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Structural adjustment, development “failure” and class “success”: a comparative analysis between Ghana and Argentina

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Abstract. This article critically evaluates the paradoxical outcomes of Structural Adjustment Programmes (SAPs) in the 1980s and 1990s. While widely deemed a failure for precipitating stagnant growth, rising poverty, and social unrest in developing nations, this study engages with Ruccio’s provocative thesis that SAPs were ultimately successful in reconstituting capitalist class relations. Employing a Marxist class analysis framework, this research conducts a comparative case study of Argentina and Ghana - two prominent subjects of SAPs. It specifically examines how reforms pertaining to privatisation, fiscal austerity, and market liberalisation altered class structures through indicators such as unemployment, wage shares, inequality, and property ownership. The analysis concludes that despite their developmental shortcomings, SAPs consistently facilitated a redistribution of power and income towards capital, thereby validating Ruccio’s claim that their core, if unstated, function was the reinforcement of a capitalist class process.

Keywords: Structural Adjustment Programmes, class analysis, neoliberalism, Argentina

1. Introduction

In the 1980s and 1990s, structural adjustment programmes (SAPs) became a central pillar of development policy, particularly in debt-ridden developing countries. These IMF- and World Bank-led programmes claimed to restore macroeconomic stability and growth by offering loans in exchange for fiscal austerity, privatisation, and market liberalisation. However, SAPs soon acquired a reputation as a 'failure’ in terms of development: many countries suffered from stagnant growth, rising poverty, and social unrest despite rigorous reforms [1]. For example, Ghana was hailed by the Bretton Woods institutions as a model for structural adjustment in Africa [2], but critics pointed to worsening inequality and persistent unemployment.

Ruccio offers a thought-provoking reinterpretation of these results: he argues that while SAPs failed to achieve broad development goals, they were 'successful’ in reinforcing capitalist class processes [3]. This article will test Ruccio’s claim by evaluating the case studies of Argentina and Ghana using his Marxist class analysis framework [4]. It will examine how the SAP reforms in each country affected class relations through changes in unemployment, wage shares, and inequality, as well as patterns of property ownership, and compare the results.

2. Theoretical framework

Ruccio’s argument builds on a Marxist understanding of class. In Marxist class analysis, class is defined not by income categories but by the processes of producing and appropriating surplus labour [4]. 'Capitalist class processes’ exist when capital owners employ workers, extract their surplus labour (embodied in profits), and distribute it. From this perspective, the success or failure of development policies should be determined by how they affect these class processes, specifically the degree of exploitation and the strength of the capitalist class.

However, class considerations are rarely mentioned in mainstream debates on stabilisation and adjustment policies. Neoclassical economists define policy success as improvements in macroeconomic indicators, such as low inflation, fiscal balance, and efficient resource allocation. In contrast, structuralist or Keynesian critics emphasise economic growth, employment expansion, and poverty reduction [3]. Both perspectives focus on what Ruccio calls 'non-class’ outcomes: price stability, output, and external balance. By the late 1980s, neither orthodox nor unorthodox policy approaches had consistently achieved these goals in developing countries, and the SAP was widely seen as a 'failure.’ However, Ruccio argues that the question should be asked differently: success for whom? [3] If the SAP is assessed from a class perspective, a very different conclusion emerges.

Policies that fail to cure inflation or reduce unemployment may still succeed in increasing the rate of exploitation, allowing capital to reap greater benefits from labour.

Under the SAP, governments cut social spending, lower wages, and promote the privatisation of state-owned enterprises, which often increase capital's extraction of surplus value. For example, reducing fiscal deficits typically involves cutting public sector employment and subsidies, which directly or indirectly reduce workers' incomes. Ruccio points out that the decline in real wages directly translates into higher rates of profit and higher rates of surplus value, which capitalists appropriate [3]. This is a 'failure' from the perspective of workers' living standards, but a success from the perspective of the bourgeoisie.

In Ruccio's words, when different policies - whether orthodox or unorthodox - 'collectively increase exploitation… and promote successful development on the part of the capitalist class,' then these non-class failures may be transformed into class successes even if their original objectives are not achieved. This class-based perspective also encompasses the privatisation and market deregulation policies that are typical of SAPs. By privatising economic structures, SAPs create new opportunities for capital accumulation and reinforce private capital's dominance over the economy. For example, the sale of state-owned enterprises and the reduction of government projects may be successful in class terms because these measures involve layoffs, thereby increasing capital's appropriation of the surplus. Chossudovsky similarly argues that structural adjustments in Africa and Latin America, aimed at opening up domestic resources to foreign investors, have exacerbated the hierarchical advantages of the global capitalist class [1]. Morton describes these neoliberal transformations as a 'passive revolution,' that is, social changes led by elites that consolidate or extend capitalist social relations without improving the welfare of the masses [5].

In summary, Marxist theorists believe that SAPs should be analysed on two levels: their impact on overall economic performance and their impact on class structure. The latter level reveals that, despite SAPs' failures in terms of development indicators, they often succeed in transferring value from labour to capital, thereby consolidating the capitalist mode of production in the countries where they are implemented [3].

3. Argentina case study

Argentina's structural adjustment experience in the 1990s vividly illustrates Ruccio's argument. In the late 1980s, Argentina was mired in hyperinflation and economic crisis. Between 1989 and 1991, then-President Carlos Menem, with the support of the International Monetary Fund, implemented a package of radical neoliberal reforms, including monetary reform, severe fiscal austerity, trade liberalisation, and large-scale privatisation of state-owned enterprises [1]. Judging by orthodox economic indicators, these measures achieved some 'successes': hyperinflation was quickly curbed after 1991 - inflation had exceeded 3,000% in 1989 and fell to single digits by around 1994; GDP rebounded strongly in the early stages of reform. By these standards, Argentina was briefly considered a reform success. However, poverty and inequality rapidly worsened, and following a brief period of prosperity, the economy again fell into trouble. From a class perspective, these reforms achieved another kind of success: a redistribution of income and power in favour of capital.

One of the most striking results was a surge in unemployment. As inefficient industries collapsed in the face of open competition, coupled with massive layoffs in the public sector, unemployment in urban Argentina rose from around 10% in 1991 to nearly 18% in 1995. By the eve of Argentina's financial collapse in 2001, the official unemployment rate had reached nearly 20% [6]. High unemployment and weakened union power placed downward pressure on real wages. In the 1990s, the share of national income allocated to workers in Argentina reached a historic low. It is estimated that neoliberal policies led to a decline in the share of labour compensation in GDP from about 45% in the 1970s to about one-third by the mid-2000s [7]. Accordingly, the rate of surplus value rose, and the share of profits accruing to domestic and foreign capital increased. Ruccio had already noted this effect in earlier stabilisation measures in Argentina: for example, the austerity policies of the military government in the late 1970s weakened real wages and unions, thereby reinforcing the class dynamics of capitalism despite industrial stagnation [3]. The reforms of the 1990s continued this trend, shifting the class balance of power further in favour of capital through more radical means.

Income inequality in Argentina widened significantly under structural adjustment. During the economic liberalisation of the 1990s, the technical skill premium expanded, and social wealth increasingly flowed to high-income groups. The Gini coefficient (a measure of inequality) fell after hyperinflation (because inflation eroded differences in financial assets) but then rose steadily throughout the decade. It rose from about 0.40 in 1991 to about 0.48 in 1998 and exceeded 0.50 during the 2001-2002 crisis [7]. In 2003, the Gini coefficient in the Greater Buenos Aires area was approximately 0.518, a significant increase from the level of around 0.32 in the 1970s. This reflects a significant change in income distribution towards the top. Indeed, the wealthiest 20% of households captured more than 53% of national income in the mid-2000s, while the bottom 20% saw their share halved [7]. In Ruccio's words, this 'failure' to achieve equal growth concealed a class-based 'success' - concentrated gains for capital owners and the wealthy [3].

Privatisation was the cornerstone of Argentina's SAP-style reforms, consolidating the interests of the capitalist class in various ways. Between 1990 and 1994, the Menem government sold dozens of large state-owned enterprises, including the state oil company (YPF), utilities, railways, airlines, and banks. Many of the assets were acquired by foreign companies, often at low prices. The immediate effect of this move was to transfer public wealth into private hands, creating a new class of private capitalists with monopoly control over sectors such as telecommunications, electricity, and oil. Reform advocates claimed that privatisation improved efficiency, but it also led to massive layoffs and rising consumer prices [1]. The social costs were borne by workers and communities, while corporate profits increased significantly. For example, following the privatisation of public utilities, corporate profit margins increased significantly, yet they laid off staff and reduced services to less developed regions. From a class perspective, privatisation 'freed' a portion of surplus value previously allocated to public services or workers' wages and redirected it to capital accumulation. In 1991, Ruccio predicted this outcome: reducing the state's role in the economy tends to increase the rate of exploitation because it subjects more of the economy to market rules [3]. In Argentina, the small elite created through the privatisation of state enterprises reaped enormous benefits and established themselves as the dominant capitalist class in the 1990s.

By the end of the 1990s, Argentina's experiment in neoliberal adjustment had ended in a dramatic collapse (the crisis of 2001–02), which is often seen as proof that the Structural Adjustment Programme (SAP) had 'failed.' The economy contracted by approximately 20%, half the population fell into poverty, and the political situation became unstable. Yet even this collapse reveals a class-based logic: the Argentine upper class largely shielded itself by moving assets overseas or holding them in dollars. In contrast, the incomes and savings of the middle and working classes were decimated. MacEwan points out that years of policies following IMF advice left Argentina highly indebted and vulnerable, but have also 'concentrated decision-making power in the hands of domestic and foreign financial interests' [6]. Thus, despite enormous economic costs, the bourgeoisie has been able to protect its interests through favourable debt arrangements, capital flight, and other means. Meanwhile, workers have borne most of the costs of adjustment.

4. Ghana case study

Ghana was one of the first countries to implement a structural adjustment programme. In 1983, following a severe economic recession, Ghana launched the Economic Recovery Programme (ERP), which largely followed the plans of international financial aid agencies. During the 1970s, the Ghanaian economy experienced an overvalued exchange rate, severe inflation, and declining output; by 1982, inflation had exceeded 100%, and shortages were acute. Supported by an international loan of over $6 billion, the SAP reforms were designed to stabilise and liberalise the Ghanaian economy [8]. Primary measures included a sharp devaluation of the currency, the removal of price controls and subsidies, downsizing of the public sector, and privatisation of state-owned enterprises.

Similar to Argentina, Ghana's adjustment was a macroeconomic 'success' by conventional standards. Inflation fell from an average annual rate of 73% in the 1970s to around 13% in the early 1990s. GDP growth turned from negative to positive, averaging around 5% per year throughout the 1980s and 1990s [9]. Investment as a share of GDP rose from under 4% in 1983 to around 16% in 1991. Traditional exports (gold, cocoa, timber) grew significantly as a result of currency devaluation and market incentives. By the mid-1990s, the IMF and World Bank frequently cited Ghana as the 'most successful embodiment' of structural adjustment in sub-Saharan Africa [2].

However, behind these impressive indicators lie profound social costs and class effects. One significant impact was massive unemployment in the formal sector. Cutting the bloated public sector was a core condition of the SAP: between 1985 and 1995, the government liquidated around 300 state-owned enterprises and drastically cut public sector employment [10]. During the first decade of adjustment, approximately 200,000 public servants lost their jobs [8], prompting a large-scale exodus of labour to the informal sector or unemployment. By 1991, formal wage employment accounted for less than 10% of the labour force, compared with roughly 24% in 1980 [11]. Unemployment rose as state-owned enterprises laid off employees and private enterprises closed down. According to statistics, the unemployment rate rose from about 10% in 1980 to over 20% in the early 1990s [8], particularly in urban areas, where youth unemployment soared. The collapse of formal employment also weakened trade unions, forcing most Ghanaians to make a living in small trade or subsistence agriculture, where incomes are meagre. From Ruccio's point of view, this 'failure' in employment is part of a 'success' in class terms: the labour force is disciplined, the large number of job seekers strengthens the domination of capital over labour, and wages are depressed, thereby increasing the rate of exploitation [3].

Ghana's income distribution also became more unequal during the structural adjustment period. Although the country made significant progress in reducing poverty by the early 2000s, the results were uneven, and inequality increased [12]. In 1992, Ghana's Gini coefficient was approximately 0.35; by the mid-2000s, it had exceeded 0.40; as of 2012, the coefficient was around 0.42, significantly higher than before the adjustment [12]. This trend indicates that the benefits of growth have primarily accrued to high-income groups, while rural smallholders and urban informal workers have only shared a small share of the gains.

Furthermore, the influx of foreign capital into Ghana's mining and resource sectors enriched multinational corporations and well-connected local elites but created limited direct employment opportunities and often led to the displacement of local communities. Ghana's adjustment has been characterised by economic growth that has not been accompanied by commensurate social equity - an outcome consistent with increased exploitation. From a class perspective, rising inequality suggests that capital owners and the wealthy are capturing a greater share of economic output.

Privatisation was another important aspect of Ghana’s Structural Adjustment Programme (SAP) that further reflects class dynamics. During the late 1980s and 1990s, the government sold hundreds of state-owned enterprises (SOEs) across sectors such as mining, banking, utilities, and manufacturing [10]. While this satisfied lenders and reduced fiscal burdens, it also turned many public monopolies into private (and sometimes foreign) property. For example, in the 1990s, Ghana’s largest gold mines were transferred from state ownership to multinational mining groups, such as AngloGold and Newmont. The result was a surge in gold production and export revenues, while the government offered investors substantial tax incentives, and a significant amount of mining profits flowed overseas.

As predicted by Ruccio’s framework, these initiatives are 'successful’ in a class sense when they expand capital’s capacity to extract surplus value (whether through layoffs, efficiency gains, or price increases). Ghana’s experience confirms this: the privatisation of the power company in the late 1990s led to staff reductions and higher electricity prices, which improved the company’s financial returns but increased the burden on consumers [11]. In short, Ghana’s structural adjustment programme yielded mixed economic results, yet it advanced the class interests of the bourgeoisie. After the SAP, Ghana achieved macroeconomic stability and returned to a growth trajectory, but unemployment, income inequality, and social vulnerability remained severe throughout the 1980s and 1990s.

5. Comparative discussion

Despite their regional and contextual differences, Argentina and Ghana share striking similarities in how SAPs reshaped class relations. Adjustment policies in both countries created a more favourable environment for capital accumulation, often at the expense of workers and individuals with low incomes. First, the impact on labour is comparable. SAPs led to a sharp rise in unemployment and informal employment in both Argentina and Ghana. In the mid-1990s, Argentina’s open unemployment rate was close to 20%, while Ghana’s formal unemployment rate, although difficult to measure accurately, roughly doubled, and formal employment almost entirely gave way to the informal sector [8]. This trend weakened the organised power of labour in both countries. Argentina’s once-strong union power during the Menem period declined significantly, and Ghana’s unions lost a large number of members due to the 'downsizing’ of the public sector. The result was a shift in the balance of class power: the bourgeoisie’s control over the labour process increased, and it faced less resistance in extracting surplus value. Both countries also experienced a decline in real wages and labour share during the adjustment period, as discussed above. Lower labour costs meant a higher share of profits, reflecting an increase in the degree of exploitation [3].

Furthermore, there are similarities in ownership structure changes. Both Argentina and Ghana undertook large-scale privatisation, transforming state assets into private assets (domestic or foreign), thereby expanding the class of capitalists who own the means of production. Chossudovsky points out that both countries have become more closely embedded in the global capitalist system: Argentina has become an 'emerging market’ in international finance, and Ghana as a liberalised primary product exporter - and the result of this has been to prioritise the interests of capital such as creditors, investors, and local elites, with less consideration for local social needs [1].

In terms of distributional outcomes, inequality increased in both countries. Income inequality in both countries rose significantly during and after the structural adjustment period, indicating that the benefits of growth primarily accrued to high-income groups. This pattern exists in two very different economies: one a semi-industrialised Latin American country, and the other a low-income African country, highlighting a fundamental point: SAPs tend to redistribute income and wealth upward. This is precisely what would be expected if they reinforced capitalist class processes: a larger share of the economic pie would be controlled by those who own capital. Ruccio’s assertion is supported by macro-level trends: what development economists consider policy failures (higher inequality, social hardship) can be understood as policy successes from the perspective of capital accumulation.

Despite these commonalities, Argentina and Ghana differ in degree. Argentina’s adjustment was more dramatic and radical, ending in a deep crisis; Ghana’s adjustment was more gradual and avoided collapse thanks to foreign aid and debt relief. Another difference is the composition of the capitalist class in the two countries: in Argentina, local capital groups play a significant role in banking, industry, and privatised services; in Ghana, the bourgeoisie is more dependent on foreign capital and comprador services, and local capital is relatively weak outside the business sector. However, in both cases, the policy trajectory consolidated a capitalist elite linked to global markets. The balance of power between labour and the state vis-à-vis capital has shifted against labour in both countries. The differences between the two countries are thus more about scale and context, while the core class dynamics are consistent with Ruccio’s argument.

From a comparative perspective, donors may label Ghana’s Structural Adjustment Programme (SAP) a 'success’ because it achieved modest growth and avoided crises, while Argentina is viewed as a failure because it experienced a collapse. However, from a class analysis perspective, both are successes in reproducing capitalism—arguably more robust in Ghana because the reforms have stood the test of time and become institutionalised. Argentina’s partial reversal of the neoliberal model after the

2002 crisis (the government adopted some heterodox policies, restored some social programmes, and re-nationalised some industries) reflected an intense public backlash and a temporary weakening of neoliberal ideology. In Ghana, on the other hand, the post-SAP policy framework remained largely market-oriented and did not fundamentally reverse the shift in class dynamics. In either case, the long-term legacy of the SAP era is the normalisation of policies that favour capital, such as low inflation, fiscal restraint, and openness as policy goals, and the exclusion of alternatives that prioritise labour or redistributive justice.

6. Conclusion

Ruccio's argument that the apparent failure of structural adjustment was, in fact, the result of the experiences of Argentina and Ghana powerfully demonstrates success in terms of class dynamics. In both cases, SAPs failed to bring about broadly shared development – the economy either stagnated or improved only modestly, while social inequality increased – but it did succeed in reinforcing capitalist class processes. Through austerity, liberalisation, and privatisation, these programmes increased rates of exploitation (i.e., a decline in the share of labour paid and a weakening of labour power). They greatly enhanced the position of domestic and foreign capital relative to workers and people with low incomes. On the surface, the 'failure' of SAPs on many development indicators concealed their 'success' in terms of capital accumulation and the expansion of capitalist class power [3]. The studies of Ghana and Argentina show that the failure of SAPs to achieve broad development was accompanied by a series of structural changes that favoured the development of capitalist class relations. In short, they helped to integrate these economies into the global capitalist order and strengthen the exploitative relations within it. As Ruccio warned, if we focus only on indicators such as growth or inflation and ignore class, we may swing between different policy options without realising that each 'failed' option quietly reinforces capitalist class relations [3].

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