

STRUCTURE OF THE ECONOMY

Introduction

Economy simply refers to a system by which a country's trade, industry, and money are organised. In other words, the whole of a country's business, industry and trade, and the money that they produce constitute the economy. It is also seen as the systems in a country or region, comprising production, distribution or trade and consumption of limited goods and services in that country or region. In other words, the total sum of product and service transactions of value between two economic agents in a region, be it individuals, organisations or states defines the economy. Structure on the other hand is the way in which the parts of something are organised or arranged into a whole. Economic Structure therefore means the organisation or arrangement of the system by which a country's business, industry and trade as well as the money they produce. In other words, it is the way by which the economic systems of a country or region are organised. The structure of an economy comprises the characteristic features of and the interrelationships among its constituent parts and subsystems. These characteristic features and interrelationships typify the economy and give to it a style, an appearance and individuality of its own.

Ghana's economy now is a combination of command and market economic systems. Government controls or directs industry in need areas like education, utilities etc. Market forces control most consumer goods.

THE STRUCTURAL CHANGES OF THE GOLD COAST ECONOMY

Structure of the Gold Coast Economy was based on agriculture, barter trade, Neolithic civilizations, and early river valley civilizations.

Subsistence Economy

It is a non-monetary economy in which there was no use of currency as a medium of exchange either in the form of coin or paper. In this economy, people relied on natural resource to provide their needs. They produced to feed their families. There were cases of surpluses but it always was not the case because the main objective of subsistence farming was to produce to feed their family. There were techniques used under the subsistence economy and they include hunting and gathering, horticulture, artisan fishing and pastoralism. Hunting and gathering was when people use stones to kill animals and collecting foodstuffs to feed their group or family. Horticulture was much more developed than the previous system. Here, people engaged in domestication of animals and the crop adaptation. They engaged in farming on relatively small scale. With pastoralism, they used local means to rear animal usually moving them from place to place. There were two forms of pastoralism, which is transhumance and nomadism. Whereas transhumance is the movement of all the herds and their animals back and forth with climatic change, nomadism is the circular movement of herds and their animals in search of greener pasture.

There were some factors that eventually ushered the Gold Coast economy into barter system. As a result of inter personal relationship between different ethnic groups facilitated barter. Again, abundant surpluses people had after harvest and securing adequate food for their families encouraged them to exchange for other goods to meet other needs of the family. Following this, people began to specialise in other areas like craft industry (pottery, weaving, carving).

Exchange Economy

Exchange economy is an economic system or transaction where goods or services are transferred from the provider for a return of relative value from the receiver in a way that promotes the

economic interests of both parties involved in the transaction or exchange. Generally, we have two distinct forms of an exchange economy which are: domestic or internal exchange economy and long distance exchange economy.

Domestic or internal exchange economy

This economy involves the exchange of domestic goods and services within the boundaries of a shorter distance of about 0 to 15 kilometers such as the boundaries of a specific geographical location. Basically, the parties involved in this form of trade do not travel far in-order to transact their business, thus it does not involve the movement across a long distance but rather relatively short one, and the business is transacted between parties that are in a touching distance of one another.

Importance of domestic exchange economy

Internal exchange economy facilitates long distance trade. This is one of the important roles that internal trade plays in an economy in the sense that, at a point in time supply of goods will outweigh the demand and as such there will be the need to look for other means of exchange in-order to prevent spoilage and wastage. In this situation the players in internal exchange economy try to look outside for other means that will help facilitate the exchange of the goods and services that they have. The need to look elsewhere to achieve this becomes far greater when the means of production outweighs that of the demand for the goods and services that are available for exchange.

Another importance of domestic trade is that it allows the factors of production to reach the right places. This is because the major underlying idea of an exchange economy is to see goods and services transferred from one party to another and as such, production thus reaches those who

need it and in turn it grows the economy in the sense that, means of production does not stay at one place but rather, it is exchanged and thus reaches other areas of the said region.

Thirdly, internal exchange economy improves the standard of living as well as employment. As indicated earlier, the major concept of this economy is to see that goods and services are exchanged thus goods and services are not limited to just one particular place. This mode of exchange means that people are able to get goods and services from other parts in-order to improve their standard of living. In terms of employments, parties will need a means of transporting the goods to be exchanged should it be in a larger quantity to the other party involved thus creating an avenue for employment for the individual used as a means of transport.

Long distance trade exchange economy

On the other hand is the exchange of goods and services over relatively long distances. Unlike domestic or internal exchange economy, long distance trade is carried out mostly across different geographical settings which are very far from one another. It is also mostly done using trade routes while the means of transport also differs from that of internal trade. The use of camel (beast of burden) was very paramount because it could travel long distances without water and food, the flat nature of their feet allows them to travel on the desert sand without sinking and also because the beast of burden could carry a large amount of goods from one trading post to the other. This form of trade involves large quantities of goods such as salt, gold, diamond, silver, farm equipment and slaves. Just like domestic exchange economy, long distance economy has important roles that it plays.

Importance of long distance exchange economy

The first importance of this trade is that, it leads to multi-national co-operations. These co-operations are developed as a result of continual interactions between traders of different nations. This in turn leads to government of these countries forging bonds of mutual benefits. Example, the traders of the Asante Empire used to trade with the Mali Empire as a result of the long distance, thus the continuous trade relations between these two groups eventually led to national co-operations in times at war.

Secondly, it led to industrialization. It led to industrialization in the sense that, the trade between different nationals ultimately leads to the creation of wealth which is a pre-requisite of building ones economy which in-turn leads to massive industrialism. Such was the case of the Ashanti Empire. The empire traded in salt, slaves and other goods that, it amassed enormous wealth which made it become very powerful and industrialized in the 16th century. It is plausible then to say that, the Ashanti Empire used long distance trade as one of the means to become an industrialized kingdom.

Again, it led to the creation of other states. The nature and the distance that traders needed to cover to exchange their goods was so long that, it sometimes took them up to six months or even a year to reach their final destinations. This situation brought about the need to create temporary rest stops and a place to serve as a trading post. This led to the creations of states such as Gao, Timbuktu and Aoudaghost which played a major role in the development of this long distance trade. The settlements that were created by these traders later grew and embodied other settlement to become states on their own. It is very important to note that without the existence of long distance exchange economy, the probability of these states coming into existing would

have been very little if not at all; thus, the long distance exchange economy was very important in developing such states such as Gao, Timbuktu, Djenne and Aoudaghost.

Challenges of the Exchange Economy

The exchange economy began when the need arose for people to exchange what they had with commodities they needed but was not readily available to them. For instance during the Gold Coast era, the people of the interior exchanged foodstuffs such as yam, vegetables etc. for fish, salt and other commodities. The medium of exchange for the exchange economy was predominantly through the barter system where goods were exchanged for goods. The following are some setbacks of the exchange economy.

The double coincidence of wants was one threat that was posed to the exchange economy. With the double coincidence of wants it was only possible when two people desiring exchange of commodities had such commodities which were mutually needed by each other. For example, when a person needed five tubers of yam and was ready to exchange it with three fingers of plantain that he had, he needed to find someone who had five tubers of yam and willing to take the three fingers of plantain in exchange. In the absence of such conditions, there will be no exchange or transaction at all. During the exchange economy period, it was very difficult to find a person who had what you wanted and at the same time wanted what you had.

Further, the lack of a common measure of value was a major flaw of the exchange economy. There was no common benchmark to designate the prices of goods throughout the economy. In other words, there was no such commodity in lieu of which all commodities could be bought or sold. With the discovery of money, this difficulty has been totally eliminated. Measure of value or unit of account means money is functioning as a measuring unit of prices.

Again, the indivisibility of some commodities was a problem when it came to the exchange economy. It became very difficult to divide goods in exchange for other commodities since the value of the said commodity could not be determined, hence bringing about the inability to divide commodities according to the value is worth of. For instance, when a person had a goat and wanted to exchange it for a tuber of yam, he had no option but to offer his goat for just a tuber of yam. If the goat was to be divided it was going to be difficult to determine that part of it that is worth a tuber of yam.

More also, the perishability of some commodities caused a major setback to the exchange economy. Goods which could not be kept for a longer period of time got bad before a prospective person who wanted and had what the other party wanted were found. Such perishable items included vegetables, fishes, meat, cassava etc.

In addition, although some people could keep wealth in the form of having large farms or keeping livestock the accumulation of wealth was very difficult in the exchange economy due to the perishable nature of some commodities. Unlike the mercantilist theory where a person's wealth was determined by the quantity of precious minerals in one's possession, the perishable nature of some commodities did not allow for that in the exchange economy. Due to this difficulty, the accumulation of wealth was very difficult and without the accumulation of capital in the form of commodities, economic progress could not be made. It is because of this reason that as long as barter system continued, significant progress was not made in the world anywhere.

Furthermore, the immobility of some commodities hindered the progress of the exchange economy. Due to the nature of these immobile commodities, it could not be carried in search of a prospective person who was willing to exchange his goods for such a commodity. This meant

that people with immobile assets could not easily engage in transactions in the exchange economy. For instance properties like lands, houses and farms could not be easily exchanged for other commodities due to their immobility.

Money/Cash Economy

From the above discussion, it is logical for one to make a judicious conclusion that it was perhaps, the challenges that plagued the exchange economy which eventually plunged the Gold Coast into an economy where financial transactions were carried out in commodity money or cash rather than via direct exchange of goods for goods. Cash or money economy therefore, is an economy in which the values of economic activities of a given region are measured by a particular currency during a specific era. In a précis, it is the economy where the value of exchange is solely determined by a given currency of a place over a period of time. It includes banking products like cheque, money order, and digital banking which also promotes e-transactions.

The economy as we have now is characterized by cash economy coupled with vestige of barter system and subsistence. The evidence is pronounced on the fact that some farmers in the rural areas still practice subsistence farming and will only sell some of their farm produce so as to meet other needs. For instance, a farmer would sell few tubers of cassava when he could not bring home some game. The exchange of fish and other shellfish for farm produce like maize and cassava between the coastal dwellers and the inland people in the Komenda state epitomizes barter system. This only happens during the period of bumper harvest both in fishing and farming in the Komenda state. However, the economy has been cash-based since the introduction of money. The Gold Coast economy mainly relied on barter until it gradually faded with the

growth of gold nuggets and dust to prominence and the coming of cowry shells the 13th century through to the late 19th century.

Commodity Money

The Ghana Cedi as the currency we have now was derived from the local name of cowry, 'sedie.' Mention should be made that cash economy has witnessed the introduction of series of items of money. They include cowry, gold, gold dust, coins and paper notes. The fact should be established that, banking in the Gold Coast was a later development. System of banking also brought about cheque, credit cards, whilst e-banking allows for online transactions.

Cowry Shell

Cowry is believed to be the first universal money and has lasted longer than any other in human history. History has it that it originated and circulated in China (7th century BC), India (Afghanistan, Pakistan, Bengal, Orissa), Southeast Asia (Thailand, Vietnam, Laos), Arabia and was later introduced into Africa during the 15th century. Thus, huge amounts of Maldivian cowries were introduced into Africa by Western Europeans during the period of the Trans-Atlantic Slave Trade. In other words, along with the guns, Schnapps and wax prints, came the cowry. As the Gold Coast was a hub of the Slave Trade a lot of cowry cash was injected into the local economy. As an item used for currency the choice of cowry was a sound one.

It also possesses additional features that make it valuable; it can be used for decoration, charm, divination, and in games. The substance is very durable and can last nearly forever. The cowry is also easy to recognize, easy to carry and easy to count up. The cowry is definitely not easy to counterfeit.

Nonetheless, there were predicaments that militated against the usage of cowry as a medium of exchange in the Gold Coast. Counting of cowries became a very time consuming matter. Another setback of cowry was the cost of keeping and transporting them in large quantities. It easily encouraged inflation.

Coins

Before the formal introduction of colonial coins and paper money in British West Africa (Ghana, Gambia, Sierra Leone and Nigeria) in the first quarter of the 20th century, Africans had their own currencies including cowries, gold nuggets and dust, iron rods and manilas. However, the aforementioned demerits of cowries as currency with other factors led to the use of coins. First, colonial officials and their business counterparts contended that the most widely circulating medium of exchange in British West Africa was United Kingdom silver coinage. The UK silver coins and the cowries were concurrent currencies until the UK coins became predominant in the said region in the 18th and the early 20th centuries. Moreover, a wide range of legal tender foreign currencies that European traders brought were in circulation in British West Africa. To aggravate it, some indigenous people inland were so conservative that barter trade and traditional currencies prevailed as facet of their trade. In the Gold Coast Colony for instance, while coin (UK and other European coins) dominated the urban areas, cowry shells enjoyed widespread usage in more remote areas. It must be understood that other European coins were in use but in fragments before the official introduction of British coinage and its widespread usage in the 20th century.

It was to alleviate the above canker that the British established two private banks, African Banking Corporation (1892) and the Bank for British West Africa (1894) in Nigeria to enhance the importation or supply of British coins to the British colonies. Other branches of BBWA were

opened in Gold Coast, Gambia, and Sierra Leone. Though local people and merchants' resentment and contestation inhibited the introduction of the new monetary order, by 1913, the British coins had been issued under the auspices of the West African Currency Board (WACB) set up in 1912. The WACB's work was largely dependent on the report presented by West African Currency Committee commissioned by Rt. Hon. Lewis Harcourt, M. P., Secretary of State for the colonies.

Factors that led to the use of paper currency

A year after the issuance of the British currency in the Gold Coast in 1913 followed the World War I during which the WACB was faced with currency administration in Gold Coast. The high expense of sending the Gold Coast regiment expedition to fight on Britain's behalf in East Africa led to cut down in the currency supply to Gold Coast. The indigenous people tended to melt coins for jewelry-making, hoard coins and were reluctant to save their money at the banks. To find a long lasting panacea to the coin shortage WACB issued paper money in September 1920. Nonetheless, the tropical climate made paper easy to deteriorate, susceptible to fire and consumption by white ants or termites. Unlike the coin, the native population could not easily carry around paper money with their typical 'pocket-less' attire. Despite these detrimental factors, the British paper currency came to be widely accepted as a legal tender until Dr. Kwame Nkrumah sought to establish the Ghana pound in 1958 and, the cedi and pesewa currency in 1965. He embellished them with national symbols. Other denominations of the cedi and pesewa have been issued by presidents like J. J. Rawlings, J. A. Kufour and J. E. A. Mills.

Merits of the cash economy

- It encourages the accumulation of wealth
- It has solved the challenges of barter system
- It has enhanced the easy accessibility of goods and services.

Demerits of the cash economy

- It usually leads to unnecessary inflations in the economy.
- It is common to counterfeit currency.
- Cash economy breeds fraudsters (fraudulence).
- There are perplexities surrounding the accessibility of especially, the banking system.

The cashless economy

It is an economy without physical cash, it uses digital money instead, and transactions are made easily. It can also be said to be an economy, where the purchase of goods and services and the payment of debts and remittances are done through electronic media (direct transfer from one account to the other, smart cards, visa cards, and mobile payment system). In the past, there was a cashless economy based mainly on barter and then evolved to the use of cash and now we are experiencing another cashless economy but different to the barter system. In the United States for instance, majority of the population uses cards and about 29% uses physical cash.

Ghana as a developing country in West Africa has taken the initiative to introduce a system where business can be done without using physical cash. Bank of Ghana, the regulator of the banking industry through Ghana Interbank Payment and Settlement System (GHIPSS) introduced e-zwich card, where Ghanaians feel comfortable in using the card to transact business rather than physical cash. Despite several efforts to educate the people about the use of this card,

it did not go well with the people. There are however some common cards that can be identified in Ghana and they include the “Sika” card by SSB, Visa Horizon by Standard chartered Bank, and ATM cards by banks e card (CAL Bank, Ecobank) and the NHIS card.

One area in which stakeholders in the financial sector and for that matter the central bank have not done well at all is the Mobile Money Payment Platform. Kenya is a perfect example where over 80 percent of the people use M-PESA mobile money transfer. They use this platform in transaction of business rather than the use of physical cash. Mobile payment is defined as chain of payments that are initiated through mobile handsets and other devices, either to directly purchase or to authorize payment for goods and services.

Merits of the cashless economy

There are several benefits associated with this system which among others include, the reduction in the cost of printing currency notes and the cost in transporting money from where they are usually printed (Switzerland) to the home country and also reduces cost in transporting money along the value chain from the central bank to the banks and consumers.

The system also reduces the risk associated with transporting currency notes, both for the banks and individuals (robbery, loss from fire or floods, etc.). survey conducted by MTN Ghana office, indicates that 4 in 10 Ghanaians carrying cash more risky; 6 in 10 during travel and 1 in 10 Ghanaians using the informal services had their monies stolen.

The use of this platform formalizing informal transactions; transparency helps to combat crime and corruption; record keeping reduces room for tax avoidance; increase service option for consumers- accessibility.

Demerits of the cashless economy

- There are also challenges of this system and among them include how to finance this investment. The managing Director of Ghana Commercial Bank (GCB), Mr. Simon Dornoo said the country will need about 290,000 Point of Sale (POS) terminals, valued at US\$145million to push the country into the arena of a cashless economy.
- Mr. Ebenezer Asante, MTN Sales and Distribution executive, identified some challenges including policy and infrastructure. He said the country need clear policies in place that would allow us to follow a structured advance towards achieving the full benefits of a cashless economy, including a national policy that encourages more electronic-based transactions, while discouraging physical cash usage and circulation.
- The idea of infrastructure according to him has to do with the expansion of our infrastructural system so that everyone-retailer, service provider, consumer or business can have the option to transact electronically regardless of location, or even time. There must be adequate technology coverage, energy availability for consistent connectivity and reduced downtime.

NB: When we consider the history of money, we realize that, what we have today is the result of many years of innovation; innovations that have been in response to the changing needs of mankind and comparing centuries ago and now, technology now offers us the opportunity to go back to a cashless economy, but a more efficient one that is not based on barter and gift economics, but allows us fast, safe and convenient transactions. We carry our mobile phone around and we can easily use them for transactions.

Similarities between Gold Coast and Ghana's Economies

Due to technological advancement and rapid human growth in population, few similarities exist between Gold Coast economy and present day Ghana

Long distance trade: From the pre-colonial to post-colonial period, Ghana has engaged in the long distance trade with her neighboring countries and across the globe in exchange of goods or commodities. Moreover, the various political and economic ideologies like capitalism and socialism adopted by Ghana have aided her to trade beyond her country in what is termed as international trade.

Medium of exchange (currency): Currency means circulation in the most specific use of the word refers to money in any form use as a medium of exchange. From the 1884 to the present day Ghana, the coins and paper notes have been adopted as a medium of exchange for goods and payment of services. The coins and paper notes have made transaction of business easier and portable.

Cash crop/ Raw materials production and exportation: Production and exportation of cash crops and raw materials is one of the major activities in both Gold Coast and Ghana's economy. From the Gold Coast era to current Ghana's economy, Ghana has been a major exporter of raw materials and producer of cash crops. At the time of Ghana's independence it was the world's leading exporter of cocoa. Known for its gold, Ghana was the world's seventh largest producer of gold in 2012 and ranked second largest producer of gold in African behind South Africa. Also, it is the second producer of cocoa in the world. It also produces and exports other minerals like diamonds, bauxite, manganese and a flourishing trade in mahogany. The introduction of cash crops in gold coast economy took a lot of people away from the production of food crops to the production of cash crops to acquire wealth which still persist in our modern times.

Difference between the economy of the Gold Coast and that of modern Ghana

There have been some major changes in the economy of the Gold Coast as compared to that of modern Ghana after gaining its independence. Due to these changes that have occurred, there is the need to take a critical look in comparing the Gold Coast economy to that of modern Ghana. The information below provides some of the features or differences between the economy of the Gold Coast and that of modern Ghana.

Firstly, a major feature of the Gold Coast economy is that, the economy was subsistence base. This is because during that period, production of goods was to feed once family and not for the market. For instance, a person will produce crops with the aim of getting food to feed his or her family but does not think of producing the crops to sell to gain profit. On the other hand, the economy of modern Ghana is now market base. The economy is a market based because now people produce goods to sell in the market in order to make profit than producing to feed their family. So a difference between the economy of Gold Coast and that of modern Ghana is that, while Gold Coast was subsistence base, modern Ghana is a market as well as little subsistence base economy.

Secondly, the economy of the Gold Coast was labour intensive. This refers to the situation whereby goods were produced with human effort. This was a major characteristic of the economy. For instance, in farming the farmer uses his or her energy with the help of the cutlass to clear the land for farming purposes but in modern Ghana, the economy is relatively capital intensive. A situation where machines are used in the production goods with less human effort. For example, planters and harvesters are used for farming purposes but were rarely used during the Gold Coast period. While the Gold Coast economy was labour intensive, modern Ghana is relatively capital intensive.

Lastly, low level of technology was a feature of the Gold Coast economy. The technological level during that period was low that there were no scientific ways in which goods were produced. With that of the economy of modern Ghana, there is relatively higher level of technology. Due to this, irrigation facilities have been invented in other to make farmers less dependent on rain for their crops. So with the economy of the Gold Coast technological level was low as compared to that of modern Ghana economy.

The economy has been crippled by the following factors:

Internal factors that has crippled the economy

- *Poor leadership*: self- aggrandizement, corruption, visionless. There have been series of Act of Parliament passed to protect foreign investments in this country. Our aim is to make foreign investors feel that Ghana is a good place to invest because investments are safe and profitable, and the profits can be taken out of the country without difficulty.
- *Mismanagement of resources*: emphasis on commerce instead of production, conflicts, social unrests and political instability are all responsible for the unsuccessful state of the cashless economy.
- *Excessive dependence of Ghana on external financing and donor support*: this also constrains growth. The execution of national budget is usually substantially dependent on aid inflows for which a country may not have full control over the amount and timing of disbursement.

External factors that has crippled the economy

- *Unequal trade relations*: example is the exportation of raw materials and importation of manufactured or finished goods

- *Unfavourable market forces*: Example is the European Union and Ghana's banana industry and international monopolies.
- *World Bank / I.M.F programs*: Example is the granting of loans with conditions attached to the use of the loans and repayment of it.

Conclusion

In the evolution of Gold Coast economy, one realizes that it began from subsistence through barter to the cash and cashless economy. Among these economies, cash economy has been the most promising and long lasting one. It has been able to eradicate many complexities associated with economic activities in Ghana. It has introduced e-banking which promotes e-transactions to enhance international economic cooperation and corporation. With this, people can transact without necessarily holding physical cash.