier and Seibel's survey, it was found that 29 per cent of respondents had held previous formal-sector industrial jobs.[44] In Dawson's survey, one third of engineering entrepreneurs formerly had undertaken an apprenticeship with a large industrial firm.[45] Thus, Dawson writes that 'with the crisis in large-scale industry there was a transfer of technology and skills from large to smaller enterprises'.[46] In van Ommering and van der Ree's study, 26 per cent of all entrepreneurs had had a previous job in either the large-scale industrial sector or the civil service.[47] From this, van Ommering and van der Ree note that, as wages in the formal sector fell from the 1970s, 'Apart from emigrating, a large number of persons apparently started a small-scale industry'.[48] In Kennedy's survey of petty producers in Accra in 1977, there was a car mechanic who had worked for 14 years

[42] Misc 2.

[43] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), ch. 5.

[44] Anheier and Seibel, *Small-Scale Industries*, table 5.10, p. 54.

[45] Dawson, 'Development of Small-scale Industry', p. 181.

[46] *Ibid.*, p. 207.

[47] Van Ommering and van der Ree, 'Small-Scale Industries', table 5.24, p. 104.

[48] *Ibid.*, p. 100.

in a large expatriate firm before establishing his own business.[49]

Therefore, the surveys show a correlation between previous work in large-scale industry, and subsequent small industry activity. Again, correlation does not prove causation and it is possible that those leaving large industries took no skills with them. In this regard, the Kumasi Survey is instructive in that it suggests that work experience in large industries actually has been important in stimulating small-scale industrial entrepreneurship.

Among the metal-workers, five had worked in a large industrial firm prior to establishing their own enterprise.[50] All of them had found this experience useful. For instance, one manufacturer of agricultural machinery felt that his first job in a large engineering company had provided him with a comprehensive introduction to machine-building. As he narrated:

> ... they taught me the mechanism of a machine. So when I came to fabricating, it let me know how to assemble machines, or dismantle it and assemble it again. Because at that time, I was a pump mechanist. Then someone bought the pump for servicing, we assembled it and disassembled it and fixed it back. So, it let me know how to disassemble a thing and fix it back.[51]

Another respondent, who had never been to school, first acquired machine skills (and in particular, lathe-turning) over a period of seven years while working for Pan African Engineering, a large Lebanese engineering firm.[52]

Of the miscellaneous workers, two of the respondents had previous work experience in large-scale Ghanaian industry. One, a manufacturer of orange juice, had acquired managerial and accounting skills while working in Tema Food Complex, a large parastatal.[53] Another, who managed a small bakery, first had learnt to bake while working as a domestic hand. Later, these baking skills were consolidated while working in the canteen of the UST:

> Now in the University I was cooking, but once in a while we could help in the baking of bread. Now what I learnt there: if sometimes we were baking

[49] Kennedy, 'Rôle and Position', p. 574.

[50] Metal 1, 3, 6, 10 and 14.

[51] Metal 1.

[52] Metal 3.

[53] Misc 1.

bread, we were using ovens, electric ovens, and so you had to be very careful about the level, the heat level. So we knew where the heat level which was good for the bread ... I observed this very well, and if I am baking bread here, I know how warm or hot the oven should be before I put in my bread.[54]

An interesting phenomenon, which previous surveys have failed to highlight, but which the Kumasi Survey reveals clearly, is the importance of work in large-scale industries *abroad*. Emigration was a typical response to the economic collapse of the 1970s: at one time, there were more Ghanaian-trained doctors in West Germany than in Ghana, while Nigerian universities had more Ghanaian lecturers than Ghanaian higher education institutions themselves.[55] Among the metal-workers, two respondents had developed industrial skills while working for a large-scale industry abroad. One had worked for Addis Engineering, a large manufacturing firm in Nigeria. He explained that, during his time there, he had practised using a centre lathe to produce pulleys for electric motors. This was a skill which he was using today to produce nuts and bolts for motor vehicles and agricultural machinery.[56] Another industrialist had worked as a welder for Brystyle Industries, a large Nigerian battery and light bulb manufacturer, and still worked as a welder, producing water coolers, water tanks and iron gates.[57]

Three of the miscellaneous workers had acquired skills while working in large industries abroad. The first, the orange juice-maker referred to already (p. 232), had worked in food-processing companies in Zambia and Uganda: in Zambia, he had conducted technical research into the manufacture of foodstuffs and drinks; in Uganda, he had learnt how to source machinery.[58] Indeed, the plant which he was using to make orange juice had been found while sourcing machines for his Ugandan firm. In the words of the respondent:

I was the Manager for a company in Uganda. I went to establish that food-

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[54] Misc 17.

[55] Victor Azarya and Naomi Chazan, 'Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea', *Comparative Studies in Society and History*, 29 (1987) no. 1, p. 118.

[56] Metal 6.

[57] Metal 14.

[58] Misc 1.

processing. So I was sourcing for equipments and so forth. Then I saw this one which was small, actually for restaurants and supermarkets: they stand and then they squeeze and so I thought that's a good idea to have it. So when I came back home ... I ordered it.[59]

The second miscellaneous worker with experience of large-scale industry abroad was the manufacturer of soaps, detergents and cosmetics.[60] This respondent had acquired some knowledge of soap-making from his school chemistry (p. 230), and later put this into practice while working in soap factories in Liberia, Nigeria and Côte d'Ivoire:

I already have some friends over there who were working in those factories, and through them I managed to work in the factories and you know, because of the background, the little chemistry I learnt [at school], you see, I was quick on the uptake in the formulation of the chemicals and so on and so forth. And you know, the foreman saw that I was so good, so I quickly rose through the ranks ... when I thought I had learnt enough, I thought I will come back home and try to set up something of my own.[61]

The third miscellaneous worker with work experience in a large-scale industry abroad was a palm oil-maker, who had worked in Germany as a kitchen hand in a broadcasting firm and a hydraulics company. Although this respondent had not acquired any specific industrial skills there, he claimed to have learned the value of hard work. As he recollected:

... what I can say I learnt there was hard working. Because you know these Germans work very hard ... you know, they don't play with their time. Six o'clock, you have to be there six o'clock until you close, you know. So, hard working. So I'm a hard worker ... But what I can say I learnt proper from Germany was hard work. You know. I have to train my people to work hard![62]

Evidently, work experience in large-scale businesses abroad has been of importance in the formulation of small-scale industrial skills. How widespread this phenomenon has been is unclear, since the Kumasi Survey cannot claim to be representative of all Ghanaian small industries. However, future surveys may want to consider this issue.

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[59] *Ibid.*

[60] Misc 2.

[61] *Ibid.*

[62] Misc 3.

Apprenticeship

A third factor expanding the pool of small industrial entrepreneurs has been the apprenticeship system. Typically, apprentices spend between a month and three years learning a trade under the supervision of a master. The length of the apprenticeship varies according to the trade. Those requiring relatively simple skills (such as baking, pito brewing and soap-making) undertake apprenticeships lasting for between one and six months.[63] By contrast, apprenticeships in car fitting or vulcanizing are usually two or three years long.[64] Being integrated fully into the firm's production function,[65] apprentices receive ample practical experience of their trade. In return, most apprentices are paid a 'chop wage' to cover their subsistence costs; many even pay a fee to the master before joining.[66]

The surveys agree that the majority of small industrialists have been apprentices at some point in their career. For example, 51 per cent of entrepreneurs sampled by Sowa *et al.* had received some training as apprentices,[67] as had more than 60 per cent of those surveyed by Riedel and Schmitz.[68] The surveys of Anheier and Seibel as well as Aryee yield similar results.[69]

In the Kumasi Survey, only 3 metal-workers had not undertaken an apprenticeship before starting their firm. For the other metal-workers, apprenticeships were crucial in developing small industry skills. A small-scale exhaust manufacturer is a case in point: with no formal school education at all, and only the experience of work on his family's cocoa farm, this exhaust builder completed a two year apprenticeship and then established his own firm immediately thereafter.[70] Given that this respondent had no previous formal education or

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[63] Thomi and Yankson, *Small Scale Industries*, p. 34.

[64] *Ibid.*

[65] *Ibid.*

[66] Ann D. Velenchik, 'Apprenticeship Contracts, Small Enterprises, and Credit Markets in Ghana', *The World Bank Economic Review*, 9 (1995) no. 3, pp. 451-75.

[67] Sowa *et al.*, *Small Enterprises*, table 9, p. 28.

[68] Riedel and Schmitz, *Grass-Root Industrialization*, p. 90.

[69] Anheier and Seibel, *Small-Scale Industries*, table 5.9, p. 52. Aryee, 'Informal manufacturing', p. 91.

[70] Metal 8.

business experience, it is difficult to conceive that he would have been able to start his own firm had he not completed an apprenticeship.

In certain instances, an apprenticeship added to industrial experience already accumulated elsewhere. The agricultural machinery manufacturer, who first had learnt to assemble and disassemble machines in a large firm (p. 232), completed an apprenticeship with a 'master' machine builder afterwards.[71] During this time, customers who had problems with their machines would often ask for advice and 'I correct the problem and let me get some experience'.[72] In other cases, skills acquired during an apprenticeship were modified and then deployed to other fields. Thus, one metal-worker who had learnt burglar bar production during his apprenticeship, later realized that the burglar bar business was not particularly lucrative and used his skills to manufacture rice mills and nut crackers instead.[73] Similarly, a metal-worker who had undertaken a three year apprenticeship to a 'master' blacksmith who used to produce hoes, later adapted his skills to manufacture nuts and bolts.[74] An industrialist who had completed a three year apprenticeship in auto-electrics, went on to manufacture battery-chargers, transformers and welding machines.[75]

Among the miscellaneous-workers, only 5 respondents had undertaken an apprenticeship before starting their firm.[76] All of these were soap-makers, for whom apprenticeships had been the key means of acquiring soap-making skills. Although four had been to school, none considered that that had endowed them with the specific technical skills for their trade.[77] The fifth respondent had been farming and trading before starting her apprenticeship, but did not consider that these had been important in developing her soap-making skills either.[78]

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[71] Metal 1.

[72] *Ibid.*

[73] Metal 4.

[74] Metal 7.

[75] Metal 20.

[76] Misc 5, 6, 11, 14, and 16.

[77] Misc 5, 6, 11 and 14.

[78] Misc 16.

Development of the Apprenticeship System

Given the importance of the apprenticeship system in the process of industrial skills acquisition, it is useful to examine this phenomenon in more detail. Two questions are worth considering. First, has the apprenticeship system in Ghana been similar to, or different from, that in other African countries? Second, what are the origins of apprenticeship in Ghana today?

The literature on apprenticeship in Africa is remarkably thin. However, it is evident that apprenticeship systems resembling the Ghanaian one are prevalent across Africa. As Bas contends:

> The traditional apprenticeship system existing in all African countries, whether in rural areas or in the urban formal sector, is a good example of 'pure' on-the-job training without organised theoretical courses following a planned sequence.[79]

Particular aspects of the Ghanaian apprenticeship system can be found elsewhere in Africa. Among the Yoruba of Nigeria, apprentice mechanics typically pay a fee to their masters and supply their labour virtually free of charge.[80] In Yaoundé, apprentices also pay a fee to their masters and receive 'chop money' in return.[81] The payment of a joining fee is common in Malawi as well.[82]

However, despite these elements of similarity, it is likely that the apprenticeship system has been more prevalent in West Africa than in East Africa, and particularly common in Ghana. The results of a comparative survey of small industries in Mali, Senegal, Malawi and Tanzania conducted in 1989-91 supports the first contention.[83] This study found that, while apprentices accounted for 17 per cent of the total sampled labour force in Mali and 26 per cent in Senegal, in Malawi

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[79] Daniel Bas, 'On-the-job training in Africa', *International Labour Review*, 128 (1989) no. 4, p. 485.

[80] Sara Berry, *Fathers Work for Their Sons. Accumulation, Mobility and Class Formation in an Extended Yorùbá Community* (Berkeley: University of California Press, 1985), p. 142.

[81] Erik Demol and Georges Nihan, 'The Modern Informal Sector in Yaoundé', *International Labour Review*, 121 (1982) no. 1, p. 80.

[82] Wim Ettema, 'Small-Scale Industry In Malawi', *Journal of Modern African Studies*, 22 (1984) no. 3, p. 502.

[83] Ronald L. Parker, Randall Riopelle and William F. Steel, *Small Enterprises Adjusting to Liberalization in Five African Countries* (Washington D.C.: World Bank, 1995).

and Tanzania, these figures were only 4 per cent and 3 per cent respectively.[84] As Liedholm and Mead write, in East Africa, 'the tradition of an organized, indigenous apprenticeship system is lacking'.[85] Table 9.6, which is compiled from a number of secondary sources, confirms this finding and suggests that, within West Africa, the apprenticeship system has been particularly common in Ghana.

Table 9.6. Labour Force Characteristics of Small-Scale Manufacturing Firms in Africa (Percentages).

Country, Area and Date	Proprietors and Family Workers	Hired Workers	Appren-tices
SIERRA LEONE Entire country (1976)	41	17	42
NIGERIA			
Western Region (1970)	39	11	50
Mid-West Region (1971)	30	7	63
Lagos (1971)	33	10	57
GHANA			
Kumasi (1975)	29	6	65
Accra (1972)	39	9	52
BURKINA FASO Eastern ORD (1980)	94	2	4
CAMEROON Yaoundé (1978)	43		49
TANZANIA Dar and 20 townships (1967)	52	41	7
KENYA Rural Industries (RIDC clients) (1977)	20	69	11

[84] *Ibid.*, p. 44.

[85] Carl Liedholm and Donald C. Mead, 'Small-Scale Industry', in Robert J. Berg and Jennifer Seymour Whitaker (eds.), *Strategies for African Development* (Berkeley: University of California Press, 1986), p. 312.

Sources: Demol and Nihan, 'Modern Informal Sector', table 1, p. 79. The following sources are all cited in Liedholm and Mead, 'Small-Scale Industry', table 11.1, p. 311. Carl Liedholm and Enyinna Chuta, 'The Economics of Rural and Urban Small Scale Industries in Sierra Leone', East Lansing: Michigan State University, African Rural Economy Paper No. 14, 1976. S.A. Aluko, O.A. Oguntoye, Y.A.O. Afonja, *Small Scale Industries: Western State Nigeria* (Ile-Ife: Industrial Research Unit, University of Ife, 1972). George Aryee, 'The Inter-Relationships Between the Formal Sector and the Informal Manufacturing Sector in Kumasi, Ghana' (Geneva: International Labour Office, 1976). William F. Steel, *Small-Scale Employment and Production in Developing Countries: Evidence from Ghana* (New York: Praeger Publishers, 1977). E. Chuta and D. Wilcox, 'Employment in Rural Industries in Eastern Upper Volta', *International Labour Review*, 121 (1982) no. 1, pp. 455-68. Schadler (1968) (no further reference given). Frank C. Child, *Small Scale Rural Industry in Kenya*, Los Angeles, UCLA African Studies Center, Occasional Paper No. 17, 1977.

Why has the apprenticeship system been so prevalent in Ghana? The literature on apprenticeship provides some clues as to explanations which are *not* likely. One unlikely explanation is that the apprenticeship system has evolved out of the need to develop a guild-like institution to regulate the recruitment and training of apprentices, so as to protect masters from price-cutting and other forms of competition. In Buenos Aires, in the late eighteenth and early nineteenth century, the apprenticeship system performed exactly these functions.[86] More recently, Igbo women weavers of Akwete, Nigeria, have restricted access to apprenticeships in order to protect their trade from infiltration by outsiders.[87] However, there is no evidence that the Ghanaian apprenticeship system has functioned in a similar manner. Neither do the surveys support the reason given for the survival of the apprenticeship system until recent times in Britain, namely, the preference of British firms 'to employ journeymen whose craft proficiency was certified by the completion of apprenticeship indenture'.[88]

A more plausible explanation for the widespread existence of the apprenticeship system in Ghana can be found with reference to developments in the economy before 1945. In precolonial times, most small industry products had been

[86] Lyman L. Johnson, 'The Role of Apprenticeship in Colonial Buenos Aires', *Revista de Historia de América*, 103 (1987), pp. 7-30.

[87] Lisa Aronson, 'To Weave or Not to Weave: Apprenticeship Rules among the Akwete Igbo of Nigeria and the Baule of the Ivory Coast', in Michael W. Coy (ed.), *Apprenticeship: from theory to method and back again* (Albany: State University of New York Press, 1989), pp. 149-53.

[88] Bernard Elbaum, 'Why Apprenticeship Persisted in Britain But Not in the United States', *Journal of Economic History*, 49 (1989) no. 2, p. 338.

manufactured within the domestic household unit. In this system, as Goody notes:

> economic roles are also kinship roles. Economic skills are learned within the domestic mode of production through children working together with adult producers.[89]

During the colonial period, economic specialization and exchange increased and probably more so in the Gold Coast than elsewhere in colonial Africa. After all, by the early 1950s, the Gold Coast had one of the most advanced and commercialized economies in Black Africa (p. 29). Specialization and exchange changed the traditional domestic household unit as sons sought jobs other than with their fathers.[90] At the same time, the demand for small industry products—and thus, small industry labour—remained high (Chapter Two). This probably led to the emergence of the apprenticeship system as an institution for supplying and training non-familial labour. According to Goody, apprenticeship emerges:

> ... through the learning of occupational skills in a domestic unit of production *within an expanding division of labor*. In other words, it is not accidental that apprentices are not learning from their fathers, since the social structural conditions for apprenticeship—increasing complexity of the division of labor, and entry of domestic production into the market—lead youths to seek to learn occupations different from those of their fathers.[91]

In addition, modernization led to a demand for new industrial products (p. 48), and this required small industrialists to learn and reproduce new skills. In the absence of technical schools, the traditional apprenticeship system served this purpose. Thus, according to Quartey-Papafio writing in 1914, traditional Ga apprenticeships had been confined to farming, blacksmithing and trading.[92] Then:

> ... Europeans and others came into the country and a good many other trades came into use in the Colony, e.g.: Carpenters, Bricklayers and Masons, Washermen, Coopers, Stone Plasterers, and such other trades and crafts as were know to people of more advanced stage in civilization ... It therefore became necessary to apprentice some sons to people engaged in one or other of the above trades ...[93]

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[89] Esther N. Goody, 'Learning, Apprenticeship and the Division of Labour', in Coy, *Apprenticeship*, p. 233.

[90] *Ibid.*, p. 245.

[91] *Ibid.*, p. 239.

[92] A.B. Quartey-Papafio, 'Apprenticeship amongst the Gās', *Journal of the African Society*, 13 (1914) 52, p. 417.

[93] *Ibid.*, p. 419.

It is highly probable that the apprenticeship system in contemporary Ghana has developed out of that existing in the colonial period. According to Robertson, most apprenticeships in Accra in the 1970s were organized informally, but apprentices in sewing 'had to conform to the rules of Ga apprenticeship', some of which dated back to 1913.[94] In Adjei's study of goldsmithing in Tarkwa, in the Western Region, it was found that apprenticeship fees often consisted of a token bottle of schnapps; during the apprentice's initiation ceremony, libations are poured and the master goldsmith spat some of the drink into the eyes of the new apprentice.[95] This liturgy is thoroughly customary, and suggests a clear connection between traditional and contemporary apprenticeships.

This link is evident also from Smutylo's work on wayside fitting workshops in Accra in the early 1970s. Smutylo found that, before apprentices were taken on, a secret ceremony was performed where payments were presented, the guidance and protection of the ancestors summoned, and rituals conducted giving tools, advice and blessings to the new apprentice.[96] This was very similar to an initiation ceremony described by Rattray in the 1920s. Then, sacrifice and prayers for new equipment or tools were performed by craftsmen; the blood of a fowl was poured over a blacksmith's newly built forge; and a libation was poured asking for success in work, freedom from accidents and long life for the user.[97] Peil's work on apprenticeship in Accra in the 1960s also suggests a link between the past and the present.[98] Peil found that in 'traditional' trades, such as goldsmithing or carpentry, apprentices often were paid in kind and lived with their masters—just as in the traditional apprenticeship system.[99]

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[94] Claire C. Robertson, *Sharing the Same Bowl. A Socioeconomic History of Women and Class in Accra, Ghana* (Bloomington: Indiana University Press, 1984), p. 135.

[95] Joseph Kwasi Adjei, 'Traditional Goldsmithing: an Analysis of Symbolism in Goldsmithing and Gold Products at Tarkwa', UST, MA (African Art) 1992, pp. 36-8.

[96] Terrence S. Smutylo, 'Apprenticeship in the Wayside Workshops of an Accra Neighbourhood', University of Ghana, Institute of African Studies, MA, 1973, pp. 170-1.

[97] R.S. Rattray, *Religion and Art in Ashanti* (London: Oxford University Press, 1927), p. 315, cited in *ibid.*, pp. 8-9.

[98] Margaret Peil, 'The Apprenticeship System in Accra', *Africa*, 40 (1970), pp. 137-50.

[99] Quartey-Papafio, 'Apprenticeship', p. 420.

Thus, to conclude this section about apprenticeship, it would appear that the use of apprentices has been particularly common in Ghanaian small industries compared to other African countries. Also, the present Ghanaian apprenticeship system is rooted in that which emerged in response to structural changes in the colonial economy. Ultimately, though, the purpose of an apprenticeship is to reproduce small industry skills. Therefore, it is highly probable that, if small industries had not survived the colonial period, then the apprenticeship system would not have persisted into the postcolonial era.

Learning by Observation

A phenomenon which the Kumasi Survey reveals quite clearly, but which previous surveys have not stressed, is learning by observation. Many respondents in the Kumasi Survey claimed to have acquired their industrial skills by observing other small industrialists—typically, competitors, friends or relatives—at work.

Many metal-workers claimed that they had learnt skills from their competitors. For example, one manufacturer of agricultural machinery remarked that:

> ... not everyone know[s] everything. We teach one another. So if I'm making a machine, and I make mistake and someone come and tell me, please, this you have made a mistake then I agree. I let him teach me what to do.[100]

Another respondent, when asked if he learnt anything from others in the Suame Magazine, replied:

> As for that actually, we learn from each other. We learn from each other ... As for competition, there is no competition. If you use some technology, you go to your friend and you learn from him.[101]

Even if the metal-workers were sometimes slow to concede that they had acquired skills from others, most were quick to claim to have imparted skills to their peers. Typical of this was one respondent who recounted:

> Some people ... do not learn the trade very well, so sometimes they have problems and they come over to me for advice, and I teach them, I advise them on what they should do. How to make their goods quality ... last year, I had a friend up here, and he didn't know how to do it very well, so ... he often came to me for advice and I gave him. I taught him almost everything

[100] Metal 1.

[101] Metal 7.

I know. And now he's doing very well.[102]

While some learnt from other small industrialists, two of the respondents acquired their industrial skills by observing their fathers at work. One welder was introduced to his trade by watching his father, who was also an electric welder, at work after school.[103] Likewise, a cement-block machine-builder learnt to weld by observing his father who used to be a welder in a large construction company.[104]

Among the miscellaneous workers, 11 respondents claimed to have learnt industrial skills by observing their mother, friend, husband or sister. In some cases, learning by observation was the sole 'agent of skill transfer'. For example, a palm nut cracker learnt all the skills of his trade by watching others in action, after he had lost his job as a labourer at UST:

> ... when I came out of the University ... I was going round daily, looking for employment ... So, I came and met these people here. I saw somebody using some of these machines, got to know how it is used. I came and met these people here and realized that if I also got the machines here, it would help me. So I asked and I was directed to Magazine where I got the machines and bought them and brought them here. So I didn't have any intention of being in this business when I was in the University.[105]

The transmission of skills from mother to offspring is a particularly interesting 'agent of skills transfer'. One manufacturer of palm kernel oil had never been to school, but had learnt to manufacture the oil while helping her mother manufacture the same oil from an early age.[106] A palm oil-maker, who was using machines to make oil, originally learnt to make palm oil in the traditional way by watching his mother:

> When we were young, even our mothers have been doing it [palm oil-making], we have been selling, we have been doing everything, we know how to flavour, do everything. That is something by birth. So, that idea is with us. And that helps us a lot.[107]

One of the pito brewers said that she had learnt to brew pito from her mother, who,

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[102] Metal 9.

[103] Metal 5.

[104] Metal 13.

[105] Misc 10.

[106] Misc 7.

[107] Misc 3.

in turn, had learned the trade from *her* mother.[108] A pastry manufacturer said that she had acquired her pastry-making skills from her mother, who had learnt the skills from *her* mother.[109] In both these cases, small industrialists operating today had acquired their skills from small-scale industrialists operating two generations, or about 50 years, ago. The Kumasi Survey does not indicate how widespread this particular means of skills acquisition has been among small industrialists in Ghana as a whole. Nevertheless, in view of the fact that a significant number of small industries survived the colonial period (Chapters Two and Three) these examples of skill transfers across generations suggest that the 'explosion' of small-scale industrial activity in post-colonial Ghana has been based, in part, on the survival of the small industry sector before.

Trading

It has been shown how a palm oil-maker learnt the ethic of hard work while in Germany (p. 234), and how several respondents had learnt to calculate while at school (p. 230). However, apart from these cases, so far, the discussion of skills acquisition has been limited to the issue of specific technical-industrial skills. There has been little examination of the acquisition of general business skills like the ability to think through investment decisions or to decide how to market a product.

The issue of general business skills accumulation is complex, but the wider literature suggests that previous trading activity may stimulate industrial entrepreneurship.[110] In the Kumasi Survey, none of the metal-workers had had previous trading experience, but among the miscellaneous workers, 10 had been traders either before, or while working as a small industrialist. Among these, there were three clear cases of trading having contributed to the development of general business skills. The first was the small-scale soap, detergents and cosmetics-maker

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[108] Misc 12.

[109] Misc 15.

[110] Alec P. Alexander, 'Merchants and the Recruitment of Industrialists', in Reed Moyer and Stanley C. Hollander (eds.), *Markets and Marketing in Developing Economies* (Homewood, Illinois: Richard D. Irwin, 1968), pp. 190-208. John R. Harris, 'Nigerian Entrepreneurship in Industry', in Peter Kilby (ed.), *Entrepreneurship and Economic Development* (New York: The Free Press, 1971), table 16-5, p. 335.

who had acquired his technical skills through his school education and work in soap factories abroad (pp. 230, 234). However, for this respondent, business skills appear to have originated from earlier work in his father's import business. As the respondent remarked about his time there:

> It has helped me a lot. I see that my father has contributed so much to the little successes I'm making now ... At times, he would argue with me about certain products I wanted to bring in, but I, you know, I was able to make my points clear, then he'll come to understand. And when he'll bring those things in, he'll be making so much money ... that talent has been working for me now ... And it continues to help me, even as at now to the extent that I've been able to develop this project [the business] ...[111]

The ice cream maker (p. 230) appears to have acquired some general marketing skills while working as a trader. As this respondent recollected, to be a successful trader 'you have to be conversant with the people and how to be able to move them to your side and accept your goods'.[112] A baker learnt similar marketing skills, while previously selling bread for her mother:

> to get quick or rapid selling, it all depends on how you prepare it. If the things is prepared in a hygienic way, if it is hygienically prepared. It also depends on the taste, how rich that you make the thing.[113]

This chapter has introduced previous surveys of Ghana's small industry sector and outlined the Kumasi Survey. Using data from these sources, it has been argued that the industrial skills employed in Ghanaian small industries have originated from formal education, work experience in large-scale industry (both in Ghana and abroad), apprenticeships, learning by observation and trading. In addition, this chapter has examined the origins of the apprenticeship system in Ghana.

The next chapter considers the availability of resources to complement these industrial skills—capital, labour and raw materials—and then examines the existence of profitable opportunities for small industry activity.

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[111] Misc 3.

[112] Misc 13.

[113] Misc 19.

10 COMPLEMENTARY RESOURCES, DEMAND AND OTHER SUPPLY-SIDE FACTORS

The previous chapter has argued that there has been a growth in the number of Ghanaians possessing the skills for small-scale industrial activity. To use Steel's terminology (pp. 216-218), there has been an increase in agents willing and able to respond to small-scale industrial opportunities. Thus, the potential for small-scale industrial expansion in Ghana has been large. Yet to realize this potential, entrepreneurs must have capital, labour and raw materials at their disposal. They also must have profitable opportunities or incentives to produce. This chapter considers each of these factors, continuing to draw on data from previous studies as well as the Kumasi Survey.

10.1 Complementary Resources: Capital

The Kumasi Survey found that small industries had developed institutions which reduced the need for capital accumulation prior to entering the sector. One way of reducing the capital entry barrier was to rent facilities from others. Thus, one metal-worker had rented both a workshop and machines from an ex-small industrialist who had grown old and did not use them any more.[1] Another rented his machine from the local Intermediate Technology Transfer Unit.[2] A different means of reducing the capital entry barrier was to use the workshop of another industrialist on a pay-per-use basis. Hence, one metal-worker paid ¢6,000 to the workshop owner for each cement block-making machine which he produced.[3] A further means of overcoming the capital entry barrier was to use suppliers' credits. A soap-maker started her business by obtaining oil and burnt cocoa pods on credit from acquaintances,[4] while a baker

[1] Metal 2.

[2] Metal 6.

[3] Metal 15.

[4] Misc 6.

used her network of friends to secure, on credit, her initial consignment of flour.[5]

Yet it is likely that, for most prospective small-scale industrialists, *some* capital has to be accumulated before a firm can be established. This capital requirement has varied. According to Dawson, in the late 1980s, a small metal-working firm could be established for $180, while a small vehicle repair workshop required between $300 and $900.[6]

The Kumasi Survey confirms the picture that, generally, a certain amount of capital needs to be accumulated before a small firm can be established. For example, one soap-maker, who was asked if he feared that his apprentices might compete against him after they had qualified, noted that not all apprentices went on to start their own firm. This was because 'when they get to know how to make the soap ... they may be with me for some more time, until they have enough money to start their own businesses'.[7] Another soap-maker responded to this question in virtually the same way, observing 'I don't think they will start their own businesses because the raw materials we use are very expensive and I don't think they will get the money to start their own business'.[8] Similarly, a metal-worker confirmed that one of his former apprentices had stayed on with him because he had yet to acquire the capital to buy his own machines.[9] All these examples reinforce the argument that the Ninsin and Dawson explanations of Ghanaian small industry growth are myopic because they do not consider the issue of how barriers to entering the small industry sector are surmounted (pp. 21-25).

It has been government policy since the 1960s to increase lending to local entrepreneurs through the banks (such as the National Investment Bank) and state institutions (like the Small Business Credit Scheme). However, this policy has failed to have a large impact on small industry (Chapters Four to Eight). If successive

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[5] Misc 18.

[6] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case Study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), pp. 194, 190.

[7] Misc 11.

[8] Misc 5.

[9] Metal 14.

governments have played only a small rôle in providing the capital for small-scale industrialization, what have been the origins of the capital employed in this sector?

The surveys suggest conclusively that most of the capital has originated either from the personal savings of the entrepreneur, or from those of relatives and friends. Sowa *et al.* found that 77 per cent of entrepreneurs had established their enterprises with their own savings.[10] Anheier and Seibel found that 95 per cent of their respondents had obtained some starting capital from their own sources, while 64 per cent had secured some from relatives or friends.[11] In Thomi and Yankson's survey, 88 per cent of entrepreneurs claimed to have found their start-up capital from friends or relatives.[12] Of the small industrialists surveyed by Domfeh, 90 per cent said they that had financed their business in this way,[13] while in Effah's study, this figure was 78 per cent.[14] Kennedy also suggests a high figure.[15]

Since small-scale industrialists have started their firms with either their own savings or those of their family and friends, it would be useful to ask how this capital has been accumulated in the first place. It is likely that there is a much larger story of capital accumulation to tell here: with per capita income at only $350 per year in 1984,[16] a small-scale vehicle repair workshop could cost anything between one and two-and-a-half years of average income to establish (p. 247), clearly a significant

[10] Nii K. Sowa, A. Baah-Nuakoh, K.A. Tutu and B. Osei, *Small Enterprises and Adjustment. The Impact of Ghana's Economic Recovery Programme on Small Industrial Enterprises* (London: Overseas Development Institute, 1992), p. 23.

[11] Helmut K. Anheier and Hans Dieter Seibel, *Small-Scale Industries and Economic Development in Ghana: Business Behavior and Strategies in Informal Sector Economies* (Saarbrücken: Verlag breitenbach, 1987), table 6.2, p. 63.

[12] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), table 11, p. 40.

[13] Samuel Djiabour Domfeh, 'Problems and Prospects of Small Scale Scrap Metal Workshops in Wenchi', UST, BA (Social Sciences) 1987, table 4, p. 26.

[14] Alex Effah, 'The Role of Small-Scale Metal Industries In The National Economy. (A Case Study of Suame in Kumasi)', UST, BSc (Development Planning) 1988, table 6, p. 42.

[15] Paul T. Kennedy, *Ghanaian Businessmen. From Artisan to Capitalist Entrepreneur in a Dependent Economy* (Munich: Weltforum Verlag, 1980), table 8, p. 49.

[16] World Bank, *World Development Report 1986* (New York: Oxford University Press, 1986), p. 180, cited in M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), p. 48.

amount. There has been little research into the origins of the capital employed in small-scale industries, but previous surveys suggest four possible sources: trading, large-scale industrial or formal sector activities, agriculture and remittance from the Ghanaian community abroad.

Trading

A migration of capital from trading to industry is known to have occurred in both postwar Zaïre[17] and Nigeria.[18] However, most of the Ghanaian surveys do not address this issue specifically. Nevertheless, there is a hint of this phenomenon occurring. For instance, 14 per cent of van Ommering and van der Ree's respondents cited trading as one source of their initial capital,[19] leading them to write that in Dunkwa, 'especially palm-oil makers and soap makers (many of them women) used their profits from trading to start small-scale production'.[20]

In the Kumasi Survey, three metal-workers and six miscellaneous workers cited trading as a source of their start-up capital. However, in most of these cases, trading was just one of many sources of initial capital. It is interesting to note, though, that at least one industrialist, a small-scale miller, had established his firm on the back of trading profits alone.[21] This particular respondent previously had been selling spare parts, and noted, 'When I was selling spare parts, I was able to save some money. So when the business collapsed, I invested what I had saved into these machines [in my mill]'.[22]

Another interesting case was that of the small-scale manufacturer of soap, detergents and cosmetics (p. 244). This respondent used to work for his father's

[17] Janet MacGaffey, *Entrepreneurs and Parasites. The Struggle for Indigenous Capitalism in Zaire* (Cambridge: Cambridge University Press, 1987), p. 16.

[18] Tom Forrest, *The Advance of African Capital. The Growth of Nigerian Private Enterprises* (Edinburgh: Edinburgh University Press, 1994), p. 84.

[19] Addie van Ommering and Kees van der Ree, 'Small-Scale Industries in Ghana. Past, present and possible role in economic growth and spread of development', University of Amsterdam, Department of Human Geography, MA, 1983, table 5.20, p. 99.

[20] *Ibid.*, p. 141.

[21] Misc 4.

[22] *Ibid.*

import business, but still traded when the opportunity arose. Any profits from his present trading activities were pumped into his industrial firm:

> Q So are you still trading now? Or now you've given up?
> A When the opportunity arises, I trade. You see, once a trader, always a trader ...
> Q Now, if you do a little bit of trading today, you do still try to put a bit of money into your [soap] business? Or do you take that money out?
> A I put, now I put everything I make into this business.[23]

Although the previous surveys do not provide more information on the prevalence of capital transfer from trading to small-scale industry, there is a good *a priori* case for suspecting that this has taken place. This is because trading was making such an important contribution to household budgets by the end of the colonial period (p. 64). Furthermore, during the 1970s and early 1980s, economic incentives strongly favoured trading over other forms of economic activity (pp. 178-179). Thus, just as the growth of the cocoa industry in the late nineteenth and early twentieth century was based, in part, on the transfer of capital from trading to cocoa,[24] so it is possible that some of the growth in small-scale industries since the 1940s has been financed by the profits of trading as well.

Large-scale Industry and the Formal Sector

An additional source of capital has been work in large-scale industries and the formal sector. In van Ommering and van der Ree's survey, 8 per cent of respondents cited savings from employment in large-scale industry as being one source of their initial capital, with 14 per cent citing work in government service as another.[25] In the Kumasi Survey, four metal-workers indicated that large-scale industry, or the formal sector generally, had been a source for their initial capital, as did four miscellaneous workers.

In the previous chapter it was shown how workers who had acquired skills in large-scale industries or the formal sector later migrated into the small-scale industrial landscape (pp. 231-234). The Kumasi Survey confirms that some of these migrants

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[23] Misc 2.

[24] Polly Hill, *The Migrant Cocoa-Farmers of Southern Ghana. A Study in Rural Capitalism* (Cambridge: Cambridge University Press, 1963), p. 166.

[25] Van Ommering and van der Ree, 'Small-Scale Industries', table 5.20, p. 99.

took parcels of capital with them in order to establish their own firms. One respondent, who had learnt machine skills with a large Lebanese engineering firm, saved some money while working there and used this to start his own business.[26] Similarly, two former labourers at the University used savings from their work there, as well as their severance pay, to establish their firms.[27]

Agriculture

In the agricultural sector, there was plenty of scope for capital accumulation until the late 1950s when producer prices for cocoa were high.[28] However, from then until the early 1980s, producer prices for cocoa fell substantially,[29] which would suggest that the potential for accumulation in the cocoa industry was smaller. Nevertheless, during the 1970s in particular, food crop prices rose faster than urban wages, increasing the possibilities for accumulation in the non-cocoa agricultural sector.[30]

Accordingly, there is evidence that some capital has been generated in the agricultural sector and transferred to small industries. Van Ommering and van der Ree found a clear diffusion of capital from farming to small industry in rural areas.[31] In their survey, 22 per cent of respondents claimed that agriculture was one of the sources of their initial capital.[32] The Kumasi Survey supports these findings with five metal-workers and two miscellaneous workers indicating that agriculture had been one of their sources of capital.

Ghanaians Abroad

Finally, previous surveys suggest that the remittances of the large Ghanaian diaspora living in the West have assisted capital formation in some small-scale industries.

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[26] Metal 3.

[27] Misc 10 and 17.

[28] Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991), table 5.13, p. 89.

[29] Huq, *Economy of Ghana*, table 5.2, p. 110.

[30] Merrick Posnansky, 'How Ghana's crisis affects a village', *West Africa*, 1/12/1980, pp. 2418-9.

[31] Van Ommering and van der Ree, 'Small-Scale Industries', p. 141.

[32] *Ibid.*, table 5.20, p. 99.

According to Dawson, the growth of the Suame Magazine has been facilitated by expatriate Ghanaians sending machines back to Ghana.[33] In the Kumasi Survey, one metal-worker explained how his father had lived in Britain and had brought a moulding machine with him on his return to Ghana. At that time, the respondent had no manual for the machine and did not know how to use it. It was only later that he came to know of the machine's use.[34]

Three of the miscellaneous enterprises were funded by industrialists who had worked abroad. The orange juice manufacturer, who had worked in Zambia and Uganda (p. 233), used the money which he had saved in these jobs to buy an orange juice-making machine on his return to Ghana.[35] The manufacturer of palm oil, who had worked in Germany (p. 234), used the money which he had saved there to buy a house, which then was used as collateral for obtaining a bank loan.[36] Similarly, a soap-maker established her business on the basis of the money which her husband had brought back from his work as a block-maker in Nigeria.[37]

Other Means of Accumulating Capital: Evidence from the Kumasi Survey

The Kumasi Survey, with its in-depth analysis, suggests that there have been other sources of capital, in addition to those identified by previous surveys. These include employment in small-scale industries and work in the service sector.

It was found that twelve metal-workers and five miscellaneous workers had acquired some start-up capital from previous employment in the small-scale industrial sector itself. In other words, savings from previous small industry work was the most common source of capital used by the entrepreneurs in the Kumasi Survey. This is a finding which other surveys have failed to highlight, but its implications are considerable because it suggests a strong connection between Ghana's present small-

[33] Jonathan Dawson, 'Impact of Structural Adjustment on the Small Enterprise Sector: a Comparison of the Ghanaian and Tanzanian Experiences', in A.H.J. Helmsing and Th. Kolstee (eds.), *Small Enterprise and Changing Policies* (London: IT Publications, 1993), p. 73.

[34] Metal 5.

[35] Misc 1.

[36] Misc 3.

[37] Misc 5.

scale industries and those of past. In turn, this emphasizes the importance of explaining Ghana's postwar small-scale industrial 'explosion' with reference to the survival of small industries before the War (Chapters Two and Three).

Despite Ghana's history of high inflation,[38] two of the metal-workers managed to establish their businesses solely on the basis of the little money which they had saved while serving their apprenticeships.[39] Among the five miscellaneous workers who cited previous small industry work as a source of capital, one miller had set up her business using capital which had been given to her by her husband, who owned a small workshop in the Suame Magazine.[40] Three others had obtained some start-up capital through relatives who worked in the small-scale industrial sector.[41] The final miscellaneous worker who had used capital from small industry sector was a pito brewer who, used the profits from this business to move into nut-cracking.[42]

Finally, it would appear that the non-trading service sector has been a source of capital too. In the Kumasi Survey, one exhaust-maker had started his firm after his brother, a taxi driver, had bought him a carbide port and the other necessary tools.[43] Also, a producer of palm kernel oil mentioned that one of the sources of her initial capital was her husband who was a truck driver.[44]

Given the methodological constraints of the Kumasi Survey, it is not possible to tell how important these additional sources of capital have been in explaining the development of small-scale industry in Ghana as a whole. Nonetheless, the Kumasi Survey has shown that these additional sources do exist; other surveys may be able to determine their extent.

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[38] Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992), table 7.4, p. 149.

[39] Metal 4 and 12.

[40] Misc 9.

[41] Misc 11, 14 and 18.

[42] Misc 12.

[43] Metal 17.

[44] Misc 8.

10.2 Complementary Resources: Labour

The availability of labour for work in small industry has not been in short supply, especially since the 1960s. This is because, as Ninsin argues,[45] the shortage of formal sector jobs *has* forced many to look for work elsewhere.

It is likely that attitudes towards work in the small-scale industrial sector have changed significantly since the colonial period. During that time, contemporaries frequently remarked on the reluctance of Africans to take blue collar employment. White collar jobs were held in high esteem, and consequently, Africans had a strong desire for a literary education. As an education inspector observed, in a letter to the Commissioner of the Eastern Province in 1925:

> There is, also, rightly or wrongly, on the part of the people of this country a desire that their children should have a literary education. The large money gains made by a few in the past blind them to what has been the fate of others.[46]

Governor Gordon Guggisberg lamented the reluctance of the African population to enter blue collar jobs, arguing that the Gold Coast had an over-supply of white collar workers:

> I doubt very much whether five hundred clerks per annum are required to replace the normal wastage throughout the country. What employment is open to the remainder, roughly four thousand able-bodied and intelligent but wrongly educated youths who failed to find clerical work? Cocoa brokers?[47]

According to the Governor, although there were ample blue collar jobs opportunities, most youths considered any form of manual labour as being beneath their status.[48]

A general apathy towards technical education and blue collar work appears to have persisted into the early postwar decades. T. Barton, the Permanent Secretary to the Ministry of Education and Social Welfare, observed this in 1950:

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[45] Kwame A. Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra: Freedom Publications, 1991), p. 58.

[46] NAGA ADM 39/1/233, Education Department's Provincial Inspector's Office, Keta, to the Commissioner of the Eastern Province, 31/10/1925.

[47] Governor's Annual Address, *Legislative Council Debates, 1925-6*, para. 91, in G.B. Kay (ed.), *The Political Economy of Colonialism in Ghana: a Collection of Documents and Statistics, 1900-1960* (London: Cambridge University Press, 1972), p. 284.

[48] Governor's Annual Address, *ibid.*, para. 92, cited in Kay, *ibid.*, p. 285.

There is a danger in the Gold Coast of a repetition of an educational, social and political fault which has done much harm in the United Kingdom, the separation in the public mind of the more academic and professional kinds of training from the technical and technological kinds. This has caused a deep snobbery which regards the technician as of a lower order than the clerk and the teacher and the like ...[49]

It is probable that, since the 1960s, workers have become more willing to undertake blue collar work. Kwasi Boakye's 1973 survey of youth attitudes towards employment in Yamoransa, a village six miles from Cape Coast, is instructive in this regard.[50] Boakye found that, among unemployed male youths, 94 per cent desired to be machine mechanics, motor mechanics or craftsmen. Among unemployed female youths, 75 per cent sought craft work, and only 22 per cent wanted a 'clerical and services' job.[51] According to Boakye, the reason for this willingness to engage in blue collar activities lay in the shortage of formal sector jobs.[52]

Diminishing white collar job opportunities have altered attitudes towards blue collar work. While before independence, those with a little primary school education could expect a white collar job, by the late 1960s, even those with more than a decade of schooling could not. As David Brokensha observed in 1969, from an anthropological study of the life of Kofi, a youth with 12 years of formal education:

Kofi, in contrast to many others in his position, was fairly realistic in his goals, and did not indulge in fantasies. It would be a mockery to tell him to work on the land. Yet he was prepared to do manual work, and was not handicapped by a false pride, or a desire for white collar work. The desirable steady jobs were in factories such as Ghana Textiles.[53]

A similar conclusion can be drawn from Smutylo's work on apprenticeship in Accra.[54] Analyzing the reasons for the willingness of labour to undertake poorly-paid apprentice work in Accra's wayside workshops, Smutylo found that:

Having a trade, no matter which one, was considered by most respondents

[49] T. Barton, *Education in the Gold Coast* (London: Thomas Nelson, 1954), p. 17.

[50] J. Kwasi Ayim Boakye, *Occupational Activities of Rural Youth and Their Attitudes towards Craft Training* (Cape Coast: University of Cape Coast, 1973).

[51] *Ibid.*, table 24a, p. 40 and table 24b, p. 41.

[52] *Ibid.*, p. 8.

[53] David Brokensha, 'Kofi in search of a job', *Odu*, new series, 1 (1969), pp. 82-3.

[54] Terrence S. Smutylo, 'Apprenticeship in the Wayside Workshops of an Accra Neighbourhood', University of Ghana, Institute of African Studies, MA, 1973.

> as greatly preferable to not having one. Apprentices who had found unskilled or semi-skilled work after leaving school often expressed how insecure they had felt, and how limited future opportunities had seemed at these jobs. Sudden and frequent lay-offs and low pay made many turn to heed the advice of family or friends that they should learn a trade ... As one apprentice who had previously held a factory job put it, '... they teach you to work with their machine ... then one day if they take the machine away you have nothing'.[55]

Ghana's experience here is different from Nigeria where a sizeable small-scale industrial sector exists too. In Nigeria, a 1979 study of informal sector repair and manufacturing enterprises in Oyo and Ede found that small firms generally complained of their inability to find apprentices.[56] Indeed, in Abeokuta, the capital of the Ogun State, carpenters actually had to advertise for apprentices in the media.[57] This shortage of apprentices was a result of the expansion of teacher training facilities (which attracted young people) and the construction boom (which offered the possibility of making quick money).[58]

10.3 Complementary Resources: Raw Materials

Turning to the availability of raw materials for small industries, several surveys concur that the non-availability of inputs has been one of the major problems facing small industries.[59] However, it is evident that, compared to the large-scale industrial sector, many small firms have had easy access to these.

The large-scale industrial sector has suffered from a heavy dependence on imported inputs: in the mid 1970s, 80 per cent of its raw materials and semi-finished materials and almost all of its equipment was imported.[60] By contrast, all the

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[55] *Ibid.*, p. 72.

[56] Olatunji Y. Oyeneye, 'Factors Influencing Entry into the Informal Sector Apprenticeship System: the Nigerian Case', *African Social Research* (1981), p. 5.

[57] *Ibid.*, p. 7.

[58] *Ibid.*

[59] Anheier and Seibel, *Small-Scale Industries*, table 8.1, p. 88. Sowa *et al.*, *Small Enterprises*, p. 42.

[60] Bundesstelle für Außenhandelsinformationen, *Ghana, Wirtschaftsstrukturen* (Cologne: Bundesstelle für Außenhandelsinformationen, 1976), cited in G. Fischer-Quincke, 'Small Enterprises for the Needs of the People: Ghana's 'Small-Scale Industrial "Take-Off"'', in Karl Wohlmuth *et al.* (eds.), *African Development Perspectives Yearbook, 1989. Vol. 1: Human Dimensions of Adjustment* (Berlin: Scholzky and Jeep, 1990), p. 237.

surveys show that small industrial firms have had a high propensity to use locally-available inputs. Thomi and Yankson as well as Kwame arrive at this conclusion.[61] In Sowa *et al.*'s survey, 88 per cent of firms claimed that they did not require any foreign exchange at all for their operations.[62]

Although small-scale industries have found it relatively easy to secure inputs, this is not to argue that all small industrial firms have been able to do so and at all times. Thus, van Ommering and van der Ree found that Kumasi's small metal-workers had problems obtaining certain metal inputs in the early 1980s.[63] In the Kumasi Survey, two palm kernel oil makers complained that, of late, it was difficult to buy palm kernels because of the increased tendency to chop down palm trees to make palm wine.[64] Two of the exhaust-makers complained of the difficulty of finding scrap steel, apparently because Tema Steel Mills had started to collect this for refabrication.[65] Nonetheless, it is difficult to dispute that, when compared to the large-scale industrial sector, most small industrial firms have been in a good position to secure their input requirements.

10.4 Incentives for Small Industry Production

Previous surveys offer some circumstantial evidence that profitable opportunities or incentives have been available for small industry work. When Anheier and Seibel asked their respondents, 'If you could work for a big modern company or for the government, would you do it or would you keep your business?', 90 per cent indicated that they intended to retain their businesses.[66] On the basis of this, Anheier and Seibel write that, 'For small-scale industrialists, the formal economy

[61] Thomi and Yankson, *Small Scale Industries*, pp. 37-8, 51. Adjei Kwame, 'Locational Analysis of Selected Informal Metal Industries in Kumasi', UST, BSc (Development Planning) 1990, table 4:3, p. 37.

[62] Sowa *et al.*, *Small Enterprises*, p. 44.

[63] Van Ommering and van der Ree, 'Small-Scale Industries', p. 67.

[64] Misc 7 and 8.

[65] Metal 15 and 17.

[66] Anheier and Seibel, *Small-Scale Industries*, p. 55.

appears to have lost much of its former attraction'.[67] Similarly, 78 per cent of respondents in Sowa *et al.*'s survey claimed that they would not leave their jobs if offered paid employment elsewhere.[68] Thus, Sowa *et al.* argue that 'the small-scale sector provides an attractive job avenue'.[69]

The problem with such data is that they make only a circumstantial case for the existence of profitable opportunities. After all, entrepreneurs may work in small-scale industries for reasons other than to make a profit. The Kumasi Survey discovered widespread evidence of this. When respondents were asked why they engaged in small industry work, a typical answer was the desire to be independent. Many said they had no wish to work for other people, with one observing that 'everyone want to be a boss himself in Ghana here. And if you want to corporate them, they'll never agree'.[70]

Non-profit reasons for working in small industries may represent barriers to exiting unprofitable enterprises. The Kumasi Survey found evidence of this too. Five metal-workers and two miscellaneous workers said that they would not leave their business, even if offered a well-paying job elsewhere. All the metal-workers who gave this response cited their obligation to train their apprentices as one reason for not closing down their firm.[71] Among the miscellaneous workers, one respondent reasoned, from her experience of losing her previous job at the University, that she would not close her firm, whatever happened:

> I don't think I'll close my shop. When I was in the University, I liked the work ... But at sometime, I was asked to leave. The person who the work belongs to asked me to leave, and I had nothing to do but to leave ... But with this business, it is mine. Whether it's good or not, at least it is for me. So I'm proud of it. I don't think I'll stop, close this shop and join anybody.[72]

An ice cream maker said that he was engaged in manufacturing because he wanted to bequeath something tangible to his children, noting, 'In the long run, I want to be

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[67] *Ibid.*

[68] Sowa *et al.*, *Small Enterprises*, p. 28.

[69] *Ibid.*

[70] Metal 6.

[71] Metal 6, 7, 8, 10, 18.

[72] Misc 10.

a manufacturer so that after even I have gone, my children can continue and depend upon what I have started, to make it large'.[73]

Clearly then, some have worked in small industries for reasons other than to make profits. However, at the same time, some respondents were quite definitely involved in manufacturing because that is where they felt that profitable opportunities lay. Hence, one soap manufacturer argued:

> It is safer to manufacture because even if I'm manufacturing here today, and you come and pull down this building, I can go and put up a hut in my village and so continue to manufacture. And people will still come to me to buy! Because if you are manufacturing, you are always in demand ... I thought to myself, I have to manufacture something that people need every day. Every household will need. Not these things you buy and then ten years you don't buy it again ... But if you manufacture something that every household needs, the moment you get up from bed, either it's food or it's a daily use item. Then somehow you'll be safer.[74]

The ice cream maker, who said that he wanted to bequeath something to his children, also reasoned that manufacturing was better than trading in the long run. When asked why, he replied:

> ... now in Ghana what I see is that a lot of people are putting up stores. So the question I keep on asking myself is: you are putting up stores; who are to manufacture to fill the stores? So I want to be one of the manufacturers to fill those stores.[75]

Whatever the reasons for engaging in small industry work, it is apparent, nonetheless, that profitable opportunities have been available in this sector. According to Aryee, masters of small-scale industries in Kumasi earned an average of ¢78 per week in 1975, while the equivalent wage in the large-scale sector at the time was ¢80 per month, before tax.[76] While this statistic may be dubious on account of the difficulty in measuring income in the small industry sector, it does give a sense that, for masters, small-scale industrial activity can be profitable. This is not a surprising conclusion for three reasons. First, the products of small-scale industries have been in demand. Second, the supply-side characteristics of small industries have

[73] Misc 13.

[74] Misc 2.

[75] Misc 13.

[76] George Aryee, 'The informal manufacturing sector in Kumasi', in S.V. Sethuraman (ed.), *The urban informal sector in developing countries. Employment, poverty and environment* (Geneva: International Labour Office, 1981), p. 94.

made them price competitive. Third, small-scale industries have been able to escape from government regulation. Each of these factors is considered in more detail below.

The Demand for Small-scale Industrial Products

It is clear that the collapse of large-scale industries and the import squeeze of the 1970s and early 1980s created some 'economic space'[77] for small firm expansion. Previous surveys, even apart from Dawson's, have demonstrated how small industrial firms have profited from downturns in the large industry sector.[78] Nikoi and Schmitz have both observed how output from small-scale soap producers has been inversely related to production in large soap factories, particularly that of Lever Brothers.[79] Anheier and Seibel found that 39 per cent of small-scale metal- and wood-workers considered that one of their best years had been between 1980 to 1982, precisely when the crisis in the large-scale industrial sector was at its peak and the import famine was most acute.[80] Similarly, 40 per cent of firms in Sowa *et al.*'s sample had been established during the 'hard times' of 1978-83.[81]

However, while the collapse of large industries and imported manufactures created some demand for small industry products, it is apparent that this had been rising since the 1950s, and for several reasons. First, until at least the early 1960s, some small-scale industrial activities had managed to establish themselves on the back of demand from the developing economy of the 'big push' era. The relationship between economic development and small-scale industrial growth was noted in Chapter Two: the necessity to transport palm products to the coast resulted in the development of the cask-rolling industry, which, in turn, stimulated the carpentry sector (p. 48). Economic development had a similar effect on the demand for some

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[77] Jonathan Dawson, 'The Wider Context: the Importance of the Macroeconomic Environment for Small Enterprise Development', *Small Enterprise Development*, 1 (1990) no. 3, p. 44.

[78] Van Ommering and van der Ree, 'Small-Scale Industries', pp. 91, 93.

[79] Samuel Nii Ashie Nikoi, 'Economic Problems of the Small-Scale Soap Manufacturing Industry in Accra', UST, BA (Social Sciences) 1985, p. 4. Jürgen Riedel and Hubert Schmitz, *Grass-Root Industrialization in a Ghanaian Town* (Munich: Weltforum-Verlag GmbH, 1989), p. 158.

[80] Anheier and Seibel, *Small-Scale Industries*, table 4.2, p. 35.

[81] Sowa *et al.*, *Small Enterprises*, pp. 22-3.

small industry products during the 'big push'. Rowena Lawson's study of the economy of the Lower Volta is pertinent here.[82] In the village of Battor, in the Lower Volta Region, there was an increase in the number of tailors, seamstresses, carpenters, masons, fitters and motor mechanics between 1954 and 1964.[83] This was because of the modernization and expansion of the economy at the time. Growing numbers of school children created greater demand for tailors and seamstresses to make school clothes. The increase in building resulted in more demand for carpenters and masons. The growth in motor traffic passing through the region led to a greater need for fitters and car mechanics.[84] Thus, it was not merely the 'great collapse' which created demand for the products of small-scale industries. Rather, some small-scale industries had benefitted from the economic modernization of the preceding decade.

Second, it is important to take into account that Ghana's economic collapse during the 1970s and early 1980s was a collapse from a relatively developed state (p. 29). The importance of this can be illustrated with reference to the vehicle repair sector. By the 1960s, thanks to the country's wealth and sophisticated exchange economy, Ghana was a highly motorized society by African standards. Motor transport played an established rôle in Ghana's economy, for example, in the haulage of cocoa to the coastal ports.[85] Hence, by 1975, the number of people per commercial motor vehicle was low by African standards, as table 10.1 illustrates.

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[82] Rowena M. Lawson, *The Changing Economy of the Lower Volta, 1954-67. A Study in the Dynamics of Rural Economic Growth* (London: Oxford University Press, 1972).

[83] *Ibid.*, pp. 26-7.

[84] *Ibid.*

[85] Kay, *Political Economy*, pp. 22-3.

Table 10.1. Population per Commercial Motor Vehicle, 1975.

Country	Population per Commercial Motor Vehicle, 1975
Ghana	231
Burkina Faso	614
Kenya	200
Malawi	406
Niger	438
Togo	457
Tanzania	370

Sources: United Nations, *1985/86 Statistical Yearbook* (New York: United Nations, 1988), table 145, pp. 713-9. United Nations, *The Sex and Age Distribution of the World Populations. The 1994 Revision* (New York: United Nations, 1994).

Therefore, when foreign exchange became short and the output of vehicle spares from large factories contracted, Ghana had a substantial stock of vehicles which needed to be maintained if the economy was not to collapse completely. It is likely that this imperative created the demand for small-scale vehicle repair workshops and locally-produced vehicle spares. In this way, some small industrial firms were able to grow during the 'great collapse' because, in a sense, the foundations of their markets had been laid in the period before.

A third factor in maintaining the demand for the products of small industries has been consumer tastes. In Japan since 1868, small firms often have catered for traditional tastes and have been protected by their only gradual Westernization.[86] Ghanaian small-scale industries are likely to have benefitted in a similar manner since the 1950s. Kente cloth provides an example of this. The wearing of kente in Ghanaian society still reflects the status of the wearer.[87] Although factory kente is available, it is considered to be inferior to the hand-made item.

Finally, the Kumasi Survey provides three tangible examples of how small

[86] Nakamura Takafusa, 'The Modern Industries and the Traditional Industries at the Early Stage of the Japanese Economy', *Developing Economies*, 4 (1966) no. 4, pp. 567-93.

[87] Venice Lamb, *West African Weaving* (London: Duckworth, 1975), p. 141.

industry sectors have become monopolists by producing articles which neither can be imported nor manufactured in large Ghanaian factories. One is the 'donkey cart', a metal wagon fitted with rubber tyres and pulled by donkeys. According to one respondent, as of March 1996, there were no producers of donkey carts outside the Suame Magazine.[88] Soap-makers and pito brewers have faced similar conditions. The manufacturers of Allata Soap (the traditional soap made from oil and ash) said that customers felt that it had certain medicinal properties, in particular an ability to cure skin rashes.[89] As one producer of this soap noted:

> Some people prefer using Key Soap for washing and they prefer using this for bathing. That's ... because this soap is able to cure rashes and other skin diseases. And those in Ougadougou and Abidjan usually prefer this kind of soap for bathing.[90]

Pito, a traditional beer brewed from millet, has been considered to have similar therapeutic qualities, with two pito brewers claiming that their customers found that the beer was particularly useful in combatting fever.[91]

Supply-side Characteristics of Small-scale Industries

The previous section has demonstrated how the products of small-scale industries have been in demand. This section considers how the supply-side characteristics of small industries have made such firms competitive and thereby aided their expansion.

One factor in the competitiveness of some small-scale industries has been their use of cheap raw materials. For instance, small-scale soap producers have used inexpensive inputs consisting of the burnt ash of cocoa pods, banana and plantain peel.[92] Such ash is relatively cheap to procure since, typically, plantains and bananas have been grown together with cocoa, Ghana's main export crop, while the ash itself has had little other value. By contrast, large-scale soap producers generally have relied on expensive, factory-produced caustic soda. This is not to suggest that small-scale soap producers pay nothing for their inputs. There is a cost in burning

[88] Metal 18.

[89] Misc 5, 11, 14 and 16.

[90] Misc 16.

[91] Misc 12 and 20.

[92] Van Ommering and van der Ree, 'Small-Scale Industries', p. 63.

plant matter to make ash, at least in the form of labour time and the opportunity cost of activity foregone. In addition, some inputs for small-scale soap manufacture do have to be paid for. Nikoi found that small soap-makers in Accra paid to bring in firewood from the Accra hinterland.[93] In the Kumasi Survey, two soap-makers had to pay to transport ash from the Brong-Ahafo Region to Kumasi,[94] while one imported her oil from Côte d'Ivoire.[95] Clearly though, some small-scale industries' use of cheap raw materials has given them a competitive edge over larger industrial firms.

This competitive edge has been consolidated by the small industry sector's heavy use of cheap, apprenticed labour. The surveys indicate conclusively that the bulk of small industry workers have been apprentices. For instance, Aryee found that 86 per cent of employees in Kumasi's small-scale industries in the mid 1970s were apprentices.[96] Kennedy's survey of small-scale producers in Accra in 1977 revealed that 182 of the 310 workers employed in sampled firms were apprentices, most of whom were paid a 'chop wage'.[97] Likewise, Riedel and Schmitz found that 76 per cent of employees in Techiman's small-scale industries in the late 1980s were apprentices,[98] while Elleithy cites a corresponding figure of 53 per cent among the wood-workers of Anloga.[99] Dawson and Effah demonstrate that apprentices dominate the small industry labour force in the Suame Magazine.[100]

In Ghana, apprentices have been integrated into the firm's production function, but, nonetheless, they have received only a 'chop wage', a salary barely covering the cost of food and perhaps travel to and from work (pp. 235-236). In addition to

[93] Nikoi, 'Economic Problems', p. 10.

[94] Misc 6, 11.

[95] Misc 16.

[96] Aryee, 'Informal manufacturing', p. 92.

[97] Paul Kennedy, 'The Rôle and Position of Petty Producers in a West African City', *Journal of Modern African Studies*, 19 (1981) no. 4, p. 586.

[98] Riedel and Schmitz, *Grass-Root Industrialization*, p. 93.

[99] Amr Ali Elleithy, 'Small Scale Industrial Agglomeration. A Case Study of the Small Scale Wood Industry Spontaneous Agglomeration at Anloga, Kumasi', UST, MSc (Development Planning and Management) 1990, table 3.2, p. 31.

[100] Dawson, 'Development of Small-scale Industry', p. 181. Effah, 'Small-Scale Metal Industries', p. 41.

providing low cost labour services, in many cases, apprentices actually pay their masters for training. Velenchik has found, from a study of 185 small industries in 1992, that of the 100 sampled firms with apprenticed labour, 59 charged fees to apprentices.[101] Other surveys suggest that fee payment has been even more common. Koney found that 85 per cent of apprentices in vehicle repair and metal-working in Suame had paid a fee to their masters before embarking on their training.[102] In Domfeh's study of scrap metal-workers, the corresponding figure was 96 per cent.[103]

The result of the use of cheap, apprenticed labour has been that small firms frequently have been able to undercut prices charged by larger companies. P.K.K. Quaidoo, a Member of the Legislative Assembly during the Busia years, expressed this lucidly. Contributing to a debate on the National Vocational Bill in November 1970, Quaidoo explained why drivers repaired their vehicles in small wayside workshops:

> These are the sort of shops which provide quick and useful services to motorists without their having to pay through the nose, instead of going to the recognised motor workshops where you have to pay as much as N¢2 an hour for repairs apart from the cost of spare parts which is very exorbitant.[104]

Quaidoo's point here is clear: whereas large vehicle repair workshops charged a high rate for labour, in smaller workshops, labour costs were lower. Sunnu's survey substantiates the existence of this competitive advantage in labour costs. Sunnu found that, in the 1974, small-scale vehicle repair workshops charged between ¢20 and ¢80 in labour costs for car engine reconditioning. By contrast, in larger workshops, the labour cost of the same job, completed to a similar standard of workmanship, was

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[101] Ann D. Velenchik, 'Apprenticeship Contracts, Small Enterprises, and Credit Markets in Ghana', *The World Bank Economic Review*, 9 (1995) no. 3, table 3, p. 457.

[102] Daniel Laryea Koney, 'The Role of Artisans in the Socio-Economic Development of Ghana. A Case Study of Suame Magazine in Kumasi', UST, BA (Social Sciences) 1987, p. 24.

[103] Domfeh, 'Problems and Prospects', p. 23.

[104] Ghana, *Parliamentary Debates. Official Report*, 2nd series, vol. 5 (Accra: Ghana Publishing Corporation, n.d.), col. 167, P.K.K. Quaidoo, All People's Republican Party, Amenfi, Second Reading of the National Vocational Training Bill, 16/11/1970.

around ¢125.[105] In short, the use of cheap, apprenticed labour has been important in the success of many small-scale industries.

Another factor aiding the position of some small industries has been their sparing use of capital relative to other factors of production. In Aryee's study, the average small-scale, informal-sector industry had 4.5 workers, and ¢780 of capital per enterprise in 1975,[106] or ¢173 of capital per worker. By contrast, in the large-scale, formal sector in 1970, capital per worker was several times this level, averaging ¢6,200 in chemical factories, ¢8,900 in textiles, and ¢13,800 in food manufacturing.[107]

The sparing use of capital often has translated into the use of efficient technologies, appropriate for Ghana's factor endowments. A case in point has been the narrow loom of the Ashanti kente weavers. To the Western eye, which often equates size with economies of scale and thus efficiency,[108] at first sight, the Ashanti narrow loom appears to be a less efficient machine for kente weaving than the wide loom. Yet, in the 1970s, several schemes to introduce the wide loom to Ashanti kente weavers failed.[109] There was a simple reason for this: while the traditional kente narrow loom cost about ¢5 to buy at the time, the wide loom cost around ¢100, an amount beyond the reach of most kente weavers.[110] Thus, as Browne writes:

> The example of Ashanti narrow-loom weaving illustrates that low-level technologies are not necessarily inferior technologies ... The point is simply this: village industries like Ashanti kente-weaving are technologically optimal, and little can be gained by interfering with them.[111]

By contrast, the large-scale industrial sector has been crippled by the use of

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[105] Samuel Billy Kofi Sunnu, *The Wayside Fitters. A Study of Small-Scale Vehicle Repair Activity in Urban Areas of Ghana* (Kumasi: UST Department of Planning, 1975), pp. 7-8.

[106] Aryee, 'Informal manufacturing', pp. 92-3.

[107] *Ibid.*, p. 94.

[108] Rajnarayan Chandavarkar, 'Industrialization in India before 1947: Conventional Approaches and Alternative Perspectives', *Modern Asian Studies*, 19 (1985) no. 3, pp. 623-68.

[109] Angela W. Browne, 'Rural Industry and Appropriate Technology: the Lessons of Narrow-Loom Ashanti Weaving', *African Affairs*, 82 (1983) no. 326, pp. 29-41.

[110] *Ibid.*, p. 35.

[111] *Ibid.*, p. 40.

technologies which often have been inappropriate for Ghana's factor endowments.[112]

Some small-scale industries have maintained their competitive positions by locating close to their markets. Car tyre vulcanizers fall into this category. In a country such as Ghana, where telephone facilities and vehicle recovery services are poor, small-scale wayside vulcanizers are probably the most efficient form of tyre repair, since they are located near to their customers. The Kumasi Survey found that bakers enjoyed similar competitive advantages. One baker, who was asked why customers bought their bread at her bakery and not at the big bakeries in Kumasi, thought:

> Another reason is proximity. Sometimes people buy from the area in which they are. If the baker is in that particular area, they buy from that area, instead of travelling to a different area to buy that same bread from a different baker.[113]

Another baker offered the same explanation: consumers were unwilling to pay to travel to buy bread, when they could purchase it from their local bakery.[114]

It can be hypothesized that one further reason for the cost competitiveness of certain small-scale industries has been their flexibility. It would be arguing too much to say that Ghanaian small industries have been engaged in 'flexible specialization'. 'Flexible specialization' is a term coined originally from Japanese and Italian studies which showed that small firms could increase their efficiency by using highly specialized and skilled labour, low degrees of product standardization and short production runs.[115] Ghanaian small-scale industries do not fit the Western 'flexible specialization' paradigm, because they have not employed labour with skills and specialization comparable to Italy or Japan. Nevertheless, there is reason to suspect that the general flexibility of small firms has been of great benefit to them.

In the Kumasi Survey, there were some graphic examples of small firm

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[112] Tony Killick, *Development Economics in Action. A Study of Economic Policies in Ghana* (London: Heinemann, 1978), pp. 195-205.

[113] Misc 19.

[114] Misc 18.

[115] M. Piore and C. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (New York: Basic Books, 1984), cited in A.H.J. Bert Helmsing, 'Small Enterprise and Industrialization Policies in Africa: some Notes', in Helmsing and Kolstee, *Small Enterprises*, p. 34. David Friedman, *The Miracle Misunderstood. Industrial Development and Political Change in Japan* (New York: Cornell University Press, 1988), ch. 4.

flexibility, flexibility which the large-scale industrial sector is unlikely ever to have attained. This was in three areas: labour, inputs and products. With regard to labour, it is evident that some firms in the Kumasi Survey operated in an almost completely unregulated labour market which permitted labour use (and thus labour costs) to be matched very closely to output. One small soap-maker described this Adam Smithian labour market in action:

> You know, I have about 10 people, but they are not always in there, because at times because of funding and lack of raw materials and so on and so forth. When we are in a position to produce, they come and then they produce ... We pay them ... on the work they are able to put in within some few days or hours.[116]

In other words, labour was employed as and when there was work to be done: when there was no work, workers were discharged promptly, and their labour costs saved. Big firms, by contrast, have not had such flexibility in hiring and firing labour.

With regard to using inputs flexibly, the case of a pito brewer and palm kernel oil-maker is instructive. This small-scale industrialist switched between pito brewing and palm kernel oil-making depending on the season and the costs of her raw materials. Thus, when millet was plentiful, she brewed; when palm kernels were in season, she made palm kernel oil. As she recounted:

> when there isn't enough millet on the market, if there's a shortage, then I produce palm kernel oil ... Around this time of the year, the millet, you will get the millet, but it is very expensive. So I make the palm kernel oil around this time of the year. When the prices come down, I buy, I go back into brewing.[117]

Again, there is little comparison with the large-scale industrial sector here: when that sector's imported inputs became scarce, much of it simply collapsed.

Finally, there were several cases of flexibility in the manufacture of products to suit the precise requirements of the market. In some cases, this flexibility was relatively minor. For example, one palm oil-maker could spice his oil according to the tastes of the individual customer,[118] which big companies could not do. In the same way, a shito-maker could vary the amount of pepper in her product so as to

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[116] Misc 2.

[117] Misc 20.

[118] Misc 3.

reflect the palate of the individual customer.[119] Among the metal-workers, there was quite a large degree of product flexibility. Thus, one machine-maker, when asked what sort of products he manufactured, gave this reply:

> machines which people come with their views and we magnify. We magnify peoples' ideas. There are some machines we have not produced before but the people come and they give us their views. What they want a machine to do, so that we put it in practice.[120]

An electrical engineer also explained how he built machines to order, so as to reflect the exact needs of the customer.[121] An exhaust-maker held a range of exhausts in stock, but, if a customer required another type, then he designed and manufactured it there and then.[122] Very few large industries in Ghana have come close to achieving such levels of product flexibility.

The small-firm industrial sector's use of low-cost inputs, cheap labour, sparing application of capital, proximity to demand and flexible methods of production account for some of the profitable opportunities that have been available for this sector. In addition, there are some very specific cases of small industrial firms increasing their collective efficiency by locating close to one another in 'industrial districts'. According to Khalid Nadvi, 'industrial districts' are:

> clusters of small- and medium-sized enterprises within a specific industrial sector; they are usually process-specialized and interlinked with each other through production subcontractual arrangements, located in close proximity to one another within a well-defined geographical space and bound together by various sets of common social categories and values.[123]

There are two prime examples of 'industrial districts' in Ghana: Anloga and the Suame Magazine. By the late 1980s there were about 2,000 workers in Anloga, engaged in a variety of wood-processing activities such as saw-milling, carpentry and charcoal burning.[124] By 1984, there were around 40,000 workers in the Suame

[119] Misc 15.

[120] Metal 10.

[121] Metal 19.

[122] Metal 17.

[123] Khalid Nadvi, 'Industrial District Experiences in Developing Countries', in United Nations Conference on Trade and Development/Deutsches Zentrum für Entwicklungstechnologien, *Technological Dynamism in Industrial Districts: an Alternative Approach to Industrialization in Developing Countries?* (New York: United Nations, 1994), p. 191.

[124] Elleithy, 'Small Scale Industrial Agglomeration', p. 6.

Magazine,[125] involved mainly in metal-working activities, such as vehicle repair and machine-building.

The clustering of small industries in Suame has increased the efficiency of all firms within the Magazine. There have been five reasons for this. First, the concentration of metal-workers has enabled small workshops to undertake large jobs by sub-contracting parts of them to other local firms. Indeed, 25 per cent of the Suame metal-workers interviewed in Effah's survey claimed that sub-contracting formed an essential part of their operations.[126] Thus, Suame's metal-workers straightened rods and produced nuts and bolts for small local vehicle repair workshops.[127] Second, there has been substantial sharing of equipment within Suame. This has reduced collective capital costs to the benefit of all firms in the Magazine. In Effah's survey, 43 per cent of respondents acknowledged that they shared equipment with others in the Magazine.[128] Third, the availability of local machine-makers has given other local industries a boost: machine-makers in the Suame industrial 'shanty town' have been manufacturing machines suited to the specific needs of other firms in the Magazine.[129] Fourth, in addition to the exchange of skills within the Magazine (p. 242), there has been a movement of designs among workshops in the Magazine. The Kumasi Survey demonstrates this vividly. One machine-maker admitted that he had given the measurements for some of his machines to other, less qualified Magazine machine-makers.[130] Another described how he came to work one morning to see another machine-maker measuring his newly-designed bandsaw:

> sometime ago, when I designed the bandsaw ... I came here one time at about six o'clock in the morning, and there was somebody standing by it measuring everything to go and do it. He didn't know I was coming at that

[125] John Powell, 'Kumasi University's Involvement in Grassroots Industrial Development', *Small Enterprise Development*, 2 (1991) no. 2, p. 35.

[126] Effah, 'Small-Scale Metal Industries', p. 52.

[127] *Ibid.*, pp. 53-4.

[128] *Ibid.*, p. 50.

[129] Dawson, 'Development of Small-scale Industry', p. 182.

[130] Metal 12.

time.[131]

Finally, the clustering of small firms in Suame has led to the development of institutions to assist the entire 'industrial district'. The Technology Consultancy Centre and the Intermediate Technology Transfer Unit have both had a positive impact on the development of the Magazine (pp. 206-207). In addition, it is useful to note the activities of the Ghana National Association of Garages (GNAG). GNAG is an institution which has assisted Suame industrialists to resolve trade disputes. One metal-worker had experience of this, when he became involved in an argument with a militia man over payment for a donkey cart. In this instance, GNAG attempted to arbitrate between the two parties and, when this failed, provided the metal-worker with an escort to the police station.[132] An engine-reborer recollected that when an engine block which he was repairing broke accidentally, GNAG arbitrated between himself and the customer,[133] thus precluding a long and expensive court case.

In view of the importance of the Suame Magazine in total small industry employment in Ghana (p. 72), it is worth enquiring into its history. Primary and secondary sources give an indication of this. In 1939, the Acting Senior Health Officer of Ashanti and Northern Territories described Suame as a 'village of some 100 compounds and an estimated population of about 1,430'.[134] It is unclear what happened after 1939. The 'official' view stresses the importance of the government's hand in establishing the Magazine. According to the Kumasi Regional Lands Secretary:

> The history of Suame Magazine dates as far back as the late 1950s when the then Kumasi Municipal Council decided to resettle all fitters in Kumasi. The result of this effort now is the Suame Magazine.[135]

A less flattering view of the government's rôle is offered by Sunnu and Effah. According to them, small industries had been spread across Kumasi, with a concentration near the location of the present-day zoo. The army Magazine had been

[131] Metal 10.

[132] Misc 18.

[133] Metal 11.

[134] NAGK D 1262, R. Ramsay, Acting Senior Health Officer, Ashanti and Northern Territories, to the District Commissioner, Kumasi, 23/12/1939, enclosure to p. 1.

[135] KLO K 4966, J.O. Sarpong, Regional Lands Secretary in memo to file, 1/3/1991.

nearby, hence the term 'Magazine'. The City Council later moved the fitters to Ashanti New Town, probably to make way for the zoo and to remove the visual eyesore which the workshops had created. After that, the Magazine was moved to the site of the present Suame Police Station. In 1961, it was moved again, this time to its present site, to make way for the new Police Station.[136]

It is interesting to note that ownership of the land on which the Magazine has developed is unclear, and is being contested. According to the Regional Lands Secretary in Kumasi, the government had acquired the land by Executive Instrument in 1974. Subsequently, the land was given to Kumasi City Council on the condition that the Council maintained it.[137] The identities of the traditional stool land owners were not known, and there was no evidence that they had been compensated.[138] Moreover, the original Executive Instrument by which the government had acquired the land was missing.[139] By the 1980s, the ownership of the land was in hot dispute, with six caretaker chiefs claiming that they had not been compensated when the government had acquired the land in 1974.[140] Surprisingly, however, such uncertainty over ownership has not prevented the emergence of one of the largest concentrations of small-scale industries in West Africa.

Escaping Government Censure

Previous sections have shown that small-scale industries often have been competitive producers and that their products have been in demand. Both these factors account for the fact that there has been many profitable business opportunities for small industrialists. Another contributory factor has been the relative lack of government censure of this sector.

The Manufacturing Industries Act of 1971 makes it obligatory for all industrial firms to register themselves with the Ministry of Industries and hence pay taxes.

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[136] Sunnu, *Wayside Fitters*, pp. 22-3. Effah, 'Role of Small-Scale Metal Industries', p. 31.

[137] KLO K 4966, J.O. Sarpong, Regional Lands Secretary in memo to file, 1/3/1991.

[138] *Ibid.*

[139] KLO K 4966, H.I. Baryeh, Regional Lands Officer, to the Acting Executive Secretary, Lands Commission Secretariat, 7/2/1996.

[140] KLO K 4966, Boaitey and Co., to the Kumasi Metropolitan Assembly, 29/11/1989.

However, most small industries have not done so. This evasion has been facilitated by the collapse of the government's administrative capacity during the 1970s and 1980s (pp. 183, 197) and its only gradual recovery since then. Thus, in Anheier and Seibel's survey, only 50 per cent of small firms were found to be registered with the government.[141] Sowa *et al.* cite a figure of 35 per cent,[142] while Aryee puts it lower still at only 19 per cent.[143] The yawning gap between the government and the small industry sector is illustrated clearly in Riedel and Schmitz's fieldwork in Techiman. According to the estimates of the Techiman District Council, there were between 120 and 150 small manufacturing enterprises in Techiman in the late 1980s.[144] In the event, Riedel and Schmitz's enumeration team identified 578,[145] almost four times the local government's estimate.

The benefits of remaining small and unobtrusive have been great, at least for employers. In 1975, the legal minimum wage was ¢2 per day.[146] By contrast, Aryee reports that apprentices were being paid a mere ¢ 2.40 per week at that time.[147] In 1996, the legal minimum wage had risen to ¢1,700 per day,[148] while a typical apprentice in the small-scale industrial sector received daily 'chop money' of only ¢500 to ¢1,000. Thus, by not registering with authorities, many small-scale industries have been able to avoid minimum wage costs. By contrast, larger firms have found it comparatively more difficult to avoid government regulations because of their very size.

To be sure, there may be costs involved in evading government regulation. For example, small industrialists may have to bribe government officials to remain unnoticed. Nevertheless, it is difficult to dispute the general point that, by avoiding government censure, small-scale industries have managed to become more profitable.

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141 Anheier and Seibel, *Small-Scale Industries*, p. 9.

142 Sowa *et al.*, *Small Enterprises*, p. 25.

143 Aryee, *Small-Scale Manufacturing*, p. 28.

144 Riedel and Schmitz, *Grass-Root Industrialization*, p. 35.

145 *Ibid.*, pp. 35-6.

146 Aryee, *Small-Scale Manufacturing*, p. 37.

147 Aryee, 'Informal manufacturing', p. 97.

148 *Daily Graphic*, 11/4/1996, p. 1.

At the same time, the threat of government censure has given many firms an incentive to remain small and unnoticed.

This chapter has examined the existence of resources to complement small industry entrepreneurship and has concluded that these have been relatively easily obtainable since the War. Capital has been available from trading, large-scale industries and agriculture. Another important source, which past studies of Ghanaian small industries have failed to identify, has been small industry work. In addition, small industries have not found it difficult to recruit labour (unlike their Nigerian counterparts in the 1970s) while raw materials have been in more easily available than for large industries.

With regard to the demand for small industry products, some of this (such as the demand for vehicle repair services) derived from before the 'big collapse'. Finally, it was demonstrated how small firms have been competitive by using cheap, apprenticed labour, engendering flexibility, locating in close proximity to each other so as to raise collective efficiency, and avoiding government censure by operating in the parallel economy.

11 CONCLUSIONS

This chapter closes the thesis by highlighting and discussing some of its central findings. In Section One, the main conclusions concerning the development of small-scale industries in the colonial period and the quantification of the sector's postwar growth are discussed. Section Two reviews government policy towards small industry from c.1945 to c.1992. Section Three collates the survey data to test the central hypothesis of the study that the postwar small industry 'explosion'[1] has been a consequence of Ghana's pattern of economic development followed by collapse. Section Four outlines an agenda for further research, while Section Five examines some of the wider policy implications of the study's findings.

11.1 Ghana's Small Industry Inheritance and the Postwar 'Explosion'

The development of small industries during the Gold Coast's integration into the world economy from c.1800 has attracted little serious attention from academics. Yet, eye-witness accounts, import data and population census material provide useful sources for understanding this subject. From their study, it is apparent that small-scale industries survived the colonial period. Indigenous industries were not eradicated by cheap, machine-produced manufactures from an industrializing Europe, as the Dependency view suggests (pp. 39-43). Indeed, by the period between the World Wars, small industries were well-established in the emerging towns of the Gold Coast (pp. 52-55).

In Chapter Three, Ghana's small-scale industrial inheritance was quantified, again using eye-witness accounts, but also adding material from a series of official household budget surveys which were conducted in the Gold Coast in the 1950s (pp. 59-61). These budget surveys have never been examined closely, despite the wealth of information which they contain. It was suggested that, by the 1950s, between 5 and 7 per cent of all employment in the Gold Coast was being provided by small

[1] Jonathan Dawson, 'Development of Small-scale Industry in Ghana—A Case study of Kumasi', in Henk Thomas, Francisco Uribe-Echevarría and Henny Romijn (eds.), *Small-Scale Production. Strategies for Industrial Restructuring* (London: Intermediate Technology Publications, 1991), p. 173.

industries (table 3.1, p. 57). Thus, Ghana's postwar small industry 'explosion' did not materialize out of nothing. This is a point which the literature has failed to recognize, but it is clearly pertinent.

Chapter Three also attempted to quantify that 'explosion'. By defining a small industry as having fewer than ten workers, it was estimated that, in 1960, 210,456 workers were engaged in the small industry sector (p. 68). By 1984, this had increased to 508,618 (p. 70). Much of this growth was based on the exceptionally rapid expansion of food-processing and beverage manufacturing (pp. 70-71). Moreover, there has been a growth not only in small-industry employment, but also in the sophistication of these firms (pp. 75-77). While at the end of the colonial period small industries produced relatively simple consumer items, by the 1990s, some were producing complex capital goods. While most were dependent on hand power in the 1960s, by the 1980s, an increasing number were using electricity.

One point to highlight is the enormous contribution of small industries to total industrial employment in postwar Ghana. If the figures derived in Chapter Three are to be believed, then since 1960, small industries have accounted for no less than 86 per cent of total industrial employment (pp. 68-70). This is the reality within which postwar governments' industrial policies must be assessed.

11.2 Government Policy towards Small-scale Industries

Although postcolonial African governments typically have consumed only a small proportion of national income, their influence over economic development generally, and industrial development specifically, has been immense (pp. 25-26). As David Andoh, a former Chairman of the United Africa Company, Ghana, noted in 1978, for the private sector, 'The first consideration for investment must be the attitude and policies of Governments'.[2]

Chapters Four to Eight charted government policy towards small-scale industries and, where source constraints prevented such a narrow line of enquiry, the private sector generally. The study took as its terms of reference Iliffe's

[2] David Andoh, *The Private Sector: a Case* (Accra: Ghana Universities Press, 1980), p. 1.

generalization that African states' dealings with the private sector have fallen into one of three categories: 'suppressive', 'nurturist' and 'parasitic'.[3] The main sources used were internal government documents in the Public Records Office and the National Archives of Ghana (particularly, but not exclusively, for the period up to c.1966) as well as Parliamentary Debates, published policy documents, party manifestos, newspapers and the secondary literature.

Before the Second World War, the government was ambivalent towards indigenous industrial entrepreneurs, as African nationalists argued (p. 80). However, the 'nationalist' charge that the colonial government was consistently hostile towards indigenous industrialists was an exaggeration. Some members of the administration were enthusiastic about small industries and, indeed, a Bureau of African Industries was established in Takoradi in 1938 to act as a 'shop window' for the products of local manufacturers (pp. 80-81). During the War, the imperative to use local resources led to a considerable degree of small-scale import-substitution, particularly of wood products (pp. 82-85). After the War, and pressed by African public opinion, the government established the Industrial Development Board, which promoted several native industries between 1947 and 1951 (pp. 91-92). District Commissioners also helped their local indigenous industrialists in various ways (pp. 93-95).

Most scholars have argued that, during the Nkrumah years, 1951 to 1966, the government favoured the state and foreign sectors and was hostile to indigenous private businessmen (p. 102). Since almost all small-scale industries at this time were in the private sector, this implies that the Nkrumah government was hostile to them too. From a detailed examination of internal government documents, most of which have been released only recently and few of which have been studied comprehensively, it is clear that the regime's rhetoric and private language towards small industries vacillated between encouragement and discouragement (pp. 106-107, 109-110). However, the cabinet stages of the National Investment Bank Bill, disprove the idea that the government sought to suppress small industries all of the time (p. 108). Nevertheless, in terms of actions, the Industrial Development Corporation had a minimal impact on the small industry landscape. Meanwhile, the

[3] John Iliffe, *The Emergence of African Capitalism* (London: Macmillan, 1983), ch. 4.

government's own foray into industrial development and its encouragement of foreign industrialists both had adverse effects on indigenous industries (pp. 110-118).

The National Liberation Council (NLC) overthrew Nkrumah in 1966 and promised, in public, to return Ghana to democratic politics, roll back the economic frontiers of the state, encourage the private sector and promote small-scale industries. The few internal government documents which are available suggest that the public promises of the NLC were sincere (pp. 138-140). One of the NLC's main measures to support the Ghanaian private sector was Decree 323, the Ghanaian Enterprises Decree. This Decree legislated small firms into the hands of Ghanaians (pp. 142-143). Ghanaian small industries did not benefit substantially from this measure since most expatriate industrial firms were large already (p. 144). Nonetheless, the regime adopted a clear 'nurturist' stance *vis-à-vis* the Ghanaian private sector.

Kofi Busia's Progress Party (PP) came to power in 1969 promising to be the champion of Ghanaian businessmen (pp. 145-146). In its election manifesto, the PP's rhetoric was blatantly 'nurturist', promising to strive to 'promote, assist, reward and encourage private risk taking'.[4] The Busia government started broadening the reserved sectors which had been established by the NLC (pp. 147-148), and founded the Small Business Credit Scheme to finance the development of Ghanaian enterprises. The Credit Scheme served traders in the main and failed to have a significant impact on small industries (pp. 154-155). Again, however, it is difficult to avoid the impression that the PP had a genuine 'nurture' capitalist agenda.

At first sight, government policy between 1972 and 1979 marked a distinct break with the PP years. Both the National Redemption Council (NRC) and Supreme Military Council (SMC) appeared to espouse the twin causes of statism and planning (pp. 165-167), both hallmarks of a 'suppressive' stance towards the private sector. Yet, what distinguished the NRC-SMC's statism and planning from that of Nkrumah was the emphasis on self-reliance and Ghanaianization. The policy of self-reliance augured particularly well for small industries since most have been deeply integrated into the domestic economy (pp. 167-169). The policy of Ghanaianization also resulted in several manufacturing industries being reserved for Ghanaians (pp. 169-

[4] Progress Party, *The Progress Party Manifesto* (Accra: New Times Press, 1969), p. 7.

170), in contrast to the reservation policies of the NLC and PP.

With regard to credit provision for small-scale industries through the Ghanaian Enterprises Development Commission (GEDC), a major development during the NRC-SMC era was the redirection of credit from traders towards small industrialists (pp. 175-176). Thus, by the financial year 1980-81, industrial enterprises were attracting the bulk of the GEDC's loanable funds. However, the military's specific 'micro' attempts to promote small industries were frustrated by broader 'macro' developments. In particular, the growth of *kalabule*, which was a direct result of the government's economic policies, worsened the immediate conditions for small-scale industrialists by shifting price incentives from production to trade (pp. 178-179). Consequently, despite the military's 'nurturist' intentions, in practice, its economic policies frequently 'suppressed' the small industry sector.

The Armed Forces Revolutionary Council (AFRC) worsened the climate for the private sector dramatically. Previous accounts have suggested that traders bore the brunt of Rawlings' 'moral revolution'. However, it was demonstrated that small industrialists suffered at the hands of the government too. Many were dragged off to register their businesses and pay tax. The arbitrary use of state power increased, as the vivid recollections of Suame metal-workers attest (pp. 184-186). By contrast, the People's National Party (PNP), despite its ostensible socialist leanings, was generally supportive of small industries (pp. 190-193). Still, economic 'distortions' continued to increase, providing further incentives to trade rather than to produce (p. 196). Also, the PNP did not survive to witness its central contribution to small industry promotion, namely, the establishment of the National Board for Small-Scale Industries (pp. 194-196).

Under the Provisional National Defence Council (PNDC), the private sector in general, and small industries in particular, were singled out for encouragement and support after 1983. The PNDC voiced regular, if not consistent, support for the private sector and unwavering enthusiasm for small industries (pp. 200-203). The 'macro' environment for small industries improved considerably after 1983 as economic liberalization helped to reconstruct price incentives in favour of domestic manufacturing (pp. 203-204). The regime's 'micro' policies were relatively successful too, with the Ghana Regional Appropriate Technology Industrial Service

(GRATIS) becoming a rôle model for other African countries by the early 1990s (p. 208). Thus, the PNDC after 1983 was clearly eager to 'nurture' small industries.

Considering the long period from c.1945 to c.1992, it appears that government policy cannot account directly for Ghana's small industry 'explosion'. While several governments were supportive of local businessmen, most government initiatives failed to reach the small industry sector. For instance, the PP's Small Business Credit Scheme was established to 'enable local businessmen with ability, drive, imagination and sound business ideas, but lacking adequate funds, to start business in a small way'.[5] However, most of its loans were disbursed to large businesses (pp. 154-155). The Supreme Military Council's Five Year Plan of 1975-80, although professing strong support for small industries, actually earmarked only ¢5.2 million for the promotion of this sector, against more than ¢75 million for large factories.[6] Similarly, the GRATIS programme, despite its successes, provided training for only 637 people in 1989.[7] In fact, in Sowa's study of 1,365 small businessmen conducted in 1990, barely a quarter of respondents had even heard of the scheme.[8]

It is strange that governments have devoted so few resources to small industries, despite such firms' huge contribution to industrial employment. In many ways, it is perverse that large industries—which have never provided more than 16 per cent of all industrial jobs in postcolonial Ghana—have been showered with substantially more public resources than smaller firms. This cannot be explained by ignorance on the government's part because, by the late 1950s, the government was aware of the benefits of small industry promotion (p. 122). Yet small industries were never promoted aggressively. Why?

Bates has argued that, in Africa, peasant farmers have found it difficult to lobby governments for higher food prices. This is because small farmers have been

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[5] NAGA RG 6/1/189, 'Press Release by the Minister of Finance and Economic Planning on the Small Business Credit Scheme (9/12/1970)'.

[6] Republic of Ghana (Supreme Military Council), *Five-Year Development Plan, 1975/76-1979/80, Part II* (Accra: Ministry of Economic Planning, 1977), pp. 201-4.

[7] *West Africa*, 23/4/1990, p. 662.

[8] Nii K. Sowa, A. Baah-Nuakoh, K.A. Tutu and B. Osei, *Small Enterprises and Adjustment. The Impact of Ghana's Economic Recovery Programme on Small-Scale Industrial Enterprises* (London: Overseas Development Institute, 1992), table 6, p. 24.

numerous and the costs of collective action have been high.[9] It is possible that Bates' argument can be extended to small industries too. Being relatively large in number and geographically dispersed, as well as operating in the semi-legal parallel economy (pp. 272-273), most small industries face high costs if they wish to engage in collective action. This may provide one explanation for their inability to lobby Ghanaian governments successfully.

However, several other factors determined government policy towards this sector as well. First, at times, the nature of the political system was important. During the PP era, a democratic political system encouraged Ghanaian businessmen to lobby for support and made the government particularly receptive to their demands. Indeed, the PP considered that a healthy Ghanaian business class was a necessary corollary to the democratic political system which it sought to safeguard (pp. 158-159). Other governments, while not being elected by the ballot, have courted popular favour through a policy of Ghanaian business promotion as well. The colonial government between c.1945 and 1951 falls into this category (p. 96), as does the PNDC after 1983 (pp. 213-214).

Second, government policy during the Nkrumah period raises the issue of the importance of individuals in shaping events. This was quite considerable in the case of Ghana between c.1960 and 1966: as Nkrumah began to dominate the Ghanaian state, his socialist, statist ideas were imprinted firmly on policy (pp. 103-105) and small industry promotion became a low priority.

Third, the rôle of prevailing economic ideologies in contributing to the formulation of small industry policy was substantial. In the late colonial period, many government officials still were committed to the ideal of *laisser-faire* and thus opposed a policy of aggressive small industry promotion (p. 99). These ideas persisted into the early years of the Nkrumah government, before being overturned by the prevailing ideologies of the late 1950s which stressed the importance of the state in modernizing 'backward' economies (p. 127).

Finally, it is worth underlining the significance of external actors in shaping policy. Foreign aid helped create the Management Development and Productivity

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[9] Robert H. Bates, *Markets and States in Tropical Africa. The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981), pp. 87-90.

Institute and the Tema Small Industries Centre in the 1960s (p. 151). The attitude of foreign donors was one factor behind the creation of the National Board for Small-Scale Industries (pp. 194-195) and the GRATIS scheme (p. 208). After 1983, the importance of foreign pressure on economic policy became quite significant, as the PNDC embarked on a World Bank/International Monetary Fund Structural Adjustment Programme (p. 213).

11.3 Hypothesis Testing: Small Industries a Consequence of Ghana's Pattern of Economic Development and Collapse?

Small firms across Africa share several inherent features which make them particularly well-suited to African economic conditions (pp. 17-18). For instance, many rely on local inputs, use little capital, are highly flexible and cater for local consumer tastes. Most operate in the parallel economy and thereby evade government controls and taxation. Thus, there is good reason to expect small industry growth across Africa. Even so, the growth of Ghanaian small-scale industries has been particularly pronounced by African standards. Why has Ghana been different?

In Chapter One it was hypothesized that the 'explosion' of small industry in Ghana can be explained with reference to the particular manner of the country's economic development until the mid 1960s, followed by the specific nature of the subsequent economic collapse (pp. 29-30). The evidence presented in Chapters Nine and Ten confirms this hypothesis.

Economic Development

Small-scale industries survived the colonial period and were accounting for between 5 and 7 per cent of total employment in the mid 1950s (table 3.1, p. 60). In other words, indigenous industrial entrepreneurship—a classic feature of economic development—was alive at the end of the colonial era. In East Africa, by contrast, coastal towns were simply entrepôts for primary commodity exports and manufactured imports, with the latter causing the death of the East African craft sector in all but the most inland areas.[10] Hence, many studies conclude that, by the end of the colonial period, indigenous entrepreneurship in West Africa was more developed than in East Africa and particularly advanced in the Gold Coast.[11]

The survival of small industries had several ramifications for subsequent small industry growth. First, it provided a pool of skills which were passed down to future generations. Two respondents in the Kumasi Survey were living witnesses to this process: one pito brewer had learnt her brewing skills from her mother who had learnt them from her mother;[12] a pastry maker had acquired her baking skills from her grandmother in the same manner.[13] Second, the Kumasi Survey demonstrated how capital accumulation from previous small industry work has financed today's small industries (pp. 252-253). Given the methodological limitations of the Kumasi Survey (pp. 225-227), it is unclear how important this source of capital has been. Nevertheless, it is highly probable that, by surviving the colonial period, small industries provided themselves with skills and capital for subsequent expansion.

Related to the survival of small industries is the apprenticeship system. Apprentices constitute a pool of cheap labour and apprenticeships increase the number of skilled industrial workers. As Thomi and Yankson write:

> In general it looks like the small-scale industrial sector is qualifying migrants and at the same time using apprentices to improve their economic situation by using their cheap labour.[14]

The apprenticeship system has been particularly prevalent in Ghana and West Africa in comparison with East Africa. Again, this is probably because numerous small industries survived the colonial era, thereby preserving the institution for future generations (pp. 237-242).

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[10] Ralph A. Austen, *African Economic Development. Internal Development and External Dependency* (London: James Currey, 1987), p. 73.

[11] Theodore Geiger and Winifred Armstrong, *The Development of African Private Enterprise* (Washington D.C.: National Planning Association, 1964), pp. 25-6. Margaret Katzin, 'The Role of the Small Entrepreneur', in Melville J. Herskovits and Mitchell Harwitz (eds.), *Economic Transition in Africa* (London: Routledge, 1964), pp. 179-198.

[12] Misc 12.

[13] Misc 15.

[14] W.H. Thomi and P.W.K. Yankson, *Small Scale Industries and Decentralization in Ghana. A Preliminary Report on Small Scale Industries in Small and Medium Sized Towns in Ghana* (Legon: Department of Geography, University of Ghana, 1985), p. 35.

One feature of Ghana's economic development, which helps to explain the growth of small industry, was education. Previous surveys have demonstrated that small industrialists typically have been more educated than the general population (pp. 228-229). The Kumasi Survey investigated this correlation and explained how school and technical school education has fostered industrial entrepreneurship (pp. 229-231). In this connection, it is evident that, by the 1960s, Ghana had one of the best-developed school systems in Africa. For example, in 1965, primary and secondary school enrolment rates were higher in Ghana than in Tanzania, Mozambique, Zambia, Niger, Kenya, the Ivory Coast and Botswana.[15] Even after the 'great collapse', the provision of formal education remained excellent by African standards.[16] Technical education facilities have also been good, as the success of the GRATIS scheme illustrates (p. 208).

Another aspect of Ghana's economic development that helps to account for the subsequent 'explosion' in small industry activity was the specific nature of Nkrumah's industrialization programme, which emphasized the development of large-scale factories (pp. 130-131). Although other Africans countries pursued policies of state-led, large-scale industrialization after independence, Ghana exemplified this strategy *par excellence* since, in the 1950s, it was equipped with the resources to do so (p. 213). Large-scale, state-led industrialization bankrupted the Ghanaian economy in the short run. However, in the long run, it had two positive ramifications. On the one hand, skills were accumulated in large industries and, when these enterprises collapsed, workers took these skills into the small industry sector (pp. 231-234). On the other hand, workers took capital with them as well (pp. 250-251). Thus, Killick's contention that public sector employment represented a 'high-cost way of providing what were, in effect, unemployment benefits'[17] needs a little refinement. Evidently, employment in large-scale public industries provided the opportunity for skills acquisition and capital accumulation too.

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[15] World Bank, *World Development Report 1989* (Washington D.C.: Oxford University Press, 1989), table 29, pp. 220-1.

[16] *Ibid.*

[17] Tony Killick, *Development Economics in Action. A Study of Economic Policies in Ghana* (London: Heinemann, 1978), p. 239.

Finally, it is important to note the aspects of Ghana's economic development up to the 1960s which created the basis for some of the later demand for small industry products. For example, by the late 1960s, thanks to a sophisticated exchange economy, Ghana was a highly motorized society (table 10.1, p. 262). Therefore, when foreign exchange supplies contracted in the 1970s, there was a ready market for vehicle repair services. If there had been fewer motor vehicles, then the growth of small vehicle repair workshops in the 1970s certainly would have been less pronounced. Thus, it was not simply the foreign exchange crisis which created the demand for small industry products, as Dawson argues.[18] In fact, some of the foundations of this demand had been constructed before.

The 'Great Collapse'

The particular nature of Ghana's 'great collapse' also explains part of the postwar small industry expansion. Ninsin draws attention to this when arguing that, as the economy contracted in the 1970s, formal employment opportunities became limited and labour was forced to 'eke out a living' in the small industry sector.[19] During the colonial period, Africans typically sought a formal education and a white collar job. By the 1960s, because of the collapse of the formal economy, a technical education and blue collar work were widely coveted. Thus the supply of labour for work in the small industry sector grew after the 1960s (pp. 254-256). By contrast, in Nigeria—the other West African country with numerous small industries—the supply of labour to this sector in the 1970s was scarce (p. 256).

Two other aspects of the 'great collapse' deserve particular emphasis. First, during the 1970s and early 1980s, Ghanaians emigrated in their hundreds of thousands in search of better living conditions abroad. Indeed, during the 1970s, almost a third of all Ghanaians were domiciled outside the country.[20] By that time,

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[18] Jonathan Dawson, 'The Wider Context: the Importance of the Macroeconomic Environment for Small Enterprise Development', *Small Enterprise Development*, 1 (1990) no. 3, pp. 39-46.

[19] Kwame A. Ninsin, *The Informal Sector in Ghana's Political Economy* (Accra: Freedom Publications, 1991), p. 2.

[20] Victor Azarya and Naomi Chazan, 'Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea', *Comparative Studies in Society and History*, 29 (1987) no. 1, p. 119.

the Ghanaian diaspora in the West was probably one of Africa's largest, and certainly larger than those of countries such as Tanzania.[21] In the short run, mass emigration had adverse affects on the economy, as skilled labour left the country. However, the Kumasi Survey suggests that this exodus may have had positive consequences, at least in the long run and from the perspective of small-scale industrialization. This is because, when emigrants returned to Ghana, some brought capital (p. 252) and valuable skills (pp. 233-234) with them. In view of the methodological constraints of the Kumasi Survey, it is impossible to tell how widespread this phenomenon has been. However, given the fact that so many left Ghana in the 1970s and early 1980s, it is likely that using capital and industrial skills accumulated abroad has been a relatively common occurrence.

A final distinguishing aspect of the 'great collapse' was the growth of the parallel market or *kalabule*. The parallel market has been prevalent in most postcolonial African economies. However, it was probably more common in 1970s and early 1980s Ghana than in most others, given that price 'distortions' were so acute (p. 196). In the short run such distortions increased incentives to trade rather than to produce (pp. 178-179). However, in the long-run, *kalabule* may have had a positive impact on the potential for small industry growth. Most of the capital employed in small industries has come from the savings either of the industrialist, or of the industrialist's family and friends. Previous surveys, as well as the Kumasi Survey, show that this capital often has been accumulated through trading first (pp. 249-250), though how much of this has been from *kalabule* trading is unclear. Also, some of the miscellaneous workers in the Kumasi Survey gave a hint of how a trading background had helped them develop specific business skills such as the ability to think through an investment decision or the know-how to market a product effectively (pp. 244-245).

Implications

If Ghana's small industry 'explosion' can be understood with reference to the

[21] Jonathan Dawson, 'Impact of Structural Adjustment on the Small Enterprise Sector: a Comparison of the Ghanaian and Tanzanian Experiences', in A.H.J. Helmsing and Th. Kolstee (eds.), *Small Enterprise and Changing Policies* (London: IT Publications, 1993), p. 74.

country's economic development and collapse, then a major implication would be that government economic policies between independence and 1984 were not the complete disaster which some claim it to have been.[22]

On close examination, government policy appears to account for several aspects of Ghana's development and collapse. For example, it is clear that, wittingly or unwittingly, the Ghanaian state engineered an industrial skills 'explosion' from the 1960s, through the provision of general and technical education and the creation of large-scale industries. Government policies which collapsed the economy also led to an exodus of workers and the growth of *kalabule*. On balance, however, government economic policies ruined the economy: between 1974 and 1983, recorded income per head fell by 40 per cent,[23] while domestic investment slumped from 14 per cent to 2 per cent of national income.[24] However, from the viewpoint of small industry development, the same policies, paradoxically, had some favourable consequences.

11.4 An Agenda for further Research

To explain Ghana's small industry 'explosion' more comprehensively than this thesis has done, there are several issues which could be researched further. This section considers some of these.

Small-scale Industries during the Colonial Period

The subject of the development of small industries during the colonial period still requires more research. Understanding it better could help to explain more fully the reasons for the subsequent growth of small industries. In this regard, research into the origins of the apprenticeship system may prove particularly rewarding, given this institution's critical function in reducing small industries' labour costs and increasing the pool of labour with small industrial skills. Although there is a literature on

[22] Killick, *Development Economics*. Douglas Rimmer, *Staying Poor. Ghana's Political Economy, 1950-1990* (Oxford: Pergamon Press, 1992). Jonathan H. Frimpong-Ansah, *The Vampire State in Africa. The Political Economy of Decline in Africa* (London: James Currey, 1991).

[23] M.M. Huq, *The Economy of Ghana. The First 25 Years since Independence* (London: Macmillan, 1989), table A.2, p. 288.

[24]

apprenticeship in Ghana, it remains small and patchy (pp. 237-242).

The National Archives of Ghana hold numerous records on the subject of small industries during the colonial period. Only a small number of them have been analyzed in this thesis. The records of the Ministry of Labour may be particularly helpful in documenting the history of apprenticeship. These were closed for reorganization in 1996 when the research for this thesis was conducted. Once they are reopened, it should be possible to find some interesting files on apprenticeship because in 1961, the Nkrumah government passed a law regulating the terms and conditions of apprenticeship contracts.[25] It is likely that the Ministry of Labour was active in formulating this law. Therefore, its records should have much to offer.

Local Government Policy

Small-scale industries operating outside the larger cities such as Accra and Kumasi probably are affected more by the institutions of local government than those of central government. Local councils often have been the primary point of contact between government and small industries. For instance, in Kumasi in the 1980s, some council members sought the strict enforcement of residential zoning laws prohibiting small firms from operating in residential areas.[26] Council 'city beautification' programmes have affected small industries as well. As Appiah notes:

> I doubt if in formulating policies generally, there is any real awareness of the existence and contribution of small scale enterprises to the economy. It may be relevant to point to the fact that at any time some City or Urban Council officials want to give a face-lift to their town, they chase down such enterprises because they are probably regarded as a disgrace to the town's beauty.[27]

This thesis has focused mainly on central government policy towards small-scale industries. Local government policy was studied only for the late colonial period (pp. 93-95). This is a subject which future researchers may wish to pursue. The National Archives of Ghana in Kumasi, Sunyani and Cape Coast (none of which

[25] NAGA ADM 4/1/322, Apprentices Act, 1961.

[26] Kafui Kojo Tagboto, 'Multiple Land Use in Residential Areas. A Case Study of Kumasi', UST, BSc (Land Economy) 1988, p. 81.

[27] A.K. Appiah, 'Lending to Small Scale Enterprises (SSE)', *Journal of the Ghana Institute of Bankers*, 2 (1987) no. 2, p. 7.

have been used extensively by historians for this purpose) may well be useful.

Issues for Future Surveys

The respondents to the Kumasi Survey were not chosen at random, and were not necessarily representative of Ghana's small-scale industrialists (pp. 225-227). In fact, the metal-workers interviewed may have been exceptional by Ghanaian standards, given that they worked in the Suame Magazine where some of Ghana's most sophisticated small-scale industrial firms are located (p. 75). It is likely that rural small-scale industries are less sophisticated than those in the Magazine, and hence the explanations for their development may be different.

Nonetheless, the strength of the Kumasi Survey was its in-depth analysis, and its ability to highlight the range, if not the incidence, of the variables underpinning small industry growth. Several were located, which previous studies have failed to pinpoint. For instance, the Kumasi Survey demonstrated the importance of working abroad as a source of the skills (pp. 233-234) and capital (p. 252). In addition, it illustrated that a significant source of the capital employed in today's small industry sector has been previous small industry work (pp. 252-253).

For a more complete understanding of small industry growth, it would be necessary to ascertain the incidence of these variables. This would require constructing a representative survey of small-scale industries. Nevertheless, by uncovering hitherto hidden variables, the Kumasi Survey suggests some new issues which such surveys could investigate.

11.5 Policy Recommendations

Although this thesis is a study in economic history, it is possible to draw on its findings to offer some policy recommendations.

Gerschenkron, Rostow and the first generation of development economists had little concern for the activities of small-scale industries. According to them, industrialization in the Third World would be based on modern, large-scale factories (pp. 15-16). More recently, development economists have turned their focus to the activities of small industries (pp. 16-20). This study suggests that this is a valid shift in concerns. Ghanaian small industries have been important in terms of employment generation (pp. 68-70) and have demonstrated an ability to move into the production of increasingly sophisticated goods (pp. 75-77). As with the proto-industries of early modern England and Japan (pp. 12-15), some small Ghanaian industries have grown into large concerns (p. 18).

It has been argued that the economic policies which collapsed the general economy had some benefits for small industries. However, for other African countries formulating small industry development programmes today, deliberately collapsing the economy is clearly not a viable policy option.[28] Even so, some positive policy recommendations are possible.

First, small industry development is a long-term process. The postwar expansion of Ghana's small industry sector was rooted in developments which took place not just after 1945, but also for up to a century before. Therefore, although government small industry programmes may be able to stimulate this sector temporarily, real growth probably can only take place over a long period. With regard to 'micro' small industry development projects, Powell writes that 'It is a fallacy to think that if a project cannot succeed in two years it is a failure'.[29] The same conclusion appears to be valid for general policies to promote the small industry sector as well.

Second, the Kumasi Survey has stressed the importance of skills acquisition in small industry growth. None of those interviewed would have been able to establish their business without previously having acquired certain industrial skills. In some cases, this process was lengthy. One respondent had attended a University technical school, completed an apprenticeship in the Suame Magazine and then worked in a large brewery in Nigeria before starting his small machine-building firm. He attested:

> ... I can say that all these fabrications and other I'm doing are as the result of the accumulated working experience: from the University, when I lived here in the Magazine, and in Nigeria. That is ... all these places there were

[28] Dawson, 'Wider Context', pp. 45-6.

[29] John Powell, 'Kumasi University's Involvement in Grassroots Industrial Development', *Small Enterprise Development*, 2 (1991) no. 2, p. 42.

fabrication working places.[30]

Thus, the Kumasi Survey's findings lend support to new 'endogenous' growth theories which stress the importance of human capital formation in the process of economic development.[31] As Crafts argues, 'endogenous' models of growth accounting 'stress the role of human capital and would imply that traditional growth accounting will give incorrect estimates of human capital's contribution to growth'.[32]

Finally, it is worth emphasising that even well-constructed and adequately-funded 'micro' programmes to assist small industries are liable to fail if the 'macro' conditions are not correct. The NRC/SMC era provides a clear example of this. Although the NRC/SMC sought to promote small industries, its efforts were thwarted by the deteriorating 'macro' climate: increasing price distortions raised the incentives to trade rather than to produce (pp. 178-179); the official 'rules of the game' became increasingly unclear as soldiers on the ground took the law into their own hands (p. 180). Thus, patience, measures to transfer industrial skills and good governance are perhaps the keys to small industry growth.

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[30] Metal 10.

[31] Paul M. Romer, 'The Origins of Endogenous Growth', *Journal of Economic Perspectives*, 8 (1994) no. 1, pp. 3-22. Norman Gemmell, 'Evaluating the Impacts of Human Capital Stocks and Accumulation on Economic Growth: Some New Evidence', *Oxford Bulletin of Economics and Statistics*, 58 (1996) no. 1, pp. 24-5.

[32] N.F.R. Crafts, 'Human Capital and Productivity in Advanced Economies', in John A. James and Mark Thomas (eds.), *Capitalism in Context. Essays on Economic Development and Cultural Change in Honour of R.M. Hartwell* (Chicago: University of Chicago Press, 1994), p. 190.

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