

Ashanti Goldfields:

rise and fall of a corporation

For most of its history, the Ashanti Goldfields Corporation was the largest industrial employer in colonial and post-colonial Ghana. **Ayowa Afrifa Taylor** examines its fortunes over more than a century of political and economic change.

‘AGC was an excellent example of how big government is bad for business’

In 1895 an intrepid export merchant, Edwin Cade, responded to an invitation from an African customer, Joseph Biney, to visit a land ‘pregnant with gold’. The land in question was in Ashanti, a kingdom at war with the British. Undaunted, and against government advice, Cade proceeded. He swiftly bought from Biney and his African business partners their mining concession at Obuasi in Ashanti. To strengthen his rights, Cade shrewdly signed separate agreements with two chiefs, the Bekwaihene of the Bekwai who were occupying the area, and the exiled Adansihene of the Adansi, whose land it was. Within six months of Cade’s arrival the British invaded Kumasi, the Ashanti capital, and imprisoned the royal family. Governor William Maxwell, acting ultra vires but no doubt with the intention of stamping British authority in Ashanti, replaced Cade’s agreements with the African entrepreneurs and chiefs with a fresh concession on behalf of Queen Victoria. This agreement of 1897 granted an ‘imperium in imperio’ to Cade’s company, the Ashanti Goldfields Corporation (AGC), with broad rights covering the establishment of towns, trade, timber and waterways as well as mining. Maxwell’s agreement excluded the rightful landowners and would be the cause of African complaints for decades.

Unlike the majority of British free-standing companies established in the late 19th century, AGC made quick profits enabling them to pay a maiden dividend in September 1900. The basis

of the company’s success was geological – the Obuasi mines contained some of the richest gold ore in the world. AGC’s well connected, conservative but profit driven directors quickly internalised mining expertise to establish a professional management team.

By 1968 local and national discontent against AGC swelled. The most grievous part of the 1897 Maxwell agreement was the paltry payment to the Adansihene of £33 annual rent and £66 to the Bekwaihene. This had remained unchanged since 1897 despite the later realisation that 90 per cent of AGC’s operations were in Adansi territory, and despite the millions of pounds of profit the company was generating. These injustices and the imperious attitude of the AGC board, led by General Edward Spears, encouraged the NLC Ghanaian government to support a takeover bid of AGC by Tiny Rowland’s Lonrho Company. The opportunity was also taken to rewrite AGC’s mining concession. Lonrho allowed AGC to operate autonomously.

In the face of coups d’état, partial nationalisation, increasingly onerous taxation and macroeconomic policy failures, AGC remained profitable. It was not until 1982 that the company recorded its first operating loss due primarily to the inability to obtain foreign currency and import licences for essentials. As Ghana embarked on structural adjustment in 1983 the economic environment

improved. This was followed by greater political stability. Both benefited AGC by opening the way for large amounts of foreign investment to rehabilitate and expand operations at Obuasi.

In 1986 AGC’s leadership was for the first time in the hands of an African, Sam Jonah. Jonah continued the legacy of strong leadership set by Cade, Spears and Rowland. He, however, departed from the previously conservative management style by ambitiously extending the firm’s boundaries abroad. AGC became a multinational through the acquisition of mines across Africa. This inorganic growth was achieved with considerable debt, which, combined with a hedging crisis in 1999, nearly bankrupted the firm. Obuasi’s geological uniqueness attracted South African deep-level mining experts, AngloGold, to move in to purchase the financially weakened company in 2004, ending 107 years of autonomy.

There used to be an academic stigma about appearing to celebrate imperialism by studying successful expatriate firms, such as AGC. For most of its history AGC was the single largest industrial employer in colonial and post-colonial Ghana, and the single largest foreign exchange earner. Research into this company is important to imperial as well as African and business historians. It is often remarked that a single case study cannot make representative claims. However, this does not negate the usefulness and significance of lessons learnt when the subject of the study is of singular importance.

AGC’s establishment supports the gentlemanly capitalism theory: the founding directors had the aristocratic, financial and industrial links to maintain the political support in Britain for a legally peculiar concession. AGC was an excellent example of how big government is bad for business: government controls on imports, currency exchange and partial nationalisation progressively shackled the company. The direct effect of macroeconomic policies on microeconomics was apparent – most significantly, in the benefits of structural adjustment on Obuasi’s rehabilitation. The firm’s longevity despite the back-drop of significant political changes and economic turmoil can be attributed to reliance on technical expertise, the long service of corporate leaders, responsive management and a conservative growth ethos. Paradoxically, the cultural change to entrepreneurial dynamism under Jonah compromised profitability and highlighted the need for firms to manage growth carefully. ■



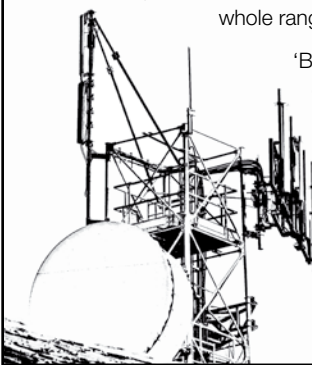
Dr Ayowa Afrifa Taylor

(MSc Economic History 2003, PhD Economic History 2006) completed her thesis at LSE on ‘*An Economic History of the Ashanti Goldfields Corporation, 1895-2004: land, labour, capital and enterprise*’. She has been awarded the Institute of Historical Research and Economic History Society Power Research Fellowship for 2007-08. Her book *Sam Jonah and the Remaking of Ashanti* (Pan Macmillan, Johannesburg) was published in 2006.

Key role of media in Africa

A report on the role of the media in Africa was published earlier this year by the journalism and society think tank POLIS, a joint initiative between LSE and the London College of Communication. The report argues that the news media and journalists are the key to making development effective in Africa and to holding African politicians to account. It calls for the international community to do much more to promote the role of the media across the continent.

POLIS director Charlie Beckett said: ‘We are on the eve on something big in Africa thanks to the dedication of journalists and the enterprise of the public in using new technologies alongside the whole range of news media platforms.’



‘But if we want this news media growth to have good social and political consequences then now is the time to invest in media for development and governance. This report is an attempt to raise the issues, enthuse the experts and listen to the African practitioners.’

Development, Governance and the Media: the role of the media in building African society, edited by Charlie Beckett and Laura Kyrke-Smith, may be downloaded at www.lse.ac.uk/collections/polis/publications.htm The report was launched in June 2007 with a debate, now available as a podcast at www.lse.ac.uk/collections/polis/pastevents.htm

The Campaign for LSE

Focus on philanthropy

Supporting students from African nations

The support of alumni and friends is ensuring that students from the UK, EU and overseas can benefit from studying at the School, regardless of their financial situation.

As part of this continually developing programme of international student support, LSE now has a growing number of master’s scholarships dedicated to supporting students from African nations.



For many scholars, such as Nanfuka Kasule (LLM 2007) (pictured left), whose scholarship was as a result of a legacy gift by the late Margaret Bennett (LLB 1968), this kind of scholarship has had a life changing impact. ‘I

wanted to study at LSE for a long time. The day I learnt that I had won a scholarship was a special day and I will always refer to it as the major turning point in my life.

‘Scholarships give students like me such opportunity to realise our dreams. I can say that without this scholarship, I would still be dreaming; I now live my dreams and can’t imagine a life where I have no hope.’

Alumnus Firoz Lalji (BSc Economics 1969) has this year generously pledged \$1 million to the LSE Centennial Fund in the USA to establish an endowed scholarship which will support Ugandan students studying at LSE.

Firoz said, ‘LSE has had a great and positive impact on my life. This is my way of connecting my alma mater to Uganda, the country where I was born, and to see a steady flow of future leaders that in turn will benefit not only deserving students, but also Uganda’s development.’

ICAP Scholar Andrew Othieno (MSc Development Studies 2006) (pictured right) is also keen to highlight that scholarship support not only makes a difference to talented students, but can also be a long term investment in African nations. ‘My experience here at LSE has been more exuberant than I can honestly describe in just words. My actions in the near future will tell the story of how much I have gained from this institution. The investment of money and time was much more than a gift to one student. It was an investment in the future of my country.’

Scholarship support will continue to be vital in ensuring that LSE can offer talented students from across the world the opportunities and experiences that an LSE education provides.

For more information on supporting scholarships, please contact Gemma Wicks at g.wicks@lse.ac.uk or on +44 (0)20 7955 6370.

