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Indigenous Capitalism in Ghana

Paul Kennedy

There are several 'myths' about the development of indigenous capitalism in the Third World, which derive from dependency theory. Using case material from Ghana, it is argued that a capitalist class is developing and expanding an already significant base in manufacturing. State aid has been acquired to a limited extent and sometimes by corrupt practice, but often when indigenous capitalists have been well established. Connections with foreign capital, far from limiting the expansion of local capital, have helped in the local acquisition of managerial and technical skills, leading to independence from and competition against foreign capital. These findings are not normally predictable from standard dependency theory, and suggest the possibility of a national capitalist development.

African businessmen have received very little attention. This is true both for those writers who work within a basically Marxist theoretical framework and for those who do not. The scant interest shown by the former is readily explicable in terms of the assumptions they make when considering the process of Third World underdevelopment.

1. At the general level, they tend to argue that the Western-style pattern of 'self-centred development', in Amin's terms (*RAPE 1*) is inapplicable to the African states, given their historical incorporation into world capitalism as export-oriented, primary producers who are dependent on foreign markets and technology and whose growth prospects are severely constrained by the outward drain of capital. It follows, that the national bourgeoisie cannot play a progressive and major role in developing the forces of production as happened at an earlier period in the West. Only under socialism is it possible to envisage an economic and social transformation of the kind that could involve and benefit all the population rather than, as at present, a small minority. Such a change would, by definition, eliminate the local capitalist class.

2. Most Marxists go on to argue that even within the limited growth parameters set by the realities of economic dependency there are few opportunities for the emergence of a *local* capitalist class of any sig-

nificance. Thus, not only are the prospects for growth through investment reduced by the smallness of local markets but the profitable opportunities that do exist are mainly available to foreign capital or, perhaps, to the state since these have access to resources which are denied to local businessmen. Foreign capital has always been able to pre-empt the most lucrative fields of enterprise and can still do so despite the end of formal colonial rule since it remains a gigantic step ahead of its local rivals.

3. On a more specific level, African businessmen are regarded as having a number of characteristic weaknesses:

a. Their contribution towards the development of the productive forces in the economy has been negligable compared to their role as commercial 'intermediaries' between foreign capital and peasant farmers. Those businessmen who do operate in the sphere of production are normally petty producers who are unable or unwilling to accumulate and invest capital in expanding productive capacity. Instead, they provide cheap goods and services for the lower paid clerical and manual workers in the modern sector thereby enabling foreign capital to shift some of the cost of reproducing its social relations of production onto the petty commodity sector. Alternatively, local businessmen have sought to occupy essentially superficial positions in the economy as 'front-men' for foreign capital, as suppliers of subsidiary services for large companies, as wheelers and dealers in foreign exchange transactions and as possessors of monopoly rights to import certain goods.

b. Because of their historically subordinate position in relation to foreign capital the ability of African businessmen to emerge and to secure some foothold for themselves in recent years, however small, has tended to depend either on the provision of direct government help in the form of legislative provision to reserve certain areas of business activity exclusively for locals and/or the provision of funds, or on the use of political connections to obtain government contracts.

c. As in the past, African businessmen continue to be confined to an essentially comprador position in relation to foreign capital; always on the losing end of any arrangement with foreign firms, yet dependent directly or indirectly for much of their business activity on the initiatives taken and the opportunities created by overseas interests.

However problems arise when considering the validity and usefulness of these three arguments. Firstly, although 2 and possibly 3 *can* be deduced from 1, so too, can several other arguments. There is no necessary connection between them. Thus, it is perfectly possible to agree that autonomous capitalist industrialization – whether it is led by an indigenous bourgeoisie or by some other group – leading to the kind of living standards enjoyed in the West is a quite unattainable goal for the majority of Third World nations without also assenting to the view that development of any kind, even dependent development, is out of the question. Certainly, writers like Barratt Brown, Cardoso and Warren have suggested that the evidence from a number of Third World countries indicates scope for industrial expansion within the limits set by economic dependency. It would seem that in their eagerness to make the point about the redundancy of capitalism today as an engine of Western-style development many writers have tended to make illegitimate and empirically unverified assumptions. This not only obscures our understanding of those economic changes that are possible but it may also foster an indifference towards the very social and political tensions, generated by partial development in a near-colonial economy, that ultimately may bring about the transition to socialism.

Secondly, there is an element of contradiction in what writers say concerning the alleged weaknesses of African businessmen. Thus, on the one hand these are seen as the inevitable consequence of factors beyond the control of local businessmen: there has never been an opportunity for them to act in any other way. On the other hand, there is the suggestion that businessmen *ought* not to display these weaknesses. By doing so their predicament becomes in part a result of their own fallibilities. Not only is this confusing, it also tends by implication to open the door to certain possibilities that are not dealt with in the basic model of underdevelopment: namely, the prospect that 'reformed' local business groups could go some way towards improving their economic position vis-à-vis foreign capital and in the process might also make a contribution to local development perhaps through partially halting the outward drain of capital as this begins to come under their own control.

Thirdly, the list of apparent weaknesses shown by African entrepreneurs often owes more to *post hoc* reasoning, on the basis of the arguments contained in 1 and 2, and to haphazard observations derived from a few not necessarily representative situations than to thorough empirical work and careful analysis. In what follows an attempt will be made to examine the three major kinds of weaknesses which African businessmen reputedly exhibit and to do so against the evidence derived from a study carried out by the author in Ghana between 1968 and 1970.

The study included 126 manufacturers, 25 building contractors and 35 traders with permanent stores. The industries chosen for the manufacturing sample were the ones that so far have proved most easily accessible to Ghanaians: garments and textiles, furniture, printing, sawmilling, food processing (bread baking, soft drinks, tinned food, coffee processing), shoes, cosmetics, rubber, plastic, and leather products. The survey deliberately excluded people who were known to have a foreign partner and it concentrated on businessmen who had established a definite 'firm' organization: a minimum of three or four paid or unpaid employees, a permanent factory 'building' and a full-time involvement in business activity.

The Contribution or Non-contribution to Production?

It is usually assumed that African entrepreneurs have only a minimum involvement in industry compared to trade and services, and those engaged in manufacturing or construction activities do so as petty producers too small to accumulate capital or to compete effectively with foreign firms. Those who do accumulate capital are thought to have done so as a result of superficial speculative ventures pursued through the manipulation of social and political connections. The capital obtained thereby is supposedly dissipated in non-productive ways.

1. The first counter that needs to be made is that industrial activity

(as opposed to mining, public works or transport) in Ghana is a relatively recent phenomenon of the last 25 years or so. This can hardly be said to be due to a weakness of local businessmen since it applies in the main to foreign and state concerns as well. In fact, more than a quarter of the manufacturers included in the 1968-70 Ghana survey first started in business (sometimes initially as traders but more usually as manufacturers *per se*) before 1952 while altogether 38% went into business prior to 1957. Thus, there has been an indigenous involvement in manufacturing, albeit initially as small-scale producers, almost from the time that industrial activity first became established. A similar story was found in the case of building contractors.

2. Although it is true that the overhwhelming majority of people engaged in manufacturing are self-employed artisans, craftsmen or technicians with few or, more usually, no employees, partners or apprentices a definite class of local capitalist or quasi-capitalist manufacturers does exist. This applies not only to the industries studied in the 1968-70 survey but also to other areas of manufacturing like metal products and cement blocks as well as to all kinds of building contracting, road haulage, quarrying, vehicle repairs, simple engineering workshops and so on. It is true, of course, that so far few, if any, Ghanaians have moved into the capital goods industries but the same limitation applies to the majority of foreign and state concerns as well.

3. The label 'capitalist' rather than petty producer can be applied to the majority of the businessmen who were studied in the 1968-70 survey not because they produced goods for the market or operated in a sphere of enterprise that involved 'modern' skills and products but because most were in business in order to accumulate capital rather than to make a 'living'. They produced goods and services with the intention of making a surplus over and above the capital they had laid out at the beginning of their current production cycle and then used this to expand operations in the next cycle.

Those entrepreneurs who seemed content with an enterprise that merely provided them with a comfortable income were often people who had once intended to build up a large firm and who had passed through an earlier period of capital accumulation. But, lacking the commercial or organizational skills to coordinate an enterprise once it had reached a certain size, having entered an already overcrowded field, perhaps at a bad time from the point of view of market opportunity, or having deprived their firms of funds for expansion when the market was ripe by building houses instead, and so on, they had found the going too hard and given up the struggle for growth once they had secured a small niche. Moreover, many of these businessmen, in whom the drive to expand had died or never properly got started, felt it necessary to justify their relative failure. They did so by referring to their 'unfair treatment' at the hands of government officials or bank managers or the competing demands on their time from dependents or the call of village or church obligations. Thus, they seemed to believe that firm expansion was the duty of businessmen, one that they had somehow failed to obey.

4. Most of the people in the 1968-70 survey established their first firms with amounts of money which, by the standards of the time

in the 1940s, 50s and early 60s, were neither negligible nor easily obtainable for the majority of the population. Just under half began with less than £100 while another quarter had savings of between £100 and £500. On the other hand, these sums were far from being vast fortunes which were guaranteed to bring their owners ready-made success in almost any venture. A few of those who started in business with rather large sums of money may have done so through using their position in the civil service or a public 'corporation' to amass illegitimate funds by embezzlement or corruption. Substantial amounts of starting capital were also obtained in some cases as a result of the pooling of funds by friends or former professional associates. However, given that the majority began with quite small amounts of capital and yet had managed to build up substantial firms, in some cases, the question arises as to how they had managed to do this. From where had they obtained their wealth?

Capital accumulation measured in terms of investments in plant and equipment and the ownership of real estate was closely related to the ability to do three things: (a) to create surplus value in the production process by establishing firm control over the allocation of the labour-time supplied by employees, alongside a rational division of labour; (b) to extract surplus value through laying claim to a portion of the value embodied in the commodities produced by virtue of the proprietor's 'contribution' as owner and manager of the means of production; and (c) by realizing this surplus value through finding regular market outlets for the commodities produced. Thus, the 'capitalist' label applied to them because they had developed an organization that made it possible to carry out a sustained and systematic exploitation of labour-power in conjunction with market opportunity.

Of course, some businessmen had been much more efficient in creating and extracting surplus value than others. Between firms in the same industry producing much the same kind of goods there was considerable variation in the style of enterprise and in the kind of technology being used. Some businessmen who only employed ten or twenty people (usually a mixture of 'apprentices' in various stages of training, semi-skilled and skilled workers) had nevertheless introduced certain processes that made all the difference between expansion and stagnation while others, with similar resources and opportunities available to them, had fared relatively badly. Several arrangements conducive to profitability and therefore to capital accumulation were used: securing regular outlets for goods with market traders or organizations (schools or department stores, for example) as opposed to supplying small orders for individuals in the locality, thereby making it possible to standardize the range of commodities and concentrate on one job-lot at a time; breaking down the production process into separate but related routine operations and so (in Marx's terms) beginning the process of converting the worker into a 'crippled monstrosity'; setting output norms for each specialized task, recording the time spent on each job and relating this to incentive payments; attempting to reduce dependence on skilled craftsmen by investing in one or more machines that could be operated by semi-skilled workers as funds became available, and so on.

5. It is important to note that the criteria of 'capitalist' enterprise

applied much more obviously and completely in some cases than in others. The different degrees of capitalist involvement can be understood partly in terms of the different patterns of educational and occupational experience found among the businessmen who were studied. Basically, the manufacturers and contractors in the survey could be said to have experienced one of two kinds of background although some could draw on elements of both kinds of training. Firstly, there were those who had received only primary school education, had undergone an apprenticeship and had then worked almost exclusively in an artisan capacity. In general – and there were notable exceptions – many of the businessmen in this group found it difficult to build up a large firm. Lacking any commercial or administrative experience and fascinated primarily with matters of skill and technique they tended to see business problems in terms of producing quality products rather than manufacturing and selling them in considerable quantities. Their firms were often poorly organized while their work force consisted of skilled craftsmen (perhaps, former work colleagues or friends) who offered their services on a contract basis and often brought their own tools and apprentices learning their trade. Thus, although many remained hopeful of achieving more rapid expansion in the future and had sometimes earned sufficient profit to buy more tools, an item of power-driven machinery and perhaps a house, they were not completely differentiated from the mass of self-employed petty producers. To have any hope of achieving full capitalist status they needed an alliance with a more business-conscious partner.

A second category were those who in addition to receiving some secondary school education had obtained a diploma through full or part-time further education, in Ghana or abroad, in a technical subject, commerce, accounting or management. Alternatively, or in addition, they had occupational experience as salesmen, clerks, lower-level managers or supervisors which had given them an insight into the problems of organization and marketing. It was mainly from the ranks of this group that the more expansionist businessmen had come. Lacking, in many cases, a *specific* technical skill, being more aware of the importance of producing standardized commodities for reasonably large markets and possessing a fund of experience from which to draw relevant inferences concerning the importance of organizational strategy when market opportunity called, these businessmen tended to view expansion, right from the beginning, in terms of investment in equipment and dependence on a labour force of mainly semi-skilled workers. Only by concentrating on gradual and fairly continuous profit re-investment in plant and equipment could they hope to find a place in a highly competitive market.

6. In discussing both the capitalist characteristics and the role of relatively sound business practices in enabling many Ghanaian entrepreneurs to achieve business success there is no intention of exaggerating their ascetic 'virtues' and to deny the relevance of luck, socio-political connections and various forms of chicanery. Thus, for some, the really big breakthrough on the road to expansion depended, at some point, on receiving help in the form of a large government contract, a loan from the National Investment Bank, lenient overdraft facilities or a considerable import licence quota. Alternatively, a long-term contract to supply a big trading concern sometimes provided an important and

much needed spurt to firm growth. Some of the successful manufacturers and contractors went first into trade, where they accumulated the capital for eventual investment in industrial activity. It was here, as a manufacturer's representative with sole rights to import a particular foreign firm's goods or in temporary partnership with an expatriate, that an entrepreneur might enjoy certain advantages which would not otherwise have been available to him: the opportunity to establish overseas connections and access to knowledge concerning changing consumer demand, or the chance to accumulate trading capital and managerial experience while being 'carried' for a time by a more qualified person.

Nevertheless, whatever the source of the breakthrough and at whatever the stage it came, if it came, in most cases it was insufficient to explain business success. Those who received injections of capital through bank loans, for example, usually did so only after they had already been in business for some years and had proved their ability to expand slowly through their own efforts. Similarly, the officials in charge of awarding local or central government contracts or the managers of large trading concerns might favour some businessmen more than others as a result of various long-standing personal connections but their own interests also compelled them to choose a firm with some kind of reputation and the capacity to 'deliver the goods' at competitive rates. Again, this in turn usually presupposed a prior period of organization-building on the part of the entrepreneur. Moreover, 'lucky breaks', whenever they originate, have to be fully exploited if they are to confer lasting, long-term benefits. This assumes that the means and the ability to do so are ready and available. Nor is quick profiteering by 'cutting corners' and skimping work on a big contract necessarily a sure way to finance expansion and build-up a large firm, although it may enable a businessman to make a quick 'scoop' and then retire from the field. The manufacturer or contractor who takes advantage of a favour in this way may find it difficult to secure contracts on a second occasion. Thus, the relationship between capital accumulation, business efficiency, patronage and social connections is by no means a simple one.

7. The requirements for success in capitalist industrial ventures in the future may increasingly mean that a rather different type of entrepreneur comes to the fore. Indeed, this is undoubtedly happening already. The need in certain industries for much larger amounts of starting and working capital (perhaps giving rise to more genuine capital pooling arrangements) in order to begin production on a considerable scale and with a standard range of equipment, as well as the importance of access to a wide range of local and international skills and connections, may mean that newcomers to industrial enterprise will have to be relatively wealthy people (or those who can draw on the wealth of others) with a professional background and a much more intensive experience of large organizations than was found in the case of types one and two. The widespread and possibly increasing occurrence of all kinds of dubious transactions in Ghana today involving the collusion of government officials, the misappropriation of government funds, foreign currency deals, smuggling, hoarding and so on, take on, perhaps, a new significance in this context. There is general agreement in Ghana that (as elsewhere in Africa and the Third World) large sums of money are currently being accumulated through means such as these at substantial cost to the urban and rural masses. In addition, there has always

been a tendency in Ghana for those in public employment to see their official job as a means for 'preparing' their future in private enterprise. Whether or not some of these funds are becoming available, directly or indirectly, to would-be businessmen who will then put them to productive use is, of course, quite impossible to say with any degree of certainty.

The usual argument that money obtained in this way does nothing to stimulate the economy because it is spent on imported luxury goods and services carries a good deal of weight but is very difficult to test. Three points, however, can be made. Firstly, it is at least theoretically possible that some of these funds will get channelled into productive investment. Moreover this process seems feasible in terms of profitability, given both the increasing involvement of individual Ghanaians in the market economy as willing sellers of goods and services, eager to obtain the cash necessary for purchasing consumer goods as well as the basic necessities and, on the other hand, the insistence of the government that an increasing proportion of goods are manufactured in Ghana instead of being imported – a policy that currently seems to be enforced quite rigorously. Secondly, if this happens it may be possible to claim that Marx's concept of 'primitive capital accumulation', as a prerequisite for intensive industrial capitalist penetration, is not totally inapplicable. Thirdly, insofar as funds obtained through quasi-political/illegal/morally illegitimate means are transferred into productive investment in this way Ghana will not be the first country in which such a process was partly responsible for industrial expansion.

8. It has already been argued that the majority of businessmen in the 1968-70 survey started with relatively small amounts of capital and that the wealth they subsequently accumulated was obtained mainly through continuous production and reinvestment over a long period of time. Altogether, 68% of the manufacturers had invested in power-driven machinery while most of the remainder had increased their stock of tools, materials and plant. A quarter of the manufacturers and 57% of the contractors owned power-driven machinery worth (at 1968-69 prices) at least ₵10,000 (at the time UK £1 = ₵2.45) and in most cases the members of this group owned equipment worth considerably more than this.

It has frequently been alleged that African businessmen tend both to spread their investment into numerous small enterprises, thereby dissipating their energies and resources, and to 'waste' potentially productive investment opportunities by purchasing houses and other properties at an early point in their business career. Garlick, among others, has made this claim in the Ghanaian context. Some of the businessmen in the study had certainly acted in this way and they tended to be among the least successful entrepreneurs from the point of view of overall investments in productive capacity and number of employees. But these practices were far from typical.

Thus, approximately two-thirds of the businessmen in the total sample were still running their first and only enterprise while well over half of the remainder had only ever established one additional firm. Normally, those who had set up a second (or occasionally third or fourth – 13%) enterprise had moved into a field closely related to the activities of their main firm, establishing backward, forward or horizontal linkages.

After many years spent accumulating capital in trade a businessman might open a factory to produce the goods he sold in his stores. A building contractor might establish a plant-hire business or open a factory to produce window frames, doors and other items used in building work. Sawmillers sometimes moved into furniture production or became timber merchants and transporters. A soap and cosmetics manufacturer established an oil palm plantation and the owner of a factory that canned vegetables set up links with a rural farming co-operative.

Although most businessmen did crave the security that comes from investments in real estate the average length of time that had elapsed before profits were spent in this way was nine years for the sample as a whole. Moreover, the average number of houses owned was 1.8 in the case of businessmen with large firms and 0.8 for the less successful. It was not easy to calculate the relationship between the proportion of profits invested in machinery and plant compared to the proportion spent on house purchase with any degree of certainty or precision. However, on the basis of a rough estimate for the more successful businessmen it would seem that between 1.5 and 3 times as much money had been spent on productive investment as on house building. Taken together these findings do not provide much support for the usual stereotype of African businessmen. Dissipation, over-hasty investments and wasted opportunities were not the norm among those who were included in the 1968-70 Ghana Survey.

9. The argument that African enterprise is largely directed towards catering for the subsistence needs of the poorest consumers thereby enabling foreign capital to make high profits, both by underpaying their own lower-level personnel and by monopolizing the more profitable luxury markets for consumer goods, is difficult to evaluate. The true picture is far from clear. On the one hand it seems likely, as Bryant has shown in the case of one of Ghana's medium-sized towns, that as a rule the self-employed petty producers do operate mainly as low-cost providers of goods and services for the least well-paid employees in the modern sector.

On the other hand, however, the distinction between luxury and subsistence goods is not always a very clear one in the case of certain industries, such as plastic goods, some articles of clothing, particularly 'fashion' clothes which are widely aspired to, and in the more prosperous big cities. In any case it is notoriously difficult to define what 'subsistence needs' are. What were luxury goods for one generation tend to become subsistence goods, or at least 'essential' commodities, for the next. In Ghana today the government is trying to control the distribution and therefore the price of a number of basic goods precisely because they are in such great demand. Some of these now seem to be regarded as 'essential' goods, for example, washing powder, toilet soap and tinned milk, whereas this was not the case twenty years ago. Other commodities too, like transistor radios, bicycles, toothpaste and the possession of good cloth, in addition to everyday clothes, appear to be widely owned and used in the towns by the poorer sections of the community. In addition, it may be worth asking whether the role of petty-commodity production in supposedly permitting a more intensive exploitation by large firms in the modern sector is a new phenomenon or one which is unique to the process of underdevelopment. Rapid capital accumulation during the nineteenth-century period of Western industrialization was presumably helped through a similar process – albeit with the important difference that the same outflow of capital to foreign countries did not also take place.

Turning to the businessmen who were studied in the 1968-70 survey two points can be made. One is that many of the firms occupied an intermediate position between the two sectors. They tended to produce both high-quality 'luxury' goods and cheaper standardized commodities. The latter were produced with an eye on the moderate and low-income earners. Secondly, insofar as local businessmen were not tied to the bottom end of the market but were producing, at least partly, for the middle and high-income private consumer they found themselves in competition with large foreign companies. Competition between foreign and local firms also existed, of course, in the struggle to secure local and central government contracts for supplying large institutions. To what extent it may be possible in future either for small Chanaian manufacturers and/or for the foreign firms who remain in Ghana to find a way to profit from the sale of cheap mass-produced commodities to the very poorest consumers is impossible to say.

Dependence on Government Aid

It is often argued by neo-Marxist writers and others that insofar as African businessmen have emerged at all this has been largely due to government intervention. Thus, Williams writes of the 'bureaucrat-capitalist' whose ability to profit in business depends on the monopolistic privileges granted by the bureaucracy. One crucial aspect of this, it is said, involves the government taking deliberate legislative action in order to carve out a special niche for local businessmen and to protect them from foreign competition. In the case of Kenya, Leys argued that the inability and unwillingness of the government to dislodge foreign capital altogether meant that local businessmen could only 'transcend' their peasant status through being granted protected spheres in which to operate. The provision of monopolies to Kenyans eventually covered trade, manufacturing, contracting and road transport. In some spheres, particularly trade, receiving protection from foreign competition has meant, in effect, that local businessmen receive a commission on turnover instead of a salary, a guaranteed slice of overall trading profit. The result of this and other forms of government assistance (loans, state guarantees of commercial credit and so on) is to make African businessmen little more than clients of the state.

In addition to legislative protection and financial aid the success of local businessmen is dependent on government patronage in the awarding of contracts. This is related to the ability to forge or utilize connections with politicians and officials. In the West African context First has claimed that in the post-independence era the politicians used their power to hand out contracts in return for a 'commission' or they established their own business interests. Thus, local businessmen of all kinds required and used the resources at the disposal of the state in order to build an economic base.

The various forms of government aid for local businessmen are regarded both as a symptom of weakness – an admission of failure – and as a prop that once installed will never be removed since it will free businessmen from the need to develop by their own efforts. The general drift of these arguments can be criticized in three ways.

First, the implicit notion that government help is proof of the weakness of local businessmen belies historical experience since the willingness of governments to shelter emergent local industry, by one means or another, has been one of the preconditions of successful industrialization for every country that tried to follow in the steps of the early developers. Policies that worked in the case of Japan or Germany can hardly be condemned for today's Third World countries. Government support for local business, industry and the national economy as a whole remains fundamental in all the advanced capitalist countries today; it would seem even more inevitable for the weaker economies. Secondly, these views about state support are often held on the basis of the most flimsy empirical evidence derived from the examples of a few notorious individuals. We know that political and social connections, for example, have been important in the careers of numerous individual entrepreneurs. However, we do not know how generally important patronage is, compared to other factors, nor do we know in what proportion of cases it has been at work. Thirdly, the assumption that government aid is both essential and inhibiting to local capitalists is a generalization that does not apply with equal force to all countries. The conditions that have obtained historically in Kenya are not necessarily typical. In the case of Ghana, for example, neither the known record of government help for local businessmen up to 1970 nor the evidence available to the author suggest that the majority of indigenous entrepreneurs emerged, survived and prospered mainly or even partly as a result of government aid and patronage. The ensuing discussion will try to demonstrate this point.

What seems remarkable about general government aid for small Ghanaian businessmen is the almost total absence of any meaningful help until the years of the Busia regime. The few sops handed out during the 1950s and 1960s pale to insignificance when contrasted with the efforts made to attract foreign capital and to discriminate in favour of the state sector. Thus, during the 1950s the Nkrumah government often reiterated the need to provide government help for indigenous businessmen but the actual help that was provided was very small indeed. The banks pursued a conservative lending policy towards small businessmen and government attempts to provide loans on easier terms than the banks were neither extensive nor of long duration. Two such schemes, both started in 1954, were the Small Loans Schemes to provide machinery on credit and the Guarantee Corporation which offered short-term loan facilities to merchants who lacked adequate security. But the terms offered were fairly stiff and included high rates of interest repayment. Esseks has described how after 1957 attempts were made by interested MPs and businessmen to persuade the government to restrict the rate of immigration into Ghana and to reserve certain areas of trading to Ghanaians through such measures as import licensing to ensure that at least a minimum volume of import trade passed into Ghanaian hands. But these demands fell on deaf ears. The rates of overall Lebanese immigration actually increased between 1957 and 1962. Also, no systematic attempt was made to channel sections of business activity towards the indigenous groups except in the case of building contracting. This was mainly done by reserving some of the smaller contracts for Ghanaian firms. But even here the help was fairly meagre. Also, the main motivation for doing this was to collect commissions for the party and its leaders.

As is well known, Nkrumah made an open declaration in October 1960 to the effect that henceforth there would be no more government assistance to the indigenous private sector. In this context Esseks has argued that Nkrumah never had any intention of seriously encouraging, or even allowing, a strong group to emerge that could rival his own party in power and wealth. But it was not until late 1960 that he felt sufficiently strong to openly repudiate his formerly avowed policies and risk losing the support of earlier helpers.

After 1960 the major resources at the command of the state were channelled towards the construction of a powerful public sector. Two of the organizations that were created, the Ghana National Construction Corporation and the Ghana National Trading Corporation, created enormous difficulties for private local businessmen once their operations were underway. This was because the import licensing system introduced in the 1960s worked in favour of the state sector, particularly the Ghana National Trading Corporation, which received generous allowances mainly at the expense of the small Ghanaian traders. The National Construction Corporation also enjoyed favoured treatment since a great deal of government building work was allocated to it, again mainly at the expense of small indigenous firms. Finally, two of the earlier aid programmes were liquidated in 1960 and the National Investment Bank, founded in 1963, directed over 90% of its funds towards the state sector.

Many have defended Nkrumah's overall policy of building up the state sector as part of a quasi-socialist strategy to increase Ghana's economic independence but also because only the state, sometimes in conjunction with foreign capital, was capable at that time of setting up certain new and costly industries. But, such a policy need not have been incompatible with helping indigenous capitalism too. The fact that the CPP government did not do this – if anything, they went out of their way to place obstacles in the path of local businessmen while at the same time they were virtually encouraging the Lebanese and Indian business communities – only made the difficulties of Ghanaian capitalists much greater. It also gives the lie to the argument that such groups are unable to emerge without government aid.

During the three and a half years of rule by the National Liberation Council that followed the coup in 1966 the tide began to turn slowly in favour of Ghanaian businessmen but there was no real breakthrough until the Business Promotions Act was introduced by the Busia government in 1970. This strengthened an earlier decree of 1968. It effectively limited all trading and manufacturing enterprises under a certain size to Ghanaians and reserved some sectors of the economy entirely to indigenous businessmen regardless of size or capital involved. Aliens were given one year in which to quit these fields and Lebanese, Indians and others who were not able to re-group their assets so as to escape these restrictions did in fact leave Ghana. In addition, the Bank of Ghana and the government introduced schemes to provide the commercial banks with credit guarantees to cover the advances made to Ghanaians who wished to purchase the firms left by departing aliens. The second military government since 1972 has also provided some help for local businessmen. Loans have been made to people willing to invest in farming projects and in December 1976 the Investment Policy Decree declared that henceforth Ghanaians must be allowed to hold a majority of the equity shares in foreign-owned companies.

However, two points need to be made about the help that has been granted since 1970. One is that government aid materialized only after a long period during which a sizeable group of local businessmen had already carved out a place for themselves largely through their own efforts. Secondly, Ghanaian businessmen played an active role in bringing about the changed climate during the years after 1966. Several businessmen's associations sought wide publicity for what, to them, appeared to be the unfair advantages available to foreign capital. At least two groups broke away from the foreign-dominated Ghana Manufacturer's Association protesting that their interests could not be properly represented by this organization. In addition, organized and individual pressure was brought to bear upon the political parties which fought the 1969 election with a view to securing favourable policies in due course.

In the case of government patronage obtained through corruption and political/social connections it was obviously difficult to discover how widespread this had been and to estimate its importance for the success of individual businessmen. Nevertheless, some findings are available. Although connections of various kinds had clearly been quite useful to a number of building contractors (contracts) and traders (import licenses) they had been less important in the case of the manufacturers. Secondly, there was evidence that those traders and building contractors who had benefited from patronage through using contacts had usually done so only after they had already established a reputation for competency and a viable firm sufficiently large to cope with reasonably difficult operations. The officials who allocate import licenses or government building contracts are more likely to bestow their favours on those firms that are well managed not only because these offer the most attractive prospects for long-term 'return' but also because they are less likely to create embarrassment by wasting vast amounts of government money. This does not excuse such practices but it does suggest that obtaining government contracts partly or occasionally through some kind of corruption is only one factor in business success. Building contracting illustrates some of the additional factors: an ability to select and train able foremen and technicians; a willingness to invest profits in a wide range of equipment so as to increase the firm's versatility; a willingness to delegate authority to supervisors over a number of sites; the ability to keep costs down by avoiding waste in the use and storage of materials and to keep a tight control over work schedules.

Thirdly, the need to secure central and local government contracts, partly through corruption, is important for success in every capitalist country in the world in certain fields of business simply because so much work comes from this quarter. It seems unreasonable to single out Third World businessmen in this respect. Moreover, a willingness to go out and establish social connections of all kinds with suppliers, buyers, government officials, agencies that provide specialized services, and so on, and to utilize those connections that have been 'inherited' through membership of kin, friendship, community and club networks, must be counted everywhere in the world as one major aspect of the entrepreneurial role. Large corporations employ specialized personnel to perform these functions; sole proprietors must rely on their own devices. One of the important characteristics shared by many of the most successful businessmen included in the 1968-70 survey was their obvious ability to build up social networks at all levels, local, national and international, and their willingness to join every kind of voluntary association and club including some that were not at all socially prominent.

Lastly, the relationship between active involvement in politics and business life was not very strong. Only 4% of those included in the survey had been local or central party organizers, MPs or, in one case, a Minister in the Nkrumah regime. Without doubt politics had helped their business careers but in most cases their firms had survived the demise of the CPP government with few apparent ill-effects. The majority of those interviewed had never belonged to any party before 1969 (63%) or had merely been members without being active in any way (27%). In addition, a third of those who had been party members had belonged to opposition parties. Although some of the building contractors and traders who were members of anti-government parties appear to have had a fairly lean time in the years before the 1966 coup they nevertheless managed to build up sizeable firms during these years and were in a position to make good use of the changed environment later in the decade. Thus, for most businessmen politics was not crucially important to their success or failure one way or the other except in the sense that nearly everyone suffered to some extent from the anti-business policies pursued between 1960 and 1966. Active political involvement or party affiliation were important in the case of a minority but even here a rise or fall in political fortunes was far from being the sole or even the main factor in business success. In only a few cases does politics appear to have been the crucial variable that made all the difference between success or failure.

The Nature of the Relationship with Foreign Capital

The term 'comprador' is normally meant to imply the existence of a state of collaboration or complementarity between foreign and local capital such that the coincidence of interests is sufficient to maintain the relationship. In the case of West Africa local groups historically operated as intermediaries or middlemen for powerful European trading companies. Even where local businessmen imported manufactured goods and exported cash crops in their own right, instead of being semi-independent or hired functionaries in a vast trading network, they still acted in an essentially 'comprador' capacity since their commercial interests were tied up in maintaining the primarily agricultural nature of African economies. In the modern context the term 'comprador' has taken on a slightly new meaning with the increased importance, supposedly, of partnerships between Africans and foreign companies. These may be of a direct nature where the former act as 'front-men' who enable the latter to evade government legislation designed to restrict foreign enterprises to certain sectors or who use their knowledge of the indigenous culture to manipulate government officials and others. Alternatively, the relationship may be an indirect one with the interests of the formally independent African businessmen tightly linked to those of the foreign firm upon which he depends for one or more major resources.

In the context of Ghana today, the extreme simplicity of the 'comprador' idea renders it virtually useless as a tool for unravelling the changes and increased complexities typical of the economy. First, the argument that one of the most important spheres of commercial opportunity available to local businessmen involves their operation as satellites to large foreign companies – supplied by them with working capital and dependent on them for markets and/or supplies – assumes a coincidence of interests which is often more imagined than real. All capitalists are in business to make a profit. If foreign firms offer a relatively poor deal or are reluctant to expand their local operations, thereby limiting the prospect of their African 'associate' companies, then the interests of the two are likely to conflict rather than converge. Secondly, relationships of this kind, between relatively weak small companies and large ones, where the former supply specialized services or components for the latter and have few, if any, alternative market outlets, are not unique to Africa. They are widespread in many industries all over the industrial West. In any case it is stretching the concept of collaboration too far to include situations where firms provide ancillary services within the definition. The kind of dependency involved here is of a different order to that which occurs in the case of direct partnerships.

Thirdly, the classic comprador import-export merchant no longer enjoys a straightforward identity of interest with foreign capital. Thus, the expansion of the industrial base in Ghana has meant that an increasing proportion of consumer goods are produced locally by the subsidiaries of multinational corporations, by private Ghanaian industrialists or by the state enterprises. In so far as the commercial activity of many traders continues to be tied to the wholesale and retail of imports, competition from made-in-Ghana goods reinforced by formal government bans on the importation of certain commodities brings them into conflict with some branches of foreign capital. In fact, a number of the traders included in the 1968-70 survey were in the process of diversifying their activities by opening up factories to produce some of the goods they had formally imported.

Fourthly, as was argued in an earlier section of this article, many Ghanaian manufacturers and building contractors are engaged in fierce competition against foreign firms to obtain access to the same government contracts and consumer markets. Even if they remain dependent on some companies, therefore, for their supplies or market outlets they are fundamentally in conflict with others. When the businessmen in the survey were asked to state what they considered to be their greatest problem the most common response was 'foreign competition' (although in the case of the smallest firms some of this resentment was directed against self-employed non-Ghanaian craftsmen). Moreover, in the view of these businessmen the competition was unfair since foreign firms had access to various resources and advantages including government inducements to invest and the means to bribe local officials, which were not so available to them. It was this state of affairs which prompted them to take 'political' action in the late 1960s.

Lastly, there is the question of the incidence of direct partnerships between Ghanaians and foreign companies where the former acts as a 'front-man', and the problem of deciding who benefits most from such arrangements. Because the 1968-70 survey deliberately tried to exclude firms where a formal alliance of this kind was currently in operation it is not possible to estimate what proportion of Ghanaian businessmen are involved. However, taking the most successful entrepreneurs in the total sample it appears that only one-third had formed some kind of alliance with foreign firms at a previous point in their business careers. This had normally occurred at an early period soon after they first went into private business. In most cases the relationship involved one or two individual expatriates rather than a large company and the alliance had lasted only for a short time. A few entrepreneurs had maintained long-standing links with a firm based in Europe where they had once been employed. Much of the technical and/or administrative skill they used in their current businesses had been acquired during this period abroad. In addition, they sometimes obtained second-hand machinery at low rates from their former employers. Clearly, these links constitute evidence of technological dependence but they hardly qualify as direct partnerships.

In the case of both kinds of arrangements it seemed fairly clear that the Ghanaian partners or employees had benefited a good deal, often rather more than the expatriate. Many advantages had resulted from a temporary relationship with a foreign manager or technical expert who also owned a small company: access to a wide range of local and international contacts, the chance to obtain managerial skills, and the opportunity to accumulate capital quickly as the beneficiary of an efficient and established enterprise. Given the recognition that African businessmen are just as capable as their counterparts in other countries of knowing what is in their best interests and how to exploit a situation to their own long-term advantage these findings should come as no surprise. The ability to benefit from an alliance with foreign businessmen obviously depends very considerably on talent and determination. The permanent 'front-man' *per se* may well be the less able businessman whose inadequacies reduce his bargaining power and manoeuvrability vis-à-vis foreign partners while preventing him from seeking alternative opportunities.

Conclusions

It is not difficult to list a number of factors that sooner or later seem likely to undermine or prevent the further growth of a local capitalist class in Ghana, particularly an industrial class. Paradoxically, one such set of factors may be related to Ghana's advanced state of industrial development compared to other countries in the area. The official and unofficial export of manufactured goods to surrounding countries and the existence of tighter government restrictions on the importation of luxury and non-luxury goods, in conjunction with the advanced stage of development of an exchange economy and of consumer demand, have currently combined to create numerous opportunities for profiteering through foreign exchange deals, the manipulation of shortages and illegal importing. In this situation those who have the necessary capital, connections and experience, particularly if they also have access to import licences, have every incentive to accumulate capital through essentially non-productive rather than productive activities. Another problem is that of overcoming the limits to development based on import-substitution industry. Many would argue that without the capacity to produce machinery and spare parts through a local engineering and capital goods sector every extension of light industry merely increases dependence on foreign technology and does little to solve the problem of foreign exchange. This limitation will affect the state enterprises as well as local capitalists.

Whether these and other problems will be partially or, as seems less likely, totally solved is difficult to predict. Nevertheless, a local industrial capitalist class has emerged in Ghana over the last 30 years. As a result of economic competition, capital accumulation and political pressure, in addition, more recently, to the legislative designation of exclusively Ghanaian business areas and the demand for equity participation, local capitalism has pushed its way increasingly into the industrial as well as the trading sector of Ghana's economy. This process seems likely to continue. The possibility of exporting manufactured consumer goods to other parts of Africa (and perhaps to the West also, as in the case of certain Asian countries) may provide opportunities for a further expansion of local industrial capitalism, and with it a deepening of class conflict. Such expansion, if it occurs, could make the problem of dependence on heavy industrial imports seem less important. In any case, very few countries in the world can hope to achieve or retain industrial self-sufficiency (or any other kind) as technological advance and world economic interdependence continue to increase. Alternatively, some capital goods industries might become economically feasible, particularly if West African economic unity becomes more of a reality. If this happened foreign and/or state enterprises might control this sector leaving light industry exclusively in local hands.

With so many possibilities and unknown variables it is pointless to speculate further. But one thing is clear; whatever its past, present or future strengths and weaknesses the local capitalist class that has emerged in Ghana represents an economic and political force that cannot be ignored.

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