Roots of Recovery

Influences of Colonial Cocoa Policy on the 1983 Economic Recovery Program in Ghana

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Date of Submission: 20-06-2022

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Word Count: 13731

Abstract

The 1983 Economic Recovery Program (ERP) is seen as a turning point in Ghanaian economic history. After decades of decline, this program led to newfound economic growth, with the help of the IMF and the World Bank. The program is both praised for its success in starting growth and criticized for its focus on macroeconomic factors and keeping the Ghanaian economy reliant on cocoa exports. This thesis seeks to add to this literature by including a colonial perspective and analyzing the influence of colonial cocoa policies on the ERP. In order to do so, the institutional theory developed by Masahiko Aoki is used to research the mechanisms determining the success of policy changes in the cocoa industry. Applying this framework to the policies from colonial reports on the Gold Coast, as well as the ERP have revealed both similarities and differences. The ERP aimed to change back to a liberalized cocoa industry, which shared similarities with the early colonial period. The ERP did incorporate elements of the later colonial institutions and postcolonial institutions, although their function changed with the mandates being abolished. Also, more specific types of policies from the colonial era are featured in the ERP in some way. These are specifically institutions related to providing farmers with knowledge on farming methods and infrastructure. The ERP thus shares some striking similarities with both early and late colonial institutions, showing the strong links over time in the process of economic recovery.

Keywords: Postcolonial, Gold Coast, New Institutional Economics, Export Economy

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Introduction

Many leading global organizations like the World Bank and the World Economic Forum, praise Ghana for its stable and growing economy. This growth and stability have only been realized in the 1980s, following years of economic decline after independence.[1] Central to the Ghanaian economy is export, in the form of raw materials and cash crops. For a long time, the main exports were gold and cocoa but recently oil has gained an important place in the economy.[2] While cocoa is quite profitable and an important source of income to the national economy, the industry does pose several issues. The focus on a single crop led to soil degradation, which in combination with climate change makes it more and more difficult to cultivate.[3] The reliance on cocoa also causes the economy to be heavily dependent on global cocoa prices.[4]

The roots of the reliance on cocoa lie in Ghana's colonial past. From 1891 onwards, the cocoa industry developed relatively quickly into the main cash crop for the British Gold Coast colony. These cocoa exports quickly came to dominate the world market and became a cornerstone of the economy. After decolonization, this reliance remained as cocoa prices dwindled, until in 1983 the Economic Recovery Program (ERP) was initiated in cooperation with the World Bank and the IMF. This program changed the general downward trajectory of the economy over the previous decades.[5] This thesis looks at the colonial legacy of cocoa production and its impact on the 1983 ERP by answering the question: To what extent did colonial cocoa institutions influence the goals and policies of the ERP?

As such, this thesis adds to the literature on postcolonial states through the lens of agricultural reform, in particular by looking at the influence of cash crop monoculture from the colonial era onwards. In this sense the case of Ghana is particularly interesting because it is often seen

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[1] Kwaku Owusu-Baah, "Ghana," in *Public Policy and Agricultural Development* ed. Ha-Joon Chang (Florence: Taylor & Francis Group, 2011): 141.
[2] Charlotte Edmond, "Ghana will grow faster than any other economy this year, the IMF says why," World Economic Forum, May 24, 2019, https://www.weforum.org/agenda/2019/05/ghana-is-set-to-be-the-worlds-fastest-growing-economy-this-year-according-to-the-imf/.
[3] Knut H. Alfsen, Torstein Bye, Solveig Glomsrød and Henrik Wiig, "Soil Degradation and Economic Development in Ghana," *Environment and Development Economics* 2, no. 2 (1997): 119.
[4] Owusu-Baah, "Ghana," 136.
[5] Owusu-Baah, "Ghana," 136.

as the success story in Africa, while at the same time others cast doubt on this assertion.[6] By including the colonial perspective into this discussion, new aspects of this discussion may be brought to light. The later colonial era and the postcolonial period up to the ERP is not discussed in as much detail due to the scope of this research. It is limited to an assessment of the Cocoa Marketing Board (CMB) and the United Ghana Farmers Council (UGFC), which both at times held the mandate on the cocoa trade.[7]

This brief literature review will include research on the ERP, on the postcolonial development of Ghana and on other cases of postcolonial states that rely on a colonial cash crops. The postcolonial period is often central in the literature on Ghanaian cocoa industry, and the ERP is an important landmark in this body of literature. An example of this is the study by Kwaku Owusu-Baah to *Public Policy and Agricultural Development*, in which he argues that the Ghanaian economy followed a unique trajectory intimately linked to five different regimes he describes, which are mainly from decolonization onwards looking at agriculture in general.[8] In particular the ERP is seen as an important step in economic development.[9]

The edited volume by the economists Ernest Aryeetey, Jane Harrigan & Machiko Nissanke, *Economic Reforms in Ghana*, combines insights on a variety of factors playing a role in the ERP, particularly focusing on the period leading up to the policy change. The chapter by V.K. Nyanteng and A. Wayo Seini concludes that agricultural policy has varied in the period from 1970 to 1995.[10] At the same time increasing productivity has constantly been a main objective but was rarely achieved.[11] Where these authors focus on the economic growth, and argue the program is the main instigator of the following decades of economic recovery, others focus on slightly more problematic aspects of the program. An example of this is the

[6] Ernest Aryeetey and Finn Tarp, "Structural Adjustment and after: Which Way Forward?," in *Economic Reforms in Ghana*, eds. Ernest Aryeetey, Jane Harrigan & Machiko Nissanke (Oxford: James Currey Ltd, 2000), 344.
[7] Owusu-Baah, "Ghana," 137-138.
[8] Owusu-Baah, "Ghana," 136-137.
[9] Owusu-Baah, "Ghana," 175-176.
[10] V.K. Nyanteng and A. Wayo Seini, "Agricultural policy & the impact on Growth & Productivity 1970-95," in *Economic Reforms in Ghana*, eds. Ernest Aryeetey, Jane Harrigan & Machiko Nissanke (Oxford: James Currey Ltd, 2000), 282.
[11] Nyanteng and Wayo Seini, "Agricultural Policy, 282.

relatively poor distribution of this economic growth. This is a key point of criticism voiced by Jon Kraus and Donald Rothchild.[12]

Aside from the literature focused on the ERP, there is also literature on the earlier political and economic developments in postcolonial Ghana. A study by Bernard Fordjwuor looks at the independence of Ghana, and he sees the decolonization as a process, not as just a legal or *de jure* status.[13] In his argument, the political decolonization of Ghana in 1957 is not at all absolute, and as such "any critical reading of these political considerations of colonialism requires an engagement that blurs the lines between the past and present, the law and exception, and democracy,independence and colonialism".[14] This argument can also be applied to the economic decolonization of Ghana, which did not take place in 1957 with the transfer of power, since the policies and institutions of the colonial cocoa industry remained in place and had a powerful position within the economy. As such it is important to take the colonial legacy into account when looking at the postcolonial period, which is missing in the literature on the ERP.

Björn Beckman has looked specifically at the role of cocoa in the national political context of Ghana and in particular on the first government after independence under Kwame Nkrumah, who was in office until 1966. In the work he looks at sources from the United Ghana Farmers' Council (UGFC), but also other organizations involved in cocoa production. The work includes a chapter on the colonial context, particularly the origins of the Cocoa Marketing Board (CMB), but since the study was done in the 1976, it only looks at the system put in place by Nkrumah.[15] Including the colonial era in an assessment of cocoa production, like Beckman has done, will give a different, more comprehensive view of consequent developments in the postcolonial period, including the ERP.

The incorporation of colonial monoculture has also received a lot of attention in the literature. For the case of Sudan, Simon Mollan looks at the colonial era, in which he notes the precarious situation of an economic system based on a single export crop. Sudan had to deal

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[12] Jon Kraus, "The Political Economy of Stabilization and Structural Adjustment in Ghana," in *The Political Economy of Recovery*, ed. Donald Rothchild (Boulder: Lynne Rienner Publishers, Inc., 1991), 119.
[13] Bernard Forjwuor, "Colonizing Free Will," *Theoria* Issue 164, vol. 67, no. 3 (September 2020): 52.
[14] Forjwuor, "Colnonizing Free Will," 79.
[15] Björn Beckman, *Organising the Farmers, Cocoa Politics and National Development in Ghana* (Uppsala: The Scandinavian Institute of African Studies, 1976), 229.

with plummeting cotton prices on the international market, which severely impacted the entire country.[16] This postcolonial view of monoculture is also featured in the study by Michitake Aso, where the Vietnamese rubber industry is taken as a case, and the role in the establishment of the nation-state is assessed.[17]

In order to answer the research question, two types of primary sources will be used. To look at the changing role of cocoa, as well as the institutions governing the industry the main primary sources that will be used are the colonial reports of the Gold Coast. These were published annually from 1897 until 1939 and contain information on a variety of topics relevant to the British government in ruling and monitoring the colony. For this research, both qualitative and quantitative information can be gained from the reports. Particularly the agricultural and export sections of the report provide useful information which describe changes in these sectors and provide statistics for the cocoa export. The reports on the years 1911 to 1939 will be used in this thesis, because of the scope of the research, and the fact that before 1911, the cocoa industry was still in its infancy.[18] These primary sources have some important caveats. Firstly, the colonial reports were produced by officials at the Gold Coast colonial government with the purpose of informing the British monarch and the homeland. As a result, these present everything from the perspective of the colonial government and might also be subject to misrepresentation due to those writing the reports painting a more positive picture for personal gain. The goal of the reports was, however, to accurately document the situation in the Gold Coast and therefore the quantitative data are likely to be at least realistic. While these sources might, to a degree, be a one-sided this does not pose a big issue for this research.

The second type used for this research is postcolonial sources, with one being of particular use in this research. The World Bank document published in 1983 entitled *Ghana Policies and Program for Adjustment* details the phases the program is set up to go to, and the specific policies proposed for the ERP. The caveats of this source are similar to the colonial reports, as it also takes a western perspective on the Ghanaian economy. The purpose of this

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[16] Simon Mollan, *Imperialism and Economic Development in Sub-Saharan Africa* (London: Palgrave Macmillan, 2020), 243-244.
[17] Michitake Aso, *Rubber and the Making of Vietnam : An Ecological History, 1897–1975* (Chapel Hill: The University of North Carolina Press, 2018), 3.
[18] University of Illinois at Urbana-Champaign, "Annual reports on the colonies," Volume 1919, 35, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1919.

document was different, as the goal was to suggest a framework of policies to the Ghanaian government. The first phase of the ERP had already been carried out at the time when the report was written, so the document details the exact policies implemented in this stage. The later stages of the plan are suggested policy frameworks, which means there might be some discrepancy between the suggested and the actual policy. This not very problematic, as the frameworks are relatively broad, and the development aid linked to the ERP was conditional on specific aspects of the implemented policies.[19]

Since this research is concerned with policies in the cocoa industry at several points in time, a theory of institutional economics is particularly useful. The economist Douglas North was a pioneer in the field of New Institutional Economics, and defined institutions as "rules of the game," which could both be formal policies and informal institutions which were more closely related to norms.[20] Many researchers have contributed to the further development of this field and focused on different aspect of institutions. For this research a framework that helps explain both cases of inertia and change is needed. The institutional theory developed by the Japanese economist Masahiko Aoki meets this need and bases the explanations for these changes on game theory. The theory relies on actors or agents operating within domains in which they have specific strategies available to them based on institutions across other domains. These domains are thus interlinked which is instrumental for an institutional change to occur.[21] The further details and the operationalization of this theory for this research will be further discussed in chapter 1.

This theoretical framework will be operationalized in a qualitative analysis of the primary sources and secondary literature. The domains specified in the institutional theory will be used to analyze specific policies and institutions in the cocoa industry and the domains they aimed to influence. This qualitative analysis will be aided by a quantitative analysis of the export statistics of the early colonial cocoa industry, which provides further insight into the effectiveness of these policies. Together these analyses will allow for an investigation of the the mechanisms behind the success or failure of these institutions to result in actual change.

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[19] World Bank, "Ghana: Policies and Program for Adjustment," published October 3, 1983, retrieved from https://documents.worldbank.org/en/publication/documents-reports/documentdetail/389861468038079095/main-report, v.
[20] Douglas North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990), 3.
[21] Masahiko Aoki, *Toward a Comparative Institutional Analysis* (Cambridge: The MIT Press, 2001), 25-26.

As a result, the elements of colonial cocoa production in the postcolonial era and the ERP can be investigated.

In the following chapter, the theoretical framework developed by Aoki will be laid out in more detail, while specifying the way it will be used in this research. Chapter two will apply the theoretical framework to the ERP, with particular attention to the position of cocoa. Chapters three and four will look at the early colonial period, from 1911 until 1937, based on the colonial reports. Chapter three does so by qualitative analysis, which will result in an overview of the types of policies implemented. Chapter four takes a quantitative approach and seeks to investigate the effects of these policies and using Aoki's theory look at the mechanisms behind the changes or the lack thereof. The fifth and final chapter before concluding investigates the period in between, from the later colonial policies until the ERP, through the institutional framework in order to look at further changes in the cocoa industry which will allow for comparison with earlier institutions. This will be done by looking particularly at the two main institutions in the cocoa industry at the time: the CMB and the UGFC.

1. Institutional Economics

This chapter further lays out the theoretical framework to be used in this research. Researching the extent to which colonial policy persisted or changed requires a framework that accounts for both change and inertia. The institutional theory of Masahiko Aoki is a useful theory because it gives a framework from which to analyze the mechanisms behind both. This chapter looks at the definition of institutions, the domains of Aoki's theory, possible change mechanisms as well as inertia as well as the practical application of these elements to this thesis.

The institutional framework developed by Aoki departs from earlier literature on institutional economic theory. Douglass North had an important role in the development of this New Institutional Economic theory, with his famous definition of institutions as "rules of the game". These institutions could be either formal, including policies and official organization, or informal institutions, which include institutions like norms as these are not formally implemented rules, but rather rules most people abide anyway.[22]

To an extent Aoki agrees with North, although the definition is more specific and draws more heavily from game theory. Aoki argues that institutions are a "self-sustaining system of shared beliefs," which means that the rules of how the game is played are upheld because of a set of beliefs, shared among most actors.[23] This also means that, like in North's theory, institutions are not just limited to those formalized in laws or organizations, but also include informal institutions. These beliefs therefore define which strategies are available in the system, and which are constrained.

This definition of institutions incorporates five important aspects. First of all, institutions are self-sustaining. This implies that they originate from within the system, or they are endogenous. Secondly, institutions are universal. This means that the belief in the system is shared by all, or close to all agents. Thirdly, the institutions have an information compressing function. In practice the agents do not have all information available to choose one of the possible strategies, but the information is limited or biased by their own perspective. The

[22] Douglas North, Institutions, *Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990), 3.
[23] Masahiko Aoki, *Towards a Comparative Institutional Analysis* (Cambridge: The MIT Press, 2001), 10.

information available to agents is thus specific to the institutions governing the domain. Fourth, the institutions are subject to continual environmental change, but there is only minor deviance from the path the system is on. This means that institutions tend to exist in an equilibrium and are rather robust. Finally, there is a multiplicity of institutions present at any time.[24]

The institutions fall under one or more of the six domains in Aoki's theory. These are the units of analysis, and they are key to the framework, because they highlight how the multiplicity of the systems of belief connect and overlap. Each domain is composed of a set of actors and the set of actions open to these actors based on the institutions within the domain. These actors could be either individuals or organizations. The combination of the actions chosen out of the available set in one period is named the action profile, and it determines distribution of payoffs. The six domains specified are interlinked, and Figure 1 displays the way in which these domains link up with each other.

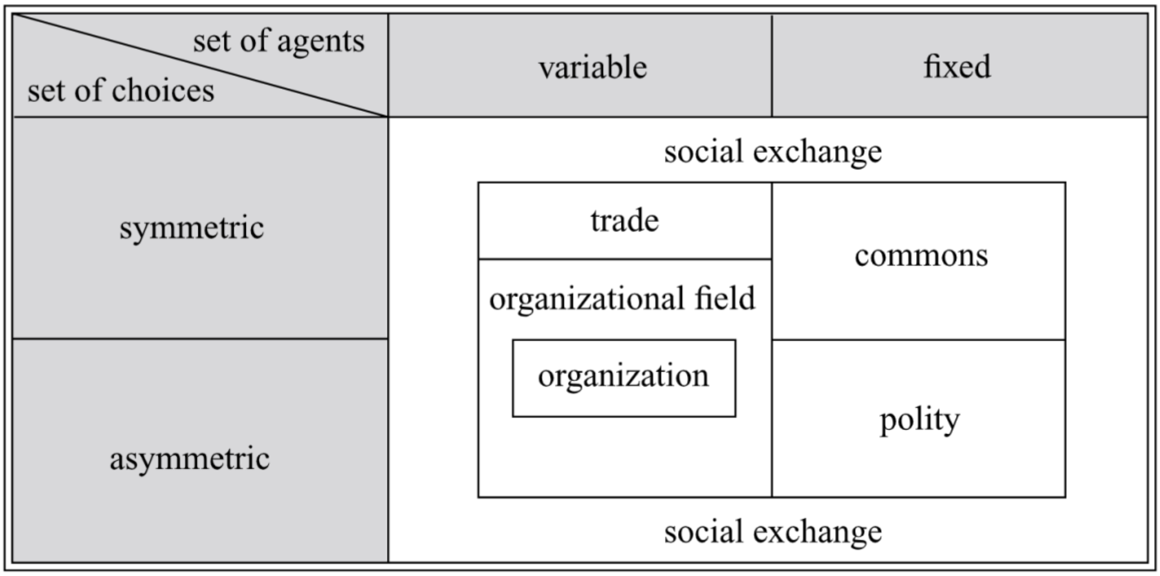

Figure 1: Six types of domains of games[25]

The social exchange domain is an important one, considering the fact that all other domains fall within it. The domain contains a variety of, mainly informal, institutions, including

[24] Aoki, *Towards a Comparative Institutional Analysis*, 26-27.
[25] Masahiko Aoki, *Towards a Comparative Institutional Analysis* (Cambridge: The MIT Press, 2001), 25, figure 1.2.

community norms, status differentiation or norms to do with hierarchy or the lack thereof. This broad domain contains many institutions not directly linked to economics but can have large impacts. According to Aoki, “these domains generate various types of social norms in conjunction with other types of domains,” and as such is important in conjunction with the other five domains.[26]

Within the commons domain, all of the actors have access to the common resources, and these resources are produced jointly by them. The actors may cooperate, but not necessarily, as they are mainly strategic players focused on individual payoff.[27]

The games in the trade domain are played by agents who have privately owned goods, in contrast to the commons domain. This means that these goods can be traded at their discretion and the agents strategically choose when to trade them, and when not to.[28]

The organization domain is embedded within the organizational field. The organizational field is typified as an “unstructured, primitive domain,” and plays an important role in the way organizations might form in the organization domain. The organizational field domain does so by matching agents from the population of the domain. The relations between actors in this domain is symmetric, as all of them have the option to choose whether to pair, and what types of assets to use in pairing.[29] In the organization domain, agents produce goods by joint actions and can distribute amongst themselves. It is optional for agents to participate in the organization domain, and they may use common resource if they do participate.[30]

Finally, the polity, or political economy domain consists of an important central agent, namely the government. This polity domain is thus a highly asymmetric one, as the government has more control over resources and power in the game to be played. The government is a player of the game, and the state is the stable outcome.[31] For this research the polity domain and the trade domain are the main ones of interest, since cocoa producer

[26] Aoki, *Towards a Comparative Institutional Analysis*, 25.
[27] Aoki, *Towards a Comparative Institutional Analysis*, 22-23.
[28] Aoki, *Towards a Comparative Institutional Analysis*, 23.
[29] Aoki, *Towards a Comparative Institutional Analysis*, 24
[30] Aoki, *Towards a Comparative Institutional Analysis*, 23-24
[31] Aoki, *Towards a Comparative Institutional Analysis*, 24-25

operate within the latter and the colonial government comprises the polity domain, although the other domains are also relevant here.

Change within a domain can only occur if the other domains shift accordingly because of the way in which they are linked. If, for instance, some policy change is put in place in the polity domain, it does not automatically qualify as an institutional change. In order for institutions to truly change it needs to change the perceptions of individual agents because the belief systems are held in equilibrium by summary representations, or the way compressed information specific to the institutions is available to the agents. If these summary representations alter the strategies available to the actors, change can occur. The institutions across the domains are linked synchronically, meaning that in the present they are connected, as well as diachronically, which points to the important connections to past institutions.[32] This is a particularly useful aspect of the theory for this study, because the aim is to trace back the colonial origins of cocoa production.

These linkages provide an important reason for the relative lack of change in institutions, because it highlights the need for change across several domains, which makes institutional change costly. The agents in the domains are subject to several mechanisms that make these institutions robust and relatively unchanging. Competencies of agents are developed within the context of the institutions, which inhibits change. There is also a power mechanism at play, since the institution in place tend to distribute power to specific agents, which reinforces the status quo. Finally, the social exchange domain plays an important normative role which can inhibit change from occurring.[33]

Change within this framework seems rather difficult and does not occur often. It can occur under specific circumstances and through several mechanisms. Institutional change tends to happen when agents are experimenting with their choices, and these experiments tend to only occur in response to external shocks or internal crises.[34] Firstly, this can occur by overlapping social embeddedness. This means that institutions change according to the changing norms in the social exchange domain, but this is a slow-moving mechanism.[35] The second mechanism

[32] Aoki, *Towards a Comparative Institutional Analysis*, 207
[33] Aoki, *Towards a Comparative Institutional Analysis*, 235
[34] Aoki, *Towards a Comparative Institutional Analysis*, 245
[35] Aoki, *Towards a Comparative Institutional Analysis*, 246

is that of reshuffling of links between games. This can occur either through spatial expansion of economic activity, where over time local domains are scaled upwards, or when domains are bundled in a new way.[36] Finally, change can also occur by 'diachronic institutional complementarity,' or a new choice becoming viable as a strategy because of existing institutions across domains to support it, or through a change in these domains in the direction of this new choice.[37]

At several points in this research, the relevant institutions in the cocoa industry will be analyzed based on the domains they seek to influence, as well as the domains from which the changes originate. With the ERP being the end point of this thesis, the suggested policies for structural adjustment are analyzed based on these domains, but the change mechanisms in the period after are outside the scope of this research. By also analyzing earlier colonial policies through this lens, the goals of both colonial and ERP policies can be compared. Based on the outcomes for colonial policies the mechanisms behind the real policy changes or the inertia in policies will become clear. The final chapter on the late colonial period and the decades up to the ERP will also look at the change mechanisms.

[36] Aoki, *Towards a Comparative Institutional Analysis*, 260
[37] Aoki, *Towards a Comparative Institutional Analysis*, 267

2. The Economic Recovery Program

The economy of Ghana has seen both upturns and downturns over the course of its post-independence history. However, the 1983 Economic Recovery Program (ERP) marked the start of a period of economic growth, during which Ghana gained the reputation of a 'front-runner in adjustment'.[38] The previous chapter has further explained Aoki's institutional theory and its practical application to this research. This chapter seeks to analyze the ERP which was introduced in Ghana in 1983. Firstly, the chapter will give a general description of the policies proposed in the ERP. The second section looks at the academic debate on the effects of the ERP. Finally, the policies relating to the cocoa industry in the ERP are assessed more specifically within the institutional framework as laid out by Aoki by analyzing the domains the policies affect.

The Economic Recovery Program

Ghanaian politics after independence in 1957 consisted of a relatively stable decade under the socialist Nkrumah government, which was followed by a tumultuous period of military coups alternated with republics.[39] Some scholars have described this phenomenon as a swing of the pendulum in which Ghanaian political shifts tend to be from one government to their direct opponent.[40] Under the populist military regime of Jerry Rawlings which started in 1981, fundamental economic improvements were sought by implementing the Economic Recovery Program (ERP) in 1983.[41] Throughout the 1970s, export revenue declined, and domestic production stagnated. The value of the Ghanaian currency, the cedi, had become overvalued, meaning imports were becoming cheaper than domestically produced goods. In response, the government partially suppressed imports, causing an impediment to a large part of the economy. In short, the ERP was a response to a particularly long economic slump in the decades before.

The program was initiated by the Ghanaian government with aid from the IMF and the World Bank. The latter of these proposed the comprehensive set of policy changes in the 1983 report

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[38] Ernest Aryeetey, Jane Harriand and Machiko Nissanke, "Introduction," in *Economic Reforms in Ghana*, eds. Ernest Aryeetey, Jane Harriand and Machiko Nissanke, (Oxford: James Currey Ltd, 2000), 1.
[39] Irving Kaplan et al., *Ghana: A Country Study* (Washington D.C.: Department of the Army, 1981), 36.
[40] Robert Pinkney, *Ghana Under Military Rule 1996-1969* (Bungay: The Chaucer Press Ltd., 1972), 137.
[41] Jon Kraus, "The Political Economy of Stabilization and Structural Adjustment in Ghana," in *The Political Economy of Recovery*, ed. Donald Rothchild (Boulder: Lynne Rienner Publishers, 1991), 120.

titled *Ghana: Policies and Program for Adjustment*. This report assessed the pre-existing conditions in Ghana, set up a three-phased plan, and detailed the policies or a framework for policies in each of these phases. The first phase, the stabilization phase was focused on the short term and aimed to halt the declining per capita GDP. This phase had already been started, and the report did not propose policies for this phase, but rather laid out those put in place and the objectives of these policies. The second phase is dubbed the rehabilitation phase, in which an initial recovery is attempted, and the report estimates that the proposed policy framework should be able to put the economy back in the position it was in in 1980.[42] The final phase, the liberalization phase consisted of the opening up of the economy and lifting the regulations on prices. The goal of this phase was to gain further economic growth under free market conditions.[43]

These phases all look at a similar set of sectors to solve a variety of economic issues that ultimately contributed to the low per capita GDP. The principal policy of the program was to normalize the currency. The overvaluing of the Ghanaian cedi was seen as an important factor in the inability to compete on the international market. Lowering prices directly was not an option, because this would mean that the producers and local traders would not be able to cover their domestic costs. This issue was solved by first implementing a multiple exchange rate system, in which different exchange rates would be used depending on the goods that were being traded. Traditional exports including cocoa, and essential imports were being traded at a lower exchange rate than other goods. This system was meant to artificially devalue the currency over the course of a year. The multiple exchange rate would be unified by mid-1984, and the currency was expected to have normalized by then.[44]

Another important aspect the ERP sought to tackle was on the production side. The overvalued currency also meant that the producer prices for important goods were relatively low, and imports would be cheaper than producing domestically.[45] To solve this, two important trade related policies were put in place, mainly with the goal to create incentives for production. Firstly, this was done by fixing producer prices guaranteeing income for

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[42] World Bank, "Ghana: Policies and Program for Adjustment," published October 3, 1983, retrieved from https://documents.worldbank.org/en/publication/documents-reports/documentdetail/389861468038079095/main-report, 34.
[43] World Bank, "Ghana," 34.
[44] World Bank, "Ghana," 38-39.
[45] World Bank, "Ghana," 38.

producers. A second policy with this aim was to devalue domestic goods. While both of these took effect, the suppression of imports could be lifted in the liberalization phase, because domestic production would be viable, and this lift would no longer result in an import boom.[46]

Academic Debate

The principal goals of the ERP as laid out above, as well as the way these goals were tackled have resulted in a debate about how it should be viewed. On one side of the debate, the World Bank and the IMF themselves are relatively positive about the set of policies, which is supported by some scholars.

Corbo and Fischer have noted that structural adjustment has been particularly difficult in African countries. Ghana can be seen as the African case in which this type of adjustment was most successful though the ERP.[47] While the authors are relatively positive about the program in terms of GDP, GDP per capita and inflation, they also were also critical of the program. In addition, real wages were also on the rise. The concentrated exports in three main products, as well as the impacts of the program on savings and investment were noted as weak points of the program.[48]

At the same time there was also widespread criticism on a variety of aspects of the program. A first point of criticism came very shortly after and focused on the conditionality of the financial aid, which was often present in such programs. The ERP was combined with debt relief and foreign investment, which came from the IMF, the World Bank as well as some other investors. This aid would be granted if certain conditions related to the goals of the ERP were met. The issue is that the question of what the limiting factor for growth in African was up for debate, and this prospect of debt relief and an influx of capital into the economy led countries like Ghana to start a program of allocating relatively scarce resources to these specific policies, which may not have been focused on the right issues.[49]

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[46] World Bank, "Ghana," 39.
[47] Vittorio Corbo and Stanley Fischer, "Structural Adjustment, Stabilization and Policy Reform: Domestic and International Finance," *Documento de Trabajo* no. 170, August 1994, http://www.economia.uc.cl/docs/dt_170.pdf, 71.
[48] Corbo and Fisher, "Structural Adjustment," 76-77.
[49] Kraus, "The Political Economy," 119.

The goals of the ERP were being debated early on with researchers like Kraus arguing against the macroeconomic focus of the ERP. According to him, the program was highly focused on a small number of export products, and as a result unstable. The focus on GDP per capita was presented as a way to impact the general population, but in practice, the program improved conditions for export goods rather than improving the real living standards.[50] He goes as far as to say that the lack of impact on living standards was a result of "the architects of the reform program [being] relatively indifferent to core sources of growth and well-being in Ghana".[51] The aims of the ERP were thus not only questioned, but harshly criticized.

Later studies, which were able to look at the long-term effects concluded that the effects on a economic level were also limited. One study on Ghanaian agricultural development notes that the ERP resulted in a 4% increase in agricultural performance until 2003, but at the same time shows this growth is mainly attributable to the cocoa sub-sector while livestock and other crops remained low.[52] This confirms the point of Kraus that the ERP's focus on a small number of exports did not lead to broader economic prosperity for the general population.

In short, African countries were persuaded to allocate resources towards a program that did not necessarily serve their best interest, with the prospect of financial aid and debt relief. The program did work to improve macroeconomic conditions, and as such reached its goals. The ERP failed, however, on several fronts to have a real effect on the conditions for the general population.

The Position of Cocoa in the ERP

The previous section has shown that export products like cocoa still held an important position in the Ghanaian economy and the policies after the ERP. This section looks at the actual policies surrounding cocoa production and trade that originated from the program and assesses them through an institutional lens. The ERP contains several policies that directly or indirectly impact the cocoa industry. Firstly, the broader agricultural reforms have both a direct, and an indirect effect on cocoa production. Another set of policies proposed is aimed

[50] Kraus, "The Political Economy," 127.
[51] Kraus, "The Political Economy," 151.
[52] Kwaku Owusu-Baah, "Ghana," in *Public Policy and Agricultural Development* ed. Ha-Joon Chang (Florence: Taylor & Francis Group, 2011): 177.

particularly at the cocoa sector. Finally, transportation and trade regulations are having an impact on cocoa trade.

The agricultural policy in the first phase of the ERP aimed to "correct the distortion in pricing and stimulate the production of export crops and food crops".[53] This was done by increasing the minimum producer prices of several export crops, particularly cocoa and palm oil, as well as some crops for domestic consumption.[54] According to the World Bank report, the domestic crops, like maize and rice are much more profitable for farmers. This means that cocoa incentives are highly reliant on the possible producer price increases to keep the industry viable while the maize and rice market prices were already at a high level.[55] This means that the price correction effectively only impacted the export crops, while the crops for domestic consumption were unchanged by this measure. A secondary policy in this phase was the phasing out of subsidies on insecticides and fertilizer, which is possibly supposed so solve the scarcity of them as fewer farmers will now buy insecticides, and the government can arrange an increase in the supplies.[56] Phase two again highlights the price discrepancies, and also notes the deteriorated transport services and the unavailability of inputs as limiting factors but provides no further policies for agriculture in general. These policies all start from the polity domain, as they are initiated by the government, albeit with the help of international organizations. The price changes seek to influence the trade domain and shift the relations between producers and traders. The goal is to guarantee a higher income for producers, which changes the strategies available to producers and traders as well.

In phase two, cocoa is specified as an important sub-sector for which additional policies were suggested. These policies are again geared towards an increased producer price of cocoa, which is aimed to be three times higher than in 1982 but is cautious of its inflationary effects. The suggestion is therefore to also increase food production. Other goals the policies in this phase should have as mentioned are increasing the availability of insecticides and improving the efficiency of the Cocoa Marketing Board (CMB).[57] The CMB, up to then had the task of buying cocoa at guaranteed prices and transporting the cash crop for export.[58] The

[53] World Bank, "Ghana," 39.
[54] World Bank, "Ghana," 39.
[55] World Bank, "Ghana," 39.
[56] World Bank, "Ghana," 39.
[57] World Bank, "Ghana," 60.
[58] Owusu-Baah, "Ghana," 139.

introduction of the ERP marked a change in this dynamic because the new government policy dictated the higher producer prices, something that was initially a task of the CMB. The policies were introduced by the government in the polity domain and influenced both the trade and the organization domain. The CMB can be seen as an important actor in the organization domain, which has influence on the producers, as part of the trade domain. As the functions and power of the CMB were limited by the new government pricing the links between trade, organization and polity domain shifted.

In the final phase, the previous price fixing policies are reversed. The changes these policies have made in the trade domain are expected to remain in place.[59] The assumption here is that these policies have "normalized" prices, and the free market will reinforce the resulting economic relations. While the CMB might be assumed to reestablish its cocoa mandate position, the phase also suggests introducing competition and breaking up the monopolies in such sectors.[60]

The final phase also makes some additional suggestions for policy going forward in liberalization. Firstly, there is the suggestion of diversification, considering the limited growth possible from cocoa. While the report does look at policies for other sectors like energy, cocoa is still the only cash crop that is being governed in such detail. Secondly, the suggestion for restructuring the system in which research into cocoa is being conducted is done. While Ghana has a lot of research institutes, the government spending on cocoa research is relatively limited and therefore it is proposed to have research not necessarily conducted within Ghana.[61]

A final aspect of the ERP that is related to cocoa trade is infrastructure. The program notes that a lot of the roads, railway and other modes of transport in Ghana had deteriorated over the previous years. The government's inability to maintain this network means that rehabilitation of these facilities would become very expensive at that point in time. As a result, the ERP suggests starting with a more modest plan.

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[59] World Bank, "Ghana," 68.
[60] World Bank, "Ghana," 68.
[61] World Bank, "Ghana," 72.

Transport and infrastructure particularly highlight the interconnectedness of Aoki's domains in practice. Infrastructure might be seen as a resource in the commons domain, because use of roads and other infrastructure is one that may be used by all. The maintenance of these is typically done by the government, as is the case in the policies suggested by the ERP but is paid for out of government budget and as such tax money. The actual effect of the policy is aimed at the trade domain, however. The use of infrastructure improves the shipping and trading of cocoa even in more distant and rural areas, and farmers in these regions have more options for trade, in which transport costs are cheaper. The effects of this would have been limited because of the financial restrictions.

In conclusion, the principal aims of the ERP were to normalize prices and currency, in order to create an economy that would be able to reestablish their international export position, while relying more on domestic production. These macroeconomic goals were achieved to an extent but were limited to a few major export crops, like cocoa. The goals themselves were also criticized because of the narrow focus, and the lack of attention to the actual living standards. Diversification was mentioned in the framework for policies, but in practice remained limited because of the focus on the small number of established exports, of which cocoa was the most important. Within the cocoa industry, the prices were also fixed, which changed the dynamic between the CMB and the government. Aside from this main change in the industry other aspects were also taken into account. Mainly the availability of insecticides, infrastructure and research on agricultural practice were also aspects of the industry that the ERP attempted to change.

3. Colonial Cocoa Industry

The previous chapter has given a general description of the ERP and the debate surrounding it. More importantly, it has given an overview of the ERP policies aimed at the cocoa industry and placed these in the domains of Aoki's framework. This chapter takes a step back and looks at the colonial cocoa policies in the period from 1911 until 1939. This chapter will first briefly investigate the general workings of the colonial cocoa industry. It considers the chain of supply from producers to the large firms exporting the raw cocoa. The second section will look at the colonial reports, with a particular focus on the policies and institutions put in place, while placing these within the institutional framework laid out in chapter 1 and comparing them to the policies of the ERP discussed in chapter 2.

The Colonial Cocoa Trade

The cocoa crop was imported from South America to the Gold Coast in 1891 and started modestly, with a yield of just 80 pounds of cocoa. Over the following twenty years, Gold Coast cocoa came to dominate the international market, and in 1919 became the supplier of over half the world's cocoa.[62] As a relatively young industry that saw tremendous growth, institutions governing it were relatively limited, and changes might be expected over this period. In the literature, the cocoa industry in the Gold Coast colony is typified as relatively laissez faire. According to Owusu-Baah, the colonial administration was not particularly concerned with any direct involvement in production. The policy that was put in place had sole purpose to add value to exports with little effort.[63]

At the same time, there are some aspects of the industry that have remained throughout the period, despite relations between changing. During the period from the inception of the cocoa industry until 1939, there were three types of actors: the farmers who produced cocoa, the brokers and traders who functioned as middlemen, and the firms who exported the products.[64]

Cocoa was cultivated mainly by local farmers, largely in the Ashanti region, but later also in other regions of the Gold Coast. These farmers planted trees in clearings they made in the

[62]University of Illinois at Urbana-Champaign, "Annual reports on the colonies," Volume 1919, 35, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1919.
[63] Kwaku Owusu-Baah, "Ghana," in *Public Policy and Agricultural Development* ed. Ha-Joon Chang (Florence: Taylor & Francis Group, 2011): 137.
[64] Gareth Austin, *Land, Labour and Capital in Ghana* (Rochester: University of Rochester Press, 2005), 437.

rainforest. The land tenure systems were instrumental to the cash-crop revolution, as it allowed virtually everyone access to land.[65] These farms were also often created for chieftains.[66] There were systems of coerced labor in place, namely intermittent forced labor (*corvée*), pawnship and slavery. These labor relations changed with the advent of cocoa farming in the colony. In 1874, slavery was officially abolished in what would become the British Gold Coast, but this was an economic decision based on exogenous pressures.[67] As such the effects were not immediate but, as Gareth Austin argues, the introduction of cocoa as a cash-crop led to a steady decline in coerced forms of labor, particularly slavery and pawnship.[68] This was particularly the case for able-bodied adult men, who were the first to benefit from a free labor market and the wage contracts that were part of this development. While the decline was result of indigenous economic activity, as growth of cocoa farming was largely farmers' responsibility.[69] This confirms Owusu-Baah's argument of cocoa as a laissez faire industry.

According to Southall, brokerage was an important aspect of the industry, but the lines between farmers and brokers was essentially blurred.[70] Brokerage occurred at a variety of scales, with sub-brokers supplying a larger broker who would deal with the export firm. Other brokers were more connected to agriculture and had their own cocoa farms. So-called "petty buyers," would buy cocoa from farmers, particularly in the more remote regions, and transport it to commercial centers that were better-connected. The system was thus far more complicated than a group of simple middlemen, as this system created a network of different level brokers.[71]

Finally, those buying the raw unprocessed cocoa from these brokers, traders and transporters are large international cocoa firms, like Hershey in the United States, or Cadbury in the United Kingdom. These large firms were crucial, since there were a few major players whose

[65] Austin, *Land, Labour and Capital*, 433.
[66] Gareth Austin, "Cash Crops and Freedom: Export Agriculture and the Decline of Slavery in Colonial West Africa," *International Review of Social History* 54, no. 1 (2009): 21.
[67] Austin, *Land, Labour and Capital*, 246-247.
[68] Austin, *Land, Labour and Capital*, 439-440.
[69] Austin, *Land, Labour and Capital*, 249.
[70] Roger J Southall, "Farmers, Traders and Brokers in the Gold Coast Cocoa Economy," *Canadian Journal of African Studies* 12, no. 2 (1978): 187.
[71] Southall, "Farmers, Traders and Brokers," 188.

preferences represented a large part of global demand and could impact worldwide and local cocoa prices.[72]

The laissez faire aspect of the colonial cocoa industry comes back in the ERP to an extent. Although the ERP first fixed prices, the ultimate goal was to create a more liberal market in which free trade was encouraged. The early colonial cocoa industry was similarly liberal in the sense that the colonial government did not try to manage prices or extend mandates. The following section looks into the colonial reports and the different attempts made by the colonial governments to influence the cocoa production, trade and export within the colony.

Policies and Institutions in the Gold Coast Cocoa Industry

Looking at these colonial reports has a few major advantages when analyzing the cocoa industry during this period. Firstly, the fact that these reports were published annually means that there is a wealth of information that allows for a picture over time. As a result of the annual publication more insight can be gained into what did *not* change, since the publications did not cease if nothing of interest happened. Secondly, the reports contain information on various topics, so the cocoa industry is highlighted through two different angles. The first angle is purely economic, and the information on cocoa in this section are largely export statistics with, if necessary, some comments on large changes in quantity. This allows for a quantitative analysis of the size and importance of cocoa as a colonial export product. The second angle is useful for a qualitative analysis and is concerned with agricultural production of cocoa. These sections contain information about the state of cocoa agriculture as well as the attempts to improve or change the sector.

This chapter looks at the reports starting in 1911, a date that might be marked as important in the development of cocoa agriculture, since at this time Gold Coast cocoa became the majority in the international market. This is 20 years after the introduction of cocoa to the colony and is a point in time at which the industry, although it is a young industry, seems to have somewhat settled.[73] These reports can be followed until 1937, with a few exceptions of

[72] Southall, "Farmers, Traders and Brokers," 189.
[73] University of Illinois, "Annual reports on the colonies," Volume 1919, 35

reports that are missing from the dataset. The missing reports are concerned with the years 1924-1925, 1925-1926 and 1933-1934.[74]

These colonial reports allow new insights into the institutions that were implemented or attempted in the Gold Coast cocoa industry, and particularly new insights into their effects in the postcolonial period. Across the period several mentions of active interventions in cocoa production, as well as several improvements in the industry that are the effect of other seemingly unrelated policies. The reports do reveal that several were of constant concern to the colonial government and the Agricultural Department: quality of the pods, a variety of pests and infectious diseases for the cocoa trees and transport.

Initially, institutions mainly knowledge focused on providing information about cocoa cultivation to the local farmers. Out of the reports used in this research it is first mentioned in the 1912 report. According to the report, traveling officials of the Agricultural Department have been giving advice to local farmers, and the consequent increases in yield are attributed to these officials. Quality is noted to be an issue here.[75] These were followed by more intensive education programs The 1913 report talks about the introduction of a system in which local chiefs appoint people to receive instruction by the colonial government in agriculture. After graduation these people would serve as local inspectors and would provide farmers with advice.[76]

Despite the initial success of such programs, later reports comment on the difficulty in getting the farmers to implement the advice. For pests and infections, the advice to plant trees more sparsely and to use sanitation methods is largely ignored according to the report. For cultivation methods to improve the quality of the yield it is reported that “native farmer [have] a deep-seated reluctance to interfere in any way with the course of nature until the fruit is ripe for him to gather.”[77] Green and Hymer noted that the British government based its policy and institutions in agriculture on misconceptions. These were mainly with regards to the history and the organization of the industry, and an image of native farmers which

[74] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Accessed June 19, 2022. http://hdl.handle.net/10111/UIUCAFRICANA:Serial/5530214.
[75] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Volume 1912, 15, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1912.
[76] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Volume 1913, 14, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1913.
[77] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Volume 1915, 13, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1915.

portrayed them as doing the bare minimum for production.[78] The farmers, however, acted rationally and economically, as knowledge was accepted, as long as its benefits seemed to outweigh the costs of adopting it. Furthermore, the techniques used by local farmers were deemed wrong when divergent from government advice.[79] This explains the sentiments of frustration in the reports with regards to the lack of results with these knowledge-based policies; while the policies had the goal of improving quality and limiting risks, they did not match with the realities of the local farmers.

That does not mean that all of these initiatives fell on deaf ears. When the Agricultural department recommended the cultivation of another type of bean they had tested in their botanical gardens in 1913, this was met with a relatively positive response local farmers.[80] Investing in acquiring seeds for these trees with the prospect of them producing higher quality cocoa is a more direct payoff, and thus an economically prudent choice.

These types of policies cover several domains within the framework of Aoki's institutional theory. The government is located within the polity domain, and policies from the government are implemented across other domains. With the farmers as actors within the trade domain, these policies particularly attempt to change the choices these actors make. Using education and the extension of knowledge to the farmers as a way to influence these farmers was seen in the reports as only somewhat successful as a result of the social exchange domain diminishing these changes in practice. The policies introduced by the government in the polity domain are based on an incorrect understanding of the social norms and the action profiles available to farmers. The knowledge government has based their choices on is thus very limited, although some aspects do show some awareness. Particularly the start of new educational facilities for farmers relied on the knowledge the government had of the system of chieftaincy, and thus the fact that chiefs had the authority to send people to get educated in such an institution. The ERP also had a policy suggestion for how to gain and distribute knowledge. The report noted that the Ghanaian cocoa industry featured a lot of research

[78] R.H. Green and S.H. Hymer, "Cocoa in the Gold Coast: A Study in the Relations between African Farmers and Agricultural Experts," *The Journal of Economic History* vol. 26, no. 3 (September 1966): 305.
[79] Green and Hymer, "Cocoa in the Gold Coast," 318.
[80] University of Illinois, "Annual reports on the colonies," Volume 1913, 14.

centers which were underfunded, with the suggestion was to have research being done outside of Ghana.[81].

As noted by Southall, small-scale brokers were particularly active in the relatively isolated Northern Territories. The colonial government was aware of this, but efforts to improve infrastructure in these regions, and across the colonies were not done specifically with the cocoa industry in mind. In 1923 and in 1928, transport is mentioned as a major factor in the growing exports. The improved infrastructure is reported to have had a positive effect on the capacity to transport the cocoa pods towards the commercial centers. As such they were an asset to the cocoa industry.[82] These infrastructure projects can be seen changes made in the polity domain by government, which have impacts on the way actors within the trade domain are able to operate. This is in particular the case for brokers, because the access to producers was more direct, resulting in these brokers being faced with the opportunity to expand their business. When comparing these infrastructure policies to the ERP, there are similarities in the fact that these are featured as important aspects of the cocoa industry, and export crops in general. The difference between the two is that the ERP intentionally renovated infrastructure for this purpose, while growing cocoa exports were a side effect in the colonial policy.

The interventions mentioned before were relatively limited in scope, and can all be seen as either unintentional, like in the case of transport, or non-compulsory when it comes to the spread of knowledge. These reports therefore largely confirm the point made by Owusu-Baah that besides the fact that farmers were responsible for the start and expansion of the industry, while the colonial government interfered very little in the industry.[83]

However, there were other institutions which were implemented, or which the government attempted to implement, that did not fit into the image of a laissez faire industry. Especially the First World War and the economic downturn it caused, resulted in a bout of policies that went remarkably the other way. In 1918, there was the suggestion in the report to have a

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[81] World Bank, "Ghana: Policies and Program for Adjustment," published October 3, 1983, retrieved from https://documents.worldbank.org/en/publication/documents-reports/documentdetail/389861468038079095/main-report, 72.

[82] University of Illinois at Urbana-Champaign, "Annual reports on the colonies," Volume 1923-1924, 23-24, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1923_1924.
University of Illinois at Urbana-Champaign, "Annual reports on the colonies," Volume 1928-1929, 9, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1928_1929.

[83] Owusu-Baah, "Ghana," 137.

compulsory method of cultivation in times of crisis, like the First World War.[84] The aim of this policy was to keep production up, but especially to have high quality cocoa pods to export. In response to the lack of cargo space available, it would be best to use that space to export cocoa of a quality as high as possible to maximize revenue. The 1919 report proceeded to propose several ways to cut out the brokers and middlemen from the trade in order to gain higher prices for Gold Coast cocoa. This was once again, in response to the low quality of the cocoa. The reasoning behind this policy is that in this case, farmers would deal more directly with the European firms, and as a result would have a better understanding of the demands of the European market and produce cocoa accordingly. This also aimed to even out the large discrepancies in prices paid to the producer compared to the price paid by the consumer in the home market. The proposed policy was to attract more firms and to have more of them establish in the Gold Coast itself. These firms would then be able to buy their cocoa more directly from the farmers, using traders in their own employment.[85] Neither of these policies is mentioned in consecutive reports, but it does show that the impact of the First World War on the economy was devastating, and solutions were sought in a completely different approach. Concern with producer prices as featured in the ERP was not new either, although the policies scope was rather limited in the Gold Coast.

A final policy that differs from the normal laissez faire position was implemented in 1937, when diversification became a new goal. The monoculture of the Gold Coast with cocoa as its main cash crop was now seen as unstable, probably with the recovery from the Great Depression still ongoing. The introduction of other crops that could be valuable exports, like citrus fruits, was again not universally accepted by local farmers. This can be attributed to the same economic prudence, as a sudden change in crops can take a long time to yield the relatively stable income cocoa offered. The report on the other hand says: “Such fluctuations in price are little understood by a comparatively illiterate people,” signifying again a lack of understanding of the motives of the farmers.[86] The ERP also mentioned diversification as an important aspect of future policy development for Ghana, but this was a relatively limited aspect of the program, and the focus was still on cocoa export.

[84] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Volume 1918, 31, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1918.
[85] University of Illinois, “Annual reports on the colonies,” Volume 1919, 36.
[86] University of Illinois at Urbana-Champaign, “Annual reports on the colonies,” Volume 1937-1938, 26, http://hdl.handle.net/10111/UIUCAFRICANA:5530214_1937_1938.

Institutional development over this period also occurred outside of government, mainly in the start of associations between growers. The report of 1918 comments on this as a positive development supported and encouraged by the government.[87] These seem to have contributed to the later farmer holdup in 1931, where organization is key. These institutions were formed in the organization domain, and the organizational field domain. The later of these is important because it governs the way in which organization are able to form. The relatively inactive position of the government in this domain allowed for the formation of the association, which could then be strengthened by the support from the government.

Over the course of these 27 years, the earlier policies can be seen as relatively laissez faire, but particularly the large crises of the era caused a different type of institution to be proposed, although these were rarely implemented. Institutions were not formed unilaterally, but also in domains other than the polity domain. There were striking similarities between the institutions of this early colonial system and the policies proposed in the ERP. Firstly, the ERP had as an end goal to create a more liberal market, which to an extent mirrors the laissez faire cocoa industry of colonial times, although the ERP although earlier stages were necessarily restrictive of the free market. Infrastructure is an important aspect but is tackled more head on in the ERP where the impact of colonial infrastructure policy on the cocoa trade was more of a side effect. Knowledge and education in farming methods is deemed important in both cases, but both tend to create a distance between farmers and the place where research is being done. On the other hand, the ERP does not focus on the quality of pods like the colonial institutions did. The effect of these different types of colonial cocoa policies on the economy will be investigated quantitatively in the following chapter, which allows for an analysis of the mechanisms behind changes.

[87] University of Illinois, "Annual reports on the colonies," Volume 1918, 31.

4. The Effect of Colonial Policy Changes

Colonial cocoa institutions were mostly trying to interfere very little with the cocoa production and trade. The previous chapter has pointed towards three types of government policies that were put in place: those based around instilling farmers with knowledge, those that aimed at improving infrastructure and other policies including some that contradicted the laissez faire stance. This chapter takes these institutions and uses them quantitatively to investigate the effect of these types of policies on the cocoa exports. The first section will provide an overview of the data. In the second section the data will be used to regress three multivariate models that look at the effects of the institutions. Finally, the regression results, combined with the findings of the previous chapter will be investigated by looking at Aoki's mechanisms of change and inertia.

Initial Look at the Data

The reports provide data for almost the entire period. The only exception is the year 1924, for which export data could not be found, has been extrapolated for the graphs. From the reports for this analysis there are two main exogenous events: the Great Depression and the First World War.[88] An endogenous event that also limited the revenue was the supply holdup by farmers in 1931, which diminished the exports for that year according to the reports. The holdup was in response to the drop in prices and initiated as an attempt to normalize the revenue.

A number of variables that are of interest for this research can be found in the reports. Mainly the statistics on cocoa exports are detailed every year. This is expressed in two ways. Cocoa exports are expressed in pounds (£) and in weight in tons. By combining these two measures, the average price per ton of cocoa can be calculated for any given year. All three of these variables can be used as a way to look at the effect the colonial institutional developments had, depending on the different goals of these policies. Price is a measure of global economic

[88]With the reports used here starting in 1911, the First World War is incorporated in these records. The reports from 1914 And 1916 particularly highlight the event, as the availability of ships to transport the cocoa was limited due to the war effort resulting in decreased exports while agricultural production remained unchanged. In 1917 the crisis worse by Britain limiting cocoa imports as other goods were given priority. A second external factor with a large effect on the Gold Coast cocoa industry was the Great Depression. The 1930 report notes that the decline in trade "is attributable in general to the worldwide trade depression and in particular to the abnormally low price of cacao," which suggests that the cocoa trade was not exempt from this global crisis, which had a serious effect on the Gold Coast.

circumstances or could be a reflection of the quality of cocoa produced. As such policies geared towards improving quality are expected to have an effect on price. The cocoa export in tons is a measure of production in terms of quantity, so institutions like improved transport or farming methods geared towards increased production or fighting pests might be seen here. The export statistic in pounds is a combination of both. A final variable that can be derived from the reports is the total monetary value of all Gold Coast exports is given in the reports, which is an interesting measure to look at cocoa in the context of the broader economy.

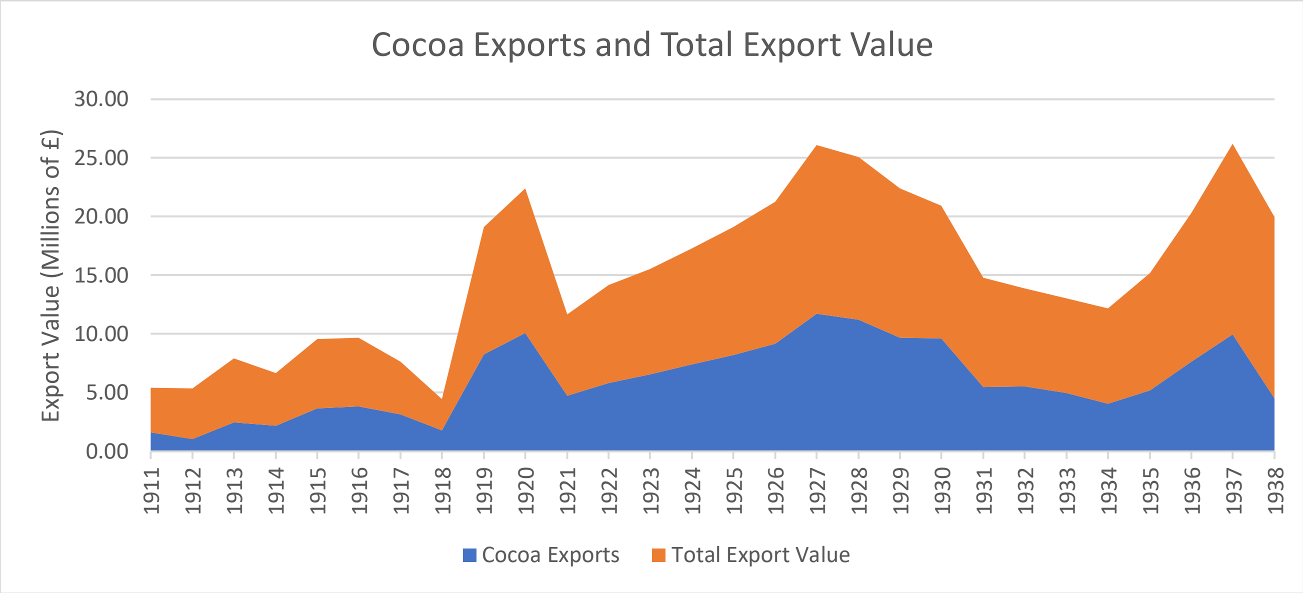

Figure 2: Cocoa Export Value and Total Export Value 1911-1938

Figure 2 displays the value of the cocoa exports, as well as the total exports from the Gold Coast over the period from 1911 until 1938. The chart shows the aforementioned crises very clearly. The First World War started with a brief downturn, after which shipping became more widely available in 1915. After that the war took its toll on both the cocoa industry and the other exports. The brief economic crisis of 1921 can be clearly seen on the graph as well, and the farmers holdup in 1931 with the following depression is also clear in both the total and the cocoa exports. The fluctuations in the cocoa export are common but are a lot less pronounced than in the other export products. This implies that cocoa is steadier in supply or demand than other exports from the Gold Coast, which are showing more volatility. This might be explained by the fact that cocoa is such a large part of the economy, gaining more attention.

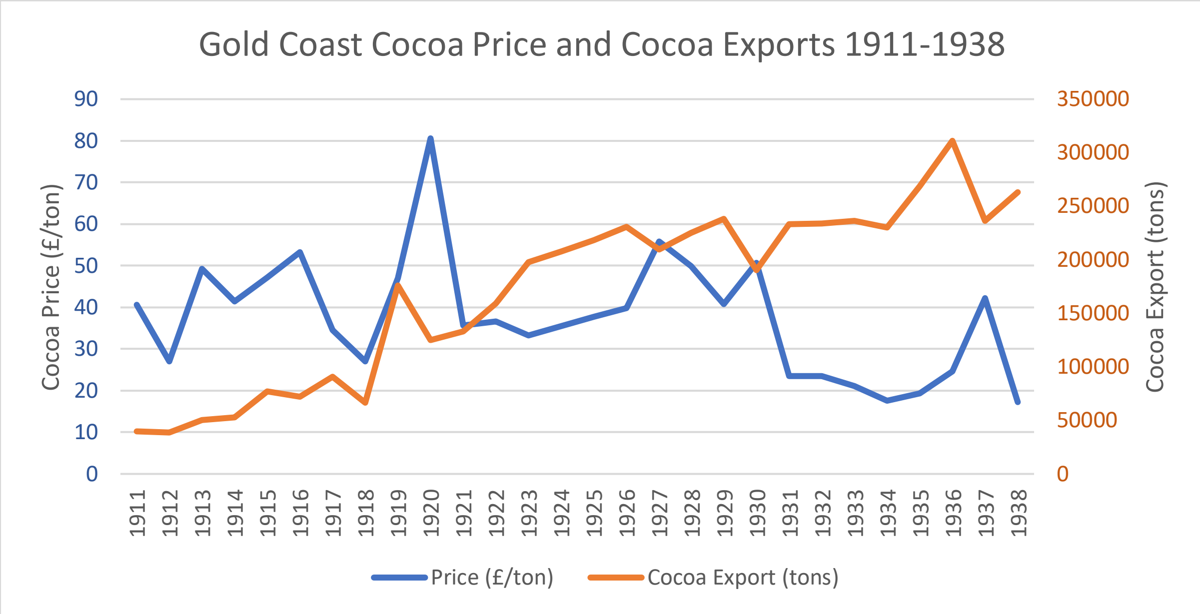

Figure 3: Gold Coast Cocoa Price and Cocoa Exports 1911-1938

Figure 3 displays the other two relevant variables: price of cocoa and export in tons. Where the cocoa export in pounds was fluctuating a lot, and long term decreases as well as massive upturns could be seen, the weight of cocoa exported shows a general upward trend. Exogenous events like the first world war do show up in the graph. Cocoa prices, on the other hand, were much more unstable. From 1918 to 1920, over just two years' time, prices more than doubled, before dropping down and normalizing. The graph shows that the fluctuations in the income from cocoa are a result more of price than of the quantity exported. The price and export, to an extent are also linked. This is especially noticeable in the case of the farmer holdup, the aim of which was to raise the price, which also shows in the graph.

Multivariate Regression of Cocoa Exports

After looking at these variables over the course of time, regression analysis can estimate the effects of the institutional changes put in place. This data requires a time-series model, which will be estimated using ordinary least squares in STATA 16. A model will be run for the three different dependent variables on which policies might have an effect.

The qualitative analysis of the report has given insights into the policies that have been implemented. Based on this assessment the policies and institutions can be categorized. In this case three categories have been made, and by classifying the information from the report as such, a categorical variable can be made. This categorical variable has a value of zero if no policies were implemented in that year, a value of one if the policy is geared towards providing knowledge or agricultural education to farmers, two if the infrastructure was influenced by policy and three for any other policy. An additional dummy variable is made to account for exogenous events, particularly those that seem to cause a drop in the cocoa industry.

These variables are lagged one and two years and included. This is because institutions are likely to take some time to take effect. For the exogenous events, a similar case can be made, although it is also possible for the event to be so sudden that it is noticeable within the year. For this dummy variable, both the non-lagged and the lagged variables are included. The models also include the one year lagged export value. The regression models for the population and the sample are displayed in the Appendix.

Table 1 displays the results of these three models, with coefficients displayed for each independent variable, with standard errors in parentheses and stars denoting the significance level. In this table the subscript *t* is the moment in time in years, where *t-1* and *t-2* are the one and two year lagged variables respectively.

Table 1: Regression Results Cocoa Export and Price

	(1)	(2)	(3)
VARIABLES	Cocoa Export (£)	Cocoa Export (tons)	Cocoa Price (£/ton)
Exogenous Event$_t$	2,097,952.10	56,092.89	6.66
	(1,986,482.79)	(40,268.58)	(10.17)
Exogenous Event$_{t-1}$	-3,282,285.03*	2,211.72	-17.85**
	(1,510,882.69)	(30,627.55)	(7.73)
Exogenous Event$_{t-2}$	937,561.61	45,594.56	-4.39
	(1,511,069.57)	(30,631.34)	(7.73)
Knowledge-Based Institution$_{t-1}$	-3056037.29	-146,056.19**	3.87
	(2,336,186.94)	(47,357.53)	(11.96)
Infrastructure$_{t-1}$	-473,845.30	-86,273.56	14.66
	(2,999,124.45)	(60,796.13)	(15.35)
Other Institution$_{t-1}$	-434,957.44	-32,707.41	4.42
	(1,425,822.16)	(28,903.26)	(7.30)
Knowledge-Based Institution$_{t-2}$	2,303,788.77	-46,303.25	21.20*
	(1,985,454.57)	(40,247.73)	(10.16)
Infrastructure$_{t-2}$	-1887013.17	-86,991.62	2.78
	(3,017,058.30)	(61,159.68)	(15.44)
Other Institution$_{t-2}$	-532,026.78	-109,497.64**	16.84*
	(1,751,102.02)	(35,497.10)	(8.96)
Cocoa Export$_{t-1}$ (£)	0.74**	0.01	0.00
	(0.34)	(0.01)	(0.00)
Cocoa Export$_{t-2}$ (£)	0.00	0.01	-0.00
	(0.35)	(0.01)	(0.00)
Constant	2,240,090.56	132,644.82**	31.16**
	(2,357,012.06)	(47,779.68)	(12.06)
Observations	23	23	23
R-squared	0.71	0.82	0.71

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The dataset stretching from 1911 to 1938 is a rather small dataset with only 23 observations. As a result, the conclusions are limited, and significant results are difficult to gain. Another limitation to these conclusions is the subjective way in which the categorical variable for institution type, and the exogenous events is created. While the construction of these categories was subjective, the data is based on the reports for the relevant years, and the events are at least to an extent accurate. The fit of these models is relatively good for such a dataset, with R-squared values of 0.71 and even 0.82, meaning 71% and 82% of the variation in the data is explained by the respective models.

In the first model, the one year lagged variable for cocoa export is significant at the 5% level. This means that if the previous year's export had resulted in £1 extra revenue, the export at time t is expected to be £0.74 higher, all else being equal. The model also predicts that the year after a crisis, cocoa exports are estimated to drop by £3,282,285, all else equal. The drop in export value is expected particularly because two of the events caught in this variable were economic crises. A similar direction would be expected for the First World War. Interestingly enough, the variables for institutions do not have a significant impact.

In the other two models some institutions had an effect on the quantity of exports, and price. The second model implies that knowledge-based institutions are linked to an estimated decrease in export of 146,056.19 tons, the year after its implementation with a significance level of 5%. The direction of this coefficient is different from the expectation, since the effect seemed to be limited, but not necessarily negative based on the qualitative analysis of the reports. The reason for this value may be the fact that most institutions that fall into this category are relatively early on and may be influenced by the depressing effect of the First World War. The category of other institutions also seems to lead to a decrease of 109,497.64 tons of cocoa, with 5% significance, but this effect is lagged two years. This result is unexpected and does not have a good explanation.

Finally, for the price model, the knowledge-based institutions are estimated result in a £21.20 price increase for every ton of cocoa exported, two years after its implementation, with 10% significance level. The category of other institutions is also estimated to result in a higher price two years after the implementation, with a price increase of £16.84 per ton. The effect of exogenous events found in the first model, seems to be the result of fluctuations in price. The dummy for exogenous events is also significant at 5% and suggests an estimated price decrease of £17.85 per ton of cocoa, all else equal. Considering the financial crises in this time period, this is as expected.

The combination of these three models points to some interesting overarching conclusions. The quantity of cocoa produced appears to be relatively difficult to influence. This might be explained by the lack of understanding government shows for the knowledge and reasoning of farmers in adopting certain practices. The price and quality seems more responsive to government policy than quantity. This may be due to possible limitations in labor for smaller scale farmers, as employing people to increase scale was not always an option.[89] The lagged effect here is very interesting, since the farmers are responding to knowledge-based schemes only after two years. This indicates that the adoption of certain schemes and practices is based on economic decision-making for farmers, and like Green and Hymer argue, only after their effectiveness has been proven.[90]

Mechanisms of Change and Inertia

The previous section has shown that the effect of these attempted changes in institutions varies, depending on the type of institution being implemented. This section looks to explore the mechanisms behind the effects of these institutions by looking at possible ways in which change can occur in Aoki's institutional theory, in which change is defined, as the institutions having an actual lasting effect across domains.[91]

According to the theoretical framework developed by Aoki actual institutional change relies on a change in the perceptions of individual agents. If actors have more strategies available and they are seen as viable options, more widespread change can occur.[92] The development of context dependent and institution specific competencies is a mechanism that causes stagnation as these competencies do not translate to other contexts.[93]

The relatively limited level of change that resulted from some attempts can be explained by these two inertia mechanisms, particularly the ineffective knowledge-focused institutions.

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[89] R.H. Green and S.H. Hymer, "Cocoa in the Gold Coast: A Study in the Relations between African Farmers and Agricultural Experts," *The Journal of Economic History* vol. 26, no. 3 (September 1966): 305.
[90] Green and Hymer, "Cocoa in the Gold Coast," 299.
[91] Masahiko Aoki, *Towards a Comparative Institutional Analysis* (Cambridge: The MIT Press, 2001), 207.
[92] Aoki, *Towards a Comparative Institutional Analysis*, 235.
[93] Aoki, *Towards a Comparative Institutional Analysis*, 235.

The assumptions the institutions were based on, portraying native farmers negatively, as well as the assumption of transferability of European agricultural models, did not correspond with reality. In this case is the institutions put in place did not work because they did not take context specific competencies of farmers into account. This meant that the implementation of these institutions rarely provided farmers with more viable strategies, and as a result change did not occur.

The knowledge-based institutions that did constitute a real change were linked to price rather than the total amount of cocoa exported, which leads to the conclusion that quality of cocoa was more affected by these types of policies than quantity. The diachronic complementarity mechanism, concerned with the links of an institution over time, can explain this. The implementation of the knowledge-based institutions did not all result in viable strategies to the farmers. The quality focused institutions were likely more successful because they provided reasonable and applicable strategies to the actors. This is possibly because these were easier to demonstrate as effective in research facilities in the Gold Coast. Another reason why these might be more effective is that the institutions play into the demand of the cocoa firms.

Aoki also argues external shocks or internal crises are generally highly linked to change, because they cause actors to experiment with choices and institutions.[94] The qualitative analysis of the reports has revealed that this was indeed the case, and especially after the First World War, the Great Depression and the internal crisis of the farmers holdup, more policy changes were attempted.

A mechanism for change that is relevant for the infrastructure-based policies is the "reshuffling of links, through spatial expansion of economic activity".[95] This mechanism fits with the transport institutions. Although these were not significant in the model, these effects might take a longer time than the model accounts for. The reports did attribute some of the increases in export value to these changes, as the economic activity of the trade domain was being spread spatially as more remote rural areas became more accessible.

[94] Aoki, *Towards a Comparative Institutional Analysis*, 245.
[95] Aoki, *Towards a Comparative Institutional Analysis*, 260.

In conclusion, cocoa was a volatile industry. Exogenous shocks had large effects on international cocoa prices and the ability to export the harvest. The colonial institutions were not all as effective, and real changes remained sparse. The institutions surrounding knowledge influence price thus the quality of cocoa more than the quantity produced. This can be explained by the mechanism of context dependent competencies, in which the institutions do not match the strategies available to the farmers. Transport had little effect in these models, but the reports suggest otherwise. These institutions were likely effective through to a mechanism of spatial expansion of economic activities.

5. Late Colonial and Postcolonial Cocoa Institutions

The previous two chapters have looked at early colonial cocoa institution and compered both the goals and the effects of them to the institutions put in place in the 1983 ERP. This chapter fills in the gap and looks at the intermediate period, during which the cocoa industry was changed completely. This will be done by looking at the two main institutions within the cocoa industry which at times held the cocoa mandate: the Cocoa Marketing Board (CMB) and the United Ghana Farmers' Council (UGFC). The origins of these organizations and the major changes that occurred over time are assessed from the perspective of Aoki's institutional theory. Firstly, the origins of the CMB will be discussed. The second section looks at the changes that occurred under Kwame Nkrumah which marked the start of the UGFC mandate. Finally, the way these organizations changed until the ERP in 1983 will be discussed.

The Origins of the CMB

The Second World War caused massive changes in the Ghanaian economy, and particularly in the cocoa industry. This exogenous event caused a drastic shift from the laissez faire economy of the previous decades as the government became very involved and hands on, particularly in the trading of cocoa. Rod Alence argues the creation of a cocoa marketing board was a government response to trade induced social conflict and motivated partly by the 1937 cocoa holdup.[96] The existing antagonisms between the European cocoa firms and local farmers were expected to be aggravated by the expected drop in prices as a result of the war. The local farmers blamed the firms for the sharp drop in prices.[97] The actual change in the cocoa industry occurred in two steps. First, the wartime marked a change in legislation as it was decided to temporarily put the cocoa trade under government control. Later on, the state marketing was decided to be kept in place after the war as well, solidifying the one-buyer system.[98]

[96] Rod Alence, "Colonial Government, Social Conflict and State Involvement in Africa's Open Economies: The Origins of the Ghana Cocoa Marketing Board, 1939-46," in *The Journal of African History,* Vol. 42, No. 3 (2001), 399.
[97] Alence, "Colonial Government," 399.
[98] Alence, "Colonial Government," 398.

These types of marketing boards were typical of British West Africa around this time, since similar marketing boards were being set up by British colonial governments for other exports across the British colonies in the region.[99] In the cocoa industry in the Gold Coast, several marketing boards were active, which eventually led to the creation of the CMB as a single independent unit in 1947.[100] The Gold Coast CMB is a case in which a marketing board became one of the wealthiest and most important institutions in the economy.[101]

Such a massive change, in which the way the industry works is completely reversed, is likely to have a basis across domains according to Aoki's institutional theory. The decisions were being made on a polity level and impacted not only the relations in the trade domain, but also the social exchange domain. The social conflict between producers and European importers was appeased by creating a new institution working in between.

There are two reasons for this drastic change to be able to stay in place for such a long time. Firstly, the change impacted both the social exchange, and the trade domain and as a result the new institution impacted norms. The implementation of the marketing board meant the introduction of a feasible alternative for farmers to trade and have a stronger position against the large European cocoa firms, but also changed norms into a system where cocoa was sold to one buyer. A second mechanism solidifying the change was the exogenous shock, the Second World War, and the prospect of instability and an expected drop in cocoa exports.

Late Colonial and Post-Colonial Development

In 1952, Kwame Nkrumah came to power as Leader of Government Business, although still under the British colonial governor.[102] Upon independence, he was elected again, this time as prime minister of an independent Ghana.[103] The system of cocoa marketing was kept by the Nkrumah regime, although the mandate did pass from the CMB to an organization that was part of Nkrumah's party. The United Ghana Farmers Council was the agricultural branch of

[99] Tracy Williams, "An African Success Story: Ghana's Cocoa Marketing System," *IDS Working Paper* no. 318, 10.
[100] Williams, "An African Success Story," 12.
[101] Williams, "An African Success Story," 10.
[102] David Rooney, *Kwame Nkrumah: Vision and Tragedy* (Accra: Sub-Saharan Publishers, 2007), 95-96.
[103] Rooney, *Kwame Nkrumah*, 186.

the Convention's People Party of Nkrumah which started in 1952 and held the cocoa mandate from 1961 until 1966.[104]

In Tracy Williams' work for the Institute of Development studies, she argues that the Ghanaian cocoa industry became both overtaxed and too politicized under Nkrumah. High taxation with the justification that the cocoa revenue should benefit the population as a whole, lead to dwindling profits for farmers themselves. This practice is argued to have remained in place by consequent regimes as well, which contributed to the urgency of the ERP's efforts to raise producer prices.[105]

With the mandate changing hands to the UGFC, the institutions themselves change relatively little. The economic power is still in the hands of a powerful government organization, although this organization is more politicized. The producers still operate under a mandate, and as such this shift does not give them more possible strategies as actors in the trade domain.

The CMB up to the ERP

The military coup of 1966 marked a change in regime, which led to the dissolution of the UGFC, and the mandate passed back to the Cocoa Marketing Board.[106] When looking at the period after the mandate went back to the CMB, the trend Williams noted for the mandate of the UGFC, appears to have remained true. At this point in time, the CMB was corrupt, and infamously inefficient.[107]

According to Rothchild, the period up to the ERP was marked by dropping cocoa producer prices, and a hollowing out of the market. This incentivized some farmers to smuggle their cocoa across the borders of Togo and Ivory coast. While the cocoa markets there suffered from the similar issues with their own respective marketing boards, prices were still higher. This smuggling was however more prevalent among large landowners who had close

[104] Kwaku Owusu-Baah, "Ghana," in *Public Policy and Agricultural Development* ed. Ha-Joon Chang (Florence: Taylor & Francis Group, 2011): 137-138
[105] Williams, "An African Success Story," 13.
[106] Owusu-baah, "Ghana," 138.
[107] Williams, "An African Success Story," 13.

relations to political elites, because of the larger crop they had the incentives and the means to make a larger profit abroad.[108]

This is not to say that these conditions were accepted, as several different governments aimed to liberalize the market, and change the level of influence the CMB had on the market. The early 1970s saw some experiments with disassembling state enterprises in the cocoa sector and reintroducing a multiple buying system in place of the UFGC.[109] There were also trials with establishing development boards, who offered advice and incentives, which to an extent resembles the function of the early colonial agricultural department, with schemes to educate farmers. These experiments were short lived with the 1972 military coup, after which these policies were reversed. This issue was also noted early in the Rawlings administration which led to a new round of experimentation in the early 1980s. Before the introduction of the ERP some policies tried to reverse this, particularly by reducing the power of the CMB and bringing it further under government control.[110]

The changes in the cocoa industry were the continuation of a trend, in which producer prices kept reducing despite efforts to the contrary. The attempts at changing this trend were reversed shortly after implementation. This inertia can be explained through the power mechanism Aoki specified. The larger producers are more powerful players in the trade domain and have more influence in the polity domain.[111] As a result, these actors have an incentive to reinforce the status quo, particularly the CMB, because of their ability to escape the lower prices.

In conclusion, the time during which the CMB was founded and became responsible for cocoa marketing through the mandate marked a big break with past laissez faire policy, as cocoa marketing now came entirely under state control. The UGFC continued this trend. While the program of state-control was introduced with the intention of settling social conflict and lowering tensions, it had the opposite effect in the long run. The high taxes in the

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[108] Paul Nugent , "Educating Rawlings: The Evolution of Government Strategy Toward Smuggling," in *Ghana: The Political Economy of Recovery*, ed. Donald Rothchild (Boulder: Lynne Rienner Publishers Inc., 1991), 70-71.
[109] V.K. Nyanteng and A. Wayo Seini, "Agricultural Policy and the Impact on Growth and Productivity, 1970-95," in *Economic Reforms in Ghana*, eds. Ernes Aryeetey, Jane Harrigan and MAchiko Nissanke (Oxford: James Curry Ltd., 2000), 269.
[110] Nugent, "Educating Rawlings," 78-79.
[111] Nugent, "Educating Rawlings," 70-71.

cocoa trade combined with the political use of the industry by Nkrumah led to lower prices for producers and less incentive to produce cocoa, which were important aspects the ERP attempted to tackle. Later governments made attempts to change the closed market system, but powerful landowners were important actors in barring change. The ERP attempted to liberalize the market again, and as such this period from the 1939 until the early 1980s may be seen as a long period in between during which market forces were diminished within the cocoa industry.

Conclusion:

This thesis has looked into the colonial cocoa industry in the Gold Coast and its influence on the policies of the post-colonial ERP in Ghana by answering the question: To what extent did colonial cocoa institutions influence the goals and policies of the ERP? The question was answered by analyzing the primary and secondary sources through the lens of the institutional framework by Aoki, as laid out in chapter one.

From the ERP it became clear that the policy suggestions reforming the Ghanese economy, were particularly focused on fixing the macroeconomic imbalances. The ERP as such did succeed in improving macroeconomic conditions, as GDP per capita rose, and the exchange rate of the currency normalized. However, the effects for the general population in living standards turned out to be relatively limited. In the cocoa industry, these policies aimed at liberalization of the market, and reduce the government and CMB influence on the market. Other suggestions for policies to improve the sector included those related to the extension of knowledge, with the suggestion of research being moved outside of Ghana for budgetary reasons, as well as the renovation of important infrastructure.

Several of these aspects of the ERP can be seen in the colonial era. Like the ERP aimed for, the early colonial cocoa industry was a relatively liberal and laissez faire system. The introduction of cocoa was done from the bottom up which was an important factor in the changing labor relations as the Gold Coast moved away from slavery. A complex system of larger and smaller scale traders appeared as exports grew. While there was not a lot of government interference in the industry at this time some new institutions and policies were implemented. These were mainly focused on extending knowledge to farmers, with research centers and education facilities being set up, aiming to increase productivity, and improve the quality of cocoa. In the colonial reports, most of the knowledge focused institutions were described as ineffective and created an image of farmers as relying on nature and not being willing to change their practices. Literature suggests these institutions were themselves based on wrong premises, because farmers were willing to change their methods of farming if it was profitable in the end and as such made a rational choice. This institutional inertia thus occurs as a result of the colonial government not providing *actual* alternative actions to farmers. This is confirmed by the regression models as the institutions looking to improve quality were a lot more effective. The ERP also featured policy advice geared towards research, which risked a similar mismatch. Improved infrastructure and transportation were also important in increasing the exports. By expanding trade domain spatially, more remote rural areas were getting connected and incorporated in the cocoa trade. Infrastructure was also an important point made in the ERP. Exogenous factors like the First World War and the Great Depression also had massive impacts on the colonial cocoa industry, both by directly limiting the exports and by spurring on institutional development.

Like earlier in the colonial period, exogenous events and internal crises were important catalysts of institutional change around 1940. The existing social conflict between farmers and firms was expected to be exacerbated by the impending economic crisis due to the Second World War. These two factors together eventually led to the creation of the CMB, which marked a complete overturn of the industry, in which now a mandate on cocoa led to a one buyer system. These changes were able to stick because they had a basis in the social exchange domain and changed the norms underpinning the cocoa trade in a way that suited the farmers. In the postcolonial era this caused several issues, as the politicization of the CMB and the UFGC, as well as the overtaxation of the cocoa industry led to a further decrease in producer prices and created further problems for the cocoa industry. Consecutive changes were not able to change this dynamic, because of the power of the CMB and large farmers.

This research has shown that the ERP is heavily influenced by several types of institutions from the colonial cocoa industry, at three different levels. Firstly, within the literature it is often noted that the export focused economy, with one type of cash crop is essentially unstable, although it is difficult to change this dependence. This dependence on cocoa is also noted both in the colonial era and in the ERP, as diversification is an important point of discussion. It turns out to be a difficult goal to put into practice. Secondly, the goals of the ERP for reforming the Ghanaian economy are very similar to the workings of the early colonial cocoa industry, with the goal of establishing a multi buyer system like in period until 1939. Despite this similarity, the ERP also cannot fully abandon get the later colonial and postcolonial institutions, because of the institution specific competencies as a mechanism inhibiting change. As a result, the CMB is still an important institution although the ERP aimed to change its role and character. Third, the ERP focuses on specific kinds of policies similar to those attempted by the colonial government. This includes attention to spreading agricultural knowledge on farming methods for cocoa, as well as infrastructure-based institutions.

This case study of the ERP as a case study have confirmed Aoki's assertion that institutions are diachronically linked or are strongly connected to past institutions. As such the research contributes to the understanding of institutions, in particular for postcolonial states that rely on cash crops. Where the literature on the Ghanaian cocoa industry has mainly on the UGFC when talking from a colonial perspective, this thesis has extended the analysis both quantitively and qualitatively to the ERP. Other studies on the ERP tend to briefly mention the colonial influence or exclude it altogether.

This focus also imposes a limitation on the research, as this means the period form 1940 until 1980 is only assessed briefly, which necessarily limits the results. Also, the primary sources used in this research are from a western perspective, as Ghanaian sources are difficult to access digitally. Using such sources would allow for stronger conclusions on the effects of policies to the general population. As such including these sources in another research would be an interesting aim for further research as it would take the contribution of this research to the literature even further.

Despite these limitations, the inclusion of the colonial era has revealed that the ERP and the institutions in the cocoa industry are inextricably linked to both the colonial and the postcolonial past.

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Appendix

Regression Models Chapter 4

Population models:

$$EXP_t = \beta_0 + \beta_1 EXO_t + \beta_2 EXO_{t-1} + \beta_3 EXO_{t-2} + \beta_4 INST_{t-1} + \beta_5 INST_{t-2} + \beta_6 EXP_{t-1} + \beta_7 EXP_{t-2} + \varepsilon$$

$$EXT_t = \beta_0 + \beta_1 EXO_t + \beta_2 EXO_{t-1} + \beta_3 EXO_{t-2} + \beta_4 INST_{t-1} + \beta_5 INST_{t-2} + \beta_6 EXP_{t-1} + \beta_7 EXP_{t-2} + \varepsilon$$

$$P_t = \beta_0 + \beta_1 EXO_t + \beta_2 EXO_{t-1} + \beta_3 EXO_{t-2} + \beta_4 INST_{t-1} + \beta_5 INST_{t-2} + \beta_6 EXP_{t-1} + \beta_7 EXP_{t-2} + \varepsilon$$

Sample models:

$$\widehat{EXP}_t = \hat{\beta}_0 + \hat{\beta}_1 exo_t + \hat{\beta}_2 exo_{t-1} + \hat{\beta}_3 exo_{t-2} + \hat{\beta}_4 inst_{t-1} + \hat{\beta}_5 inst_{t-2} + \hat{\beta}_6 exp_{t-1} + \hat{\beta}_7 exp_{t-2} + e$$

$$\widehat{EXT}_t = \hat{\beta}_0 + \hat{\beta}_1 exo_t + \hat{\beta}_2 exo_{t-1} + \hat{\beta}_3 exo_{t-2} + \hat{\beta}_4 inst_{t-1} + \hat{\beta}_5 inst_{t-2} + \hat{\beta}_6 exp_{t-1} + \hat{\beta}_7 exp_{t-2} + e$$

$$\hat{P}_t = \hat{\beta}_0 + \hat{\beta}_1 exo_t + \hat{\beta}_2 exo_{t-1} + \hat{\beta}_3 exo_{t-2} + \hat{\beta}_4 inst_{t-1} + \hat{\beta}_5 inst_{t-2} + \hat{\beta}_6 exp_{t-1} + \hat{\beta}_7 exp_{t-2} + e$$