

HOW THE WORLD BANK AND THE IMF REINFORCES THE PERIPHERAL STATUS OF COUNTRIES: THE IMPLEMENTATION OF THE STRUCTURAL ADJUSTMENT PROGRAM IN GHANA

YAW AFRIYIE

Abstract

This paper questions the neo-liberal policies of the International Monetary Fund (IMF) and the World Bank in Africa by drawing on the world-systems theory. World-system theorists argue that the international system is characterized by the exploitation of peripheral countries by core nations, and this exploitation persists because peripheral states are dependent on core states for processed and capital goods. The paper examines how the World Bank and the IMF create and reinforce this structure of exploitation with special reference to the implementation of the Structural Adjustment Programs (SAPS) in Ghana. After assessing the economic, social, political and environmental impacts of the adjustment programs, the paper ends by offering policy recommendations on how the negative effects of adjustment policies could be addressed.

Introduction

Over the past years, there has been a growing concern that Africa is falling out of the world economy. Africa has a significant percentage of the world's population, but accounts for only two percent of world trade (Mwakikagile, 1999; p.3). Africa is also a paradox: it is potentially one of the richest continents, yet it is the poorest. Since independence, most African countries have fallen so far behind other regions of the world that the gap sometimes seems to have no rational explanation. In 1995, the third world received \$231 billion in foreign investment, but Africa's share was only \$2 billion or 1 percent (p.203). Indeed, the contrast between the performance of African countries and that of other developing nations is widening. For example, in 1965, Nigeria was richer than Indonesia, and Ghana richer than Thailand. Today, Indonesia is three times as rich as Nigeria, and Thailand five times richer than Ghana (Mwakikagile, 1999; p.3). Unfortunately, the situation is worsening with poor living conditions among African people. According to Joseph Mensah (2008) "A whopping twenty-eight of the thirty-one low human development countries of the world are found in sub-Saharan Africa" (p.2).

Unsurprisingly, different theories have offered different diagnosis for the problem of Africa. Modernization theory sought to identify the conditions that had given rise to development in the first world, and specify where and why these were lacking in the third world. Inglehart (1997) defined modernization as "a process that increases the economic and political capabilities of a society: it increases economic capabilities through industrialization, and political capabilities through bureaucratization" (p.5).

Modernization theorists argued that changes must take place in poor countries in order to break the vicious cycle of poverty and low productivity. Clearly, modernization theorists believed that development required Westernizing elites, or some kind of education in capitalist values. Therefore, "the West could help speed up the process of development in the third world, for instance by sharing its

capital and know-how, to bring these countries into the modern age of capitalism and liberal democracy” (Rapley, 2007; p. 24). From this perspective, poor African countries could only catch up with the developed countries by integrating into the global capitalist system.

Nevertheless, modernization theory assumed that development is a universal process, which will bear the same results of prosperity across all states and societies. Such assumptions are highly euro-centric as the goal of the theory is to mimic the development in Europe and North America, dubbing them as models for success. Upon these criticisms, world-systems theory was proposed by Immanuel Wallerstein as an alternative explanation to modernization theory. In his own words, Wallerstein stated that he aimed at achieving “a clear conceptual break with theories of modernization and thus provide a new theoretical paradigm to guide our investigations of the emergence and development of capitalism, industrialism, and national states” (Skocpol, 1977; p. 1075). In his book “The Essential Wallerstein”, Wallerstein (2000) argued that the expansion of capitalism in the world have been reconstructed under neoliberalism which continues to reproduce under new circumstances, and in new forms, the new inequalities built in its structuring of the world (p.243). In line with Wallerstein’s description of the global capitalist system, this paper will ask questions such as: does the current neoliberal global economic and political system really ensure equality among poor African countries and the developed nations? How have the neoliberal policies of the Bretton wood institutions such as the structural adjustment programs maintained the peripheral status of African countries, specifically, Ghana? How can policy makers help address the negative effects of the Structural Adjustment Programs in African countries?

This paper will attempt to answer these questions by drawing on the world systems theory. In this paper, I am going to show how the World Bank and the International Monetary Fund create and reinforce this structure with special reference to the implementation of the Structural Adjustment Programs in Ghana. In order to sufficiently elaborate my argument in this paper, I will begin with an analysis of the world-systems theory. I will build on the analysis by examining the absence of the environment in world-systems theory. Then, I will critically examine the origins, nature and impacts of adjustment policies. To test the efficacy of the IMF and World Bank adjustment policies, I will critically examine the implementation of the structural adjustment programs (SAPs) in Ghana since 1983. I will begin with a brief history of Ghana and then critically examine the implementation of the structural adjustment programs (SAPs) in Ghana since 1983. Finally, I will make recommendations on how policy makers can help address the negative effects of adjustments policies.

ANALYSIS OF WORLD-SYSTEMS THEORY

Proponents of the world-systems theory argue that the strong developed countries promote a form of development that disadvantages the people of least developed countries in favor of those in the industrial countries (Schwartz, 2007; p.120). According to Schwartz (2007), world-systems theory was in many ways an adaptation of dependency theory (p.123). Wallerstein drew heavily from dependency theory, a neo-Marxist explanation of development processes which focused on understanding the periphery by looking at core-periphery relations. In the first volume of his book, “The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the sixteenth

Century", Wallerstein (1974), defined world-systems as a "multicultural territorial division of labor in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants" (p.60). This division of labor refers to the forces and relations of production of the world economy as a whole and it leads to the existence of two interdependent regions: core and periphery.

These are geographically and culturally different, one focusing on labor-intensive, and the other on capital-intensive production (Wallerstein, 1999, p.182).

Core-states have complex political structures and by means of superior technology, control the major facilities of production, transportation, and communication. Peripheral areas have weak states and are dominated by the core. The peripheral countries became monocultural economies, specialising in cash crops produced by coerced labour. There are also semi peripheral states whose members act as intermediaries between the core and peripheral states (Wallerstein, 1974; p.349). The core states integrate peripheral areas into the capitalist world economy because these peripheral areas often contain important natural resources. Through political and economic control of the system, Wallerstein (1974) contends that core states exploited the labor and material resources of peripheral areas and received a large share of the surplus (p.350). Thus, European nations competed among themselves for access to peripheral areas in order to increase profits. Advanced or developed countries are the core, and the less developed are in the periphery. Peripheral countries are structurally constrained to experience a kind of development that reproduces their subordinate status (Chase-Dunn and Grimes, 1995; p.401). The World Bank and IMF adjustment policies and inequality differential strength of the various states within the system is crucial to maintain the system as a whole, because strong states reinforce and increase the differential flow of surplus to the core zone (Skocpol, 1977; p.1082). This is what Wallerstein called unequal exchange, the systematic transfer of surplus from semi proletarian sectors in the periphery to the high-technology, industrialized core (Goldfrank, 2000; p.160). This leads to a process of capital accumulation at a global scale, which involves the appropriation and transformation of peripheral surplus.

The modern world-system is an example of a world-economy (Wallerstein, 1974; p.66). This system emerged in Europe in the sixteenth century and expanded to the entire globe. The driving force behind this process of expansion has been capitalism, defined by Wallerstein (1979) as "a system of production for sale in a market for profit and appropriation of this profit on the basis of individual or collective ownership" (p.66). He argues that within the context of this system, specific institutions are created and re-created to maintain the dominance of the core countries. As an example, Wallerstein (1995), stated that "Africa has been a zone of exclusion in our modern world-system, and we may expect that over the next twenty-five to fifty years the ongoing political, economic, and cultural mechanisms of the world-system will operate to exclude Africa and Africans still more" (69). Thus, these international organizations do not affect the fundamental economic positions of core and periphery within the global economy. Profit making are the main goal of core countries and that economic, political, social, and cultural structures are built around the needs of the economy.

THE ORIGIN AND NATURE OF STRUCTURAL ADJUSTMENT PROGRAMS

In the book, *Structural adjustment: theory, practice and impacts*, Zack-Williams et. al (2000) shows that structural adjustment policies emerged with the debt crisis of the early 1980s, when most third world countries were defaulting on the payment of the loans, which led to higher interest rates. The work just cited provides a detailed picture of the debt situation in various regions of the third world. From 1980-1990, the total debt stocks of Sub-Saharan Africa debt had risen from \$56,825 million to 173,737 million. In Latin America and the Carribean, it rose from 242,596 to 431,091 and in South Asia, from 38,173 to 115,351 (Zack-Williams et. al., 2000; p.12). These mounting debts forced the third world countries to restructure their economies along the lines of the International Monetary Fund(IMF) and "neo-classical economic orthodoxy" (p.12). Thus, most third world governments were compelled to adopt the IMF and World Bank's structural adjustment programs, which meant that they had to reduce their public expenditures and open their markets to the global economy.

According to Milward (2000), structural adjustment is the "process by which the IMF and the World Bank base their lending to underdeveloped economies on certain conditions, predetermined by these institutions" (p.25). These pre-conditions are designed in ways that are acceptable to the institutions themselves. The pre-conditions include devaluation, divestiture, privatization, liberalization and stabilization (Milward, 2000; p.34). Devaluing the currency and simultaneously removing price controls eventually leads to "mass unemployment and hyper-inflation" (Milward, 2000, p.35). Devaluation makes the adjusting countries goods cheaper for foreigners to buy, but results in higher prices for foreign goods. Clearly, the escalating prices of foreign products should make the adjusting country to be wary of buying expensive foreign goods, but, the IMF actually disrupts this by rewarding the country with a large foreign currency loan that encourages it to purchase imports (Milward, 2000; p.25). This makes the third world countries to become perpetually indebted to the IMF and the World Bank.

THE IMPACTS OF STRUCTURAL ADJUSTMENT PROGRAMS

Economic Impact

As stated by Milward (2000), "Neither the IMF nor the World Bank have been able to demonstrate a convincing connection, in either direction, between SAPs and economic growth" (p.58). Indeed, attempts by the IMF and the World Bank to promote economic recovery have been undermined by its stabilization policies and conditionalities. SAPs encourage third world countries to focus on the production and export of primary commodities such as cocoa and coffee in order to earn foreign exchange (Milward, 2000; p.53). But these commodities have relatively unpredictable prices, which are subject to global market fluctuations, that can lower prices just when countries have invested in these primary goods. In order to repay their debts and stabilize the economy, third world governments are compelled to remove subsidies and also cut down on government expenditures on education, health care and social services. (Milward, 2000; p.50). Thus, SAPs hurt the poor most, because they depend heavily on these services and subsidies. Since the main purpose of SAPs is to stabilize the economy of poor countries, the recipient country gets structural adjustment loans once the economy is stabilized.

But, as Milward (2000) points out, "this stage is never arrived at before austerity produces IMF riots leading to the abandonment of adjustment (p.35).

Social Impact

However, the social dimension of adjustment programmes (SDAs) was not a major part of the adjustment agenda until the publication of UNICEF's "Adjustment with a Human Face" (Zack-Williams, 2000; p.69). The report pointed to the direct link between economic decline in developing countries and the poor living conditions of vulnerable groups such as women and children. Debt and economic adjustment policies reduce the state's capacity to intervene to correct discrimination, vulnerability and inequality, which puts these groups at greater disadvantage in difficult times. Due to this report, there have been several international and national plans for improving the health of women and children. For example, forty African countries have prepared National Plans of Action by incorporating priority health goals for children and women (Logie and Rowson, p. 280). These plans included raising immunization rates, improving oral hydration, eliminating iodine and vitamin A deficiencies and encouraging breastfeeding. But implementation has been slow due to lack of both money and political will. Another result of the SDAs report was Ghana's Program of Action to Mitigate the Costs of Adjustment (PAMSCAD)

(Zack-Williams, 2000; p.70). PAMSCAD was intended to deal with the increasing rate of poverty among vulnerable groups which included small farmers, low-income households, and laid-off workers in the private and public sectors. Unfortunately, PAMSCAD did not serve the needs of women, who were one of the most important vulnerable groups (Zack-Williams, 2000; p.71). Thus, PAMSCAD, like other SDAs also failed to alleviate poverty in third world countries.

Political Impact

On the political level, Mohan (2000) points out that the IMF and the World Bank have in some cases supported autocratic and military regimes. These dictatorial governments had to "formulate and internalize a neo-liberal consensus which often necessitated removing opposition to adjustment" (Mohan, 2000; p.81). In the case of Ghana, the adjustment program was carried out by the Provisional National Defense Council (PNDC) led by Flight Lieutenant John Jerry Rawlings (Mohan, 2000; p.82). President Rawlings was used by both the IMF and the World Bank as an instrument to promote their neo-liberal policies. In Senegal, the authoritarian features of one-party dominance were emphasized despite political opposition, while in Cote d'Ivoire too President Houphouet Boigny so controlled opposition parties that there was "multi-partyism without opposition" (Mohan, 2000; p.87). Thus, the IMF and the World Bank have supported undemocratic regimes in order to ensure the implementation of their adjustment programs.

Environmental Impact

The political, economic, and social consequences of the SAPs create environmental problems. Mohan (2000) uses political ecology framework to examine the implications of disregarding the

environmental impact of adjustment (p.102). The World Bank and the IMF failed to incorporate environmental issues into their adjustment programs. Structural adjustment was sustained by the promise that implementing certain conditionalities such as privatization and fiscal austerity would raise living standards (Mohan, 2000; p.105). However, the burden of fiscal policies under structural adjustment has fallen most heavily on the poor, which places additional pressure on a country's natural resources. Individual's effort to maintain their livelihoods have led to deforestation, land degradation, over-hunting and other pressures on endangered species. Using several case studies, Mohan (2000) shows how long-term productive capacity is being destroyed by short-term exploitation of natural resources. In Ghana, the government passed a number of laws to promote artisanal mining, whereby illegal operations such as "galamsey" came under state regulation (Mohan, 2000; p.106). Consequently, the implementation of these laws led to the Small-Scale Gold Mining Law of 1989 and the establishment of a semi-private Precious Minerals Marketing Corporation(PMMC) which "buys the gold and diamonds and capture the revenue from this sector"(Mohan, 2000; p.107). An examination of these operations showed that the galamsey mining activities often spilt onto roads and residential areas (Mohan, 2000; p.107). Even there were reports of people falling into open holes and dying. It was not only environmental but also economic and social sustainability that was threatened by the galamsey activities. According to Mohan (2000), "The lure of quick wealth has led to young men taking up mining instead of farming so that food production has decreased" (p.108).

A BRIEF HISTORY OF GHANA

Located on the shores of West Africa, Ghana was the first Sub-Saharan African country to gain its independence led by Kwame Nkrumah on 6th March, 1957. Ernest Aryeetey et. al. (2000) stated that when Ghana emerged politically independent from colonial rule, there was remarkable hope for a new structural and social change (p.5). Before its independence, Ghana was known as the Gold Coast due to its abundance in gold, bauxite and other rich natural resources. The name Ghana was chosen during its independence in reference to its ancient roots in the Ghana Empire. On its dawn of independence and early years after, Ghana was seen as a country with a promising future, destined to be a leader amongst African countries. Because of Ghana's stable economy and natural resources such as timber, gold and cocoa (of which Ghana was the world's leading producer), and also an advanced education system, a high per capita income and low national debt, Ghana had indeed a hopeful future. However, the hopes and dreams of Dr. Kwame Nkrumah and the people of Ghana dwindled down the drain after Kwame Nkrumah was deposed by a military coup in the 1960's. Following a series of military coup d'etats, Ghana's political economy became destabilized. In its effort to rebuild the economy, Ghana turned to the international community for financial help. The reconstruction effort fell under the grip of the IMF and World Bank-sponsored Structural Adjustment Programs.

THE IMPLEMENTATION OF THE STRUCTURAL ADJUSTMENT PROGRAM IN GHANA

Under the auspices of the World Bank and IMF, most African countries adopted the structural adjustment programs (SAPs). Henry Kyambalesa and Mathurin Hounnikpo (2006) explained that the main purpose of the program is to improve economic growth and decrease economic discrepancies

(p.134). The SAPs have resulted in improvements in infrastructure services, and a shift towards developing non-traditional export goods like arts and crafts and horticultural produce. For example, Kojo Appiah-Kubi (2001) stated, "Ghana has achieved a great measure of macroeconomic stabilization under its structural adjustment program, and here privatization has clearly played a central role. Government annual receipts from divestiture were equivalent to an average of 8.5% of total government revenue between 1991 and 1998, and as high as 21.7% in 1994" (p.216). These few accomplishments have enabled the Bretton Woods institutions to publicize Ghana as one of the best examples of successful economic restructuring in Africa (p.15).

But these are the few accomplishments that these Bretton Woods institutions can boast about. However, as impressive as these improvements are, one must ask how much the economy of Ghana has really improved. As Hilson and Potter (2005) explains, "as a result of the specific policies implemented to facilitate change, formal sector employment has diminished, as have many of the opportunities for personal fulfillment which existed during the early years of independence (p.106). Comparing the economy of Ghana in the early days of independence with that at its 50th anniversary of independence, there is nothing really to boast about. According to Kwame Boafo-Arthur, (1999), "The introduction of austere IMF/Bank measures, have in some cases, provided the *raison d'etre* for military interventions, the enhancement of dictatorial powers, and the imposition of martial law" (p. 9). Ghana launched its Structural Adjustment program in 1983 in the form of an Economic Recovery Program (ERP) (Konadu-Agyemang, 2001; p. 14). The ruling party was the Provisional National Defense Council (PNDC) led by Flight Lieutenant John Jerry Rawlings. As mentioned earlier on, President Rawlings was used by both the IMF and the World Bank as an instrument to promote their neoliberal policies. "Rawlings's style of governance, his tough-mindedness, human rights abuses, clamp down on the basic freedoms of Ghanaians, were in consonance with the prevailing IMF/World Bank thinking on how best a leader could implement adjustment policies" (Boafo-Arthur, 1999; p.16). To ensure safe and uninterrupted experimentation of its programs, the IMF and the World Bank supported Rawlings autocratic regime. Thus, either directly or indirectly the IMF can be blamed for supporting the repressive regime of the Rawlings administration to carry out their economic policies.

Under President Rawlings regime, the Ghanaian government turned to the World Bank and the IMF for loans. These loans were granted with some strict conditions. According to Kyambalesa and Hounnikpo (2006), "Some aspects of SAPs- such as the content of conditionality or policy strings attached to multilateral loans, and the speed and timetable of the adjustment process- may in fact be a hindrance to the pursuit and attainment of a country's socio-economic goals and aspirations"(p.135). One common feature of the World Bank and the IMF adjustment policies are the privatization of state owned companies. According to Appiak-Kubi (2001), "The privatization program is composed of these principal components: "divestiture, which involved transfer of ownership of assets or management of enterprises to the private sector; and liberalisation, which implied exposing enterprises to more competition" (p.205). One of the recommendations of the economic reform programmes in 1998 is for water to be privatized thus leasing the water systems to two private operators (Amenga-Etego, 2003; p. 1). Five multinational corporations have been pre-qualified and bidding is underway (Amenga-Etego, 2003; p.2). Even though the privatization of the water system is still underway, it has already introduced untold hardships, especially for women and children. As attested by Ian Yeboah (2003), "Water privatization in Ghana illustrates that decision-makers have sacrificed self reliance, cultural values and,

to a limited extent, sovereignty to global capital in the effort to privatize" (p.54). In the poor households, women have to make important trade-offs in order to provide for water. A clear example of such trade-offs is described by Yeboah (2003) in the case of a woman called Madam Atuko who lives in Mamobi East in Accra. When asked why she continues to drink water from a polluted well located close to an open sewer, she said the water from that well is free so taking water from there allows her to save the 2,000 cedis she would have spent on buying water to buy food for her baby (p. 56). Clearly, Ghanaians are painfully feeling the impact of this structural reform.

The fuller integration of Ghana into the global economy has been the fundamental objective of these reforms and a number of policy measures were aimed at achieving this. Of particular mention are the exchange reforms and import liberalization. According to Eboe Hutchful, (2002), the local currency i.e. the cedi, has undergone massive Depreciation (p.11). This hurt the local industries while foreign companies benefits because of cheap labour and the local currency they earn for every unit of foreign currency they bring into the country. The exchange rate of the cedi to the US\$ fell from 2,340 in 1998 to 6,000 by the end of the year 2000, a fall of 150%, while the price level rose by 34% (Teal, 2002, p.1319). This makes the Ghanaian cedi cheaper to foreigners and the U.S. dollar very expensive to the local Ghanaians. Under devaluation, foreign products become relatively more expensive for domestic consumers, which should discourage imports. But Ghanaian traders need more US currency to purchase required imported goods such as machineries, drugs and other essential items.

Consequently, the Ghanaian government took steps to encourage imports. The measures taken to liberalize imports have included the abolition in January 1989 of the import licensing system established in 1961, a reduction in tariffs, and the lifting of restrictions on access to foreign exchange (Konadu-Agyemang, 2001, p. 18). Indeed, reduction of tariffs on imported goods led to a competition between locally produced goods and imported manufactured products. Foreign products tend to be cheaper than the locally manufactured, which causes a demand for the foreign products as opposed to the locally produced ones. This frustrates the expansion of local industry because of stiff competition from places such as Asia. In the global trade, Ghana relies mainly on the export of primary goods such as cocoa, coffee, sugar cane, to wealthy states in the core, which are sold back to Ghanaians as processed. Such unequal exchange of raw materials for processed goods impoverishes Ghanaians while developed countries are enriched.

The adjustment policies involved heavy borrowing over the years to the extent that Ghana is becoming more indebted to the advanced countries. According to Hilson and Potter (2005), "Ghana's total debt quadrupled from \$1,398 million in 1980 to \$5,874 million in 1995, while external debt as a percentage of Gross Domestic Product (GDP) also rose from 31.6% to 95% over the same time period . . . Debt services, now 62% of export earnings, is diverting resources from local needs on a massive scale, thus depriving Ghanaian children of their right to education, health and adequate [nutrition]" (p.125). As a result of the extensive borrowing under the Structural Adjustment Programme, debt service now absorbs a large portion of Ghana's exports revenues. The International Monetary Fund alone receives close to one third of Ghana's expenditure on external debts, while the Bretton Woods institutions and member countries of the G7 receive more than seventy percent (Harrigan & Younger, p.198). Hence, repayment of these debts has greatly eroded the ability of the state to provide for educational, health and other needed social services.

Structural Adjustment policies require that governments cut down its expenditure on social services. This involves a partial or complete withdrawal of the government from a range of services such as the education and health sectors. Thus, the Ghanaian government shifted a significant portion of the cost of education and health to the people. There was the introduction of user fees for social services which made the use of public services very expensive. (Hilson and Potter, 2005, p.105). Also, the insufficient funding of the public health sector has caused a lot of problems such as insufficient infrastructure, understaffed facilities and lower salaries which also led to the massive brain drain of health professionals out of the country. According to Martineau et al, (2004) "Ghana has lost around US\$60 million in investment in the training of health professionals" (p.4). Most of these health workers are often lured with promises of higher wages and better standards of living to seek greener pastures in developed countries such as US, Canada and Britain. In effect, this has created huge shortage of doctors and nurses in Ghana. The few health providers available charge exorbitant fees which makes medical treatment very expensive. According to Ansah Asamoah (1996), "The private clinics and health centers mushrooming charge prohibitive fees and even in government hospitals where fees are officially lower, nursing staff and doctors device means by which they callously cheat patients" (p.182). Thus, the provision of health services is only available to the rich. This has affected the people especially, those living in the rural areas who live below the poverty line and cannot even afford basic needs of life such as food, shelter and clothing. Hence, they have resorted to traditional methods of treatment when they get sick.

Like the health sector, the education sector is also suffering from the new economic reforms. Less funding has been put into the education sector causing a decline of enrolment in schools, as education becomes less affordable for some. Most of the foreign loans have financed only basic education, leaving secondary and tertiary levels virtually unfunded (Sapri, 1998). Also, donor funds have been dedicated to capital expenditures for infrastructure rather than to invest in quality education (Sapri, 1998). As a result, Ghana is now producing students without the necessary skills for the number of formal sector jobs being created each year.

POLICY RECOMMENDATIONS

Clearly, the World Bank and the IMF's structural adjustment policies have reinforced the peripheral status of Ghana within the global capitalist system. Like other peripheral countries, Ghana is unable to control the terms under which they relate to the international economy. As a consequence, it is undeniable that the adjustment policies with all its harsh conditions have had significant impacts on the Ghanaian economy. This implies that the sufferings, which the Ghanaian people were compelled to undergo, achieved very little. This is not surprising, given that structural adjustment is not controlled by the Ghanaians, but by the Bretton Woods organizations, which seem more concerned with maintaining the dominance of core countries within the global economy. However, "the crisis of the world-system is the opportunity of the world-system in general and perhaps of Africa in particular" (p.68). Hence, a more equal distribution of goods, services, and power will be the basis on which African countries and Ghana in particular can create a new form of integration into the global economy. According to most

world systems theorists and Wallerstein (1995) in particular, "Africa has at best a fifty-fifty chance of coming out of this transition with something better. And if we engage in it in the right way, we may indeed achieve the kind of world-system we want" (Wallerstein, 1995; p.69).

Clearly, Wallerstein's world system theory does not merely portray a pessimistic picture of the core / periphery relationship within the global economy. Rather, Wallerstein believed that African countries have the capacity to come out of their peripheral status within the world system. As he reiterated "Do not ask me or other non-Africans to draw up a specific agenda for action. The ball is very much in Africa's court" (Wallerstein, 1995; p.69). In the case of Ghana, the Ghanaian people need to re-assert their autonomy as far as the adjustment programs are concerned. Although, stabilization and adjustment are necessary conditions for development to succeed, this is not a sufficient condition to break out of the vicious cycle of poverty in Ghana (Aryeetey, 2000; p.359). The SAPs should recognize the diversity of economic, social and political structures between countries, and tailor their policies to basic needs of local Ghanaians. Instead of compelling the Ghanaian government to reduce its provision of social services, the World Bank and the IMF should encourage the government to increase its spending on social services. For example, the government should expand the road network into the rural areas which would improve the marketing and distribution of agricultural products. Since Ghana relies primarily on agricultural products for its exports, the development of agricultural-based industries such as food processing and storage industries that provide linkages to the productive sector should be given a top priority. Loans at affordable rates should be readily available to rural farmers at reduced interest rates to help them expand and improve efficiency.

In addition, transferring state corporations to foreign companies should be made in a form and manner, which does not undermine the contribution of skilled Ghanaians. Specifically, the Ghanaian government should provide incentives to encourage skilled Ghanaians living abroad to return home, since Ghanaian professionals understand the culture practices of the local people and are more capable of devising local solutions to their daily problems.

Moreover, the work of African development agencies such as the African Development Bank (ADB) should be enhanced to help Ghana. The ADB, the continent's premier finance development institution should continue to provide essential development resources and technical assistance in support of Ghana's developmental efforts. Unlike the World Bank and the IMF, the ADB provides loans to African countries at a very low cost. "Loan maturities are 50 years with 10 years grace and there is no interest levy other than a 0.75 per cent service charge per annum on outstanding balances and a commitment fee of 0.50 per cent per annum on undisbursed commitments (Kabbaj, 2003; p.132). The grace period on the ADB loan will give the Ghanaian government more time to pay back these loans and without pressures from the borrowers.

Conclusion

Clearly, Wallerstein's description of the relationship between core states and peripheral states illustrates the exploitative nature of world trade. Third world countries are relegated to the production of raw materials for wealthy states in the core, which are redistributed as value-added goods back to the poor countries at higher prices. Such unequal exchange of raw materials for processed goods

impoverishes poor countries, while developed countries are enriched. Thus, core/periphery relations are usually characterized as exploitive, and they persist because peripheral states are dependent on core states for receiving processed goods. As was seen in the Ghanaian case study, the World Bank and the IMF reinforced this exploitative relationship with the adjustments policies in Ghana. Instead of improving the living conditions of the local African people, the SAPs reinforced the peripheral status of Ghana within the global capitalist system. Indeed, there should be modifications to the program to avoid these adverse effects. It is important that policy makers focus on the viable solutions available to address the negative effects of neo-liberal adjustment. This will help reduce the connection between adjustment policies and the growing inequalities between developed and underdeveloped countries.

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