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PRESSURE GROUPS, PUBLIC POLICY, AND AGRICULTURAL DEVELOPMENT: A STUDY OF DIVERGENT OUTCOMES

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I. INTRODUCTION

Ghana and Kenya constitute two of the most prominent cases of the agricultural development in colonial Africa. In the one case, producer interests became paramount in the colonial period; in the other, the interests of producers were sacrificed to those of other sectors. This paper examines the divergent patterns of growth of commercial agriculture in Ghana and Kenya and tries to account for the contrasting outcomes of the process of agrarian development.

In analyzing these cases, the paper addresses two distinct audiences. The one is the fraternity of those interested in agriculture per se. To them the paper seeks to communicate an appreciation of the fundamental importance of politics to the process of agrarian development. Agricultural development gives rise to many points of controversy. Urban workers and industrial managers support low food prices, while rural producers favor high ones. Farmers and other consumers favor low import duties for industrial commodities, while those who derive

their incomes from import substituting firms favor duties which allow them to maintain high prices for their products in the domestic market. Infant industries favor policy measures which enable them to lay hold of the foreign exchange earned by farmers who produce crops for export in the world market. The policies which result in each nation from these and other encounters between divergent interests in effect constitute that nation's agricultural policy; and the nature of that policy helps to determine who benefits from the commercialization of agriculture. The interplay of organized interests is thus central to the study of agricultural development and this paper attempts to show, through the use of historical materials, how organized interests influenced the pattern of agricultural development in Ghana and Kenya.

Political scientists form the second relevant audience. Under the impact of the resurgence of interest in the subject of political economy, political scientists have come to appreciate the importance of assumptions concerning individual behavior; they have come to accept that human beings may seek to maximize and that they use economic and political institutions in their search for greater satisfaction; and they have become increasingly interested in examining the implications of this perspective. In keeping with the traditions of their discipline, however, most political scientists continue to place primary stress not upon individuals but upon aggregates; at least since the time of Aristotle, students of politics have examined the properties of collective entities, be they cities or

nations. A major challenge, then, is to use the postulate of individual maximization to help to account for the properties of more inclusive aggregates. This paper accepts that challenge and seeks to explain why the common search for higher incomes through the development of commercialized agriculture led to strikingly different collective outcomes -- outcomes characterized by strongly contrasting distributions of the gains to be made from the development of a commercialized agrarian economy. It explores this topic by analyzing the relative ability of interests to form organizations in defense of their economic interests; and it illustrates the fundamental importance of the role of state institutions in facilitating the formation of organized groups -- a role that turns out to be both strikingly obvious and remarkably subtle.

Caveats and Justifications

This paper is based upon historical, not contemporary, materials. And it deals with but two cases. This choice of materials imposes obvious limitations on the analysis and this requires comment and justification.

It may appear odd to use historical materials to analyze a problem -- that of the determinants of agriculture policy -- of urgent contemporary interests. But quite apart from the obvious rejoinder that present problems have historical

sources, there is ample justification for using apparently dated materials. For many subjects of current interest, the data from earlier periods are simply more voluminous and more accessible than are those from the contemporary era. This is particularly the case in the area of policy formation, where the passage of time has lowered defenses and allowed materials which are usually closely guarded to enter the public domain. In analyzing the dynamics surrounding the development of public policy toward agriculture, this paper therefore turns to data which derives from the past, and in particular from the colonial period.

The paper examines two cases: those of the cocoa producers in Ghana and the large-scale cereal producers in Kenya.[1] Again, the relative abundance of available materials played an important part in this selection. Nonetheless, the selection is open to question, and has in fact been challenged on two principal grounds. One challenge contends that the small-scale peasant communities of West Africa and the large-scale settler communities of East Africa are qualitatively different and attempts to analyze them together simply provoke incredulity. I cannot agree with this contention, for the reasoning underlying it undercuts the legitimacy of any form of comparative analysis. The reasoning only becomes useful when the challenger can indicate where differences in degree become fundamental differences of kind, and I have yet to see

in the literature on African politics persuasive evidence of any such points of transition. A second form of criticism is more serious. It contends that the selection of cases is poor because too many things vary at once: racial factors, political factors, the kinds of markets and products, and so on. My reply is two fold. Case studies are inherently limited to the development, and not to the testing, of hypotheses. This study respects that limitation and attempts to isolate a series of factors which help to determine the form which agrarian sectors assume in the process of development. And only a larger and more carefully selected sample of cases can test for the significance of these factors. This study thus seeks to contribute to the formation and not to the proving of arguments; and the fact that the number of variables exceeds the number of observations is therefore less of a problem than would first appear. Secondly, from time to time, I will in fact employ some strategic additional cases which isolate the operation of one factor while holding others constant; the European growers of export crops in Kenya are occassionally employed in this capacity. In this way, I do try to escape the problems created by my selection of materials.

The selection of materials thus does impose limitations on the use that can be made of this research; but it has some virtures as well. In particular, the two cases

reveal striking differences; the very magnitude of the contrast makes the cases useful in the generation of hypotheses. The Ghanain producers ended up confronting markets in which prices were at best set by competitive forces and at worst set against them. By contrast, the large-scale commercial farmers of Kenya rarely confronted free market prices in the major markets of interest to them; more often, they engaged in price-setting behavior and manipulated prices to their advantage. Insofar as I can isolate those factors which appear to account for these divergent outcomes, then I may well have isolated factors which allow me to analyze instances where the interests of producers were neither so clearly triumphant as were those of the settler farmers of Kenya nor so ill-treated as were those of the cocoa farmers of Ghana. And insofar as I can analyze the role of organized interests in manipulating the agricultural economies of these two colonies, I will then have enhanced our insight into the way in which the political process operated to determine the pattern of agrarian development. The purpose of the paper is thus well served by the selection of case materials.[2]

Presentation

Part II of the paper is evidential in nature. It briefly describes the major markets faced by the two groups of producers

and notes the major distortions, insofar as they existed, that prevailed in each. These markets include the markets for the products which they supplied. In analyzing these markets, I attempt to infer the allocation of the benefits which resulted from the distortions which are introduced in them. This section of the paper thus attempts to establish the standing of the two classes of producers both relative to each other and to other segments of their respective industries.

In Part III, I move from evidence to explanation. Part III examines the role of factors that appear to promote or frustrate the capacity of groups to form. It examines the role of the structure and operation of colonial political institutions; the effect of the composition of the relevant groups; and the effect of the nature of the commodities themselves. These factors, I argue, influence the costs and benefits of group formation and thus the relative ability of segments of the industry, including the producers themselves, to organize, to introduce distortions in the major markets, and thereby to capture the gains to be made from the production and marketing of agricultural commodities.

II. THE MAJOR MARKETS FACING PRODUCERS

Inputs into Farming

Commercial farming requires access to factors of production. In this section I will examine and compare the conditions under which they were acquired.[3]

Labor. One of the major contrasts between the two cases arises in the market for labor. We know a lot about the relationship that the Kenyan commercial farmer bore to the market for labor; we know very little about that of the Ghanaian cocoa farmer. The apparent reason is instructive. The behavior of the settler farmers is well known because they struggled against the wage rate set in the private market and repeatedly entered the public arena in attempts to set prices advantageous to themselves; their behavior is thus a matter of public record. By contrast, the Ghanaian cocoa farmers rarely, if ever, left the private sector to advance their wage demands.

Much of the politics of the early period of Kenya revolved around attempts to lower the supply price of labor. The commercial farmers sought to limit competition for labor from the government and the railway; this is revealed in their repeated efforts to limit the quantity of government hiring -- something which occasionally forced the government to import workers. The settler farmers sought to limit the access of African farm families to land. Thus, the land committee of 1905, which was dominated by commercial farmers, urged that the government confine the farming rights of natives to explicitly demarcated reserves and "forecast that normal growth would result in an African population in excess of the physical carrying capacity of the reserved areas. Such persons would

then be available to enlarge the labor supply of the European farmers" (Wolff, p. 98). The European farmers also sought to limit the variety of crops grown on native farm lands, and did so at least in part to depress the price of labor. As Van Zwanenberg notes, "the stimulation of cotton-growing by the [subsistence farmers] by the officials of the Administration was severely criticized by [the commercial farmers] which argued that 'the cotton growing and the results accruing therefrom, carried to the extent which is has been in Uganda is very detrimental to the welfare of the native and means undoubted ruin to the European farming community. . . .[We] therefore urge . . . the government both in the Colony and at Home to desist from encouraging the native to grow cotton. . . .'" (Van Zwanenberg, 1974).

Through political action, the farmers imposed taxes on the native population so as to increase the willingness of subsistence farm families to work in the commercial sector. As one leading official phrased it, "we consider that taxation is compelling the native to leave his Reserve for the purpose of seeking work. . . .[Through taxation] the cost of living [can] be increased for the native, and . . . it is on this that the supply of labour and the price of labour depends" (Wolff, p. 99). And in one of the most notorious events in the early politics of the colony, the farmers secured the support of the public administration in recruiting labor for their private enterprises; the potential for coercion was apparent to all, and

was occasionally realized.[4] In all of these ways, large-scale commercial producers sought to extract a labor supply from the subsistence sector at a price below the one that was being set by the unconstrained operation of the labor market.

By contrast with the market for labor in Kenya, we know very little about the labor market in Ghana. The cocoa producers simply never organized concerted action to alter market conditions to their advantage. Instead, through "share-cropping" types of arrangements (the abusa system) and the hiring of migrant labor from the territories to the north, they obtained their labor through arrangements privately arrived at in the marketplace. The major reasons for the contrasting behavior of the Ghanian and Kenyan cash-crop producers in the labor market underlie the differences in their behavior in other markets as well, and so will be discussed in a later section. But it may be instructive to note one set of factors that affect this market in particular: the different relationships between the commercial and subsistence sectors in the two agricultural economies.

An interesting feature of the cocoa industry is that food and cash-crop production appear not to be competitive productive activities; rather, they appear to be complementary. Thus, in establishing cocoa farms, food crops, such as platains, cocoyams, and peppers are used to provide shading for the young cocoa trees (see P. S. Hammond). Young cocoa trees require very little care; reports on the early years of the industry implied that the young trees were simply left to grow in a natural way in small clearings in the forest. Because they required little extra care, and because

cocoa production was complementary to food production, the cocoa farmers felt little need to bid labor inputs away from subsistence activities.

Once established, the cocoa farms possessed another important property: their peak period of labor demand, which takes place at the time of the main harvest (November-February), complements, as opposed to rivals, the period of the peak demand for labor in the production of food crops. In the case of cereals, the demand for labor reaches its maximum at the time of weeding and harvesting. These periods fall in May to July and February to March respectively in the grain growing areas immediately to the north of the forest; and the further north the area, the later in the year these periods arise. In the case of root crops, which are grown in the forest itself, there is no peak period of demand for labor; root crops can simply be stored in the ground. Once established, the cocoa farms thus rarely face the maximum market price for labor. The commercially oriented cocoa industry could thus comfortably coexist with the market for labor in the subsistence sector (Bernard Riley, Personal Communication).

The case of Kenya was different, however. In developing their estates, the commercial farmers did in fact successfully use subsistence production as an input into the growth of cash crops; they simply "allowed" African farmers to utilize their rotational forms of subsistence food production on their commercial farm sites as a means of clearing them of bush. But unlike the cocoa producers, the settlers themselves specialized in the production of food crops; and once their farms were established, then the production cycle of their

Table 1.

Ghana Cocoa Exports, 1900-1915

	Quantity (000 tons)	Value f.o.b. (Ł 000)	Average value per ton f.o.b. (Ł)
1900	0.536	27.3	51
1901	0.980	42.8	44
1902	2.40	94.9	40
1903	2.28	86.2	38
1904	5.11	200	39
1905	5.09	187	37
1906	8.97	336	37
1907	9.36	515	55
1908	13.0	541	42
1909	20.1	755	38
1910	22.6	867	38
1911	39.7	1613	41
1912	38.6	1643	43
1913	50.6	2489	49
1914	52.9	2194	41
1915	77.3	3651	47

Source: Polly Hill, The Gold Coast Cocoa Farmer. London: Oxford University Press, 1956, p. 132.

commercial farms precisely matched that of the subsistence producers. To secure a labor supply they therefore had to bid against the peak period price of labor. In this sense, the commercial farmers of Kenya faced a less favorable labor market than did their counterparts in Ghana, and so had stronger incentives to seek to override the operations of that market

Land. In analyzing the relative economic fate of producers in Ghana and Kenya, we cannot merely analyze the operation of the land market and the way in which its performance influenced the benefits to be derived from cash-crop production. Rather, we must analyze the establishment of the market in the first place; and this entails studying the creation of rights in land.

The history of Kenyan land law is a complex one. Essentially, however, it developed in three stages. The first was the alienation of land from indigenous to colonial jurisdiction. This was achieved in the 1899 ruling by law officers of the Crown on behalf of the foreign office that all waste lands and lands not under actual occupation in Kenya were Crown lands, and therefore alienable under terms and conditions to be devised by the colonial state, which was the agent of the Crown in East Africa. Because of the famines of the 1880s and 1890s, and the pestilences that followed each, the indigenous population of both people and livestock in Kenya had declined precipitately just prior to the incursion of the Europeans; many lands were therefore unoccupied. In addition, the technology of local producers was such that at any given time a large percentage of the land actually being farmed would appear to be unused. Because

of the recent loss of population and because of the nature of subsistence technology, when the colonial government applied the definition of Crown lands devised by its legal officials, it therefore brought enormous quantities of land under its jurisdiction. The laws of Kenya thus allowed the uncompensated expropriation of large quantities of land from the subsistence sector.

The question then arose: under what conditions would this land be alienated? A key issue underlying this question was the degree to which the state, which now held the rights to land, as opposed to the commercial operators, who wished to put it into production, would capture the rents to be derived from the growing value of this factor. This issue arose in the form of debates concerning the length of the leases the state was willing to grant private users; the rental prices it would charge for leases; the frequency with which it could revise these rents; and the degree to which the leases would be freely transferable once they were assigned to private individuals.

It is extremely difficult to determine what an equilibrium mixture of rental prices, lease lengths, and frequency of rent revisions would be. All we know for certain is that in the final legislation (the Lands Ordinance of 1915), the leases were much longer, the rents lower, and the number of permissible rent revisions less frequent than the state had initially proposed; as Sorrenson states, "The 1915 Ordinance was an almost complete victory by the settlers and the local officials who supported them" (Sorrenson, p. 146). Because of the potential for strategic behavior in this situation, as well as

the potential for mistaken judgements, the initial stand of the state does not provide insight into its actual maximum; as a consequence, neither does it give much insight into how the final legislation apportioned the benefits between the state and the private sector. More informative, perhaps, is that the Ordinance allowed the free transfer in the private market of lands leased by the state to private individuals; were the value of the land to rise more rapidly than the revision in rents to be paid to the state, private individuals could then appropriate the difference, and this is apparently what in fact happened.[5] Lastly, we also know that a very high percentage of the land that was leased by the European farmers was in fact not put into immediate production, but rather held for future use or sale; figures from the early 1920s show less than five percent of the land leased by private users had been put into cultivation (Wolff, p. 60; N. Leys, p. 279). It would therefore appear that the commercial farmers secured a structure of land law that left them in a position to capture a large proportion of the rents which were to be generated by the growing returns to cash-crop prodution.

In the process of establishing land rights in Kenya, then land was secured in a manner that allowed the commercial producers, as opposed to the subsistence producers or the state, to capture the rents created by the growing of commercial agriculture. By contrast with Kenya, the establishment of land rights in Ghana did not involve a forceful redistribution of land from subsistence to commercial producers. Rather, the commercial producers had to fully compensate at free market prices those who controlled access to this productive resource.

Prior to the rise of the cocoa industry, much of the land of the forest was in fact vacant and unutilized. Such "waste" lands were held as "stool" lands: that is, they did not belong to any private individual or family, and access to them was regulated by the "stool," i.e. by the chief. With the growth in demand for primary products, there arose a demand for rights to the forests of the interior. People from the coast were the best informed concerning the opportunities for production for the world market. And it was commercially oriented coastal people who journeyed inland and obtained concessions from the chiefs for land rights in the forests.[6]

Some of these coastal entrepreneurs were already wealthy. Businessmen like Robert Hutchinson, who worked for Swanzy, and lawyers such as Joseph Brown were prosperous members of the coastal elite; and through their purchase of the leases to inland gold deposits and cocoa farms, they increased their fortunes.[7] Others possessed more modest endowments. In particular, many of those who purchased cocoa lands were not of very great wealth, and in fact had to pool their assets and borrow to secure farm lands in the forest.[8] In any case, the growth of the opportunities for wealth in the interior in fact led to the exchange of land for cash. Some of the primary agents in this exchange were the chiefs. And briefed by the coastal lawyers, they virtually transformed the collective property of the forest tribes -- the stool lands -- into private property: mining concessions, lumber concession, and private farms.

Rather than supporting the formation of private property rights in the interior, the colonial government sought to forestall it. The government feared the depredation of the forest; it pro-

tested against the "corruption" of collective rights; it sought to conserve timber resources; and it sought to protect the inland chiefs and tribes from being "robbed by the concession hunters." Moreover, the government was uncertain of the legal status of many of the concessions made outside the structure of British law. It therefore sought, through a series of lands bills, to appropriate to the state the "waste" or unused lands of the interior, and thus to bring it within the legal framework to which it was accustomed. These measures were vigorously resisted by both the chiefs and the coastal entrepreneurs. Thus, Hancock, discussing testimony given to a commission to investigate the land "problem," notes that "every chief and every African lawyer who gave evidence before the commission expressed complete satisfaction with the flourishing trade in concessions. 'It is beneficial all round,' declared the president of the Aborigenes Protection Society" -- the political movement organized to resist the lands legislation (W.K. Hancock, p. 185).

Following defeat of the land bills, the colonial government introduced further measures which would allow it either to appropriate the remaining unused lands or to control the circumstances under which they were leased or sold. In the end, all such measures failed save two: one that helped preserve forest reserves and one which allowed for the registration of exchanges of land rights, and thus secured the enforceability by territorial law of rights in private property (see discussion in Kimble).

By contrast with the development of land law in Kenya, then, the establishment of land rights in Ghana entailed no confiscation of land from subsistence producers and no appropriation of land rents

by commercial producers. Rather, in securing land, the commercial users found themselves operating in what was virtually a private market and they had to compensate at the going market rate those who controlled access to subsistence lands. Moreover, the market in land seemed to operate efficiently.[9] At the very least, it did not function in a way that conferred a significant subsidy upon the agricultural producers, as had been the case in Kenya.

Transportation. Another major input was transportation. In the late nineteenth and early twentieth centuries, the form of transport that most significantly affected the profitability of inland farm production was the railway. The evidence suggests that the railway in Kenya was run with a high regard for the interests of the European commercial farmers; they secured many of the advantages of this service and the costs of providing it were distributed in a way that enhanced the relative profitability of farming. By contrast, railway facilities in Ghana appear to have been constructed with the interests of other sectors primarily in mind; and the cocoa farmers appear to have been compelled to pay a price for transport services that lay above the competitive market rate, with the result that the relative profitability of farming declined.

As is well known, the initial location of the railway in Kenya was not chosen with economic objectives in mind; rather, it reflected the political imperatives of the colonial rivalries between the British, French and Germans in East Africa -- rivalries that

gave strategic importance to controlling the headwaters of the Nile. More informative is the later selection of the location of extension and spur lines. One of the first and most important was the route for the extension of the railway into Uganda. While such apologists for the commercial farmers as Elspeth Huxley debate the point (Huxley, 1953, vol. II, pp. 95 ff), the Director of Public Works in Kenya at the time persuasively argued that the route was chosen out of a regard for the benefits which it conferred on the land holdings of some of the largest commercial farmers in the territory (Ross, chapter 14). In the 1920s, the railway, with government backing, borrowed £17 million to develop other spur lines. One account suggests that over seventy-three percent of the total mileage of these extensions ran through the commercial farming areas (Brett, pp. 200 ff; see also M.F. Hill; Gibb). By the end of the 1920s, the construction of spur lines had brought nearly all of the commercial farmers within twenty-five miles of the railway (Hinga and Heyer).

While locational decisions in Kenya reveal the emphasis placed on the development of the commercial farming sector, those in Ghana suggest that priority was placed on the development of other industries, and in particular on the development of mining. In 1893, the British Government dispatched one J.I. Lang to Ghana to survey possible routes for rail lines in that territory. Lang's report offered two candidates: one that would open up the forest zone, which already was showing every evidence of developing into a prosperous farming region, and another that would promote the development of the mining centers in the west. Subsequent studies

based on Lang's report in fact advocated the development of the first of these routes; but following a visit of the governor to the mining centers in 1896, the western route was chosen (Church, pp. 129 ff).[10] Two decades later, a similar choice was made, this with respect to the location of a deep water port to serve as a terminus for the railway. Because of its natural geological structure, the bay at Takoradi qualified as the least costly site for such a harbor; but, being located in the west, while the major centers of cocoa production lay in the east, it was not clear that Takoradi provided the port site that would generate the greatest economic benefits. Nonetheless, the government chose that location (see the discussion in Kay).

It should be noted that in its subsequent management of the harbor facility, the government revealed not only a willingness to favor the mines by comparison with the cocoa farmers, but also a willingness to favor the development of the mines at their expense. In constructing Takoradi harbor, the government built on too grand a scale, and the unit costs of using the facility therefore proved much greater than had been expected. For a while, the government contemplated closing the central and some of the eastern ports so as to force agricultural exports through Takoradi; while it abstained from taking that measure it did in fact restrict road transport so as to force the cocoa crop onto the rail routes that employed Takoradi as their principal terminus. The result was to increase the volume of goods passing through the harbor -- a measure that allowed the government to hold down port charges levied on the mines and

other users but which achieved this result at the expense of the cocoa farmers (Church, pp. 147 ff and Kay, pp. 137 ff).

Thus far we have looked at the pattern of locational decisions and the distribution of services, and we have argued that they tended to confer benefits primarily to the commercial farmers in Kenya but to nonagricultural users of these services in Ghana. As has already been suggested, this pattern extended as well to the allocation of the costs of transport.

Three major features of the rating structure of the Kenyan railways are relevant to this analysis. One was the "country produce" provision: an item, if produced locally, was carried at a lower rate than the same item if produced abroad. As in the early years of the century most local production took place in the agricultural sector, the primary beneficiaries of this provision were the farmers. For any given item, the magnitude of the benefits was greater the larger the volume of marketed production; so within the farming community itself, it was the large-scale farmers -- i.e. the European settlers -- who benefited the most from this provision.

A second important provision was the institution of a flat rate for the transport of maize. By contrast with the previous rate schedule, under which the rate charged maize was sensitive to the length of the haul, under the new rate schedule, the rate charged maize was not; and the difference between the old and new rates was such that the farmers experienced a raise in the export price for this commodity. This effect was more pronounced for the inland producers, such as the cereals growers in Trans Nzoia and

Uasin Gishu; and again, the benefits were greater the larger the volume of produce. A third feature of the railway charges deserves note: within the class of imported goods, agricultural inputs were transported at a lower fee than were the inputs for other industries. Thus, imports of farm machinery were charged a lower rate than were imports of other kinds of machine equipment; and among agricultural producers, it was the European farmers who could afford these farm machines. The structure of railway rates was thus used to protect and promote the fortunes of the large-scale, European producers (Gibb, Brett, Hinga and Heyer).[11]

It is more difficult to analyze the case of Ghana. In Kenya, the rate schedule was explicitly designed to fulfill a political mandate -- a mandate which advocated the reduction of freight charges and even the incurring of losses in the running of the railway to fulfill "development" objectives. The existence and incidence of subsidies was thus transparent. In addition, the way in which this policy was implemented often gave rise to more than one rate for a particular item, and so we did not need to concern ourselves with the possibility that differences in the freight charges would merely reflect differences in the real costs of transportation. In the case of Ghana, however, the task of inference is more difficult. There was no political mandate to use subsidized transport as an instrument for development; and for any single commodity, there was but one rate charged for any given distance. In the absence of knowledge of the real costs of transporting different commodities, inferences thus have to be based on information other than those of

the published rate charges.[12] Fortunately, we do have other kinds of information, and it suggests that transport was furnished to the cocoa farmers at a price that lay above the real costs of providing such services.

The principal evidence is contained in the response of the government and the railways to the growth of road transport. Lorries have been imported into Ghana since early in the century. Following World War I, however, there was a boom in road transportation. Commercial firms and private entrepreneurs imported light vehicles from the United States -- vehicles that were able to use the poor roads of the cocoa region without great damage to the roads or to themselves. For certain services, these lorries provided transport at a cost that was considerably cheaper than that charged by the railway; this differential was particularly pronounced for short hauls, with the result that much cocoa traffic shifted from the railway to the roads along those portions of the railway that lay near the coastal ports.

What is interesting about the diversion of cocoa traffic to road transport was the government's response to it. The government passed regulations banning the transport by road of cocoa over routes running parallel to the railway and built barriers and posted inspectors at check points to implement the measure. Moreover, where the government had begun to build roads that ran parallel to the railway, it stopped, with the result that Ghana was long characterized by a segmented road network.[13] The cocoa farmers were thus compelled to consume the more expensive mode of transportation -- the railway --

and they could not acquire transport services at the competitive market price.

In acquiring transport services, then, the commercial farmers of Kenya had access to a rail system which was designed to provide them with convenient services and which utilized a structure of rates which was designed to protect the profitability of their enterprises; the magnitude of many of these benefits increased with the volume of production and so were concentrated on the large-scale European farmers. By contrast, the Ghanaian producers had access to a rail system which was designed primarily to benefit other sectors of the economy; and they were compelled to pay a price for transport services that lay above the price that would have prevailed in a competitive market.

Capital. There is a last market for inputs that should be discussed: the market for capital. Unfortunately, even by comparison with the markets for land, labor, and transport services, we have little knowledge about the way in which capital was acquired by the farming interests; and what knowledge we do have suggests a rather complex state of affairs.

The principal sources of capital for cocoa producers appear to have been either the local purchasing agents -- those who bought from the farmers and sold to the merchant houses who exported the crop -- or other cocoa farmers (United Kingdom, 1938; Hill, 1956 and 1963). In the case of the former, the farmers obtained credit by selling forward; they would receive cash in return for a promise to deliver an agreed upon quantity of output to the lending cocoa

purchaser. In the case of the latter, one farmer would "pledge" his farm to another. Under this system, in exchange for a cash loan, the borrower would allow the lender to operate one or more of his cocoa farms for a stated period of time. The lender would harvest and sell the output of the farm over the agreed duration of the pledge, and the revenues realized over that period would constitute repayment for the loan (Hill, 1956). To be noted is that there was no special class of money lenders in the farming community and that the evidence suggests that "creditors must be nearly as numerous as debtors" (Hill, 1956, p. 56); there thus appears to have been a competitive market.

In the case of both markets, then, the interest rate was a random variable, and a principal determinant of its value was the price which the cocoa crop commanded from the export houses. In the case of loans by local purchasers, the interest rate depended on the proceeds they realized when they sold the crop to the export houses. In the case of "pledged" farms, the amount of the loan, the yield of the farm that was to be managed by the creditor, and the duration of the transfer of management rights were prenegotiated; the rate of interest, then, once again, was largely determined by the revenues realized from the sale of the output of the farm. And divergent expectations about future prices formed an important basis for this market (Hill, 1956, p. 52).

A full analysis of the structure and operations of the market for credit in Ghana must then be based on an appraisal of the market for products. As we shall see in the next section, the degree of competitiveness in this market varied over time. From time to

time, the major purchasing firms agreed to restrict competition for the cocoa crop; and when they did, the result, naturally, was a reduction in the price of the commodity. There were major differences in the short- and long-term effects of this action.

In the market for credit, the short-run effect of collusion among the purchasers of the crop was to reduce the rate of interest. For if two farmers had negotiated a transaction in which cash was exchanged for rights to the output of a given farm, then the implementation of an agreement to hold down the price of cocoa reduced the value of the farm to the creditor and allowed the borrower to secure his cash more cheaply. Similarly, if a farmer received cash from a local purchaser by means of selling forward, and if the export houses then conspired to reduce the sales value of this produce, then the former would have secured a reduction in the rate of interest he had to pay for his loan.[14]

Confining our attention solely to the market for inputs, we can then conclude that when collusion took place in the Ghana cocoa market, its immediate effect was to benefit borrowers and to penalize lenders. Insofar as much of the borrowing and lending took place among the farmers themselves, the effect was thus to redistribute income within that community; its impact was thus neutral as between producers and other groups. And insofar as the farmers borrowed from local purchasers, the immediate impact of collusion on the capital market was beneficial to the farmers who had sold forward.[15]

Whether or not the farmers benefitted, net, from collusion is of course an entirely different matter. But in this perverse case

the restriction of competition on the part of other agents in one of the major markets faced by the farmers had an immediate effect on the price of their inputs that was either neutral in terms of the relative standing of producers vis-a-vis other groups in the industry or favorable to at least a major portion of them. As soon as the time period is broadened, however, the negative effects dominate. Not only is there a downward adjustment in produce prices; but also, insofar as prices for output were depressed by the purchasers' cartel for more than one season, or insofar as economic agents perceived that to be the case, then, for a given level of output, lenders would advance less cash. In the long run, not only did collusion result in a loss of revenues; but also, in physical terms it thus resulted in an increase in the costs of capital.

During periods of competitive cocoa buying, then, the Ghanaian farmer paid a price for capital that was set in a competitive market, and the market price of capital was a random variable. During periods in which the farmer faced a cocoa buying cartel, he had to give up a greater amount of his crop to secure a fixed amount of cash. Save for very short-term periods following the imposition of cartels, then, the farmers never faced a rate of interest that offered a subsidized price for borrowing.

The settler farmers of Kenya, by contrast, achieved such a subsidy. We know very little about the early capital market in Kenya, particularly that utilized by the cereals producers. We do know that persons like Delamere borrowed extensively on the private market in England, using his family estates as collateral; we have no comparable information for "lesser" figures. But we know that in

later periods, particularly in the 1920s, the cereals farmers did borrow extensively in the commercial market, with the banks accepting mortgages on their farm lands for security. With the onset of the depression, however, land values declined and the commerical banks radically increased the price they charged borrowers in order to compensate for the decline in the security of their loans. The costs of borrowing increased, and in response, the government entered the loans market. Beginning with a series of seasonal loans to cereals farmers, the government formed a land bank to make medium- and long-term loans at subsidized rates of interest. Unlike their Ghanaian counterparts, the commercial farmers of Kenya thus came to operate in a capital market in which they were charged prices that were set well below the market price. And the manipulation of prices in this market allowed them, other things being equal, to operate more profitably. Indeed, the consensus appears to be that without government intervention in the capital market, the majority of the settlers would have defaulted during the depression, and have been forced to surrender their farms (Van Zwanenberg, 1972, p. 19; Hinga and Heyer, p. 230).

The Market for Output

There thus existed distortions in the markets for inputs for which we have information which worked to the advantage of the settler farmers in Kenya; we have found none which worked to the advantage of their counterparts in Ghana and several that worked to their disadvantage. The Kenyan producers appear to have enjoyed

considerable subsidization in their acquisition of land, labor and transport, while the Ghanaian producers at best paid the competitive market prices and at worst paid prices which contained monopsony premia. The relative standing of the two classes of producers in the market for inputs also characterizes their standing in the market for their products. For in this market, the large-scale cereals producers organized a mechanism for colluding in an effort to force a rise in the price of cereals; by contrast, the Ghanaian farmers faced cartels organized by purchasers and shippers of their products -- cartels which sought to depress the prices received by the producers of cocoa.

From an early period, the Kenyan settlers attempted to promote the marketing of their products. The basic instrument of their efforts was the Kenya Farmers' Association -- an organization first formed in the 1912-13 crop year to help dispose of the maize crop. The Association marketed wheat as well. It devised several tactics to promote its objectives. The Association gave political support to the passage of regulations that made the provision of maize rations compulsory for all employers of labor -- and then signed bulk delivery agreements with the two largest employers: the government and the railways. It helped to organize, finance, and manage processing mills for the cereals produced by its members. The Association also lobbied for, and got, a mixture of policy measures which helped it in its efforts to raise the domestic price of grains: import duties behind which to shelter the domestic price and the use of public funds to assist in the disposal of surplus production at

a loss in foreign markets.

A major difficulty in inflating the domestic price was establishing effective collusion among the producers themselves. It was difficult to prevent price competition among the members of the Association; as Huxley noted, "Members were all too apt to sell their crops through the Association only when it pleased them" (1957, p. 74). And those outside the Association could of course take advantage of the higher price established by it; they could undercut that price and so increase their sales. Particularly troublesome in this regard were the subsistence producers. Responding to higher prices, they rapidly turned to supplying the commerical market; as Huxley notes, as early as 1913 these new entrants "had taken to growing maize with surprising enthusiasm and the local markets were glutted" (1957, p. 4). Without legal backing, there was little the Association could do either to compel cooperation by its own members or to exclude new entrants.

The Association's response was to seek the support of the state. Two periods of political crisis provided the opportunity for its efforts: the depression and the Second World War. In response to the threat posed to the commerical farming sector by the depression, the Association secured a critical piece of protective legislation (the Marketing of Native Produce Act) which strengthened its ability to control the behavior of the subsistence producers. This act provided for the regulation of the purchase of products grown by "subsistence" producers through the issuance of permits and licenses. In particular, the act was used to allow the Kenya Farmers' Association to purchase African produce and to exclude private

entrepreneurs from that market, particularly the "Asian merchants who bought extremely cheaply, and often without mercy, in the reserves" (Huxley, 1957, p. 116). Through the power conferred by this act, the large-scale producers came to dominate the purchasing and marketing of the output of the small-scale producers, and so controlled the capacity of new entrants to undercut the prices they sought to achieve through collusion on the domestic market.[16]

There remained the problem of restraining the competitive behavior of the members of the Association. Again the depression provided impetus for the securing of legislation to promote the interests of producers. One such measure was an act which gave legal underpinning to bylaws enacted by cooperative societies. This act was used to compel wheat growers to market exclusively through the Kenya Farmers' Association. In addition, through the Sale of Wheat Ordinance, the Government obligated every farmer to market his wheat through an officially designated agency; the agency appointed was the Kenya Farmers' Association.

A second major crisis -- World War II -- provided maize producers with comparable mechanisms for curtailing competition. During the war, the government of Kenya agreed to supply British forces in the Mideast with bulk deliveries of maize. Under the terms of wartime legislation -- the produce control ordinances -- the government established a Maize Control Board, which served as the sole legal buyer of the maize crop. The first Maize Controller was one Colonel Griffith -- an executive in the Kenya Farmers' Association. As Huxley ingenuously comments: "It was inevitable that [Colonel Griffith] should look for staff to men he knew, and

who knew about maize. . . .No less than 26 members of the K.F.A. staff, at all levels, left to join Maize Control" (1957, p. 137). Later the Kenya Farmers' Association was made the official designated agent for the purchase of maize at "a price. . . fixed annually by the Government on the basis of an estimated cost of production" (Huxley, 1957, p. 137). The producers' organization thus became the monopoly buyer of the output of its members at legally binding prices.

Through state intervention, then, the producers cartelized the domestic market. Some, like William O. Jones, are skeptical about the ability of the producers to force a price rise on domestic consumers of food crops. But we must evaluate such skepticism in light of the fact that the domestic price of maize in Kenya -- albeit the price in 1959, which lies considerably out of the period discussed in this chapter -- was twice the world price.[17] This suggests that the mix of policies advanced by the Kenya Farmers' Association had succeeded in achieving a highly advantageous price in the domestic market -- and one that given an inelastic demand for this food product would result in a rise in producer revenues.[18]

In Ghana there also took place a cartelization of the market for cash crops; but, in contrast to Kenya, the Ghanaian cartels were formed by the purchasers and shippers of the products, and not by the producers themselves. Insofar as monopoly rents were generated by the structure of the market for the products of the commercial agricultural industry, then, they were extracted from, rather than by, the producers.

For a variety of reasons, there emerged strong forces

leading to increasing returns to scale in the export and import business in Ghana. Foremost among them was that the risks of the trade were great, due to fluctuations in the prices of primary products and the concomitant fluctuations in the demand for the imports furnished by the commercial houses. Because of the distances between Europe and Africa, and the time period involved in transactions between the two areas, large amounts of capital were tied up on goods in transit; and the value of these stocks was subject as well to price fluctuations. Only firms which were large enough to operate over a large geographic area and so hedge the risks engendered by trading in one primary product, (e.g., cocoa from Ghana) with variability engendered by trading in another (e.g., palm oil from Nigeria) were able in the long run to survive in the trading business in West Africa. In addition, the commercial houses faced strong attempts to cartelize the shipping routes between Europe and Africa. These efforts created incentives to combine, both so as to enhance their bargaining power in bids for better rates and services and so as to make credible threats of entry into the shipping business.[19] For these reasons, large firms did better in the export-import business in West Africa.

An important result was the consolidation of the merchant houses. In the 1880s, several important trading houses merged to form the African Association. In 1919, the established firms of Millers and Swanzy combined with the African Association to form the African and Eastern Trading Corporation Limited. And with the influx of capital from Lever Brothers into the Niger Company in the 1920s, this corporation was able to engineer a merger with the

African and Eastern Trading Company -- one that led to the formation of the largest trading house of them all: the United Africa Company. By the early 1930s, then, the import and export business in Ghana was dominated by a few major firms; in 1934, four of them handled over two-thirds of the total purchases of Ghana's cocoa crop, and one firm, the United Africa Company handled over 40 percent of it (see table 2).

This pattern of consolidation facilitated attempts to restrict competition. Repeated efforts were made to form purchasing agreements among the firms and thereby lower the price offered cocoa farmers for their products. One investigation reveals the formation of at least seven such agreements prior to the 1930s (United Kingdom, 1938). The basic principle underlying these agreements was that each firm be allotted a share of the market, the relative shares being based on past performance. Like all such agreements, however, these efforts at collusion faced a basic problem: the incentives created by the attempts to form the cartel operated in a way that threatened to lead to its destruction. For, with every other party restricting their purchases, a firm could radically increase its own by offering marginally better terms; and with a decline in prices being forced upon the farmers, new firms could enter the industry and capture the market by offering better prices. Thus, it was in the interests of all parties to the agreement to cheat, it was in the interests of new purchasers to enter the market, and the results of either action would be an increase in price and a defeat of the purpose for which the cartel was formed.

The forces operating to destabilize the buying agreements were thus clear; and so too is the historical record. The frequency with which the agreements were made suggests the frequency with which they were broken. And such new entrants into the market as Raccah, who broke the ground nut pool in Nigeria, and Levantis, who was making strong inroads into the Ghanaian cocoa trade at the time of the Second World War, also underscore the vulnerability of the purchasing cartels. As Hancock pungently phrased it: "If West African commerce is a record of imperfect competition, it is also a record of imperfect monopoly" (Hancock, p. 207).

As had been the case in Kenya, a period of political crisis was exploited to engineer the formation of an effective cartel in Ghana; again, it was World War II that provided the opportunity. But unlike the case in Kenya, it was the merchant houses, and not the producers, that seized the opportunity. With the outbreak of the war, Ghana lost much of the market for its cocoa; it was cut off from Germany, which had purchased much of its crop, and the impoundment of shipping for war purposes limited its access to other markets. The British feared that political turmoil would break out should the cocoa industry collapse. The government therefore pledged to purchase the Ghanaian cocoa crop in its entirety for the duration of the war. In seeking to implement this pledge, the government organized the Cocoa Control Board, later called the West African Produce Control Board. By statute, the Board was made monopoly buyer of the cocoa crop. The government chose as its official agents the merchant houses and it called upon the Association of West African Merchants to draw up the procedures for the purchase

Table 2

SHIPMENTS OF GOLD COAST COCOA BY THE PRINCIPAL FIRMS DURING SEASONS

1933-34 to 1936-37

Firm	1933-34		1934-35		1935-36		1936-37	
	Tons	Percent	Tons	Percent	Tons	Percent	Tons	Percent
United Africa Co. Ltd.	86,062	41.49	90,044	37.47	105,831	37.84	113,976	38.61
Cadbury Bros. Ltd.	23,736	11.44	37,783	15.72	47,816	17.10	43,740	14.81
G.B. Ollivant Ltd.	13,432	6.48	19,317	8.04	29,836	10.67	34,236	11.60
Compagnie Francaise de l'Afrique Accidentale	14,008	6.75	19,244	8.01	25,035	8.95	23,444	7.94
Union Trading Co. Ltd.	9,763	4.71	11,728	4.88	8,676	3.10	13,598	4.61
English & Scottish Joint Cooperative Wholesale Society Ltd.	10,095	4.87	11,535	4.80	9,938	3.55	11,754	3.97
J. Lyons & Co. Ltd.	7,159	3.45	8,598	3.58	9,608	3.44	12,332	4.18
Busi & Stephenson Ltd.	6,987	3.37	12,330	5.13	9,346	3.34	9,442	3.20
Swiss African Trading Co.	1,147	2.96	7,693	3.20	5,359	1.92	7,455	2.53
Societe Commerciale de l'Ouest Africain	9,686	4.67	6,572	2.74	7,575	2.71	4,794	1.62
John Holt & Co. (Liverpool)	--	--	--	--	4,330	1.55	11,349	3.84
Paterson, Zochonis & Co.	--	--	775	0.32	2,236	0.80	4,370	1.48
W. Bartholomew & Co. Ltd.	2,821	1.36	603	0.25	5,006	1.79	316	0.11
P.B. Anti	1,525	0.74	1,324	0.55	1,512	0.54	255	0.09
G.F. Overbeck	10	--	277	0.12	1,053	0.38	1,467	0.50
Woermann & Co.	70	0.03	904	0.38	895	0.32	317	0.11
F.H. Ryden	5,398	2.60	1,422	0.59	--	--	--	--
All other firms	10,505	5.08	8,269	3.44	5,603	2.0	2,350	0.80
Adjustment to agree with Customs	--	--	1,863	0.78	--	--	--	--
Total	207,404		240,281		279,655		295,195	

Source: United Kingdom Government, Report of the Commission on the Marketing of West African Cocoa, Cmd. 5845 (London: HMSO, 1938), p. 191.

of the cocoa crop. The procedures devised by the Association were precisely those which the merchant houses had tried to implement in the period of imperfect competition. Each merchant house was allowed to purchase on behalf of the governmentits "historical share" of the cocoa crop. To be noted is that these shares were calculated in such a way that they significantly curtailed the share of at least one recent entrant into the industry -- Levantis, the firm whose entry into the market just prior to the war had undercut earlier attempts to form a purchasing cartel. In 1940, the Board offered producers a price which lay at 50 percent of the London spot price for cocoa (Bateman 1965, p. 178).

Before concluding this section, it should be noted that the merchant houses were not the only group that attempted to form cartels and thereby extract revenues from the nascent agricultural industry. Such efforts were also made by the shipping companies. In the early days of the agricultural industry in West Africa, two major lines -- the African Steamship Company and the British and African Steam Navigation Company -- competed for the West African trade. Under the leadership of E.L. Jones, these firms merged to form the Elder Dempster line. In 1894, Elder Dempster, in cooperation with a German firm by the name of Woermann Lines, formed the West African shipping conference. Through a system of deferred rebates, the conference attempted to control the regional market for shipping services. A rebate of ten percent would be given on the cost of any shipment made with a conference member if and only if the party in question confined all his patronage to the member companies for a full year following the date of shipment. For

a firm doing a lot of business, significant amounts of capital would thus be lost were it to fail to ship exclusively through the conference. In this way, the conference shippers sought control over the transport of producers between West Africa and its major external markets (see Leubuscher, 1963; Davies; Wilson).

Sources such as McPhee tend to accord the shippers great market power. McPhee notes the small number of natural harbors on the West Coast of Africa, which make it difficult for tramp steamers to operate. He notes the treacherous conditions in what harbors there were, and the fact that Jones put the vast majority of the local pilots under contract with his firm. He notes Jones' attempts to monopolize the literage and warehouse facilities and his founding and management of the major bank of West Africa -- the bank that provided credit for most of the merchant houses in the area (McPhee, pp. 91 ff). And yet there simply is too much evidence of the ease of entry into the shipping industry to sustain McPhee's inference of significant market power by the shipping interests. Thus, we know that Jones' early monopoly was broken by Woermann, and that the latter's entry is what provoked the formation of the conference in the first place. We know that before World War II Lever gained access to non-conference vessels (Davies, pp. 186 ff; see also Wilson, chapter 17). And we also know that the conference lines' unwillingness to provide adequate service to the United Africa Company led in 1929 to the formation by that company of its own shipping capacity, with the result that the conference lost forty percent of its business.

The Ghanaian producers thus eventually faced a cartel in

the form of government backed collusion among the merchant houses. The shipping industry attempted also to form a cartel, but it failed. At no time, however, did the producers themselves succeed in forming an institution capable of altering prices for their products to their advantage.

III. DISCUSSION AND ANALYSIS

Thus, we have examined the major markets faced by the cocoa producers of Ghana and the large-scale commercial farmers of Kenya, and we have compared the realtive standing of the two classes of producers in these markets. We find that <u>at best</u> the cocoa producers faced competitive market prices in these markets; often they faced prices which were set against them. By contrast, the large-scale cereals growers <u>at worst</u> faced competitive market prices in the major markets of relevance to them; most often they were able to set prices in these markets to their advantage.

In this section of the paper, I seek to explain the divergent patterns in these two industries. In particular, I examine a series of factors which influenced the perceived costs and benefits of organization and I examine the way in which these factors helped to account for the relative ability of different groups to form in defense of their economic interests. These factors include considerations arising from the structure and operation of colonial political institutions, from the size distribution of different segments of the two industries, and from the nature of the commodities produced in them.

Of these factors, those arising from the structure and

operation of colonial political institutions were fundamentally important. No government run by British public officials and paid for by British taxpayers was going to intervene in the cocoa industry to promote the interests of indigenous producers as against those of British merchants and manufacturers. Nor, save under exceptional circumstances, was a British government in East Africa going to try to undermine the interests of its own citizens in the agricultural industry of that nation. The fact that the agricultural industries operated within a colonial political system thus had a fundamental bearing on the ultimate distribution of the gains to be made from it.

Despite the primacy of political considerations, I shall discuss them at the end rather than the beginning of this section. For there were other factors at work, and, in the face of the glaring significance of the political fact of colonialism, their importance is often ignored. Moreover, these nonpolitical factors tended to influence the desire and ability of organized interests to form; and it was these interests which once formed then set the colonial system in action. We therefore do better starting outside the political arena, in a sense, and then entering it, as did the major groups themselves in their efforts to use public action to advance their interests in the market place.

<u>Properties of the Commodities</u>

One of the major nonpolitical factors influencing the relative standing of the two classes of producers were differences in the incentives to organize. A variety of factors influenced the incentives, but among the most important were differences in the

commodities which they produced. The Kenyan farmers specialized in the production of cereals which were largely destined for the domestic market; the Ghanaian farmers produced a confectionary item which was destined for the world market. From differences in the commodities which they produced there arose differences in the incentives for collusive behavior; and this is particularly true with respect to their incentives to collude in the markets for products.

Because cereals have a low value to weight ration, they are expensive to transport. Consumers will tend to find domestically produced cereals relatively cheap by comparison with those produced abroad. This was particularly true for a place like Kenya in the early years of this century, for the major rival grain-producing economies were located at a considerable distance from the Kenyan market. Were the settler farmers to collude, then, and were they able successfully to constrain the behavior of the African producers, they could then easily capture the local market. It was therefore reasonable for them to believe that they could force a price rise upon the domestic consumer.

Rather than producing for a relatively small home market, by contrast, the Ghanaian producers marketed their output on the world market; and within that market there were alternative sources of supply. Granted that by 1911 Ghana was the largest producer for that market; and granted as well that she accounted for over fifteen percent of the world's output in that year. Nonetheless, the very speed of her rise to ascendancy among the world producers underscored the rapidity with which new entrants could undercut any attempts by Ghana to raise the price of her cocoa. And because the market

faced by Ghanaian producers was worldwide and not national, the behavior of these other producers lay outside Ghana's jurisdiction. In effect, then, the Ghanaian producers faced what appeared to be a highly elastic demand for their product; the incentives to form a producers' cartel were therefore weakened.

Other differences in the commodities which the two sets of farmers produced help to account for the differences in the strength of the incentive to collude. One, of course, is that cereals are widely regarded as a necessity whereas cocoa is not; the effect once again is to create a relatively lower price elasticity for the products of the Kenyan farmers, and thereby enhance the prospects of returns from collusive behavior. Another attribute is important. Cereals can be preserved with relative ease; the farmers can store them and withhold them from the market. Moreover, they can divert them to other uses -- their own consumption or consumption by livestock, for example. By contrast, cocoa tends to ferment and to spoil, and this is particularly true in the tropical conditions under which it is grown.[20] A farmer contemplating holding his crop off the market thus finds that the rate of loss due to deterioration seriously offsets the prospective gains to be derived from an increase in price.[21] In addition, cocoa has no use outside the confectionary market; it cannot be profitably diverted to other activities nor can it be consumed on the farm. Differences in the technical properties of the two crops thus create differences in the perceived gains and losses from collusive behavior.

An interesting test case for this analysis is offered by the

behavior of the producers of export crops in Kenya, coffee and tea in particular. Clearly, these producers received greater assistance from the state, particularly in the form of research and extension services, than did their Ghanaian counterparts. But it is also clear that they failed to form a producers lobby approaching in power that of the lobby formed by their cereals growing fellow nationals; nor were they able to compel the government to intervene on their behalf to the degree attained by the latter group. Evidence of this contention is that within the European farming community, it was only the producers of export crops who were subject to direct taxes by the government. Moreover, when the interests of the producers of food crops directly conflicted, as they did over the issue of the price of food to be supplied to the employees of the producers of export crops, the interests of the cereal growers prevailed.

A variety of factors is obviously at play in determining the relative political power of these gorups. But the pattern that obtains is in conformity with what would be expected if the nature of the commodity itself, in addition to the role of citizenship and race, were an important factor in influencing the ability of groups to form in support of their economic interests.[22]

Properties of the Producers as a Group

Another difference helps to account for variations in the readiness and ability of the two sets of producers to collude in defense of their interests. And this is the difference in the size distribution of the farms. We lack good data on this point. But what data we do have indicate that the settler farms in Kenya were relatively small in number and large

in size, while cocoa production in Ghana was engaged in by a fairly large number of small-scale farmers.

Brett's figures disclose that there were 1,183 settler farmers in Kenya in 1920; in 1929, the number was 2,035; and in 1934, 2,027 (Brett, p. 75). Given the total area occupied in those years, the average farm size was about 2,500 acres per farm. We also know that there was considerable inequality in the farm sizes. Delamere alone, for example is reported to have owned 100,000 acres (N. Leys, p. 119); and in 1915, 13 occupiers -- or roughly one percent of the commercial farmers -- are reported to have owned twenty percent of the land (Van Zwanenberg, 1975, p. 37).

If these data on Kenya are poor, those on Ghana are worse; but they nonetheless suggest a distinctly different pattern. For it is the overwhelming concensus of all reports on the cocoa industry that cocoa is produced by a very large number of relatively small producers. Illustrative of this fact are the figures published by the Nowell commission. According to the commission report, the Department of Agriculture estimated that there were approximately 300,000 cocoa producers in Ghana in the later 1930s; this figure is not based on an actual survey, however. The report also cites an estimated average farm size of 2.5 acres in Ashanti; this estimate is based on survey data (United Kingdom, 1938, pp. 17-18). Beckett's work in Akokoaso in the 1930s also reports an average farm size of 2.5 acres (Beckett); other surveys report an average farm size of 4.2-5.2 acres; the largest estimate reported for this era was 16.7 acres for the area about Suhum-Kibi (Hill, 1956, p. 87). More recent work, and especially that of Polly Hill, has demonstrated that there is significant variance in the size distribution of the cocoa farms,

and that some of the producers are very large and very wealthy indeed. But none of this recent data compells a revision of the basic points of this argument: that the production of cocoa is carried on by a very large number of widely scattered small-scale producers and there is little tendency for production to be concentrated in the hands of a few major producers. While Hill's data do compel us to recognize that there is more inequality among the cocoa producers than hitherto had been thought, they in no way lead us to infer a size distribution of farms similar to that which prevailed in Kenya.

Differences in the size distribution of the farms may well have had a significant impact on the relative ability of the two sets of farmers to organize in support of their common interests. A given farmer in Kenya, being one of a relatively few number of large farmers, could have believed that his behavior would have an impact on the market prices which he confronted. By contrast, for a Ghanaian farmer, being but one of 300,000 small-scale producers, it would not be reasonable for him to believe that his individual conduct would have a significant impact. The difference in the size distribution of farms in the two agricultural industries could thus have influenced the relative strength of the incentives to engage in non-competitive behavior.

The difference may well have influenced the relative costs of collusion as well. The fewer the number of farmers and the larger their average output, the easier it would be to detect the evasion of common agreements. Thus, for example, we know that in Uasin Gishu, the members of the Kenya Farmers' Association knew full well that the other farmers were not cooperating in selling their produce; for

it did not take sales by very many of these farmers to significantly depress prices in the local market (Huxley, 1956, p. 14). By contrast, it must have been extremely difficult for the organizers of the cocoa boycotts, which I discuss below, to detect individual violations of witholding agreements; hundreds could have sold their produce before a sufficient volume entered the market to have a significant impact on the price.

The number of producers would influence the costs of organizing in another way. Irrespective of the effect on the incentives to cooperate, the larger the number of farmers, the greater the costs of reaching potential members of a collective enterprise, of communicating with them, and of coordinating their behavior. A good example of the effects of these costs is offered in the attempt of the cocoa farmers to boycott the 1931 market in an effort to drive up prices. Organized by people from the coast, the boycott movement sought to reach and incorporate the multitude of small-scale inland producers. The leaders of the boycott succeeded in reaching the farmers in Akim Abuakwa, the heartland of the cocoa industry at that time; but they failed to reach the numerous new producers in the interior, and in particular these in Ashanti. Once it was realized that the Ashanti farmers had not been brought into the movement, and that they were therefore capitalizing on the rise in prices being created by the cooperative efforts of the producers on the coast, then the farmers on the coast reentered the market with their produce and the boycott collapsed. The task of making contact with so large a number of small-scale producers appears to have been too high; and failing to organize all of the producers, the movement could retain the allegiance

of none of them (Tordoff, pp. 271 ff).

The factor of size appears as well to have had a significant bearing on the development of leadership among the farmers of the two territories. In both cases, leadership was drawn from the large farmers. In Kenya, Delamere and Grogan provided much of the leadership for the commercial farming community. While I have been able to find out little about the economic activities of the latter, through the work of Elspeth Huxley, we know a good deal about the former (Huxley, 1953). What with 100,000 acres of farmland; over 1,200 acres under wheat; 40,000 sheep; a herd of exotic cattle; and interests in a creamery, milling operations, and timber, it is clear that for any given cost of organizing to provide favorable conditions for the farming industry, Delamere would stand to secure considerable private benefits from such measures. There were strong private incentives for him to secure collective benefits.

A similar pattern arises in the Ghana material. Thus Rhodie, in his study of the 1931 boycott, isolates the large farmer as the active agent in the attempts by the cocoa producers to drive up the market price (Rhodie, 1968). And one of the leading spokesmen of the cocoa farmers in this period was Nana Ofori Atta. We know that at the time of the 1931 boycott, he had some twenty tons of cocoa in storage (Rhodie, p. 115). We also know that because of his political position, he had access to the profits of a large number of very prosperous cocoa farms. As Omanhene of Eastern Akim (later Akim Abuakwa), Nana Ofori Atta manipulated traditional political obligations -- payments for land rights, rental fees for the use of stool lands, and tax obligations on the part of immigrant farm

communities -- to divert the profits from the cocoa industry to the treasury of his native authority (Hill, 1963, p. 148). Because his domains included the richest cocoa lands of that time, he stood to gain a great deal privately from the increased collective well-being of the local producers, and he therefore had strong private incentive to champion their interests.

The size distribution of farms appears as well to have had a significant bearing on the development of leadership among the farmers of the two territories. In both cases, leadership was drawn from the large farmers. In Kenya, Delamere and Grogan provided much of the leadership for the commercial farming community. While I have been able to find suggests that the incentives to organize were stronger in the former. And the relative strength of the incentives to invest resources in organizing thus helps to explain the comparative vigor of collective action in support of producer interests in Kenya.

Before turning to a discussion of a third set of factors -- those having to do with the structure and operation of political institutions in Kenya and Ghana -- it is important to note that the factors we have discussed thus far help to explain the capacity of other groups, and in particular the Ghanaian merchant houses, to organize collectively in attempts to manipulate the market to their advantage.

Conditions in the industry made it credible for the merchants to believe that, in the short run at least, they faced a relatively inelastic supply of cocoa. The tendency for cocoa to spoil when stored on the farm was one reason for this. Equally as important was the perception that there existed relatively large rents for the Ghanaian

cocoa producers. In part these rents derived from the superior natural conditions under which cocoa was grown. The rich, as yet unexploited, and therefore highly fertile soils of the forest; the shelter from the winds offered by the forest; the retention of the moisture and the dampening of temperature variations by the forest -- these and other factors, many of which are poorly understood, created growing conditions that were apparently unrivaled elsewhere. And because the crop had only recently been introduced in Ghana, diseases had not yet developed. The result was that Ghanaian producers appeared to enjoy an enormous natural advantage in the production of this crop. Other crops whose production would be favored by these same factors compared unfavorably with cocoa on other grounds. In the years under discussion, the price per ton offered for cocoa was from two to five times greater than the price offered for palm oil (Bateman, p. 7). Moreover, the costs of production were much lower. In the case of cocoa, harvesting and drying represent the major production costs, whereas the production of palm oil requires careful extraction and separation as well. Cocoa production thus offered much greater profits. As Dickson states, "By 1910 farmers in some areas. . .were not merely ignoring the oil-palm trees but felling them to make room for cocoa" (Dickson, 1969, p. 147). That the production of cocoa bore such an enormous economic advantage by comparison with the production of alternative commodities supported a conviction on the part of purchasers that cocoa supplies would be forthcoming over a wide range of prices.[23] This conviction, of course, furnished an incentive to collude.

The size distribution of the merchant houses has already

been noted; as the information from the Nowell commission suggests (see table 2) the top four firms marketed two-thirds of the cocoa crop. Moreover, the position of one dominant firm -- the United Africa Company -- provided an incentive for that firm to furnish leadership. That the United Africa Company in itself handled over forty percent of the crop helped to insure that a favorable adjustment of the price of cocoa would yield a substantial private return, despite the costs that it may incur in organizing the price reduction. The set of factors which helped to explain the relative disorganization of the Ghanaian producers thus helps as well to account for the ability of the merchant houses to organize in pursuit of their interests in the major markets of the Ghanaian agricultural industry.

The Structure and Operation of Political Institutions

We have argued throughout this paper that the political context of the agricultural industries had a decisive bearing on the capacity of producers to manipulate their market environment. In particular, we have argued that the fact that the industries existed within a colonial state decisively influenced the ultimate allocation of the gains to be made from cash crop production. In this section, we therefore conclude by actually examining the structure and operation of the state and the way in which groups within the industry manipulated the colonial system to enhance their fortunes in the market place.

The Role of Coercion. Colonialism was exploitative. When scholars analyze the political-economy of colonialism, they rightfully

analyze the use of colonial political institutions by groups to extract resources from others and to appropriate them for themselves. The importance of this phenomenon is obvious. And only access to the coercive powers of the state enable groups to effect this redistribution.

Far less obvious, but equally as important, is the use of state power by members of a group to coerce others of their own kind. This, to my mind, is a major unstudied aspect of the use of power in the colonial period. Indeed, I would argue that in order for the first kind of coercion to exist -- coercion between antagonistic groups -- the second kind of coercion -- coercion between members of the same group -- had first to take place. To advance their common interests, members of a single social category had first to use the power of the state to compel themselves to act cooperatively in pursuit of common interests. Access to the state, in short, provided means for organizing.

Access to coercion is essential to the organization of interest groups, and for several reasons. The most basic reason is the need to resolve the problem of inappropriate incentives -- something which is aptly referred to as the "free rider problem." The problem arises in the case of public goods -- goods which are available to any actor irrespective of whether that actor has contributed to the costs of their provision. As we have seen, public goods can exist in private markets. All actors in the market place confront the same prices; and an artifically manipulated price is available to all irrespective of whether or not they have contributed to the

to the costs of establishing it. The price is thus a public good; and as each actor believes he can "free ride" on the efforts of others and enjoy the beneficial price for free, no actor is willing to make the sacrifices required to obtain favorable prices. The free rider problem also arises in the public sector where publicly mandated freight rates, rates of taxation, or regulations that affect the price of land and labor create benefits for all members of an economic sector, irrespective of whether they have paid the costs of securing them.

In the presence of the free rider problem, it is extremely difficult to secure voluntary efforts to attain collective objectives. Save in the presence of the special circumstances which we have already examined, it is in the private interests of all to avoid making sacrifices; the public good will be available to any actor whether or not he makes such sacrifices. Given the failure of incentives to provide voluntary collaboration, the public good will not be supplied; and everyone may therefore be better off if they were coerced to contribute to its formation. Access to means of compelling compliance therefore becomes critical. Groups, such as the settler farmers in Kenya or the merchant houses in Ghana, which can use the state to coerce their members to sell at the same price or to refrain from bidding up the price of the goods they buy will then operate at a higher level of profits than if they had not employed the coercive power of the state in their attempts to manipulate markets.

In explaining the divergent fortunes of large-scale producers in Kenya and Ghana, then, we must pay attention to their relative access

to public institutions. We will therefore scrutinize the structure and operation of public institutions in the two territories. In so doing, we shall evaluate the differences exhibited by the two territories in the constitutional structures which they held in common and we shall note as well the effect of particular and distinctive features in their political institutions.

Constitutional Provisions for the Representation of Interests. The interests of the agricultural producers were but one of a diverse collection of local interests; a necessarv determinant of the responsiveness of the colonial state to the interests of the farmers, then, was its level of responsiveness to local interests in general. Over the period under discussion, political institutions in Kenya gave far greater weight to local interests than did those in Ghana. And it was precisely here that the racial and national considerations that underpinned the colonial system were decisive; for the government of Kenya was more willing to devolve power locally because when it did so, it was conferring power largely upon British citizens who had sought to make their fortunes abroad.

As in the vast majority of British colonial possessions, the governments of Kenya and Ghana consisted of a governor, an executive council, and a legislative council. The governor was appointed by the metropole. A key factor determining the responsiveness of the colonial institutions to "local" interests, then, was the extent to which local interests were represented in the two councils. Over the period covered in this chapter, "local" interests in Kenya achieved much greater access to these institutions than did those

in Ghana. In both territories, the representatives of local interests -- unofficials, in the constitutional terminology of the period -- sat in the legislative councils; and until the end of World War I, they held an equal proportion of the seats -- one third of the total. Thereafter, the situation in the two territories rapidly diverged. Following the First World War, unofficials in the Kenya legislative council achieved parity of numbers with the representatives of the colonial administration; not until after the Second World War did the proportion of unofficials equal the proportion of officials in the legislative council of Ghana. After World War I, unofficial representation was added to the executive council in Kenya; a similar status was not achieved in Ghana until the Second World War.[24]

A second factor influencing the responsiveness of the colonial state to local interests was the way in which local representatives were chosen. Those who owed their selection to election by local constituents would more likely seek to make the public administration responsive to local interests than would those who were selected through nomination by the governor -- the head of the colonial bureaucracy. The electoral mechanism was adopted in Kenya in 1919; seventeen of the twenty representatives of local interests in the legislative council were then chosen by election. Not until 1925 were elections used to choose members of the Ghanaian legislative council; and in that case, only three of the fourteen unofficials were directly elected, six others being "elected" by the chiefs who were themselves officials in the colonial bureaucracy.

Also important in determining the responsiveness of the colonial

administration to local interests were the practices which were adopted in conducting public business. A review of these practices strongly suggests that the conventions which governed the conduct of public business in Kenya amplified the numerical weight accorded to its local representatives, thereby augmenting the greater weight accorded to local interests by the government of Kenya by comparison with the weight given them by the government of Ghana. Thus, for example, in 1923 the government of Kenya adopted the practice of establishing a Finance Committee "to scrutinize the budget in private before its final submission to the [Legislative] Council" (Brett, p. 194); the committee consisted of all the elected representatives of the local interests and but three representatives of the public administration. As Dilley comments: "This Committee is one development which has made it possible for the unofficials to exercise the influence beyond their constitutional position..." (Dilley, p. 89). While there was a Finance Committee in Ghana as well, it did not have an unofficial majority, and its powers appear to have extended only to the deliberation of supplementary estimates (Wight, p. 158). For much of this period, the government of Kenya allowed what amounted to a caucus of the unofficial representatives the right to request the attendance of heads of departments so that the unofficials could probe the way in which they were conducting their agency's affairs; no such practice was followed in Ghana. From the period 1919-1921, public business in Kenya was conducted under an understanding that has been described in the following terms:

> [The] Government and settlers bound themselves to co-operate to the fullest possible extent. . . .The Government would not introduce a controversical measure by springing it on the country without warning, steam-rollering it through Legislative Council with the official majority. . . .An important measure was, by agreement, outlined to the elected members before being introduced into Council so that they could express opinions and, if necessary, suggest modifications. [Huxley, vol. II, p. 88].

No such practice characterized the conduct of public affairs in Ghana. Rather the official majority was occasionally used to pass legislation despite the unanimous opposition of African members; in Wight's words, the government "took the view that the African community had not yet reached the stage where its representatives might be given the power of obstruction in Council" (Wight, p. 92).[25] And indicative of the unwillingness to engage in prior consultation with the representatives of local interests is the reaction of the local representatives to legislation introduced to terminate the cocoa boycott of 1937/38:

> There was much dissatisfaction that a bill dealing with so crucial an issue should be presented in this way. . . .Mr. Kojo Thompson argued that a bill of such import and magnitude, dealing with the existing crisis in the country, needed serious and close discussion; moreover, that there was no need for rushing it through the Chamber. . . .[Wight, pp. 136-137.]

Thus, the distribution of offices in public institutions and the way in which persons were selected to fill these offices gave greater weight to the representation of local interests in Kenya and in Ghana. And the practices which were adopted in making public policy amplified this distinction. Local interests in Kenya therefore had greater access to the state and a greater ability to use its power of coercion to their advantage. And local interests in Kenya largely meant European interests, among whom, of course, numbered the large-scale farmers.

The distinction between Ghana and Kenya in fact goes even

deeper. It is clear that not just local interests, but rather the interests of farm producers in particular, received greater weight in the political institutions in Kenya than they did in those of Ghana; and, conversely, sectors whose interests were opposed in critical respects to those of the producers received disproportionate weight in the public institutions of the West Coast territory.

Thus, in Kenya, under the Constitution of 1906, of the three representatives of local interests, two were farmers; and under the constitution of 1919, of the eleven local unofficials representing the interests of Europeans in the territory, a full eight represented rural farming constituencies. As Bennett states, in designing the the constitution:

> electoral areas were to be lineated to represent interests rather than numbers. . . .it was generally realized that constituencies based on numbers would have meant control by Nairobi and Mombasa. . . .Instead, the South African principle of weightage in favour of the rural areas was taken to a more extreme conclusion. . . .[1963, pp. 39-40.]

In Ghana, by contrast, there was no explicit representation of farming interests. The chiefs did serve as representatives of rural interests in the high councils of government, and it may be granted that their interests were in many respects consonant with those of the farmers. But in matters of taxation and the levels of rents to be charged stool lands, their interests were often in conflict; and in any case, even with enthusiastic backing of the chiefs, the interests of the farmers could easily be out-voted by the representatives of the merchant houses and mining companies. Thus, for example, until 1916, of the four representatives of local interests, two were European, one representing the mining interests and the other the interests of the merchant houses;

and two were African, one representing the urban educated classes and the other the chiefs. The expansion of local representation in 1916 did little to help. Again making the unwarranted assumption of an identity of interests between the chiefs and the cocoa producers, farming interests could be construed as holding three of the nine local votes. Under the constitution of 1925, the chiefs held six positions. But, once again, they were a minority in a legislative body that allocated three positions for the coastal municipalities, one for the United Africa Company, one for the merchant houses not owned by the United African Company, one for the Chamber of Mines, one for the shipping interests, and one for the Bank of West Africa!

Wight's tabulation of the questions posed in the Gold Coast legislative council over 1933-1941 reveals that the cocoa industry provoked more inquiries than any other subject; from all we have said, it is clear that insofar as this assembly made policy in the area, it would not do so with as high a regard for producer interests as was given by the legislative council in Kenya. One is hard pressed to believe, for example, that any governor of Kenya could have commented to the Kenyan legislative council as contemptuously as did the governor of Ghana: "You will never find a farmer who is really satisfied. It is the same in England as it is here. If the weather is dry they want it wet, and if it is wet they want it dry" (Wight, p. 134). In Kenya, pandemonium would have followed; in Ghana, the governor was talking about interests who held no seats in the audience which he was addressing.

Thus far we have looked at variations between Kenya and Ghana in the structure of the constitutional forms which they, and other British territories, shared in common. We have seen how within this

same constitutional framework the Kenyan political system gave greater weight to local interests in general and to farming interests in particular. It is clear that the structure and operations of the political institutions in Kenya were such as to introduce a stronger bias in favor of producer interests in the making of public policy. In addition, the two political systems possessed distinctive characteristics; and these too influenced the way in which different interests could utilize the states' control of coercion to advance their interests in the developing agricultural industry.

Centralization of Power. To a greater extent than was the case in Kenya, in the case of Ghana, there were organized economic interests in Britain that brought their influence to bear upon the British government so as to maximize the economic returns which they could secure from their commercial operations in the colonial territory.

These interests, of course, were the commercial houses. Their headquarters were in London, Manchester, and Liverpool. In Britain, their interests were represented through the chambers of commerce in those towns -- chambers which took an active role in influencing public policy, including British policy overseas, on behalf of their members. Each chamber had a section on West African trade; and the leadership of these sections repeatedly combined to form delegations to lobby the foreign and colonial offices on behalf of their trading interests in Africa.

The major merchant houses were active in the chambers of commerce; the name of Swanzy for example, appears in the minutes of numerous delegations dispatched by the chambers of commerce.[26]

Using the combined influence of their head office in England and their local representatives in Ghana, the merchant houses were able to manipulate colonial institutions so as to mobilize the coercive powers of the state in support of their interests in the emerging agricultural economy.

It should be noted that the combination of access to policy-making institutions in both London and Accra was not fortuitous. We find, for example, the Board of Directors of the Manchester Chamber of Commerce supporting "the merchants' proposal" to Lord Kimberly at the Colonial Office "that the merchant element in the various legislative councils [of West Africa] should be considerably strengthened."[27] On the other hand, we find scholars such as Martin Wight commenting that the merchants' representatives in the legislative council of Ghana "hold a watching brief, remaining silent until their immediate interests are touched, and they never speak except to the book. They are businessmen, not politicians" (Wight, p. 76). The merchant houses thus had access to both the metropolitan and local centers of public policy making, and they did so on purpose. The advantages of this arrangement were perhaps best revealed in the attempts of the merchant houses to appropriate a larger share of the revenues generated by the agricultural industry in Ghana by cartelizing the cocoa market in 1937.

The market-sharing agreements that formed the basis for the cartel were not negotiated by the firms in Ghana; rather, they were negotiated by the head offices in England. At the initiative of the United Africa Company, purchasing agreements were negotiated in the late summer and early fall of 1937. In September of that year,

in the words of the United Kingdom report:

> Mr. Frank Samuel, a Director of the United Africa Company, Ltd., and Mr. John Cadbury of Messrs. Cadbury Brothers, Ltd., called at the Colonial Office on the 24th of September, 1937, . . .to offer an explanation of [the agreement] and to request that the information might be conveyed to the West African Governments concerned. . . .[United Kingdom, p. 52.]

The firms then notified their local representatives of the terms of the agreement and cabled detailed purchasing instructions to secure its successful implementation. The colonial office, for its part, sent dispatches to the Governor of the Gold Coast detailing the agreement and expressing "the view that the Agreements were justifiable on economic grounds" (United Kingdom, p. 53).

The local officials appear in fact to have had deep reservations concerning the purchasing agreements, these reservations being based on their assessment of its unfavorable impact on local politics. Despite these reservations, they nonetheless supported their implementation. The most credible characterization of their behavior is that they felt it necessary to implement an unwise policy foisted on them by their superiors in London. Indeed, given the dispatches received from their superiors, they had little choice but to accept the agreements as forming a legitimate basis for public policy. The local administration therefore biased the application of its coercive powers in favor of the incipient cartel. It never opposed the implementation of the collusive agreements on the part of the merchant houses; but it did rule that the use of state power to enforce the withholding of cocoa from the market in response to the formation of the buyers' cartel constituted an illegal restraint of trade (United Kingdom; see also Milburn).

Decentralization. In some areas critical to the development of commercial agriculture in the territory, public institutions in Ghana were thus characterized by a high degree of centralization of policy formation in the metropole. By contrast, Kenya was characterized by a high degree of decentralization within the policy-making process. And whereas the structure of decision making in Ghana appears to have biased the process of interest representation in favor of the buyers of agricultural products, the decentralized structure of interest representation in Kenya appears to have given greater access to coercive power to the producers of agricultural commodities.

In the case of almost every market of interest to the agricultural producers, there existed a government board or policy-making committee; and through these institutions, the representatives of farmers' interests gained access to public policy. We have already observed this in the case of the market for products; the maize control board in fact operated as a state sponsored cartel managed by the leaders of the producers' interests. A similar state of affairs existed in the market for land. The government formed a lands committee to vet its proposed land laws. The committee contained representatives of the farmers' interests and in fact was chaired by Delamere, their leading spokesman. Its report urged modifications that favored the interests of the commercial farmers (Sorrenson, 1968, p. 87). The government later formed a consultative body called the land board to aid in the development of the fundamental ordinances governing land development in the territory; farmers' interests were represented on the board and they used their access to secure a

"considerable influence on policy formation" in the area (Bennett, 1965, p. 278).

A similar pattern obtained in the supply of transport services. In financing the expansion of these services in the 1920s, the railway sought government backing to secure its loans; this gave the public sector considerable control over the operations of the railway. Thus, for example, the location of railway branch lines was in part made by a select committee of the legislative council. The representatives of local interests had a majority on the committee (Brett, p. 201). In the formation of rates, the railway management again had to consult with a public body, the Railway Advisory Council; again, the farmers' representatives dominated this institution. As one report noted: "There is more than suspicion that unofficial members are nominated [to the Advisory Council] to forward certain popular policies and not on account of the help they can give to the railway management" (Gibb, p. 8). The government representative on the Advisory Council was the Director of Agriculture; as one expert noted, following his investigation of the operation of the railway, "I think the Directors of Agriculture are too much interested in the success of their various agricultural schemes and are too inclined to seek assistance for these schemes through railway rates to be. . .advisers on railway policy" (Gibb, p. 15).

The decentralized structure of policy formation thus promoted control by the farmers' interests of the conditions under which major inputs -- those of land and transport services -- were supplied to cash-cropping operations. Their control extended to more

than just the regulation of major markets, however; it extended as well to the making of commercial policy. The most famous example of this is the so-called Bowring Committee. In the early 1920s, the colonial secretary, named Bowring, formed a committee to promote the development of exports. Chaired by Bowring himself, the committee was composed in large part of the representatives of farmer interests. Its behavior was instructive. Rather than supporting the development of those crops, such as coffee, in which Kenya had a relative advantage in the world market -- the policy it should have followed had the committee sought to fulfill its public mandate in a socially optimal way -- the committee instead adopted a series of policy measures that promoted those crops which were grown by the majority of the commercial farmers, such as maize and wheat -- crops in the production of which Kenya in fact held a relative disadvantage in the world market.

The committee reduced the railway rates for maize to help subsidize exports of the crop. As Huxley notes, "In September, 1922, railway rates were lowered to Shs. 11/20 a ton, and a shipment of 18,708 tons, the first since before the war followed" (1957, p. 45). And it imposed duties on dairy products, meats, wheat, and wheat flour. As Wrigley states:

> the cultivation of wheat and the raising of cattle had become technically feasible, but the costs of production were such that neither wheat nor dairy products could compete even on the East African market. . . .To overcome this difficulty, it was now decided to secure the local market for local producers. [Wrigley, p. 236].

Exploiting its mandate to develop commercial policies, the committee thus manipulated the instruments under its control to help dump

inefficiently produced cereals on the world market and to shelter the domestic market against foreign competition in the production of agricultural commodities. Through this committee and others the agricultural producers thus exploited the decentralized procedures for public policy making in Kenya to develop policy measures that secured them a position of advantage in the emerging commercial agricultural industry of East Africa.

Indirect Rule. The policy-making process in Kenya was thus distinguished by its degree of decentralization. In addition to the greater involvement of the metropole, that of Ghana was distinguished by its use of indirect rule. The system of special interest boards and committees did not exist in Ghana to the same degree as in Kenya; and it was therefore unavailable as a means of securing the power of the state to secure objectives in the market place. But, as we have noted throughout, the farmers did have access to public power through the leaders of rural interests: the chiefs.

We have already noted that the chiefs had close economic ties with the cocoa industry. They controlled the sales of stool lands, and often personally pocketed the proceeds of these sales; and a primary determinant of the demand for this land was the profitability of cocoa production. Much of their income came from taxes and fees collected from the cocoa farmers. In addition, the chiefs themselves often owned farms, served as creditors, or otherwise had a deep personal stake in the industry. For all these reasons, they shared with the producers an interest in securing higher cocoa prices. Unlike the purely private producers, however, the chiefs

also exercised control over legal sanctions. Thus, in both the boycotts of 1931 and 1937/38, the chiefs played an important role. They issued public edicts giving official support for the boycotts; they promulgated local statutes making it a punishable offense to market cocoa during the boycott; and, in some instances, they invoked their traditional sacred powers, making it an act of sacrilege to market cocoa.

Despite their powers, however, the chiefs were a highly imperfect instrument for securing the interests of the producers. The problem was that while they possessed local power, they lacked national power. Each chief had legal power over the behavior of only a small portion of the cocoa producers. To effectively control the sale of cocoa, national control was needed; for unless all the farmers acted in concert it was in the interests of none to cooperate. As we have seen, however, the chiefs were in no position to command majority support in the national political arena. Indeed, the national government reversed the policies which they selected, and condemned their attempts to give official backing to farmers' movements as an illegal restraint of trade. Without the backing of the colonial state, the efforts of the state were doomed to failure. The states apportionment of power among the competing interests was a decisive factor in determing which interests prevailed.

IV. CONCLUSION

The most obvious lesson of our case studies is thus that the relative economic fortunes of groups in the agricultural sector reflect their relative political standing. Over the period studied in this paper, the political systems of Africa were largely designed and maintained by colonial powers. Colonialism can be interpreted as a political system designed to bring economic benefits to foreign nationals. In Ghana, the most prominent foreign nationals in the agricultural industry were the purchasers and shippers of the cocoa crop; in Kenya, they were the producers themselves. In Ghana, it was the purchasers who were best able to collude and to set prices in the industry to their advantage; and in Kenya it was the producers who achieved such a position. The political system provided mechanisms for using political power to redistribute economic resources from one group to another and in these instances, the political system was used to redistribute resources from indigenous to foreign interests. The historical record is striking enough to demonstrate that no study of agricultural development in Africa can afford to overlook the decisive importance of politics.

That much appears clear. But there are less obvious but equally important lessons to be drawn. Clearly politics provides a means whereby groups can use coercion to levy resources from others. But, less obviously, political power also provides a means whereby the members of a group _can coerce themselves_; and it is by

coercing themselves that they can attain the capacity for collusive behavior. For the members of any given group in the market place, a competitive strategy is the dominant strategy; in the absence of the ability to use the coercive power of the state to penalize those who compete, collusion is thus almost impossible to achieve. The nonobvious aspect of the importance of access to political power is that access to the state furnishes a means whereby members of a given group can make binding agreements among themselves. In this way they can form economically effective groups: groups which can cartelize markets, engage in noncompetitive economic behavior, and thus appropriate the gains to be made from economic activity. _Insofar as state institutions apportion access to coercive power, they then allocate the means to form organizations_. The importance of the constitutional order, which in these cases was a colonial order, is thus underscored by these case studies.

The political dimension of the problem is thus fundamental. The cases revealed the importance of other factors, however, which also helped to determine the relative power of producer interests.

One was the nature of the commodities. Differences in the elasticities of demand and supply for the commodities generated differences in the incentives to collude. Most basically, when the elasticity of demand is low, producers have an incentive to collude; when it is high -- above unity -- they do not. Moreover, other factors, such as the existence of on-farm uses for the commodity, its perishability, and costs of transport play a critical role in determining the strategic possibilities open to producers in their

competition with other segments of the industry.

Another factor determining the relative power of producer interests was the size distribution of groups in the industry. Where the number of firms is low and each has a significant portion of the market -- due to the existence of economies of scale, as in the case of the merchant houses, or to political and historical factors, as in the case of the settler farmers of Kenya -- then the incentives for collusive behavior are strengthened. The costs of organizing are reduced, the costs of policing agreements decline, and the benefits from noncompetitive behavior are more easily perceived by members of the potential combination. Moreover, the larger the enterprise, the greater the returns for any given contribution to the collective effort, and thus the stronger the incentive to organize. These factors clearly operated to distinguish the behavior of producer interests in Kenya from those in Ghana. Few in number and large in scale, the producers in Kenya had every incentive to collude and could easily be organized to do so; given their access to state power, they because an implacable force in the agricultural politics of that territory.

What we have learned from these cases sheds much light on the study of contemporary agriculture in Africa. Most basically, it suggests why it is that most producers do poorly and why it is that they are likely to continue to do so. It is not by accident, in other words, that peasant producers are unable to influence the prices they face and to organize effectively in defense of their economic interests. They are small. They are numerous. Because

they tend to produce food crops in nations where most families can enter food production when prices rise, the elasticity of demand for their output is high. The incentives to combine are thus weak and the costs of organization high. As one reader protested in reading this paper: "What you are suggesting is that what they have to be is to be like Lord Delamere!" In the world of interest group politics, being like Lord Delamere would help.

What we have learned also helps to elucidate the exceptions to this pattern. Within given states, some farmers do better than others. In particular, it would appear that the large farmers do better than the small ones. Some of the reasons for this are social: large farmers tend to more closely resemble in their values and social backgrounds the civil servants who man the public services. But the factors which we have analyzed -- those which influence the costs and benefits of collective action -- are also at play and they help to explain this pattern. Moreover, the producers in some nations do better than the producers in others. And it tends to be the case that those nations which favor their farmers are characterized by large-scale producer interests. Where large-scale producers are prevelant, as in such otherwise divergent cases as Senegal and South Africa, we find producers better able to organize in defense of their interests and better able to extract benefits from other sectors of the nation.

In general, however, the rural producers of Africa do poorly. And simply listing the factors which helped to distinguish

the relative economic power of the groups studied in this paper suggests the depth of the problems which they face. Compounding their difficulties are the basic policy commitments of their governments. We have seen how the policy commitments of the colonial governments apportioned access to particular groups, giving them both the power to coerce others and to make binding agreements among themselves. In most of the nations of contemporary Africa, a fundamental policy commitment has been made to industrial development. It must be the case that this commitment has influenced the allocation of positions in consultative bodies, price and income councils, inter-ministerial committees, public boards, and the multitude of other forums in which interests gain access to the making of public policy. We do not as yet have much information about the level of representation which different interests have achieved. But the overwhelming importance of gaining that information is one of the principal lessons to be learned form studying the historical record.

FOOTNOTES

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1. According to figures in Wolff, in 1905 the production of wheat and maize accounted for about eighty-three percent of the total acreage cultivated by the large-scale producers; in 1930, it accounted for about fifty percent (Wolff, p. 73). Even as late as 1929, over one-half the commercial farmers were primarily cereal producers, despite the rise of alternative crops, such as coffee, sisal, and pyrethreum (Van Zwanenberg, 1972, p. 16).

2. I wish to stress that by concentrating on the relative fate of the two groups of producers, I do not mean to imply that what was good for them was good for producers in general, for the agricultural industry, or for the economy as a whole. In Kenya, as we shall see, what was good for the commercial cereal producers was not in fact good for the African cereal growers, much less for the growth of the colonial economy. And in the Ghanain case, it can be persuasively argued that the manipulation of

prices against the cocoa producers so as to divert resources from the cocoa industry into other economic sectors would be a valid and useful means of promoting the growth of the national economy. While my sympathies clearly lie with the small scale farmers, then, I am not prepared to argue that their interests, or the interests of any other group, are the same as the public interest; nor will I take the economic fortunes of the small scale producers, or any other group, as a valid criterion for evaluating public policy.

3. I omit from this discussion the subject of agricultural research. What little I know about it suggests that the pattern I observe in the markets for other imports would obtain with respect to research results as well.

4. See the discussion of Labour Circular No. 1 of October 1919 in Ross; also in Leys.

5. Supportive of this interpretation was that the state later sought to recapture the land rents through a land tax; the introduction of this tax was successfully resisted by the large-scale producers.

6. As Casely Hayford states with pardonable pride: "As a matter of fact, the 'lazy Fanti' is capable of putting forth effort amidst his own surroundings which men of no other race on earth can. Who,

in truth, have been the pioneers and developers of the mahogany, gold, and rubber industries of the Gold Coast but the 'lazy Fanti'?" (Hayford, p. 75).

7. For a charmingly old-fashioned account of the contributions of some of these men to public life in Ghana, see Sampson.

8. The best account, of course, is contained in the works of Polly Hill.

9. Evidence of this is contained in the land prices published by Polly Hill; they tended to uniformity across a fairly large region of the interior (Hill, 1963, p. 50), and to respond "correctly" to changes in the prices of the cash crops grown on them.

10. Church, pp. 129 ff. An interesting reason for the subsequent concentration of railway extensions in the western region was the willingness of the mining companies to directly contribute to the costs of construction, either by providing written guarantees of traffic levels or by direct payment. See Church, pp. 133 ff. The cocoa farmers, being smaller and more numerous, would have less incentive to finance the railway in this way and would have found it more costly to do so.

11. During the depression, railway charges were rebated to producers.

12. It should be noted that two early investigations of the railways do in fact argue that cocoa was charged an excessively high rate -- i.e. a rate that lay above the marginal costs of transporting it. Thus Hammond viewed the rate on cocoa as being set in a way that extracts the natural rent that accrued cocoa growing in Ghana; he thus posits a monopoly premium on the price charged for the transport of cocoa (F.D. Hammond, pp. 66-67). Ormsby-Gore's famous dictum that "cocoa and cocoa alone at present enables the railway to pay its way" (Ormsby-Gore, p. 53) only makes sense if cocoa were charged at a rate above the cost of transport, while other goods were charged at a rate that imposed losses on the railway; unfortunately, his report does not inspire confidence in his ability to properly draw such an inference.

13. See the discussion in Church, p. 149 ff; Dickson, 1969, p. 233; Kay, p. 194.

14. Indeed, it was precisely such a reduction in the effective rate of interest that drove the local purchasers to turn against the export houses when they formed a cartel to purchase the 1937/38 cocoa crop. The local purchasers joined, and in many localities led, and movement by the farmers to withhold the crop from the market, thereby driving the price back up -- and the rate of interest up (see United Kingdom, 1938).

15. Up to fifty percent of the farmers in the same districts reportedly sold forward (United Kingdom, 1938, p. 31).

16. This policy was technically difficult to implement. The Association was not, of course, able to handle all the marketing; and its inability to do so left opportunities for movements between controlled and uncontrolled market areas. The response to this threat was the creation of regulations over the movements of grains -- regulations that required the issuance of permits and the prosecutions of those moving unauthorized amounts of scheduled products for unauthorized distances (see Heyer).

17. The source of this information is A.A. Haller, "Kenya's Maize Control: A Rejoinder to Mr. Miracle's Article," East African Economic Review, vol. 6, no. 2.

18. The best information on the structure of markets in Kenya is contained in Van Zwanenberg, Brett, Huxley (1957). See also Cone and Lipscomb and William O. Jones.

19. As an example of the way in which the formation of shipping cartels furnished an incentive for the merchant houses to combine, we can note the following "Report of the Commercial Bills Committee" of the Birmingham Chamber of Commerce of April 10, 1895; it was written after E.L. Jones negotiated a rate agreement with a competing German line, Woerman Line, for the provision of services to West Africa.

> I understand that a settlement between the shipowners has now been arrived at which included the . . .German lines. . . .The settlement is unfortunate inasmuch as it has taken the direction of leveling up the rates instead of leveling down as was hoped would have been the result of this foreign competition. . . .It is much to be regretted that in these matters merchants do not hold and work together with anything like the same amity as the shipowners so that although the merchants are numerically stronger and although their custom is indispensible to the shipowners they constantly allow themselves to be worsted in negotiations of this character. . . .Until therefore the merchants learn from experience a sensitivity of common purpose [in] any joint action it is perhaps only fair that they should meanwhile be subject to. . .hiring conditions less advantageous than they would otherwise enjoy.

From the files of Lance Davis and Robert Huttenback.

20. Typically, the crop is stored in warehouses located in temperate areas or in its processed form.

21. During the attempted boycott of the farmers during the 1937-38 crop year, a sharp fall in the graded quality of the cocoa that was marketed was noted by the authorities. By June of 1938, the proportion of grade I had fallen to forty percent from a level of seventy-five percent in November of the previous year. The authorities attributed this decline in quality to deterioration from prolonged storage (see United Kingdom, p. 65).

22. A glaring counter-argument to my point springs to mind: the ban on coffee-growing by African farmers. While I would agree that the ban may well have been in the interests of the settler export-crop producers, I would argue that its main

supporters were the cereals growers who feared that the growing of cash crops by African farm families would raise the costs of labor.

23. There was another important forest crop: rubber. We do know that the price per ton of rubber compared very favorably with the price for cocoa (Bateman, p. 7). We simply know a lot less about the costs of production of this crop, and so we cannot readily explain why people left it for the production of cocoa. My suspicion is that one major reason was the nature of property rights over rubber trees. Most of the literature suggests that it was the destructive management of the trees that increased the costs of production to the point where cocoa became the more attractive crop. And without some explanation based on property rights, it is difficult to explain why techniques of production were used that led to the destruction of the trees.

24. Materials on this subject can be gleaned from Wight, Kimble, Dilley, and the writings of Bennett.

25. The government pledged, however, never to use its official majority to override the unaimous opposition of the unofficial representatives of African and European interests. This pledge was nugatory, however, as Wight's analysis of the voting of African and European members of the Legislative Council reveals that they never voted as a bloc (Wight, pp. 89-95).

26. This is supported by materials contained in the notes taken from the Minute Books of the various chambers of commerce by Lance Davis and Robert Huttenback.

27. Report on Delegation to Lord Kimberly at the Colonial Office, May 28, 1873; Minutes of the Manchester Chamber of Commerce, from the files of Lance Davis and Robert Huttenback.

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