ECONOMIC POLICY IN THE GOLD COAST

Introduction

Economic policy refers to the actions that governments take in the economic field. It covers the systems for setting interest rates and government budget as well as the labour market, national ownership, and many other areas of government interventions into the economy. A few examples of the kinds of economic policies that exist include:

- ✓ Macroeconomic stabilization policy
- ✓ Trade policy
- ✓ Policies designed to create economic growth
- ✓ Policies related to development economics
- ✓ Policies dealing with the redistribution of income, property and/or wealth
- ✓ Stabilization policy attempts to stimulate an economy out of recession or constrain the money supply to prevent excessive inflation.
- ✓ Fiscal policy uses government spending and taxes to guide the economy.
- ✓ Fiscal stance: The size of the deficit or surplus
- ✓ Tax policy: The taxes used to collect government income.

Monetary policy controls the value of currency by lowering the supply of money to control inflation and raising it to stimulate economic growth. It is concerned with the amount of money in circulation and, consequently, interest rates and inflation. Interest rates, if set by the Government Incomes policies and price controls that aim at imposing non-monetary controls on inflation. Fiscal policy uses government spending and taxes to guide the economy. Fiscal stance: The size of the deficit or surplus Tax policy: The tax used to collect government income. Policy are generally directed to achieve particular objectives, like targets for inflation, unemployment, or economic growth. Sometimes other objectives, like military spending or nationalization are important.

STABILIZATION POLICY

Stabilization policy is defined as a macroeconomic strategy enacted by governments and central banks to keep economic growth stable, along with price levels and unemployment. Ongoing stabilization policy includes monitoring the business cycle and adjusting benchmark interest rates to control aggregate demand in the economy. The goal is to avoid erratic changes in total output as measured by Gross Domestic Product (GDP) and large changes in inflation; stabilization of these factors generally leads to moderate changes in the employment rate as well. As economies become more complex and advanced, top economist believe that maintaining a steady price level and pace of growth is the key to long-term prosperity. When any of the afore mentioned variables become too volatile, there are unforeseen consequences and effects to the broad economy that keep markets from functioning at their optimum level of efficiency. As we have a Fairview about the meaning of stabilization policy, this study will now examine the stabilization policies in the Gold Coast which was mostly designed by the colonial masters.

Many of the economic and civil improvements in the gold coast in the early part of the 20th century have been attributed to Frederick Gordon Guggisberg, governor from 1919-1927. At the beginning of his governorship of the Gold Coast, Guggisberg presented a 10year development program to the legislative council. He suggested first the improvement of transportation. Then in order of priority, his prescribed improvements included water supply, drainage system, hydroelectric projects, public buildings, town improvements, schools, hospitals, communication lines, and other services.

Guggisberg also set a goal of filling half of the colonies technical positions with Africans as soon as they could be trained. British colonization in the Gold Coast was all embracing; it involved economic, social and political infrastructural development. Economically, cash crop farming and the mining boom of the last decade of the 19th century promised great economic opportunities. In 1890 and 1901, palm oil and palm kernels constituted 44% and 48% respectively of export revenue of the Gold Coast. From a modest export 80Ibs of cocoa beans worth 4 pounds in 1891, the Gold Coast became the world's number one producer of cocoa in 1911 with an output of 88.9 million Ibs worth 6million pounds. In that year, cocoa accounted for 46% of Gold Coast total value of exports. The country also experienced a "gold rush" in 1901 with an estimated 3,000 concersions taken up. The promise of prosperity held out by cocoa and minerals underscored the need for a good infrastructure of railway and roads. Between 1898 and 1901 the mining town of town of tarkwa was linked by a 41 miles railroad to sekondi. In 1902, the line was extended 168 miles to Kumasi. Construction of Accrra-Kumasi railway begun in 1905 was completed in 1923. The 3rd railway branch linking Kade a diamond mining center to Huni valley was completed in 1926. In terms of trade, early states in modern Ghana made every effort to participate in, or, if possible, to control trade with Europeans, who first arrived on the coast in the 15th century. These efforts in turn influenced state formation and development. Much are important to the evolution of these states, however, were their responses to pre- European patterns of trade. This was particularly true of commercial relations between the Akan states of southern Ghana and trading centers in the western Sudan. Competition among the traditional societies ultimately facilitated

British efforts to gain control of what Europeans called the “Gold Coast”. Traditional authorities who with their elders had hitherto exercised autonomous control over their territories, became agents of the British to colonial governments under the policy of indirect rule.

To sum up, it’s been noted that the Gold Coast was managed and stabilize by the European powers to a specific degree which created much avenues for jobs and wealth. In all, much credit is given to the British colonial administration of the Gold Coast for implementation of such policies for the stabilization of the economy of Gold Coast.

TRADING CONDITIONS OF THE GOLD COAST

1898-1919: The establishment and consolidation of the physical, social, and administration infrastructure of the colonial state

By 1920, there were about 250miles of track open in the colony. 1898-1904, Sekondi - Kumasi and 1909-1917 Accra-Kumasi. The most important item of government expenditure during this period was administration which accounted for about 40% of the total. The number of persons employed by the administration grew rapidly from 826-in 1900, 2176 in 1913 and 3324 in 1921. Construction of a railway system was the main economic activity of the colonial government during this period.

1920-1930: The ten year development programme

Colonial government diagnosed the weakness of the economy as being due to its heavy dependence on cocoa exports. The decision made was to increase its range of exports and safeguard the future of the cocoa trade by the provision of cheap transport facilities. The ten year plan: public expenditure of 24 million on projects on transportation and communications, water supply, drainage, electric power, maps, surveys and agriculture. Although actual expenditure under the 10year development programme only reached half the level of projected expenditure, the twenties were the period of relatively rapid growth. There was over dependence on Cocoa exports such that in 1923, 83% of our exports consisted of cocoa and the solution was for the establishment of a proposal to overcome the instability of the economy and this was by diversifying exports and safeguarding the future of the cocoa trade by the provision of cheap transport facilities. Transportation accounted for 75% of the actual expenditure and it was through that the colonial government had most influence on the pace and pattern of growth. Departure of Guggisburg saw the formal and premature ending of the 10year development programme in 1927.

1930-1945: Depression, retrenchment and war 1930-1945

During this period, there were massive criticism about the foreign trading community and particularly the Association of West African Merchant (AWAM) for which it established its prices, but its sharpest criticism was for the colonial government and between 1928 to 1931, the value of trade dropped by 60% causing a substantial fall in government revenue. The response of the colonial government was retrenchment and expenditure was cut back so sharply that from 1932, the government ran a budget surplus. Expenditure was reduced which amounted to a complete cessation of all government investment, which in the face of the maintained level of correct expenditure, had the effect of increasing the percentage expenditure on administration.

Year	Imports	Exports	Government revenue
1928	12,200	13,824	3,771
1929	10,082	12,677	3,389
1930	8,953	11,287	2,663
1931	4,813	9,300	2,278
1932	5,605	8,348	2,654

Source: Kay, (1972)

Year	Ordinary	Extra-ordinary	Development
1928	2,397	925	1,014
1929	2,598	1,109	81
1930	2,701	751	24
1931	2,501	123	0
1932	2,349	26	0

Source: Kay, (1972)

Expenditure reduction by government between 1928 to1932. Ordinary expenditure was maintained whiles the 45% reduction in total expenditure was achieved at the expense of extra- ordinary and development expenditure.

This resulted in the complete of all government investment, which in the face of the maintained level of correct expenditure, had the effect of increasing the percentage expenditure on administration. In the early 1930’s, administrative expenditure accounted for

41% of total government expenditure as compared to about 30% in the 1920's. Expenditure on infrastructure for the decade averaged about 27% of total expenditure as compared with 57% for the 1920's, the major fall coming with respect to railways and harbours where the amount of investment was negligible.

1945-1950: Riots and royal commission1945-1950

(Riots & Royal Commission) During this era there was massive colony-wide boycott as the people of Gold Coast protested against high import prices and high profit margins earned by expatriate importers in 1948. Watson commission argued that the economic situation in the colony was a reflection of conditions in the world economy at large and that such an explanation was "absolutely meaningless to the vast majority of the inhabitants of the Gold Coast". It criticised the foreign trading community and particularly the Association of West African Merchants (AWAM) for the manner in which it established it prices. Watson committee criticised the manner in which the colonial government coped with the situation that developed after the war. It criticised the government for declaring its neutrality in what it chose to treat as a purely trading dispute.

In 1948, government took positive steps to deal with the boycotts when a series of meetings between the chambers of commerce, Nii Bone committee and the chiefs, under the chairmanship of the colonial secretary was arranged. An agreement was reached whereby the gross overall profit margin to be changed by importers for cotton price goods other than those for which maximum prices were established, was to be reduced from 75% to 50% for a trial period of three months.

1950-1957: Terminal colonialism and the beginning of national development

Foreign capital had not previously been involved in the construction and operation of public utilities and this state of affairs was expected to continue but with the exception of this sector-Foreign capital should be freed to invest in any other form of new industrial enterprise. Gold Coast trade was an open and a strong advocate of regional co-operation and integration through the colony is perceived to be an agrarian type, heavy reliance on primary commodities for export earnings. Partnership developed during this era. Kwame Nkrumah considered local capital and enterprise inadequate to meet the development requirements of the colony. To encourage and assist local industrialists, the industrial development corporation was established in 1955 and this Committee was to investigate the possibilities of new industries which it would establish itself (subsidiary companies) or in conjunction with reputable firms and associations.

The corporation listed the types of industries that it would support; these were industries that were new to the country; were ancillary to the development plan; used local resources and offered opportunities for the training of the people of Gold Coast. The policy of Industrial Development Corporation remained fundamentally unchanged until it was disbanded in 1962.

AGRICULTURAL POLICIES IN GOLD COAST

Policies before 1472

This policies deal with the trade that took place before the transatlantic slave trade. There were no formalized agricultural policies during this period. One major policy was the land division policy. In the Land Division Policy, the lands and the sea were divided between the colonial officers and the people of Gold Coast.

Policies between the late 15th century and 1833

It refers to trade that took place during the Transatlantic Slave Trade. During this period, cereal food production became the order of the season as such foods were needed to feed the slaves during their stay in the dungeons and middle passage. E.g. maize, wheat and others. There was an increase in cereal crop productions such as maize and others that are needed to feed the slaves.

Policies from 1833-1957

Cash crop economy: the economy was made largely to depend on the large scale production of cash crops particularly cocoa Due to the large amount in the cocoa productions; the people developed the interest of producing cash crops rather than food crops

Farmers gradually abandoned the production of food crops was abandoned in the economy. Also, there was a barn on the locally manufactured food. Even when then colonial masters were not sorely determining what we should produce in the era.

This policy was aimed to turn the colony into an exporter of raw materials needed in the new world. Cocoa was introduced in 1890 and by 30 years later, its accounted for 80% of its exports. The introduction of poll tax ordinance moved a lot of people to the cash crop productions and thus neglecting the food crop productions. The people needed money to pay their taxes. The economies became dependent on the imported/manufactured foods.

Why cash crops production in the Gold Coast colony

To find work for the local people who were engaged in the slave trade after it had been abolished.

Also, the people needed money to pay for the taxes. The introduction of the poll tax ordinance also moved a lot of people to engage in cash crop productions to pay for the taxes imposed by the colonial government.

They want the colony to be an exporter of raw materials so that they will import manufactured goods into the colony of Gold Coast from their colonial masters.

The industrial machines in the colonial master’s country needed oil as lubricants.

GUGGISBERG POLICIES/ THE BUDGET OF 1921

Among some of the policies implemented by the governor of Gold Coast were;

Experimental farm policies: experimental farms were established in Takoradi and the northern territories of the country. He realised that there are more variety of crops that will do well in the colony. Crops such as palm oil, sisal, groundnut, shear butter, cotton, coffee etc. He made it clear in the budget that there are no tropical crop that would not thrive in the Gold Coast.

Communication policy and the provision of feeder road*:* To be able to carry the product of the economy to the harbour area and have the needed information about the goods produced in the markets accounted for these policies.

Diversification of the economy*:* is also a policy adopted by the governor at the time. The governor aimed to introduce more crops into the economy. The experimental crops needed to be tried in the farms.

An egg policy: was adopted during the budget reading in the 1921. This was aimed at providing money and creates/containers that the farmers will use in their farms.

Palm oil policy was also introduced*:* It was aimed to revive the old established oil industries by encouraging capitalist modern machinery for the extracting of the oil from its palm fruits.

He also negotiated with privates firms to begin exporting new products into the economy. The proposals by Liver Brothers to set up palm nut processing plant as a result of that. He also aimed at reviving the Agricultural Department. The agricultural department fails to provide its fundamental duties such as the needed information at the time to the farmers. Also, the farmers at the time were getting huge money from the cocoa productions at the time.

FINANCIAL POLICY

A financial policy of a state refers to the criteria describing choices regarding its debt / equity mix, currencies of denomination, maturity structure, methods of financing investment projects and hedging decisions with a goal of maximizing the value of the firm to some set of stockholders.

Financial policies during the pre-colonial era

It is important to note that during the Pre-colonial era, there was no define financial policy for the various countries that traded in the Gold Coast. The economy of the Gold Coast was subsistence, that is, an economy in which food crops are produced for the consumption of the family and not necessarily for sales in the market. However, with time, contact was established between the coastal dwellers and the interior inhabitants which led to an exchange economy. It is worth noting that the principal economic activity during this era was trade. Trade was carried on primarily by barter with commodity currencies such as cowry shells, iron rods, strips of cloth and gold dust being used for exchange.

Even though the Gold Coast was not under any central government, however, the political leadership of the people was in the hands of the chiefs. To ensure effective of states, the chiefs collected tax on the trade that went through their territories. The collection of taxes and the payment of tribute by vassal states was the main financial policy the authorities adopted to accrue funds for development. The Asante kingdom, from its nominal stage up to the nineteenth century is a typical example of such an economy. Further example could be cited from the fact that in some areas where gold was found, the indigenes were allowed to mine it but could only keep the gold dust and send the actual gold (bars) to the chief's palace for keeps.

Financial policy during the colonial era

The financial policy of the Gold Coast took shape when the British government resumed direct administration of faults and settlements .The colonial power (Britain) insisted that the money for development should be found locally. In order to obtain money to build road, schools and hospitals, the British government in the Gold Coast decided to levy a poll tax on the people in April 1852. Under the poll tax, every man, woman and children under British protectorate was to pay a tax of one shilling a year.

In 1890, foreign silver dollars and gold dust were demonetized. According to A. Boahen and A .Adjayi at the beginning of the 19th Century, there were no coins or currency notes and therefore no banks in the Gold Coast. However, the second half of the 19th Century saw the introduction of various overseas currencies. In 1901 for instance, Britain introduced special nickel coins of the denominations of 1d, 1/2d and 1s. In 1913, the Gold exchange standard for British West Africa issued **its** first British West African coins of the values 2s, 1s and 6d. Soon afterwards, banks were set up, the first of which; The Bank of West Africa formed in 1894 with a branch at Accra in 1897 followed by the Colonial Bank (now Barclays Bank) in 1917.

Before Independence

The colonial government of the Gold Coast kept on increasing the revenue accumulated every year. This was made possible by exercising the most rigid economy and by confiding the chief expenditure to those items which would ultimately bring in revenue. For instance in the year 1921,the government was able to tide the economy comfortably over fifteen months and still left with over one million as a reserve against one year.

By 1945 the Gold Coast emerge as one the biggest holders of reserves in the Sterling Area system with assets of a value which today would put Ghana in the position of an oil-exporting country. It was against this financial background of accumulated national savings that the colony was able to finance a university for itself as early as 1947, that is, university of Ghana.

TRANSPORTATION

Before the arrival of the Europeans on our coast there were transport routes. Transportation was normally along trade routes, which linked major trading centres. For example, there were trade routes that linked Cape Coast to the Assin state then to Kumasi

On transportation, the colonial government constructed harbours, railway, and roads to help increase the trade. With regard to harbours, the then governor constructed the Takoradi harbour, and improved accommodation and facilities for landing cargo in Accra. With regard to railways, Sekondi to Kumasi railway was constructed. Also Tafo to Kumasi railway line was constructed. The aim of these railways was to help to boast trade. Moreover, both tarred and unbarred roads were constructed in cocoa and oil palm areas to increase trade in the Gold coast. For instance, by the end of 1920s work department motor roads of 812 miles and 1,500 mile of chiefs' pioneer roads suitable for light Lorries open for traffic were constructed. For example Kumasi to Tamale and Accra to Takoradi were also constructed.

With regard to Kumasi-Tamale road, the public works department, assisted in the most admirable manner by pioneer company of the Gold Coast Regiment, initiated a road construction by completing over 140 miles of roads between to Tamale in five months ending in March 1920. The colonial government aim of constructing these roads was to help increase cash and food crops production.

CONCLUSION

Though the economic policies benefited the African or raised the living standards of some natives in the gold coast, yet it was not put in place for the purpose of benefiting the African but rather the colonial masters especially during the period of 1502-1956. So it can be deduced that the jeopardized economy of the country can be alluded to some of the selfish policies put in place to suit the colonial masters. And some of the policies we have today still benefit the colonial masters, due to the already laid foundations.