# THE ECONOMIC DEVELOPMENT OF THE GOLD COAST (GHANA)

A Dissertation Submitted

by

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For the Degree of Bachelor of Philosophy

of the University of St.Andrews.



March, 1960

(Duplicate)

## CERTIFICATE

I certify that during more than twelve months Mr.Neil Hope has devoted his whole time to the study of the Economic Development of the Gold Coast (Ghana) to my satisfaction as his duly-appointed Adviser; that he has fulfilled the relevant conditions of Ordinances 50 and 61; and that he is qualified to submit the accompanying dissertation for the Degree of Bachelor of Philosophy.

.21. March, 1960.

ADVISER
Professor of Political Economy.

## DECLARATION

I hereby declare that the following dissertation has been composed by me, and that it has not been presented in any previous application for a Degree.

.21. March, 1960.

## STATEMENT OF QUALIFICATIONS

In 1940 I completed four sessions of study for the Degree of Master of Arts of the University of St.Andrews, with Honours in Economics and Political Science, but was unable to sit the final examinations and was awarded the Ordinary Degree.

In 1941 I was appointed to H.M.Colonial Administrative Service and from 1942 to 1958 I served as an Administrative Officer in the Gold Coast (Ghana).

I was admitted as a Research Student under Ordinances 50 and 61 as from 7th October, 1958, under the supervision of Professor Nisbet.

# C O N T E N T S

# PREFATORY NOTE

No complete economic history of the Gold Coast has been published so far, and such attention as the subject has received tends to be inadequate or partial. This dissertation cannot claim to fill the gap: it is a preliminary study only, designed to bring into perspective the main factors in economic development which has taken place hitherto and to examine the prospects for its continuance. Theoretical analysis of under-developed countries is still impaired by a paucity of information, which case studies can help to remedy, and the investigation of African economies is particularly necessary at the present time.

Some knowledge of the geography and early history of the Gold Coast is essential to an understanding of its more recent development: these are outlined in an introductory chapter and supplemented by the discussion of theoretical issues in Chapter 2. Consideration of the current phase of development begins in Chapter 3, which deals with war-time changes, and continues in Chapter 4 with a study of population questions. Chapter 5 reviews development since the war and contains the main body of the dissertation. A concluding chapter is both retrospective and tentatively prognostic.

Each chapter is prefaced by a table of contents and followed (where necessary) by an appendix and a list of notes and references. New series of diagram and table numbers begin in each chapter, and the numbers identifying tables in appendices are prefixed with the letter 'A'.

"<u>The means of increasing the trade of this country, and of every other country on the coast, obviously consists in opening a free intercourse with the interior, in introducing an improved system of agriculture, and the arts of civilised life; in enlarging their knowledge, and exciting their industry; and, above all, in establishing such a government and police, as will secure them in the enjoyment of what they may acquire by exertion.</u>"

(From "<u>An Account of the Gold Coast of Africa</u>" (1812), by <u>Henry Meredith</u>, Governor of Winneba, whose murder by Fantis there in 1812 was the culmination of a series of attacks on the British following the abolition of the slave trade.)

# CHAPTER 1

## INTRODUCTION : GEOGRAPHY AND HISTORY

( Chapter 1 )

DIAGRAMS



TABLES

DIAGRAM 1

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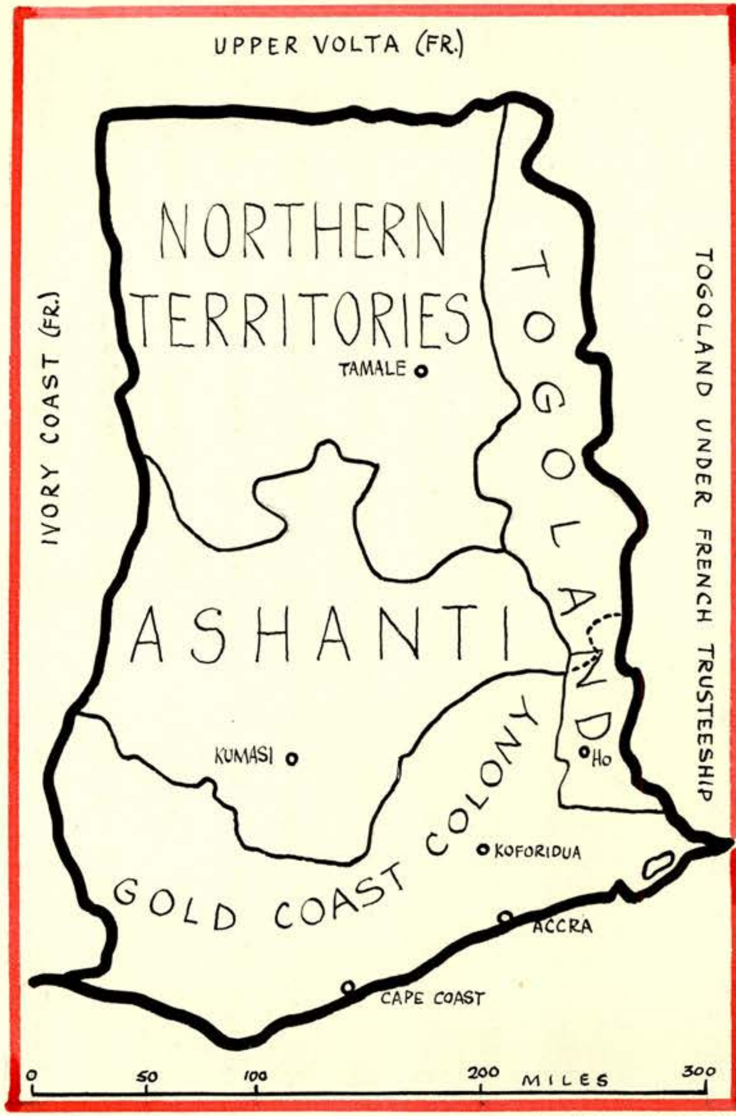
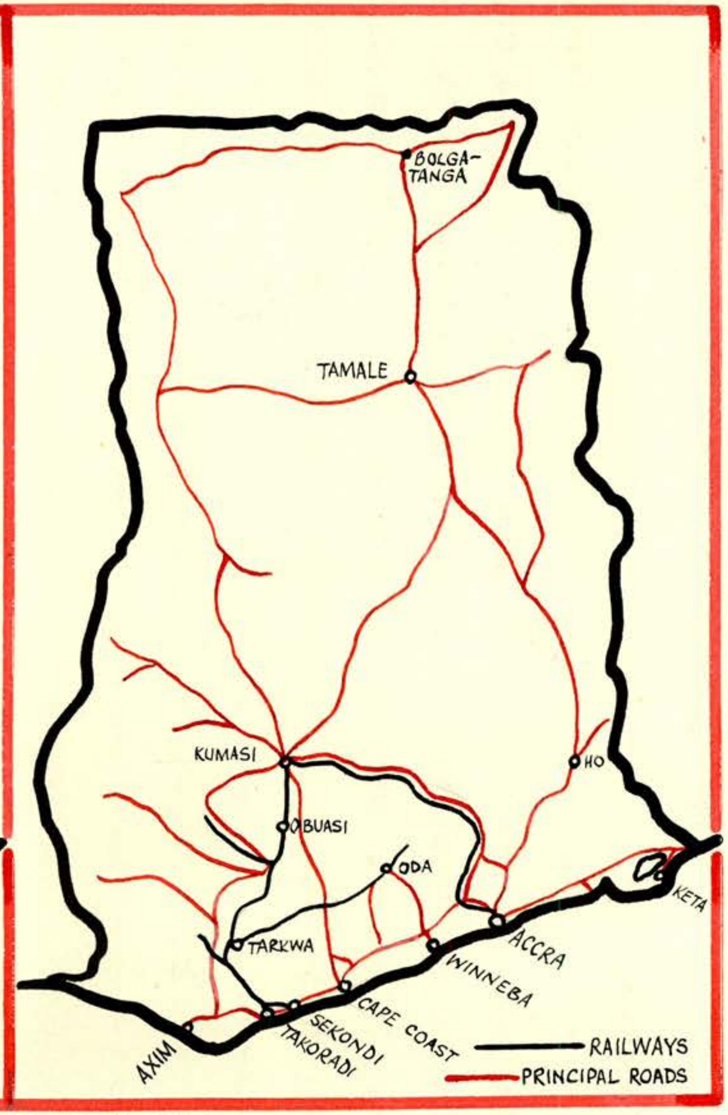
DIAGRAM 1 :

# THE GOLD COAST
(1950)

## ADMINISTRATION




## COMMUNICATIONS




SOURCE : G. C. ATLAS ; ANNUAL REPORTS.

## INTRODUCTION : GEOGRAPHY AND HISTORY.[1]

### ADMINISTRATION.

On 6th March, 1957, the colony of the Gold Coast, together with Togoland under United Kingdom Trusteeship, attained independence and dominion status within the British Commonwealth, under the name of "Ghana". The name of the new state recalls the powerful negro empire in the region of the middle Niger which reached its zenith about 1000 A.D. and whose capital stood about 250 miles west of Timbuktu. Since the present study is concerned mainly with the economic development of the country in the years before 1957, it will be referred to throughout as "the Gold Coast" unless the context requires otherwise.

The Gold Coast lies between the longitudes of 1°14' East and 3°7' West, and the latitudes of 4°45' North and 11°10' North. Its coastline stretches for 334 miles along the Gulf of Guinea and it reaches northwards for about 400 miles. On the west and north it adjoins French colonies; on the east, Togoland under French Trusteeship. Its total area is 91,843 square miles, which is slightly larger than the area of Great Britain, and its frontiers, the artificial result of political arrangements, do not represent ethnic or geographical divisions. At the time of achieving independence, the Gold Coast comprised the Gold Coast Colony, the Colony of Ashanti, the protectorate of the Northern Territories, and Togoland under United Kingdom Trusteeship. The last-named was a narrow strip of the former German colony of Togo, mandated in 1919 and placed under trusteeship by the United Nations in 1946. Its northern section was administered with the Northern Territories; its southern section with the Gold Coast Colony. (See Diagram 1.)

As a Crown Colony, the country was administered by a Governor responsible to the Secretary of State for the Colonies. He was assisted by an Executive Council and there was a Legislative Council for the Colony and Ashanti, which first had an elected majority in 1946. A series of constitutional amendments prepared the way for the granting of full independence in 1957, and the Ghana National Assembly now legislates for the whole country. All of its 104 members are elected directly by universal adult suffrage. The Government, which is based on the British ministerial system, is in the hands of the Convention People's Party, under the leadership of Dr.Kwame Nkrumah.

GEOGRAPHY.

Generally speaking, the vegetation zones in West Africa run parallel with the coast and correspond with the rainfall, which decreases as one goes inland. In the Gold Coast, the pattern is rather less simple, but its climatic-vegetation regions are nevertheless well marked and each produces a characteristic human response. (See Diagram 2.) The coastal plain, mainly grassland in the east and drier there than in the west, gives way to equatorial forest on higher ground to the north, which in turn merges into open scrub or "orchard bush" country, and finally to savannah. The whole of the forest area is well watered by small rivers and

DIAGRAM 2

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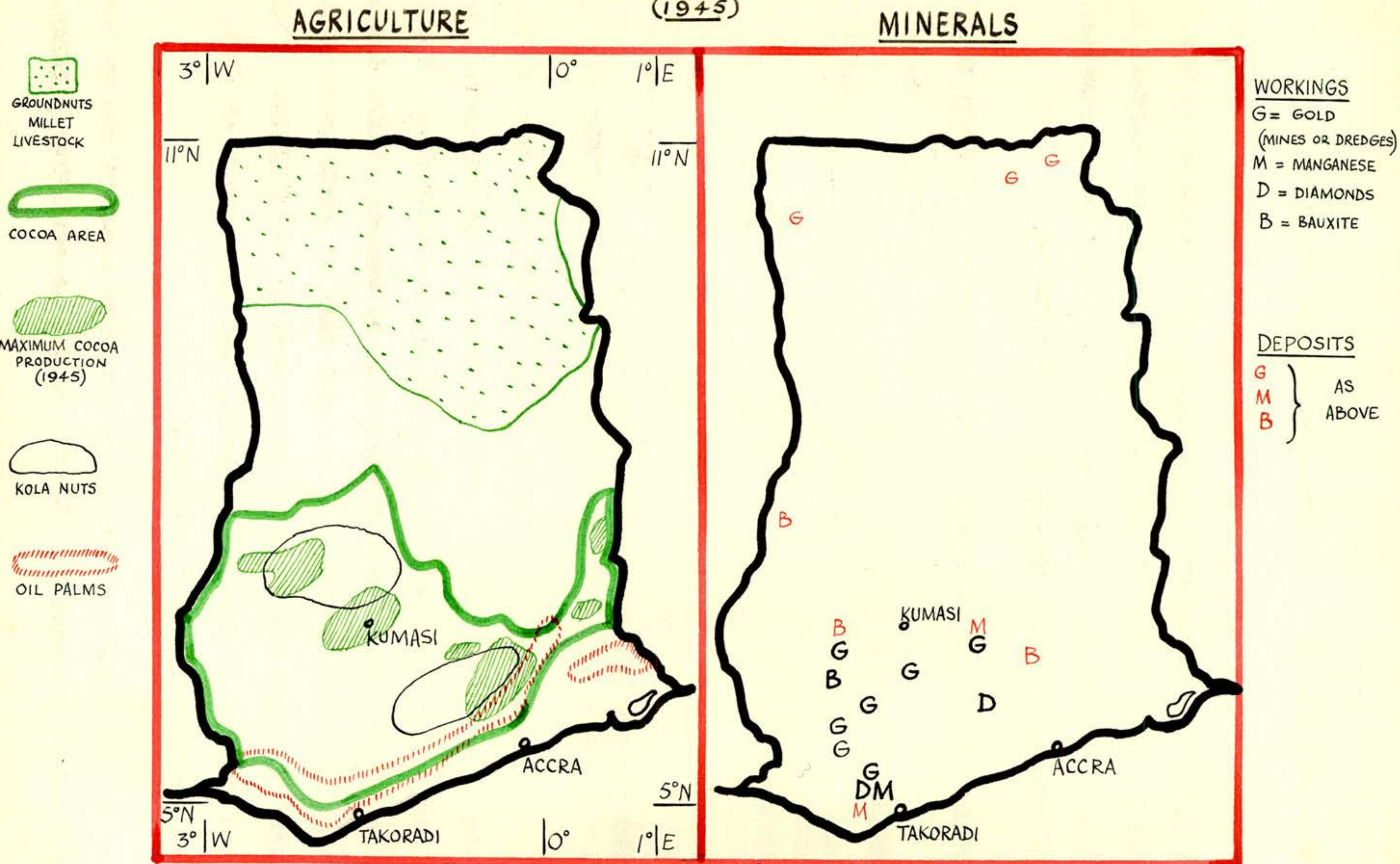
DIAGRAM 2 :

# THE GOLD COAST
(1945)




SOURCE : G.C. ATLAS (MUCH SIMPLIFIED).

streams and most of it is ideal for cocoa-cultivation.

The climate is tropical - warm and dry on the coastal plain, warm and wet in the south-west corner, warm and moist in the forest belt, hot and dry in the north - and there are seasonal variations of rainfall. Table 1 below indicates the climatic variations between selected meteorological stations.

Table 1 : Gold Coast Rainfall, Temperatures and Relative Humidity.

| Station | Mean Yearly Rainfall. Inches. | Mean Max. Temp. °F | Mean Min. Temp. °F | Mean Rel. Humidity. (noon GMT.) |
|---|---|---|---|---|
| Accra | 29 | 86 | 73 | 68 |
| Axim | 84 | 85 | 74 | 78 |
| Kumasi | 59 | 86 | 70 | 71 |
| Tamale | 43 | 92 | 72 | 53 |
| Ho | 56 | 89 | 72 | 64 |

Source : Ghana Handbook of Commerce & Industry, 1957.
Note : Rainfall and temperature figures have been rounded.

Nearly all of the country is less than 1,000 feet above sea-level, and there are no notable mountains or highlands. Except for their lower reaches, the main rivers (of which the Volta is by far the largest) are navigable only by canoes. There are no natural harbours and although a great deal of trade still passes through the open roadstead at Accra most of the shipping is handle by the artificial port at Takoradi. The new harbour at Tema, near Accra, is approaching completion.

The main gold, manganese and bauxite workings are in the area between Takoradi and Kumasi, as may be seen from Diagram 2, and there are a number of deposits which are not being worked at present. Diagram 1 shows the extent of the government railway-system and the locations of the principal roads, most of which have not yet been tarred. "Population and Resources" are discussed at length in Chapter 4.

HISTORY : THE SLAVE TRADE.

The history of the Gold Coast from its first known contacts with Europeans falls into three fairly well-defined periods, each of which, from an economic point of view, may be said to have prepared the way for the next :-

(1) Early European Contacts & the Slave Trade - 1471 to 1807

(2) The Traders' Period - 1807 to 1870; and

(3) Colonial Expansion and Development - 1870 onwards.

The earliest authenticated visit was made by Portuguese navigators in 1471, and eleven years later their compatriots established a fort at Elmina which became the West African headquarters for the Portuguese trade in gold and slaves. Other nations followed, and during the 17th Century British, Dutch, Swedish, Danish and Prussian forts or "lodges" were built along the coast on land rented from native chiefs. Alluvial gold was at first the main attraction, together with pepper and ivory, but in the 18th Century the slave trade became overwhelmingly important. By 1850 only British, Dutch and Danish interests remained.

These forts were not managed and controlled by governments, but by companies of merchants. European influence extended little further than the range of their guns, and their garrisons had no direct knowledge of the interior of the country. Coastal tribes served as intermediaries in trade, and many early writers express grudging admiration for their hard bargaining and acuity both as buyers and as sellers. Some chiefs even exacted a rudimentary form of Customs duty.

At this time, the warlike Ashanti tribe and the thick forest belt which they inhabited imposed a formidable barrier to communications. Ancient trade routes to North Africa and Egypt, the Muslim influence and its written literature, and the use of horses and camels promoted among the northern peoples a manner of life and economic organization quite different from that in the south. These differences have persisted up to the present day.

The story of the abolition of the slave trade has often been told. When the British government declared it illegal in 1807 and began the long campaign of suppression, this was far from popular among the African merchants and the Ashantis and other tribes who had found it very lucrative. "The slave trade was the main export trade of the Gold Coast. There existed a vast organization of wholesale dealers, brokers, depots for the collection of slaves. The slave trade, like the cocoa trade of today, was a trade in which the small man could share. The purchasing power of the people depended on it. .... Not only European fortunes, but African fortunes, were founded on the slave trade."[2]

From the point of view of economic development, therefore, some of its results were on balance beneficial, however much damage it may have caused by depopulation and in other ways. It had stimulated the interest of Europeans in the Gold Coast, introduced many exotic food plants (such as corn, groundnuts, cassava, coconuts, bananas and citrus fruits) which still form the basis of African diets, and familiarized many of the people with the operations and articles of commerce (Brummagem goods, iron pots and kettles, copper and tin, beads, linen and broadcloth.) The process of integration into the world economy had begun, and the later British colony of the Gold Coast may quite properly be considered a by-product of the slave trade.[3]

THE TRADERS' PERIOD - 1807 to 1870.

The abolitionists in Britain had learned their political economy from Adam Smith, and their evangelical reformism was tempered with shrewd common sense. "They appealed both to principle and to profit; they invited traders to establish 'a just and equitable traffic' in the products of African labour, in place of the unjust traffic in human lives. They summoned the Royal Navy to police the West African coast and their successors summoned British military power to pacify the hinterland. The experience of West Africa from the beginning of the nineteenth century to its end proved their judgement right: a 'just and equitable commerce' could not strike firm roots except within the shelter of a pax. Even within that shelter it could not multiply and fructify unless it were watered by the inclination both of Europeans and Africans to better their private conditions."[4]

Although surreptitious slave-trading continued along the coast for over fifty years, and slave-raiding in the interior for much longer, palm products had become the Gold Coast's chief export by the middle of the 19th Century, and trade throve on the growing demand for vegetable oils in Europe. A series of clashes with the growing military power of Ashanti delayed penetration inland and the peaceful development of agriculture, but even so British influence spread, promoting among the coastal tribes an acceptance of the rule of law and a renunciation of barbarous customs. In 1844 the Fanti chiefs signed the now-famous "Bond" acknowledging British power and jurisdiction and by 1872 both the Danes and the Dutch had sold out their establishments and only British interests remained.

The British Government took over control of all the British forts in 1821 but relinquished it seven years later to a Committee of London Merchants, and although it stepped in again in 1843 its attitude continued to be marked by a reluctance to accept new responsibilities or obtain territorial concessions. The British merchants, however, refused to withdraw, and it was chiefly the need to protect them and their local allies against the depredations of the Ashantis which increasingly involved the Government. Colonies were generally regarded as a drain on British resources: Adam Smith's views come to mind in this connection.[5] Even as late as 1865 a Parliamentary Committee on West Africa reported that "All further extension of territory or assumption of government, or new treaties offering protection to native tribes, would be inexpedient" and recommended ultimate withdrawal.[6]

This was the era of the "palm-oil ruffians", yet to call it merely "The Traders' Period" is to over-simplify. Soldiers, missionaries and administrators (of whom George Maclean was the greatest) also played a part in developing the country. The European population was pitifully small - only 37 in 1846, 70 in 1858, and about 100 in 1867 - and mortality was appalling.[7] Epidemics were frequent and deadly. A yearly death-rate of 10% was not unusual and one of 5% was thought favourable.[8] As the Century wore on, the number of missionaries gradually increased, and from about 1840 onwards there was a growing body of Christian influence and a growing community of educated Africans. Some missionaries gave technical or agricultural instruction as well as teaching the Gospels and reading and writing.[9]

In 1870, at the end of this period, the Gold Coast had not yet become a separate colony: its boundaries had not been demarcated and it had not even been completely pacified. But in a sense the stage had been set for the astonishing act which was to follow. Britain had become increasingly committed to the task of government, trade in palm oil and palm kernels had laid the foundations of prosperity, and the country had been drawn further into the world economy. Increasing numbers of Africans had come under European influence or benefited from European instruction. Although there were as yet few African merchants the function of entrepreneurship was being peffpormed roughly but effectively by a few energetic British traders and "it is better to have 'palm oil ruffians' to pioneer a thriving commerce than to have no economic pioneers at all."[10]

COLONIAL EXPANSION & DEVELOPMENT - 1870 onwards.

In 1874 Sir Garnet Wolseley captured Kumasi, the Ashanti capital: this was the first British move in the partition of tropical Africa. In the same year, the Gold Coast was separated from Sierra Leone and (with Lagos) became a separate Colony, but did no become a Colony on its own until 1886. Competition in empire-building with France and Germany led to the establishment of a British protectorate over the Northern Territories in 1897, and after two more military campaigns against it Ashanti was formally annexed in 1901. Thus, in thirty years or so, the coastal outpost had expanded into the framework of the modern colony. For Britain as for other colonizing powers elsewhere, the first need was to secure African recognition of its authority.

Meanwhile, there had been considerable economic development. First there was the "gold rush" of the 1880's to the Tarkwa area. "The potentialities of the field were introduced to Europe in the usual fashion, that is, by an exaggerated, quite unwarranted, and soon exploded boom in the shares of innumerable companies whose prospectuses portrayed a new Witwatersrand. .... It has been estimated that 321 companies were registered up to June 1901, with a total nominal capital of over £25 millions, of which possibly £15 millions was issued."[11] Gold-mining did not begin in earnest until the beginning of the 20th Century, however. In the same period, there was also a short-lived boom in wild rubber, which (according to one authority) "caused the spread of commerce even to the remotest parts of the forest."[12]

Secondly, the large-scale development of communications had been begun with the building of a railway line from Sekondi to Tarkwa between 1898 and 1901. This was intended to serve the mining area, but by 1903 it had been extended to Kumasi for administrative reasons even more than economic ones: it was financed by the Government from loans. Thirdly, the potentialities of cocoa as a cash crop were becoming apparent. In 1887 the government supplied Akwapim farmers with seedlings grown from imported pods, and in 1891 the first shipment, of 80 lbs. of beans, was made.

Changes taking place in Britain favoured development. A policy of intervention in Africa had been adopted by the government and found explicit formulation in the "constructive imperialism" of Joseph Chamberlain, Colonial Secretary from 1895 to 1903. The Colonial Stocks Act of 1900 enabled colonies to borrow at favourable terms on the London market, while official encouragement of research into tropical medicine and agriculture hastened the practical application of new scientific knowledge and the reduction of European death rates in Africa. Committees of advisers were set up at the Colonial Office, and the long task of reforming colonial administrations was begun.

Industrial expansion in Britain and Western Europe increased the need for raw materials, while rising standards of living brought a greater demand for imported foodstuffs such as cocoa.

New inventions and methods of production reduced the cost of building railways and steamships, making possible a revolution in means of transport and a closer connection between primary producers and the consumer. The profits of industry became available for investment overseas, and an unprecedented era of capital exports was inaugurated.

"THE LEAP TO PROSPERITY" - 1900 to 1929.

The second phase of this period in the Gold Coast has been called "the leap to prosperity"[13], and lasted from the beginning of the Century to the depression of the 1930's. In this comparatively short space of time the total value of Gold Coast imports and exports increased tenfold - from £2.4m. in 1901 to £7.6m. in 1911 and £25.1m. in 1928.[14] The chief cause was the remarkable development of the cocoa industry.

Encouraged by the government and stimulated by peaceful conditions and improving communications, cocoa-production grew rapidly in popularity among the peasant farmers of the forest. Exports of cocoa increased steadily, as Table 2 shows. They soon outstripped rubber and palm products in importance, and in 1910 their value surpassed that of gold exports. From 1915 onwards they seldom represented less than 60% of all domestic exports by value, and in 1920, 1927 and 1928 exceeded 80%.[15] Even before the first world war the Gold Coast had become the world's largest producer of cocoa.

Table 2 : /

DIAGRAM 3
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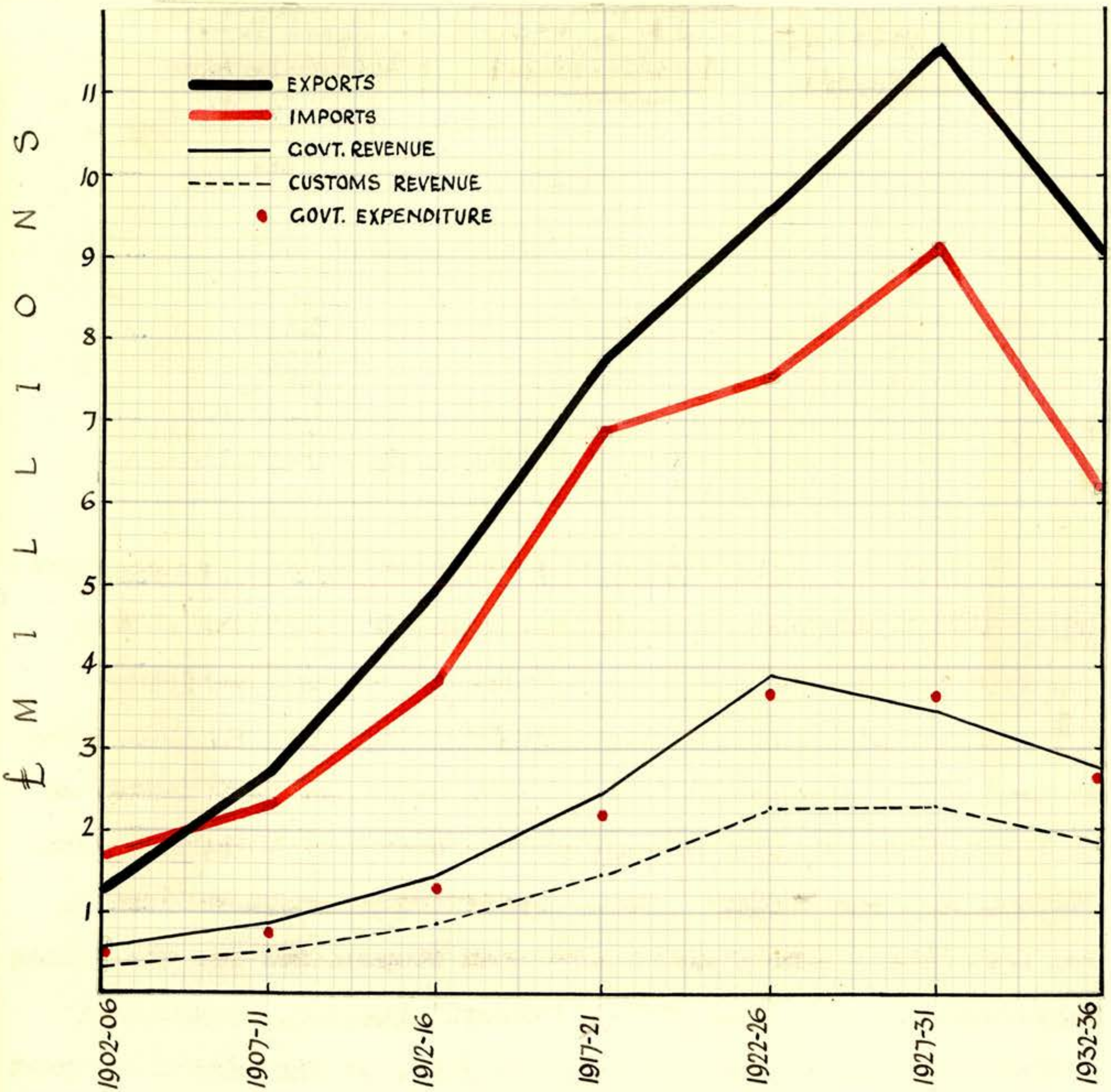
DIAGRAM 3 : GOLD COAST IMPORTS & EXPORTS BY VALUE, GOVERNMENT REVENUE & EXPENDITURE, & CUSTOMS REVENUE, (QUINQUENNIAL AVERAGES), 1902-1936.




Source : Table A.1 - see Appendix.

Table 2 : Quantity and Value of Gold Coast Cocoa Exports, (quinquennial averages), 1892-1936.

| Five-year Period | Quantity Shipped : Annual Average. 000 Tons | Total Value : Annual Average. £000 f.o.b. |
|---|---|---|
| 1892-96 | 12 | n.a. |
| 1897-1901 | 329 | n.a. |
| 1902-06 | 4,711 | 181 |
| 1907-11 | 20,934 | 858 |
| 1912-16 | 58,306 | 2,765 |
| 1917-21 | 118,290 | 5,609 |
| 1922-26 | 205,858 | 7,412 |
| 1927-31 | 225,732 | 9,025 |
| 1932-36 | 256,033 | 5,477 |

Source : Nowell Commission Report, Cmd.5845 (1938): S.H.Frankel : "Capital Investment in Africa" (1938) - Table 78.

Extractive industries also contributed to the new prosperity. Gold production increased to a peak in 1915: quantities exported averaged well over £1m. a year in value from 1907 to 1920 but fell away for the next decade. Manganese exports began in 1916 and diamond exports four years later. Output increased so rapidly that by 1929 the quantities exported amounted to over 400,000 tons and 600,000 carats respectively, worth about £¾m. and £½m. These developments more than compensated for the fading importance of palm products and rubber. Diagram 3 graphically illustrates how the value of exports grew, making possible a vast increase in imports.

The profits to be made from exports and imports stimulated investment on an unprecedented scale by the European firms which handled practically all trade, and competition was fierce. Government revenues expanded simultaneously (they depended largely on Customs duties), and fortunately for the country a progressive Governor saw the opportunity thus created. Sir Gordon Guggisberg, who held office from 1919 to 1927, introduced a Ten-Year Plan designed to provide the funds needed for education and other social services by improving the transport system so as to open up new areas and reduce freight rates on imports and exports. The total expenditure planned was £24m., to be met partly from loans raised in London.

A second railway line had been pushed northwards from Accra and in 1915 reached Koforidua. By 1922 it had been extended to Kumasi and through traffic could travel from Sekondi to Accra. (See Diagram 1.) There had also been a great deal of road-building, which played a vital part in expanding cocoa-production and had begun to open up the Northern Territories. Guggisberg's greatest achievement was to add to this still-inadequate transport system the deep-water harbour at Takoradi, completed in 1928. Other projects completed under the Ten-Year Plan included the large modern hospital at Korle Bu and Achimota College, which was intended to provide education up to University level and to supply the country with leaders. Road and railway mileages were further increased; water and electricity supplies were installed in the main towns; postal and telecommunications services were extended; a policy of forest conservation was initiated; and in general the services provided by the government were consolidated and strengthened.

DIAGRAM 4

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## DIAGRAM 4 : QUANTITY & VALUE OF GOLD COAST COCOA EXPORTS, 1906-1938.


SOURCE : TABLE A.2 - SEE APPENDIX.

All these and other changes meant that the Gold Coast of 1929 was a very different place economically from what it had been in 1900. While continuing to make the colony pay its way, as it was expected to do, the government had been enabled to provide the beginnings of that "social overhead capital" essential for further development. In the private sector, output was expanding and there had been considerable capital investment both in commerce and in mining. Social tranquillity prevailed, and the long process of raising levels of health and education had been begun. The phenomenal growth of the cocoa industry, involving a huge aggregate investment by peasant-farmers, had altered the balance of agriculture and was producing fundamental changes in the country's economic structure. Standards of living had been achieved which few under-developed countries at that time could afford: continuing prosperity and a further steady advance seemed to be assured.

## THE 1930's.

Any complacency there may have been was rudely shattered as the effects of the world depression made themselves felt. The f.o.b. price of cocoa, which had averaged £80 per ton in the boom year 1920, fell from £50 in 1928 to £41 in the following year and continued falling until it was only £18 in 1934. Cocoa exports, worth over £11m. annually and over 80% of total exports in 1927 and 1928, dropped to little more than £4m. and 51% in 1934. Although the value of mineral exports remained fairly steady, chiefly because of the improving market for gold, the drop in returns from cocoa was the principal factor in reducing government gross revenue from about £4m. a year in the period 1924-28 to £2.3m. in 1931 and less than £2.7m. in the following three years. (See Diagrams 3 & 4.)

Largely as a result of Guggisberg's financial policies, the public debt had risen from £3.4m. in 1919 to £11.8m. in 1929 and nearly £13m. in 1930.[16] Although the loans in question had been used for "long-period growth investment" which was not directly revenue-producing, the debt charges had not been unduly difficult to meet during the years of expansion. As government revenues contracted, however, they became a serious burden and a contributory cause of budget deficits. Furthermore, the inflow of capital, which had fanned earlier prosperity, now ceased abruptly: in consequence, activity was greatly restricted and the country's economic difficulties were intensified.[17]

Confronted with a choice between depleting its reserves and a policy of retrenchment, the government decided on the latter course. Development projects were curtailed and social services reduced. Two hundred officials were retired and the remainder suffered a levy of up to 10% on their salaries. Import duties were increased, but an attempt to introduce income tax in 1931 was vehemently opposed and had to be dropped. A later proposal for a local tax, to be collected by the Chiefs, met the same fate, and in 1934 efforts to charge for water in the few towns with pipe-borne supplies led to political disturbances and the sending of a deputation to the Secretary of State. Indirect taxation, therefore, continued to be the mainstay of revenue: Customs duties accounted for nearly 77% of it in 1935.

Trade revived fairly rapidly, however, and the value of exports in 1936 (£12m.) was almost as much as it had been in 1929. The cocoa price began to rise again and in 1937 cocoa exports were worth more than in any year since 1928 and over twice as much as in 1933 and 1934. (See Diagram 4.) The value of mineral exports in 1936 (£4.2m.) was higher than ever before. Government revenues also revived, and between 1932 and 1939 the government managed to increase its reserves from about £2m. to £5½m. Despite a recession in 1938 the outbreak of the second world war (to quote from an official report[18]) "found the Gold Coast prepared, with a prosperous economy, increasingly responsible local government authorities, better educated and healthier people, and a high standard of internal security." Professor S.H.Frankel has produced statistics for African countries south of the Sahara at this period[19] which may serve as a broad index of relative economic development: a selection from them is given in Table A.4.

Even before the great depression, though, fluctuations in the cocoa price and in the returns from cocoa exports had emphasized the dangers inherent in reliance on one major agricultural crop. The serious nature of these is clearly indicated by Diagram 4, while Table A.3 attempts to show their effect on the cash incomes of individual farmers during the ten crop years to 1935-36. Since the entire cocoa crop was purchased for export each year by thirteen large European firms, it was hardly surprising that the producers, ignorant as they were of price-movements, should have come to regard their operations with mistrust. This mistrust was a contributory cause of the farmers' "hold-up" which completely stopped cocoa marketing for five months during the 1937-38 season.

Many of the issues involved in the "cocoa hold-up" are still controversial, but they were carefully examined at the time by the Nowell Commission[20] and there is no need to recount its detailed findings here. What happened, in brief, was that in 1937 all but one of the cocoa-buying firms negotiated a "Buying Agreement" designed to control the price paid to farmers and to protect themselves from the damaging effects of intense competition. This scheme might have succeeded, as earlier ones seem to have done, but for the fact that the 1937-38 season opened with a purchase-price of 12/- per 60-lb. load, which soon fell to 9/3d.: prices in the previous season had reached 26/6d. a load.[21]

Not unnaturally, in the circumstances, the farmers rapidly decided that the Agreement was monopolistic and unfair to them. With remarkable unanimity they refused to sell their cocoa and boycotted the firms' retail merchandise stores, causing a virtual stoppage of economic life from October, 1937 until April, 1938, when a truce was declared and the accumulated stocks were sold.

The "hold-up" was of immense importance politically and economically. It provided both a pattern for the agitation which was to culminate in self-government only twenty years later and an example of successful mass action to which nationalist leaders could draw attention when monopolistic tendencies recurred among trading firms immediately after the war. Further, it concentrated government and public attention on the structure and problems of the cocoa industry and so prepared the way for the Marketing Board system.

Finally, brief mention must be made of the economic relationship between Britain and the Gold Coast in this period, if only to counter the absurd allegations still made from time to time. Britain neither imposed any taxation for its own benefit nor exercised any monopoly of trade, and the "open door" policy was an important factor in the growth of the Gold Coast's foreign trade. Even the revival of Imperial Preference from 1917 onwards brought no discriminatory tariffs in the Gold Coast. Indeed, it was not free to impose them, for the Anglo-French Convention of 1898 and the Anglo-Dutch Treaty of 1871 ensured protection there for the trade of all countries with "most-favoured nation" rights.

When action was taken to meet competition from Japanese textiles, therefore, straightforward discrimination was not possible in the Gold Coast and the system of quotas introduced in 1937 applied to imports from all countries, including Britain. In addition to curbing Japanese trade, this appears to have had the unintended effect of stimulating competition from low-cost Empire producers such as India and Hong Kong.[22] Cocoa, of course, could not in any case have been sheltered effectively by Imperial

Preference, since the supply within the Empire exceeded the Empire's demand.

As regards capital, British investment was more important than any other in developing the Gold Coast's trade and industry, but capital from other countries had entered without restriction and in significant amounts. French and Swiss investment was particularly notable, and the reinvestment of trading profits made by Levantines. The country benefited too from being closely linked to the London capital market and specialized British financial institutions, and after 1912 the West African Currency Board system helped to ensure the stability of its currency.[23]

SUMMARY AND CONCLUSIONS.

The history of the Gold Coast's economic development up to 1939 has now been briefly outlined. Inevitably, much has had to be omitted, but the general pattern is clear. First came gold-seekers from Europe; after them the slave trade flourished for some 200 years, to be replaced at last by a "legitimate commerce" in which palm oil was the chief article of trade. The period of colonial expansion may be dated from 1870, but it was not until the present Century that modern development really began, when peace had been established and communications improved, and when gold-mining and the rapidly-growing cocoa industry were forming the country's economic structure.

Three important points have already emerged and deserve to be emphasized. First, the development of the Gold Coast is of very recent occurrence. Europeans had had a footing on its coastline for centuries before they penetrated inland and hastened the transformation from a subsistence to an exchange economy: its modern economic history covers little more than sixty years. Secondly, the circumstances of its development were vastly different from those which had pertained in Western Europe and the countries of European settlement. Thirdly, that development was a complex process involving many factors, no single one of which was uniquely important.

Some basic features may justifiably be distinguished, however: (a) the possession of valuable indigenous and fairly easily cultivable products and a population able and willing to develop them commercially; (b) good administration, which provided both peace and transport facilities; and (c) the unhampered stimulus of trade, fostered by powerful commercial interests.[24] It is as naïve to think "imperialist greed" the only motivating force in the process as to attribute it to altruism. Adam Smith is a better guide here, as Schumpeter pointed out, than Marx or Lenin.[25]

That these features were interdependent is clear, but any attempt to allocate "weights" to them would be injudicious and must involve subjective valuations. As regards the first - natural and human resources - the pattern of foreign investment responsible for their development was the familiar one of concentration on extractive industries working for export. In a sense this constituted "exploitation", but it resulted more from an acceptance of economic realities than from any sinister design. Mining enterprises assisted development directly by supplying scarce co-operant factors of production, and indirectly by enlarging the local market, providing technical training and social overhead capital, contributing to government revenue, and so on.[26]

In the circumstances, lop-sided development was inevitable: it is a mistake to blame it on the colonial power. Where the Gold Coast pattern differed from those of most comparable countries, however, was in the growth of a major export industry founded on the activities of a large section of the population, widely distributed over a huge area. Many factors contributed to the success of this, such as the venturesomeness of the farmers themselves and the fact that they were not already committed to another crop; the eminent suitability of the land for growing cocoa and its availability, uncomplicated by the presence of a settler community; the attitude and activities of the government, especially in regard to communications and land tenure; the trading organization built up by European firms and their readiness to expand it; the growing world demand and relatively favourable prices. The circumstances were so propitious, indeed, that no other agency could have produced such rapid development in such a short space of time.

The second feature - good administration - has too often been taken for granted, yet prosperity in the Gold Coast owed a great deal to the policy of the "dual mandate", in which were merged the two main streams of thought so long characteristic of Britain's attitude to its colonies. "By railways and roads," wrote Lugard, its leading apostle, in 1921, "by reclamation of swamps and irrigation of deserts, and by a system of fair trade and competition, we have added to the prosperity and wealth of these lands, and checked famine and disease. We have put an end to the awful misery of the slave-trade and inter-tribal war, to human sacrifice and the ordeals of the witch-doctor. Where these things survive they are severely suppressed. We are endeavouring to teach the native races to conduct their own affairs with justice and humanity, and to educate them alike in letters and in industry.[27]

"If there is unrest, and a desire for independence," he concluded, " .... it is because we have taught the value of liberty and freedom, which for centuries these peoples had not known. Their very discontent is a measure of their progress."[28] Nearly twenty years later, Professor Frankel pointed to "the growing realization that many of the policies in the past were erroneous" as a negative measure of progress achieved in Africa[29], while even so severe a critic as J.A.Hobson admitted that "the political government of the (colonial) country is primarily directed everywhere to the rapid, secure, effective development of the national resources, and their profitable exploitation by native labour under white management." ("The chief indictment of Imperialism", in his view, was that it did not even pretend to apply to "the lower races" the principles of education and of progress it applied at home.[30])

The importance of reasonably cheap transport has long been a favourite theme of economists and economic historians and needs no special emphasis here. In the words of a United Nations study, "the history of the development of every economic crop in tropical Africa is directly and intimately linked with advances in transport facilities".[31] The case of the Gold Coast is an outstanding example of this. Its railway and all important roads were provided by the government: nearly a quarter of all investment from abroad up to 1936 seems to have been devoted to capital expenditure on the railway and harbour system.[32] As for the road-system, detailed figures are not available, but it was sufficiently far advanced for full advantage to be taken of the introduction of cheap motor transport when the time came. In the matter of communications, as in many other respects, the contrast between the Gold Coast and its near-neighbour, Liberia, is highly instructive, and many writers have commented on it. Enough has already been written here about trade, the third basic feature, to indicate the vital part it played.

In a sense, of course, it is unrealistic and misleading to speak of "prosperity" with reference to the Gold Coast at this time. The term is entirely relative, and anyhow a country's external trade statistics are not necessarily a reliable guide to changes in the economic circumstances of its inhabitants. Generally speaking, the Gold Coast was much more prosperous than it had been, and more prosperous than many comparable countries, but its people were still miserably poor by the standards of Western Europe and America. The next stage in its economic history covered the war years, and their effect will be examined in due course. First, however, it is desirable to consider briefly the theoretical basis of investigation and try to discern which aspects of the economy most deserve attention. This will be the purpose of the following chapter.

# APPENDIX.

Table A.1 : Gold Coast Imports & Exports by Value, Government Revenue & Expenditure, & Customs Revenue (quinquennial averages), 1902 - 1936.

| | Merch-andise Imports £000 | Domestic Exports £000 | Gross Govt. Revenue £000 | Customs Revenue £000 | Gross Govt. Expendre. £000 |
|---|---|---|---|---|---|
| 1902-06 | 1,680 | 1,232 | 588 | 371 | 587 |
| 1907-11 | 2,298 | 2,670 | 871 | 528 | 729 |
| 1912-16 | 3,805 | 4,966 | 1,431 | 849 | 1,332 |
| 1917-21 | 6,842 | 7,759 | 2,453 | 1,449 | 2,081 |
| 1922-26 | 7,542 | 9,596 | 3,910 | 2,264 | 3,700 |
| 1927-31 | 9,114 | 11,540 | 3,441 | 2,297 | 3,627 |
| 1932-36 | 6,143 | 9,031 | 2,791 ≠ | 1,953 ≠ | 2,667 ≠ |

Source : Adapted from S.H.Frankel : "Capital Investment in Africa" (1938) - Tables 78 & 79.

Note : British Mandated Togoland included from 1926.
Imperial grants, 1900-07, excluded from Revenue figures.
≠ Average of years 1932-35 only.
(These figures are shown graphically on Diagram 3.)

Table A.2 : Quantity & Value of Gold Coast Cocoa Exports, 1906 - 1938.

| | Quantity<br>000 tons | Value<br>£000<br>f.o.b. | Av.Value<br>per ton<br>£ f.o.b. |
|---|---|---|---|
| 1906 | 9 | 336 | 37 |
| 1907 | 9 | 515 | 55 |
| 1908 | 13 | 541 | 42 |
| 1909 | 20 | 755 | 38 |
| 1910 | 23 | 867 | 38 |
| 1911 | 40 | 1,613 | 41 |
| 1912 | 39 | 1,643 | 43 |
| 1913 | 51 | 2,489 | 49 |
| 1914 | 53 | 2,194 | 41 |
| 1915 | 77 | 3,651 | 47 |
| 1916 | 72 | 3,848 | 53 |
| 1917 | 91 | 3,147 | 35 |
| 1918 | 66 | 1,797 | 27 |
| 1919 | 176 | 8,279 | 47 |
| 1920 | 125 | 10,056 | 80 |
| 1921 | 133 | 4,764 | 36 |
| 1922 | 159 | 5,841 | 37 |
| 1923 | 198 | 6,657 | 33 |
| 1924 | 223 | 7,250 | 33 |
| 1925 | 218 | 8,222 | 38 |
| 1926 | 231 | 9,181 | 40 |
| 1927 | 210 | 11,728 | 56 |
| 1928 | 225 | 11,230 | 50 |
| 1929 | 238 | 9,704 | 41 |
| 1930 | 191 | 6,970 | 36 |
| 1931 | 244 | 5,493 | 23 |
| 1932 | 234 | 5,511 | 24 |
| 1933 | 236 | 4,971 | 21 |
| 1934 | 230 | 4,041 | 18 |
| 1935 | 269 | 5,204 | 19 |
| 1936 | 311 | 7,660 | 25 |
| 1937 | 236 | 9,990 | 42 |
| 1938 | 263 | 4,541 | 17 |

Source : P.Hill : "The Gold Coast Cocoa Farmer" (1956) - App.E.

Note : Figures have been rounded. Annual quantities and values are shown on Diagram 4.

Table A.3 : Estimated Money Incomes of Gold Coast Cocoa Farmers, 1926 - 1936.

| Crop Year | Total Cocoa Marketed 000 Tons | Est.Total Sum Paid to Farmers £000 | Est.Avge. Price Paid to Farmer £ per Ton |
|---|---|---|---|
| 1926-7 | 238 | 10,877 | 46 |
| 1927-28 | 207 | 9,688 | 47 |
| 1928-29 | 242 | 8,233 | 34 |
| 1929-30 | 232 | 8,071 | 35 |
| 1930-31 | 223 | 3,697 | 17 |
| 1931-32 | 212 | 3,398 | 16 |
| 1932-33 | 255 | 3,914 | 15 |
| 1933-34 | 220 | 2,411 | 11 |
| 1934-35 | 276 | 3,654 | 13 |
| 1935-36 | 285 | 4,392 | 15 |

Source : Same as Table A.2 - App.F.

Table A.4 : Capital Invested, Total Trade, Domestic Exports, Area & Population - Gold Coast & other African Countries Compared, 1935.

| | Capital Invested | Total Trade | Domestic Exports | Area | White Populn. | Total Pop. |
|---|---|---|---|---|---|---|
| | As percentage of total for Africa | | | | | |
| Gold Coast | 2.89 | 5.28 | 5.18 | .99 | .12 | 3.21 |
| Belgian Congo | 11.73 | 4.33 | 5.23 | 11.88 | .85 | 14.31 |
| Nigeria | 6.15 | 6.03 | 6.27 | 4.27 | .23 | 19.01 |
| N.& S.Rhodesia | 8.38 | 6.74 | 7.15 | 5.52 | 2.91 | 2.65 |
| Kenya/Uganda | 3.78 | 3.58 | 3.70 | 4.03 | .88 | 6.71 |
| Tanganyika | 4.25 | 2.40 | 2.30 | 4.73 | .38 | 5.34 |
| French Eq.Afr. | 1.74 | 1.48 | 1.32 | 10.98 | .19 | 3.37 |
| " W.Afr. | 2.49 | 5.87 | 5.28 | 22.88 | .85 | 14.63 |
| Union of South Africa | 42.81 | 54.69 | 54.87 | 5.95 | 89.51 | 8.61 |

Source : S.H.Frankel : "Capital Investment in Africa" - Table 48.

Notes : (1) These figures must obviously be treated with reserve but at least they show the great diversity of conditions. "Africa" = Africa south of the Sahara.

(2) Capital Invested = overseas investment, 1870-1936. The Gold Coast was estimated to have £13.5m. public listed capital, £20.2m. private, & £1.7m. non-listed, giving a total of £35.3m. (Frankel : op.cit. Tab.28) Tanganyika includes Zanzibar.

## INTRODUCTION : GEOGRAPHY AND HISTORY.

### Notes and References.

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L.Dudley Stamp : "Africa - a Study in Tropical Development" (1953).
W.E.F.Ward : "A History of the Gold Coast" (1948).

2 Ward : op.cit. - p.153. Also Cardinall : op.cit. - p.14.

3 See Carrington : op.cit. - p.196.

4 W.K.Hancock : "Wealth of Colonies" (1950) - p.25.

5 Adam Smith : "Wealth of Nations" (ed.Cannan) - pp.592, 899. His views on colonies are examined in detail in K.E.Knorr : "British Colonial Theories, 1570 - 1850" (1944) - p.175 ff.

6 Quoted in Carrington : op.cit. - p.801. See also Colonial Office : "Gold Coast - Report by the Committee on Constitutional Reform" (Col.No.248 - 1949) - p.5.

7 R.R.Kuczynski : "Demographic Study of the British Colonial Empire" (1948)-p.443

8 Ibid. : p.15.

9 See Ward : op.cit. - p.198 and Cardinall : op.cit. - p.16. Also M.H.Kingsley : "Travels in West Africa" (1897) - p.28. The need for agricultural and technical education is a recurrent theme in Mary Kingsley's writings.

10 Hancock : op.cit. - p.39.

11 Frankel : op.cit. - p.318.

12 Cardinall : op.cit. - p.35.

13 See R.Hinden : "Plan for Africa" (1941) - Ch.12. Also Bourret : op.cit. - p.121.

14 L.C.A.Knowles : "Economic Development of the Overseas Empire" (1924) - p.250, and "Statistical Abstract for the British Empire, 1924-33."

15 Frankel : op.cit. - Table 78.
Also P.Hill : "The Gold Coast Cocoa Farmer" (1956) - Ch.X.

16 Frankel : op.cit. - Table 79.

17 See Frankel : op.cit. - p.191.

18 Annual Report on the Gold Coast, 1946 - p.95.

19 Frankel : op.cit. - Table 48.

20 "Report of the Commission on the Marketing of West African Cocoa" (Cmd.5845),1938

21 Bourret : op.cit. - p.201 ff.

22 F.V.Meyer : "Britain's Colonies in World Trade" (1948) - pp.11, 32, 67-85.

23 See Frankel : op.cit. - p.424.
Also U.A.C. : "Statistical & Economic Review" No.8 (Sept.1951).

24 See Frankel : op.cit. - p.306.

25 J.A.Schumpeter : "Capitalism, Socialism and Democracy" (1950 edn.) - p.54.

26 See G.Myrdal : "Economic Theory & Under-Developed Regions" (1957) - p.55; R.Nurkse : "Problems of Capital Formation in Underdeveloped Countries" (1953) - p.24; S.H.Frankel : "The Economic Impact on Under-Developed Societies" (1953) - p.130.

27 Sir F.D.Lugard : "The Dual Mandate in British Tropical Africa" (1922) - p.617.

28 Ibid. - p.618.

29 S.H.Frankel : "Capital Investment in Africa" (1938) -.p.421.

30 J.A.Hobson : "Imperialism" (1938 edn.) - pp.242-3.

31 U.N. : "Enlargement of the Exchange Economy in Tropical Africa" (1954) - p.39.

32 S.H.Frankel : "Capital Investment in Africa" - p.405, Tab.28.

# CHAPTER 2

## THE ECONOMIC INVESTIGATION OF UNDER-DEVELOPED COUNTRIES



TABLE

# THE ECONOMIC INVESTIGATION OF UNDER-DEVELOPED COUNTRIES.

## INTRODUCTION.

First of all, what is an "under-developed" country? Any definition must be to some extent conventional, and therefore open to criticism. A country "under-equipped with capital in relation to population and natural resources", says Professor Nurkse. One in which "per capita real income is low when compared with the per capita real incomes of the U.S.A., Canada, Australia and Western Europe", said the committee of experts who reported to the United Nations in 1951.[1] A third important characteristic is the relative absence of scientific techniques in agriculture and industry. An acceptable definition is therefore: "a country in which the levels of real income and accumulated capital per head, and of the application of scientific techniques, are low by the standards of North America, Western Europe and Australasia". That this includes at least two-thirds, and perhaps as much as three-quarters, of the population of the world is confirmed in a general way by the well-known United Nations statistics reproduced below.

Table 1 : World Income Distribution in 1949.

| | Share of World Income | Share of World Popul$^{n}$. | Income per Head |
|---|---|---|---|
| High-income countries | 67 % | 18 % | $ 915 |
| Middle-income " | 18 % | 15 % | $ 310 |
| Low-income " | 15 % | 67 % | $ 54 |

Source : U.N. National Income Estimates for 70 Countries (in U.S. dollars of 1949 purchasing-power).[2]

Objections have been made to the term "under-developed" itself[3], but it has entered into common use and (being in a sense 'dynamic') is perhaps preferable to such near synonyms as "poor" and "backward". The great diversity of under-developed countries, however, and the fact that they are under-developed for a variety of reasons, cannot be too much emphasized. This need not intimidate the investigator, but clearly he must be on guard against drawing false analogies, either among under-developed countries themselves or between circumstances in an under-developed country today and those in an earlier stage of development of a country now considered advanced. He should remember too that generalization about them is both difficult and dangerous (though not necessarily impossible) and that economic concepts formulated in 'Western' conditions must be applied circumspectly.

The assessment and definition of development is also difficult. "Economic development", the definition above implies, is the process whereby levels of per capita real income and capital, and of the application of scientific techniques, are raised. But since this ignores the relevance of income-inequalities, it is necessary to add some such proviso as that there should be no impairment of the standard of living for any class, in order to approach the generally-accepted meaning of the words. Professor Viner's brief definition, too, has much to recommend it : "an absolute decrease in the numbers of those living at less than some minimum level of income".[4]

"Economic growth" refers to increase in aggregate output only. As the Russian example has shown, this is compatible with relatively little alteration in standards of living and theoretically at least it could result from increased population only. This concept narrows the area of investigation and thus simplifies analysis.[5] The concept of "economic progress", on the other hand, widens it to take into account the imponderables of welfare, so that any definition can achieve acceptability only at the expense of content. "Increase of the power to achieve the economic aims of the community concerned" is probably as good as any.[6]

Since "the advancement of backward countries is far more than an economic problem"[7], sociological considerations are reached finally and the scope of study can be extended outside the confines of economic science. Here the variables are legion and few of them can be objectively assessed, let alone precisely measured. To Professor Staley, for example, "successful development" means not only higher levels of production and real income, but progress in democratic self-government, the growth of democratic social relations and, externally, the development of mutually beneficial trade and investment and the growth of attitudes favouring a peaceful and free world.[8]

DIFFICULTIES OF ANALYSIS.

The economic investigation of under-developed countries is handicapped by their very heterogeneity, by the vast number of factors involved, by the absence of fundamental data, and by the atypical nature (and our imperfect knowledge) of development in advanced countries at the relevant stage in their histories. It is handicapped no less seriously by the lack of a theoretical framework on which to base analysis. As Professor Rostow has remarked, "the present position of our knowledge with respect to economic growth is not unlike the preliminary and formative stage of our knowledge of business cycles before the First World War".[9]

For this lack, the preoccupation of "post-classical" economists with equilibrium analysis and related subjects is of course largely responsible, but it is due too to the serious nature of the other difficulties mentioned and for that reason will not easily be remedied. A comprehensive theory of development would necessarily encompass much that lies outside the present subject-matter of economics; like a "unified social science", it is desirable but probably unattainable.[10] Meanwhile, the most fruitful results may perhaps be expected from teamwork, combining various disciplines in one effort of research. Under-developed countries undoubtedly present one of the most vital (and most untractable) problems of our age, and interest in them is bound to increase. So important is the problem, indeed, that its influence may alter permanently not only the scope of economic studies but also their 'centre of gravity', as it were. In this process the growing number of economists working in those countries themselves must play a significant part.

All writings on economic theory, or on economic history, for that matter, involve a process of selection. The familiar dilemma of what to select is especially awkward in discussing under-developed countries in general or a particular country. On one side, the investigator is faced with the knowledge that almost everything is relevant. "Why nations are rich or poor", wrote Bagehot, "depends on the whole intrinsic nature, and all the outward circumstances, of such nations".[11] On the other, he is bleakly confronted with the absence even of much of the information whose provision is a routine matter in advanced countries, and serious doubts concerning the reliability of the remainder. The most important of the changes taking place within his field of study, he is uncomfortably aware, may be among those passing unnoticed or, at best, imperfectly recorded.

It is hardly surprising, therefore, that theoretical discussions of under-developed countries often create an impression of unreality, because so many important variables have been eliminated, and that such attempts as have been made to include long-term factors have had only slight success. Professor Nurkse's analysis is a well-known example of the former category, and has had a wide influence.[12] As regards the latter, Professor Myrdal's theory of "circular and cumulative causation" (for example) can hardly be accepted without further evidence to support it, yet it has the merit of emphasizing the essential inter-dependence of all relevant factors and the interest of being a reaction against "the conservative predilections of economic theory". His belief in the existence of "a trend towards international economic inequality" (which some other writers share) has not so far gained general acceptance, though it is agreed that international trade alone cannot rectify existing disparities.[13]

To Professor Rostow we owe the valuable concept of the "take-off", defined as "an increase in the volume and productivity of investment in a society, such that a sustained increase in per capita income results", but even the most recent expressions of his general argument are more satisfactory as a historical description of the various stages of growth than as an explanation of the reasons for it.[14] Small wonder, therefore, that the ideas of change in capitalist society promulgated by Marx, Lenin and their successors continue to have such a hold on the minds of intellectuals in under-developed countries. Their appeal is many-sided, and their claim to comprehensiveness, backed by Soviet economic successes, an insidiously attractive part of it.

A further point deserves notice. Most studies of development have been set out from the point of view of advanced countries Thus Marx and Schumpeter (to take two illustrious examples) both made large contributions to the subject, but even they, despite great knowledge and breadth of outlook, were firmly occidental in their approach. (The chapter on colonies in "Capital" is intended merely to substantiate Marx's general thesis of the exploitation of labour.) Marshall's emphasis on the importance of imagination to an economist[15] remains highly relevant, therefore, and his gentle but acute criticism of Adam Smith's successors may well serve as a warning to the contemporary investigator. "They were aware (he wrote) that the inhabitants of other countries had peculiarities of their own that deserved study; but they seemed to regard such differences as superficial and sure to be removed, as soon as other nations had got to know that better way which Englishmen were ready to show them."[16]

What, therefore, should we think about in considering economic development? What are the "right questions" to ask about an under-developed country? Since development is a very complex process, it would be absurd to expect simple answers. We know quite a lot about factors conducive to it, and about some of those which tend to obstruct it: to prepare a kind of ledger of all these for any particular country is a laborious task but not an insuperable one, provided the necessary information is forthcoming. Where our knowledge is chiefly deficient is in regard to the dynamic interrelationships between factors, and the degree of importance to assign to each. Also, of course, we can never be quite sure that some vital factor has not been omitted from consideration as lacking economic significance, or inadvertently overlooked.

Bauer and Yamey have outlined the position succinctly in a statement worth repeating: "Economic development is the result of a combination of social, cultural, political and economic changes which in turn brings about further changes. It has taken place in the dissimilar circumstances of England, the United States, Canada, Japan, Soviet Russia, South Africa and Nigeria. Economists have no special insight enabling them to reduce these different historical experiences into straightforward causal relationships between simple economic magnitudes. At most it can be said that economic development has been accompanied, inter alia, by a heightened spirit of enterprise, by capital formation, by improvements in production techniques, and by improvement in the economic qualities and productive capacity of labour. But it seems impossible to isolate any one of these as the inevitable prime mover in the process of economic development and change."[17]

THE PROCESS OF DEVELOPMENT.

Napoleon, when asked to divulge the method which had won him so many victories, is supposed to have replied, "First, you join battle - and then, you see!" Irrespective of the truth of this anecdote, such candid opportunism is a better analogy to the process of economic development than the statements of contemporary memoirists who would have us believe that their military decisions had precise and measurable results. It is not a tidy process, nor one that can easily be gauged. National income estimates can summarize a country's economy and enable the economist to "distinguish its major components - groups of economic agents and types of economic activities - and to find a basis on which both the parts and the whole can be measured to secure comparable magnitudes."[18] But even if the conceptual objections to their use are discarded, they must be admitted to have imperfections as a measure in underdeveloped countries, where the period covered is likely to be short and the factual basis insecure.

Increase in per capita output is the main aim of economic development and provides the best summary index of the process, if it can be reliably estimated. The principal factors affecting it are imperfectly known, however, and there is no general agreement regarding them or their inter-relationships and relative importance. For the classical economists, growth was a matter of changes in the size and quality of the working force and in the size and quality of the capital stock. Modern writers have produced longer inventories: one of these isolates factors under the five headings of human resources, material resources, economic organization and technology, social and cultural factors, and external economic relations.[19] Such lists can be helpful in analysis, yet they are inevitably arbitrary and give an impression of orderliness which is far from existing in reality.

Economic development has become self-conscious. "Poverty is old, but the awareness of poverty and the conviction that something can be done about it are new."[20] Impatience is characteristic of many under-developed countries. They want higher standards of living, and they want to get them quickly, but all the evidence points to the conclusion that development is necessarily a slow and difficult process. In Western Europe, the "Industrial Revolution" was preceded by centuries of mercantile and early industrial development. Many of the factors which produced it are lacking in under-developed countries, but even if they were present there are limits to the rapidity with which change can take place and the pattern of the 19th Century is unlikely to repeat itself exactly. Impatience, it should be added, is all too often accompanied by an inadequate realization of the issues and sacrifices involved, and by a mistaken belief in the efficacy of purely political changes.

Confidence in the existence of a simple solution to the problem is illusory. Private enterprise and the price mechanism alone are no longer expected to solve it, but foreign aid, on however vast a scale, is no panacea either. Any contribution from the advanced countries will be of minor importance compared with what the beneficiaries must do for themselves. "At best", Professor Viner has written, "the attainment by the now under-developed countries of satisfactory standards of living for the bulk at least of their peoples will be a slow, painful climb up a very arduous path. Foreign aid cannot reasonably be expected to do much more than to make the climb somewhat less arduous."[21]

The governments of these countries clearly have a vital part to play. Their functions have been much discussed and the example of Japan is often quoted. They have to do many things which elsewhere can be left to private enterprise. They may have to encourage industrialization and at the same time set in motion an agricultural revolution, to control foreign trade and expand educational facilities, and much more besides. Nevertheless, there is a danger that they may attempt to do too much. In any event, the success of their efforts will depend very largely on the efficiency of the administration and the behaviour of the people. The appeal of authoritarianism in such conditions is understandable: it can be plausibly argued, indeed, that by no other means can consumption be checked sufficiently and rapid growth achieved at the very time when new demands have been awakened.[22] Lenin's dedicated communist party and 18th Century laisser-faire were in a sense alternative answers to the same problem.

Luck is another factor which perhaps deserves some recognition. Even to postulate its existence may be unscientific, but the repercussions of the fortuitous are common enough in history and since the initiation and working-out of the development process are often precariously balanced between success and failure it seems reasonable enough to imagine that chance events can tip the scales one way or another. A series of bad harvests, the premature death of a national leader, an inopportune deterioration in terms of trade - these are only a few hypothetical examples of adverse happenings of this kind. Further, it is not entirely fanciful to suggest that a nation can become convinced of its own good or bad luck; this would certainly affect attitudes towards economic change.

## HUMAN RESOURCES.

Economists have long studied the complex interdependence between population changes and production and consumption, but controversy continues and from neo-Malthusians to neo-Marxists there is a wide variety of ideas.[23] "In this field", says the valuable United Nations study published in 1953, "the results of empirical research merge imperceptibly into interpretations which contain large elements of personal opinion and which are swayed by the author's preconceptions. Differences in these interpretations are related to fundamental disagreements between opposing schools of thought with regard to other aspects of economic and sociological theory."[24]

For under-developed countries, where human resources form such a large part of total assets, population-changes are even more important than for advanced countries, but their net effects are difficult to gauge and there is no simple indicator of "over-population" or "under-population". Population growth can affect output in very many ways, yet its importance should not be allowed to obscure the action of other important variables. It can be beneficial where resources are idle; it can widen the market and increase the possibilities of specialization; it can generate technological and other improvements. On the other hand, it can obstruct the accumulation of savings, increase non-productive investment, exacerbate problems of education and training, lower the proportion of the economically active, and hamper development in numerous other ways.

When a country's aggregate income increases, the corresponding change in per capita income obviously depends on the rate of population growth; any increase in production must provide also for additions to the population. If 3% to 5% of national income invested produces a rise of 1% in per capita income with the population constant, a rate twice as high would be needed to produce the same result if population and labour force were growing by 1% a year. "The central problem in the theory of economic growth", according to Professor Lewis, "is to understand the process by which a community is converted from being a 5 per cent to a 12 per cent saver - with all the changes in attitudes, in institutions and in techniques which accompany this conversion."[25] It is unsound reasoning simply to take the rate of population-growth as given, however: as national income rises this too may be changing.

Other factors affecting output (which are themselves influenced by changes in total numbers) are the geographical and occupational distribution of the population, and the skill and efficiency of the working-force. Much study has been devoted to them. As regards the former, it is sufficient to note that a high degree of mobility has invariably accompanied development in the past and is recognised to play a significant part in the process. Increasing urbanization, too, has usually been associated with it. The earliest economists considered skill and efficiency at length and much of what they said is relevant to under-developed countries today: this factor deserves particular attention by reason of the fact that it is more easily mutable than most of the others concerned.

MATERIAL RESOURCES.

The creation of capital is the most important activity in the development process, and problems of capital formation have received such concentrated attention in recent years that other aspects have tended to be neglected. Renewed interest in national income accounting is partly responsible for this: "what began as a technique of economics has communicated itself, as a state of mind, to administrators and politicians."[26] Here also there are wide differences of opinion. On balance, the view most acceptable is that capital formation (including human as well as material capital) is "a necessary but not sufficient condition of progress".[27] As a broad generalization, "it would be truer to say that capital is created in the process of development than that development is a function of the creation of capital." Alternatively, "progress facilitates the formation of capital, and the formation of capital facilitates progress."[28]

Investment, in any case, is not homogeneous: what is vitally important is that it should take the most productive forms. These vary with local circumstances, and since structural changes in the economy may be involved the marginal principle is not always a reliable guide. While the necessity for "social overhead capital" and "long-period growth investment" is generally appreciated, these may prove to be comparatively sterile unless accompanied or followed by a great deal of small, unspectacular investment, which presupposes the existence of many small-scale investors. The capacity to absorb investment is also important: an incompetent or corrupt administration and an unenterprising population, for example, may be a bigger obstacle than lack of capital.

As Professor Nurkse's analysis has shown, the poverty of under-developed countries is due to the small inducement to invest as well as to the small capacity to save, and this has given rise to the idea of 'balanced growth' as a means of enlarging the market. His analysis has shown too that living standards must be held in check if savings and capital formation are to be increased. Not merely a higher rate of saving but an increase in the opportunities for productive saving was a distinctive feature of development in the advanced countries, however. Forced savings can be frittered away by the government which collected them, and there are numerous examples of "mal-investment" and "pseudo-investment". "It is really more important, for the under-developed countries, that they should find means of investing their savings in ways that are highly productive, than that they should merely stimulate savings, while productive uses for those savings have not yet been discovered."[29]

Since the low level of capital per head is the principal reason for the poverty of under-developed countries it is tempting to argue that large quantities of capital supplied by wealthier countries would break the 'vicious circle' in which a small capacity to save results from low real income, which in turn results from low productivity due to lack of capital, and initiate or accelerate economic development. This idea has obvious attractions for nationalist governments which have just come to power, and of course it contains a certain amount of truth. Reflection indicates that capital transfers alone are not enough, however. Whether its origins are domestic or foreign, capital is only one of many factors involved.

"Organization" is another of them. Marshall pointed out long ago that, without it, improvements in the skill and efficiency of labour, in the fertility of land, and in the supply of capital, might all be wasted. Yet in under-developed countries it is conspicuously lacking, and this is the raison d'être of the "technical aid programmes" which have so largely replaced the earlier flow of private capital and management to "economic enclaves". Foreign capital can be misapplied: unless sufficient control is exercised it will go to swell consumer-spending instead of being devoted to vitally-necessary imports. Political instability, scarcity of resources, administrative inadequacy, or archaic social attitudes and methods of production may impair a country's absorptive capacity and impede the productive use of capital. For all these reasons, the limitations to development are often physical rather than financial. This should not be taken to mean that capital from abroad is not important or necessary, or that it cannot be made to serve a useful purpose in favourable conditions. Foreign investment can be an important addition to the domestic capital formation of any country in the process of development.

According to Professor Viner, there is a tendency to exaggerate the importance of international investment. "The most important form of international economic co-operation", he said in 1951, "has been and will continue to be ordinary and routine foreign trade. England in the 19th Century and the United States at its recent peak of foreign financial aid made a much greater contribution to the economic growth and prosperity of other countries by their ordinary trade with them than by foreign investment or foreign grants."[30] He went on to recommend the reform of American commercial policy in words which were to be echoed later by the committee of experts who reported to the United Nations in 1955 on the problems of under-developed countries:[31] "A reduction of our trade barriers, which after fifteen years of being whittled away still remain formidable, can be of greater benefit to other countries than all the much advertised grants, loans and technical aid."[30] (But he thought it more difficult to get Congress to make really significant cuts in the tariff than to persuade it to give money away!)

Regarding private foreign investment in particular, the governments of under-developed countries often exhibit an "ambivalent" attitude. (Governments, like individuals, seldom find any difficulty in holding incompatible opinions simultaneously.) On the one hand, they recognise their need of such investment and want it: on the other, wrapped in the dogmas of "imperialism" and "exploitation", they dislike and fear it. A repugnance for "strings attached" is natural enough, but the world demand for development capital far exceeds the supply, and scarce foreign capital, like other goods and services, must be paid for. It will not clamour for admission to an under-developed country, but must be attracted and must be sure of its welcome. Needless to say, this is not simply a matter of public assertions by politicians.[32]

ECONOMIC ORGANIZATION AND TECHNOLOGY.

Impatient with the pattern of agricultural and raw material production imposed on them by the flow of international investment which reached a peak before 1914, and accepting uncritically the "apparent statistical correlation between the degree of industrialization and per capita income",[33] people in some under-developed countries have come to think of industrialization as the cure for most of their economic ills. Inheritors of the theories of J.A. Hobson and Lenin tend to foster this opinion. In a more refined form the idea receives considerable support from contemporary writers anxious to solve the problem of agricultural "under-employment" (or "disguised unemployment") which in under-developed countries is due to the lack of co-operant factors of production rather than to the absence of effective demand.[34]

Much will depend on the economic circumstances of each particular case, however, and an individual approach seems to be desirable. In some cases, certainly, industrialization projects have been premature or misdirected. Forthright criticism of the popular view comes from Professor Viner : "In many quarters it is claimed, often on the basis of reasoning and evidence of incredibly low quality, that industrialization automatically and necessarily leads to improvement in average income. Sometimes argument, good or bad, is dispensed with, and industrialization is tacitly, or by arbitrary definition, taken as synonymous with improvement in per capita income."[35]

This does not mean that industrial development holds no promise for under-developed countries. Their poverty is due in large part to their narrowness as markets, and the size of the market limits both specialization and the scope for economies of scale. Not surprisingly, the level of specialization tends to be very low and the opportunities for achieving economies of scale almost non-existent. The idea of 'balanced growth' - in essence a development of Say's "law of markets" - offers an answer to this problem. A fairly large number of small industrial projects, by supporting one another, might succeed where a few large ones would fail, and, by spreading purchasing-power, widen the market and so enable new projects to be established and the original ones to be enlarged. There are signs that this process is actually taking place in some countries, such as Malaya.[36]

A low level of the application of scientific techniques is so characteristic of under-developed countries that it is justifiably referred to in defining them. They are predominantly agricultural, and an improvement in agricultural productivity is indispensable to their development. (In theoretical terms, industry cannot advance unless the farmers produce enough food for its workers as well as for themselves.) Better implements will help to achieve this, but better methods are even more important, and they involve the application of scientific knowledge. This is by no means as simple a matter as it sounds: the habits of centuries are unlikely to be revolutionized by mere exhortation, and it is unwise to assume that new methods will always spread by force of example.

"Capital and technology are joint inputs in one process, the use of either of which involves necessarily the use of the other. Technological progress involves necessarily the investment of capital in human beings and in training and instructing them in the new technology, in administrative processes for its transmission, in capital goods embodying it, and in capital works and facilities supporting and developing the whole process."[37] The battle for increased agricultural productivity, therefore, must be fought on many fronts: it will be difficult and costly, and speedy victories can scarcely be expected. Compared with campaigns for political emancipation, or even for higher industrial output, it lacks excitement and the ability to arouse popular enthusiasm. (On the other hand, fairly simple improvements can sometimes produce remarkable results.)

The principal obstacles have long been understood in a general way, though lack of staff and funds has usually impeded efforts to overcome them: the Department of Agriculture is too often a study in frustration. In under-developed countries there are special problems as well. Not only techniques, but also fertilizers, insecticides and plant varieties whose efficacy has been proved in one country may not suit another, so research and field trials must be conducted. Labour-saving methods may be inappropriate in an environment where capital, rather than labour, is deficient. The administrative apparatus may be too weak for the tasks it is called upon to perform. The general educational level of the farmers may not be high enough for them to absorb the new ideas. Finally, training-arrangements may need to be re-designed so as to produce large numbers of extension-workers rather than a few qualified agriculturists.

"Mechanization" is sometimes thought by the uninformed to offer a ready solution to the problems of backward agriculture, but this idea is too obviously fallacious to require detailed rebuttal. Equally common is a tendency to minimize the importance of agriculture as compared with industry. The truth is, of course that agriculture and industry are complementary; one of them can hardly advance unless there is advance in the other. Progressive agriculture can provide the opportunity for accelerated economic development, and sustain an economy throughout the development process. Agriculture will be the mainstay of most under-developed countries for many years to come, but an under-developed country which neglects its agriculture is likely to remain under-developed

SOCIAL AND CULTURAL FACTORS.

"China", wrote Adam Smith, "seems to have been long stationary, and had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate and situation might admit of."[38] The importance of political elements has never been lost sight of by economists and (as we have seen) the functions of the state in regard to development are nowadays much discussed. Although no country seems to have progressed economically without some positive stimulus from this quarter, there is fairly general agreement that governments can obstruct by attempting to do too much as well as by doing too little.

It is not proposed to examine in detail here the relevant functions of governments in under-developed countries, but nine categories have been distinguished by Professor Lewis[39] and may appropriately be noted. They are : maintaining public services, influencing attitudes, shaping economic institutions, influencing the use of resources, influencing the distribution of income, controlling the quantity of money, controlling fluctuations, ensuring full employment, and influencing the level of investment. In fact, there appear to be few government functions which do not influence the development process, in greater or less degree.

Other social and cultural factors are less easily classified. The nature of their influence varies from country to country, precise knowledge of them tends to be scanty, and there is a wide diversity of views about them. Considerations of space preclude more than a brief mention of those which seem to be most important. Further political elements include the form of government and the class structure of society. The absence of political tension and insecurity is clearly a pre-condition of development, but although many writers agree that a democratic system is helpful and that inequality and privilege are obstructive, this view is not held unanimously.

"At an early stage of economic development," asserts P.T. Bauer, "pre-occupation with egalitarian ideas may serve to retard the growth of real income, including the real income of the poorer classes."[40] Manhood suffrage might conceivably have delayed the British industrialization of the early 19th Century.[41] Agreement is more general concerning the importance of an active and enterprising middle class, and Professor Rostow has gone so far as to describe this as (in a sense) the most important economic innovation of modern times.[42]

Of the economic elements in the social pattern, the consumption habits of the population (that is, from another point of view, their attitude towards saving) are of primary importance and in recent years much light has been thrown on this aspect of the subject. A country's marginal propensity to save, according to Professor Nurkse,[43] is the crucial determinant of its economic growth, but all "automatic" forces, including population-increase tend to direct additional income towards consumption. The "demonstration effect" limits the capacity for voluntary saving and also, on an international plane, affects government spending, taxation and import policies. In under-developed countries, too, traditional forms of conspicuous consumption may produce a cultural aversion to saving: "lavish festivities at funerals and marriages"[44] are an example. As Marshall pointed out, the habit of providing for the future develops slowly, but although the growth of a money economy brings new temptations to extravagance it gives "a new certainty for savings."[45]

For the effective mobilization of savings, appropriate financial institutions are necessary, so that an expansion of bankin facilities is normally a feature of the development process. Conditions favourable to savers - and to entrepreneurs who will apply the savings productively - are indispensable. The importance of entrepreneurs as the initiators and organisers of economic change is too well known to need further emphasis. It may be noted, however, that immigrants have often performed this role in the past, so that barriers against immigration can be harmful economically, however justifiable they may be on other grounds. Under-developed countries, in fact, commonly have to import foreign entrepreneurship, and to pay rates corresponding with its scarcity, until domestic entrepreneurs are sufficiently numerous and active.

A further point is that if entrepreneurial activity is to be fully effective there must be a "follow-up process" depending on the enterprise of very many entrepreneurs operating in a very small way.[46] "Nothing matters so much as the quality of the people The personal habits and traits associated with the use of capital ... give a deeper and surer base to a nation's economic advance than the blue-prints of a planning commission."[47]

The economic system itself is a factor of the first importance, for increased per capita output is the desideratum and the problem of effectively allocating resources arises whether the system is capitalistic, collectivist or mixed, and whether the investment decisions are taken by private entrepreneurs or by communist managers. Integrated with it are the system of incentives (which may be non-economic as well as economic) and the system of property-relations.

Most researches in the latter subject deal with land tenure, and so far as under-developed countries are concerned archaic systems are well known as a hindrance to development. No general remedy can be prescribed, however. In some cases, for example, holdings are too small and productivity could be increased by merging them. In others, they are too large, and sub-division is prima facie desirable. Frequently, too, the improvement of communications and marketing facilities would contribute more to agricultural productivity than drastic change in the system of land tenure.

In a sense, the whole cultural background of a country is relevant to a study of its economic development, which both affects and is affected by the people's heritage of ideas and attitudes. A reasonably high level of public and commercial morality, religious beliefs which foster saving and enterprise, sufficient flexibility of mind to accept new ideas, adventurousness and a willingness to take risks - in short, a value-system encouraging to individual economic activity - help to provide the favourable atmosphere which is essential, whereas corruption and graft, unworldly asceticism or fecklessness, mental inertia and timidity tend to stifle it. People may will the ends of development, but not the means of achieving them.

A popular belief in the possibility of progress is equally desirable. Some writers go further, suggesting that mass enthusiasm for progress is a pre-requisite, and that it is a primary duty of governments to inspire it.[48] If they can do so, and at the same time transmit a real understanding of the delays and hardships involved, then indubitably their economic tasks will be eased, but this seems to be more of an ideal than a practical possibility, even under authoritarian conditions. Nevertheless, nationalist governments intent on rapid development are often believed capable (and believe themselves capable) of achieving it. Judgment must therefore be suspended to await events, but the economic history of advanced countries does not encourage optimism. "The desire to accumulate wealth and the ability to perceive and exploit opportunity have indeed played a vital part in economic development the world over, but this is quite different from mass enthusiasm."[49]

Finally, the economic implications of a country's social system must be taken into account. Its basis is of course the institution of the family, but considerations of caste and tribal organization are also relevant. Sociologists and anthropologists have devoted much time and effort to studying these, but there is an evident need for more detailed information about their relationship with economic development in particular cases. In general terms this is well enough understood, however.[50] The family as an effective unit seems to grow narrower as a country's wealth increases and social relations come to depend more on contract than on status. The "extended family" is typical of under-developed countries, and family obligations reach far beyond the range to which we are accustomed. The net effect on development possibilities is almost certainly adverse; saving and enterprise are discouraged by fear of family demands, while nepotism flourishes.

On the other hand, however, the importance of the extended family as an agent of social security and stability should not be overlooked. Closely-knit family groups have contributed much to development in the past and (as Marshall emphasized[51]) the power of family affection is the chief cause of the accumulation of wealth. That serious problems can result from the rapid breaking-down of family ties owing to industrialization and urbanization is obvious.

The question of women's status in society is directly related to that of the family system, and it too is well understood in general terms. Taboos and other restrictions on women's economic activities clearly tend to obstruct development, especially where there is no surplus of labour. As for caste systems, they are essentially inflexible and prevent that social mobility which, like occupational mobility, has normally been associated with development in the past.[52] Much the same may be said about tribal organization. Its rigidity and narrow loyalties, and the petty xenophobia they engender, are undoubted obstacles, but in this context too a rapid breaking-down can create more problems than it solves. A sense of national unity may have imbued the early stages of development in advanced countries, but even the use of modern propaganda-techniques cannot guarantee its speedy replacement of tribalism today.

EXTERNAL ECONOMIC RELATIONS.

Ordinary international trade has been of immense benefit to under-developed countries in the past. Characteristically, they are exporters of raw materials and importers of manufactured goods though this does not apply to all. Earnings from exports usually make up a large part of their national incomes, and in many cases one mineral or agricultural product preponderates. Since the prices of raw materials on world markets are notoriously inclined to fluctuate, this introduces a serious element of instability into their economies. The difficulty of planning ahead is increased, while social and political problems arise from the wide variations in incomes of their primary producers.

The need for reducing instability is one of the chief arguments in favour of "diversification": even comparatively unsophisticated nationalist politicians nowadays are aware of the disadvantages of "having all the eggs in one basket." Substantial and stable export proceeds are in any case of the utmost importance to such countries, for in addition to encouraging budgetary stability they make foreign capital easier to obtain and enable "development goods" to be imported. "By exchanging goods with less growth potential for goods with more growth potential (in the economy into which they are to be fitted), the process which results from a given effort on the savings side can be quickened up."[53]

Alterations in terms of trade are no less important. The level of per capita income can rise because they become more favourable, without any increase in productivity, and conversely. The great improvement in terms of trade which took place in under-developed countries following the outbreak of the Korean War in 1950 has been aptly described as "equivalent to an international income transfer from the industrial to the primary producing countries."[54]

Such improvements do not automatically produce more capital formation, however. For this, it is necessary that the increment goes to saving, which is unlikely to take place voluntarily. Unless the government concerned takes firm and deliberate action by taxation of one kind or another to reserve it for the purchase of capital goods, it will tend to have an inflationary effect and to be dissipated on increased imports of consumer-goods. A favourable shift in its terms of trade, therefore, can provide an under-developed country with an opportunity for achieving an accelerated rate of development, but it can also quite conceivably lead to reduced investment activity.[55]

As is well known, "economically developed manufacturing countries tend to have a more favourable balance of payments in depression and a less favourable one in boom years; primary producers have the opposite pattern. Thus for the manufacturing countries internal and external problems alternate; for the primary producers they arrive at the same time."[56] Part of the disadvantage suffered by the latter, it has been pointed out, is that in trying to even out the expenditure of their external incomes over the years they naturally tend to use in depressions the reserves accumulated during booms.[57]

Some under-developed countries have been enabled to accumulate such reserves since the war because exceptionally high return from their exports have produced a generally favourable balance o payments position. "Deficit countries", rather to their surprise have become "surplus countries" and found themselves with relatively good fiscal positions owing to war and post-war demand. Balance of payments surpluses do not necessarily indicate that an economy is generally sound: in the words of List, "the capacity to create wealth is ... infinitely more important than wealth itself."[58] Nevertheless, it is evident that an under-developed country which is continually beset by balance of payments difficulties, and whose fiscal position is consequently unsatisfactory, must be more seriously handicapped than one which is not.

SUMMARY AND CONCLUSIONS.

It will be apparent that the foregoing is not intended as a comprehensive study of the problems of under-developed countries and economic theories concerning them. Considerations of space would have made this impossible even if it were not effectively precluded by the vast diversity of conditions in such countries and the lack of a coherent and generally-accepted body of theory. Rather is it an attempt to outline in very general terms some of the principal issues involved, with the aim of deciding what questions it is appropriate to ask in examining the economy of one particular under-developed country. Facts without theory are meaningless: they must be selected and arranged to make their significance clear. The rough sketch-map provided here (for it is little more than that) is meant to help in exploring the facts which follow. Details will be added to it as opportunity arises, and finally the results of the exploration will be assessed.

Since economic development involves a rise in the levels of income and capital per head, and a greater application of scientific techniques, particular attention will be paid, so far as available information allows, to factors in the Gold Coast economy which appear to affect these. They may conveniently be summarized here under the five headings already used in this chapter. Firstly, "Human Resources", including the total numbers, density, composition and rate of increase of the population, its geographical and occupational distribution, its skill and efficiency, and the proportion of the total which is economically active.

Secondly, "Material Resources", which may be taken to include not merely the quantity and quality of the existing productive assets and their geographical location but also the nature of the additions being made to them and the complex question of the rate of capital formation. Thirdly, "Economic Organization and Technology", covering such matters as the degree of specialization the size of the market and the scope for economies of scale, agricultural productivity, and the progress of industrialization.

Fourthly, "Social and Cultural Factors", an exceedingly wide field in which some of the more relevant matters are the family and tribal systems, the status of women, the economic activities of the state, the class composition of society, the system of land tenure, financial institutions, conditions affecting saving and entrepreneurship, and "economic attitudes" generally. Fifthly and last, "External Economic Relations", comprising all aspects of the Gold Coast's overseas trading and financial operations.

It must not be imagined that all of these can be equally well documented. The amount of data even about such important matters as agricultural productivity or capital formation, for example, is almost infinitesimal compared with the records of external trade. Thus it will not be possible to rely on quantitative statements alone. Whereas in advanced countries the initial task of economic investigation is to select significant items from the available supply of information, here it is more a matter of accepting with considerable reserve such information as may be available and deciding what interpretation may justifiably be put on it. Since for the most part it has probably not been correlated to any great extent and is of differing degrees of reliability and completeness, this does not make for concise and systematic treatment.

Finally, it is worth repeating that since the variables involved in the process of economic development are so numerous (and so many of them "non-economic" in character) it is quite conceivable that some of the most important changes taking place in the Gold Coast today are comparatively unheeded. It seems equally possible that some considerable obstacles to development are obscure and not usually associated with it conceptually at all

## THE ECONOMIC INVESTIGATION OF UNDER-DEVELOPED COUNTRIES.

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# CHAPTER 3

## THE ECONOMY IN THE SECOND WORLD WAR

( Chapter 3 )

TABLES

# THE ECONOMY IN THE SECOND WORLD WAR.

## INTRODUCTION.

No study of the economy of the Gold Coast would be adequate without some examination, however brief and incomplete, of its development during the period of the Second World War, which witnessed the beginnings of a remarkable acceleration in the process of its economic, social and political transformation. During those years, trends were initiated or thrown into relief which have become increasingly significant in its post-war economic history; the development of the statutory monopoly in the export of cocoa is an example. The Government, which previously had shown relatively little interest and less inclination to interfere in economic matters, was abruptly shaken from its unconcern. Among the people, there came to be a greater awareness of such matters, and a desire for economic, as well as political, "emancipation"; this was due in large part to a "demonstration effect" resulting from the presence of Allied servicemen in the country and to the service of Gold Coast Africans with the armed forces overseas.

There are two further reasons why economic analysis of the war period in the Gold Coast may prove instructive. Firstly, it brings into prominence some of the main differences between the operation of a primary-producing economy and the economies of advanced countries, such as Britain. Thus, it has been suggested that "in considering the problems involved by inflation in these countries it is perhaps more apposite to use the background of England in the days of Adam Smith - or, perhaps better, France in the days of Arthur Young - than the conditions of modern industrialized societies."[1] Secondly, it helps to throw some light on the problems of stimulating economic growth in such an economy.

The study which follows cannot claim to be exhaustive. It relates to a period when the collection of statistical information in the Gold Coast was by no means as systematic as it has since become, and when relevant facts were suppressed for reasons of security or failed to be recorded simply because they were thought unimportant. The omission of material pertinent to the analysis usually means, therefore, not that it has been overlooked, but that it is unavailable. Despite these limitations, however, some significant conclusions can be drawn.

THE GOVERNMENT'S PROBLEM.

In general terms, the "war effort" of the Gold Coast consisted of the direct utilization of manpower and resources by or on behalf of armed forces in the country; the diversion of resources to exports of materials considered essential to the prosecution of the Allied cause; and reductions in civilian consumption, both to lessen demand for shipping capacity and to maximize the flow of consumers' goods required by the forces and their auxiliaries. Related to the last-named were the attempts made to increase the output of locally-grown foodstuffs, so as to meet added requirements and offset the fall in imports. Each of these aspects will be considered in the analysis which follows.

The government's primary economic task was to divert to its own use or that of the armed forces an increased part of the gross national output and imports. In the circumstances prevailing, this could be done quickly and effectively only by offering cash incentives. It was inevitable, therefore, that even if there had been no increases in rates of money-wages, the total of money-earnings would have been considerably increased by the greater number of men in the forces and related civilian employment, and by payments made to persons not previously employed. Inevitably, too, there was a decrease in the amount of goods available for consumption, owing to shipping difficulties, the elimination of sources of supply under enemy control, and the reduction of exports by those countries with which contact could be maintained. (Imports from Germany, Italy and Japan had been over 11% of the total, by value, in the five-year period 1935-39.)[2]

However tardily it may have realized the fact, therefore, the government was bound to be confronted by a situation in which an increased money demand had to be met by decreased supplies of imports, while its ability to increase domestic production of consumer goods was very strictly limited. Comprehensive regulations governing all sales and prices were out of the question, for political and administrative reasons, even if they could have been devised. Only two alternatives remained: either some way must be found of withdrawing purchasing-power from the market, or prices must be allowed to rise under the inexorable pressure of demand until the additional purchasing-power was absorbed. In other words, the choice lay between reducing real incomes and the method of restoring equilibrium by inflation.

## THE SOLUTION ADOPTED.

In Britain, where a similar problem had to be faced on a vastly greater scale, J.M.Keynes had shown[3] that the only way to secure a balance between money to be spent and goods to be bought, apart from shortages of goods or higher prices, was to withdraw from expenditure a proportion of the increased earnings, and that voluntary savings alone were unlikely to be sufficient to achieve this purpose. He therefore advised the adoption of a radical plan, comprising four main provisions. First, a proportion of each man's earnings should be "deferred", and made available as a right to consume only after the war was over. Secondly, this deferred consumption should be provided for by a general capital levy after the war, so avoiding increase in the National Debt. Thirdly, protection should be afforded those whose standard of life had insufficient margin to bear reductions in current consumption, by a system of exemptions and family allowances. Fourthly, (a suggestion which would be facilitated by the main proposals but was not essential to them), the Government should endeavour to prevent any rise in the index number based on the cost of a limited range of essential consumption goods, and the Trade Unions should agree not to press for wage-increases on the grounds of cost of living, except in so far as the Government failed to keep this index from rising. The "post-war credits" scheme put into effect later in the war, although on a much smaller scale than had been envisaged, played its part, along with other expedients operating on monetary demand, in enabling Britain to escape the worst consequences of inflation.

No such complicated policy could have been feasible in the unsophisticated economy of the Gold Coast, and the government there was left with the necessity of countering the inflation by other means. Unfortunately, however, it does not appear to have realized the paramount necessity of controlling incomes, or to have realized it only when the inflation was already under way. Efforts were made to enforce price-controls, and rationing of a few commodities, but neither measure could have been sufficient, by itself and unaccompanied by a withdrawal of consumers' purchasing-power, to bring about equilibrium. Price-controls were applied to locally-produced foodstuffs and a wide range of imported commodities (e.g. cotton piece-goods, spirits) in general demand, but although detailed information is lacking these appear to have had little significant effect, except in increasing the pressure of consumption and stimulating the "black market". They were in any case extremely difficult to administer effectively. Rationing was attempted in the case of a few commodities only, notably petrol and butter, and was far too limited in range to have much significance in this context, even if it had been intended to do so. (It did however have the curious effect of stimulating demand for butter, for "prestige" reasons, among Gold Coast Africans normally unaccustomed to include it in their diets!)

Increases in indirect taxation, and the introduction of income tax for the first time in 1944, were probably more efficacious, but the incidence of the latter was confined to persons easily accessible to the government and did not affect the bulk of the population. Companies paid at a rate of 7/6d in the pound of chargeable income, but the rate for individuals began at threepence per pound of the first £200 of chargeable income and exceeded 5/- only when chargeable income was £3,000. Strenuous propaganda aimed at increasing the volume of local savings may have done some good, but in an economy where most of the population received low real incomes and where the cost of living was rising this could be expected to offset only a minor part of the increased pressure of spending.

DIFFICULTIES OF CONTROL.

The government's difficulties in its endeavours to control the inflation arose from two main causes: the nature of the military demand and the structure of the Gold Coast economy itself. Purchases by the military included foodstuffs, equipment, services by local labour, and consumption by individual soldiers. This part of the country's war contribution - the maintenance of an army in the field - was probably no less important to the Allied war effort than its exports of essential raw materials, though of course very much less so than in countries like India where the number of troops was larger. Expenditure by the government on its own account increased, but was not so important.

Expenditure on military account was normally financed by credit creation. Details are not available, but the annual volume must have been fairly large in relation to the national income, especially as there was little inclination to practise economy. Attempts by the government to curb it directly would of course have been resisted, but since the main war expenditure was incurred by the British and Allied governments and not from local revenue, no such attempt was likely to be made in any case. Indeed, since military spending helped to create remunerative employment for large numbers of people and increased sterling balances, the authorities tended to regard with equanimity its effect on prices and incomes, even when the causal relationship was understood. As well as being reluctant to act, for these reasons, the government was to a considerable degree unable to act, for the extent of military demand was insufficiently known, often taking the form of direct local contracts, and was normally incalculable in advance, varying with the requirements of the war situation.

To the extent that the Gold Coast Government was able to achieve an increase in gross national product and a reduction in that gross capital formation for which it was directly responsible, it mitigated the repercussions on domestic consumption of military demands and increased exports, and of diminished imports. In the absence of statistics, the degree of its success cannot be accurately gauged, but there was in any case little industrial production to be affected. Resources were released by the contraction of domestic building and repairs and maintenance, but the main propaganda effort was aimed at increasing domestic production of rubber and palm-kernels for export and foodstuffs for local consumption, which depended almost entirely on the efforts of African peasant-farmers and their families. (The acreage of rubber-trees and oil-palms under estate management was almost insignificant; peasant production emanated chiefly from trees growing wild in the forests.)

It is notoriously difficult to expand agricultural output in backward countries, and the difficulties are increased by wartime conditions. The normal economic incentives to which we have become accustomed do not always operate as expected, and since wants are fairly static higher prices may cause diminished production. For the Gold Coast peasant-farmer, the production of a surplus of foodstuffs to exchange for necessities ranked very low in priority, especially as consumers' goods had become particularly difficult to obtain. "The argument so often used in Britain since the war ended, that to increase production it is necessary to have an increased supply of consumption goods available for purchase, applies with even greater force to primitive economies.[4] Other obstacles were the shortage of implements, the primitive agricultural methods employed, the small size of holdings, inadequate transport and storage facilities, and hoarding. Propaganda, too, was difficult to conduct effectively, with reduced official manpower, among a scattered, illiterate and uneducated population. Peasants and fishermen, given news of the war and exhorted to produce more foodstuffs, habitually inquired when the supply of implements, nets and other necessities would improve. For many Gold Coast Africans, it was a war of white men, fought far away, in which they and their countrymen had somehow become involved.

THE COCOA INDUSTRY IN WAR-TIME.[5]

After the outbreak of war in 1939, the government's main concern was to prevent the collapse of the cocoa industry owing to the loss of foreign markets and the expected dislocation of shipping services. In the five-year period 1935-39, cocoa exports had accounted for about half of total exports by value, averaging nearly £6½ million per annum f.o.b.[6] Some four-fifths of this probably reached the hands of middlemen and producers.[7] Since these numbered over 200,000[8], it is reasonable to suppose, after allowing for dependants, that at least a million people, or roughly a third of the population, were directly dependent on cocoa for the maintenance of their standard of living. Though cocoa-farmers also grow food crops, a sudden loss of earnings from cocoa-production would have had serious political and social repercussions and severely damaged the country's economy.

Any such catastrophe was averted when the British Government announced in November, 1939, that it would purchase at a fixed price, through an official monopoly, all cocoa offered for sale. Acting through the Ministry of Food, and making use of local trading firms as its agents, it bought all of the 1939-40 main crop at prices ruling in September, 1939, though clearly only part of it could be shipped and sold. In 1940, the Ministry's responsibility for operations in the Gold Coast was transferred to the West African Cocoa Control Board (later replaced by the West African Produce Control Board), which had been set up by the Colonial Office with funds provided by the British Government. As sole importer of cocoa into Britain, the Ministry bought British requirements from the Board by annual contracts under "bulk purchase" arrangements. The Board, in turn, was the sole exporter from the Gold Coast, buying supplies from the trading firms, who became Licensed Buying Agents, under a system of quotas. Despite the provision of additional storage space, however, shipping difficulties so curtailed selling that over 200,000 tons had to be destroyed locally, after purchase, during the early years of the war.[9] From the outset, the Board had to dispose of most of the output in markets other than Britain.

The Board announced at the start of each season the price to be paid to producers for cocoa purchased, and a margin to meet the costs and profits of the Licensed Buying Agents. These fixed prices were generally considerably lower than the prices eventually paid by the Ministry of Food or on the New

York Market, despite "price ceilings" imposed on the latter, owing to natural caution, uncertainty of disposal, a desire to avoid diverting labour from activities more necessary to the war effort (such as the production of rubber and oil-seeds, and military works), and efforts to mitigate the inflationary trend. In this manner, large profits were accumulated which the West African Produce Control Board handed over in 1947 (when they totalled more than £25 million) to its successors, the Gold Coast and Nigerian Cocoa Marketing Boards, so preparing the way for the price stabilization policy declared to be their main objective. "The W.A.P.C.B. was thus the precursor of a selling organization differing profoundly from the organization which had handled the principal West African products before the war."[10] These war-time developments are illustrated in Table 1.

Table 1 : Marketing of Gold Coast Cocoa, 1939-45. (Prices in £ per ton.)

| Crop Year | (1) Producer Price | (2) Board's Surplus | (3) Gross Proceeds (f.o.b.) | (4) Sale price to M.O.F. (c.& f.U.K.) | (5) New York spot price | (6) Tonnage purchased (000's tons) |
|---|---|---|---|---|---|---|
| 1939-40 | 14.4 | 0.8 | 22.8 | 32.5 | 29.4 | 181 |
| 1940-41 | 11.5 | 5.7 | 24.3 | 31.5 | 37.4 | 237 |
| 1941-42 | 13.4 | -0.8 | 19.6 | 31.5 | 50.0 | 251 |
| 1942-43 | 11.6 | 6.0 | 24.9 | 30.5 | 49.8 | 207 |
| 1943-44 | 13.0 | 9.3 | 30.5 | 35.0 | 49.8 | 196 |
| 1944-45 | 22.4 | 5.8 | 36.7 | 35.7 | 49.8 | 229 |

Source : P.T.Bauer, "West African Trade" (1954) - p.396.

Notes : (1) Export duty of £2.1 per ton was charged throughout the period.
(2) New York spot prices converted at official exchange rates.
(3) Somewhat different figures for Columns 1, 4 & 5 are given in C.Leubuscher, "Bulk Buying from the Colonies" (1956) - p.174.

"Bulk purchase" agreements made by the Ministry of Food had less effect on the marketing of Gold Coast cocoa than they had in the case of raw materials and foodstuffs imported from other colonies. Much more important in the long term was the statutory monopoly set up to buy cocoa from producers and sell it in the world market. Also, the establishment of government-buying in the United States and elsewhere appears to have been an important factor in inducing the W.A.P.C.B. to build up its own selling-organization and do without the services of trading firms in this field.[10] The significance of the Gold Coast Cocoa Marketing Board in the country's post-war economic development will be considered in due course.

Meanwhile, to conclude this brief summary, important criticisms of the marketing organization set up during the war in the Gold Coast must be noted.[11] It has been pointed out that the aim of providing an assured market for producers and assured supplies for the Allied war effort could readily have been achieved without the establishment of a statutory export monopoly; all that was necessary was an official guarantee to act as residual buyer at a seasonally fixed price. Further, the policy of accumulating surpluses as a result of paying producers less than the proceeds of sales was quite irrelevant to the maintenance of the local price of cocoa, probably discouraged production, and certainly caused a deterioration in the producers' terms of trade and consequently a marked reduction in their real incomes. This criticism perhaps does not take sufficiently into account the effectiveness of the official policy as a brake on inflation; in any case, it has greater validity in relation to the post-war period, into which the marketing organization has been continued. Nevertheless, war-time conditions, including the pressure of purchasing-power already discussed, and official endeavours to employ reduced staffs on an increased and unfamiliar range of activities, undoubtedly led to the adoption of measures which are easy targets for criticism in retrospect. The export monopoly was also to some extent a natural reaction to bulk purchase and the result of an attempt to avoid crises like the "cocoa hold-up" of

1937-38, on which the Nowell Commission had commented so adversely.

It has been asserted too that the quota system which accompanied the export monopoly was unnecessary and harmful. The trading firms which acted as Licensed Buying Agents were allotted percentage quotas based on past performance and were liable for penalty payments if these were exceeded. Since there was no limit on aggregate purchases and the market was unrestricted, this system was clearly not required by the exigencies of war. By impeding competition, it tended to reduce supplies (but to protect profit margins), and by preventing the entry of new firms it froze the pattern of trade. Both the quota system and the provision for purchase of the entire crop at seasonally fixed prices by a statutory export monopoly had formed part of the draft scheme for cocoa control submitted in November, 1939, to the Colonial Office by the Association of West African Merchants. As this organization, which comprised the leading firms already established in the trade (all of them British- or foreign-owned) ultimately managed the quota system, unpleasant memories of the cocoa-buying syndicate of 1937 were revived and it became the object of widespread suspicion among Gold Coast Africans. The Government's association with it was also attacked. These developments were to have far-reaching political and economic results.

PHYSICAL CHANGES IN THE ECONOMY.

The preceding section digressed to give a brief outline of war-time developments in the Gold Coast's principal industry. It is now necessary to return to the question of changes produced in the economy as a whole, and to consider them in greater detail. Physical changes will be studied first (manpower, production and consumption), then financial changes (money, prices, incomes and sterling balances), and finally the inflation itself and the attempts made to control it.

According to an official statement, more than 65,000 Gold Coast Africans served in the armed forces during the war years,[12] but owing to high turnover due to invaliding and other causes the total at any particular time probably never exceeded 45,000. In addition, of course, large numbers of men were employed directly by the forces in civilian capacities or on special construction work connected with the war effort. As the population numbered 3.16 millions in 1931, and had increased to 4.12 millions by 1948, even if the total of servicemen and such employees is put as high as 100,000 the drain on manpower resources does not appear to have been unduly large. In contrast with the British total of 11% of the population in the Services,[13] the number of men enlisted probably never much exceeded 1% of the population.

Nevertheless, it must be remembered that although there were about one million men of military age in the Gold Coast, not all of these were potential recruits. Backwardness or lack of soldierly qualities excluded some, and while there was no shortage of volunteers large numbers had to be rejected on medical grounds: 80% of the 7,500 volunteers from the Northern Territories in 1940 were found to be suffering from yaws.[14] Military requirements certainly strained the scarce reserve of skills; clerks, drivers and mechanics were in great demand. The drain on manpower resources, therefore, though its effect cannot be assessed quantitatively, was probably more serious than is suggested by considerations of numbers alone. On the other hand, many recruits came from agricultural communities where there may normally be considerable under-employment, and it is doubtful whether their absence significantly affected production or living-standards.

The contribution made by Gold Coast exports during the crucial period of the war can be seen from Table 2, which includes averages for 1935-39 for purposes of comparison. (There had been wide fluctuations before the war both in volume and value of exports. In 1937, for example, the value of cocoa exported was nearly £10 million, compared with just over £4½ million, for a larger tonnage, in 1938.) With the exception of the figures for timber, palm-oil, copra and kola-nuts, which are produced for local use as well as for export, and for cocoa, which are deceptive owing to the destruction of surpluses, the quantities listed in this Table may be taken as representing output. Some may also have been affected by abnormal delays in obtaining shipping-space, and average values shown for 1935-39 tend to be inflated owing to the high prices of 1937.

All of the mineral exports, with the exception of gold, were directly important to the war effort. The first bauxite mine was opened in 1941 and a second in the following year. A branch railway line and special port installations were constructed to facilitate bauxite exports, and output continued to expand throughout the war, reaching a peak of 146,330 tons in 1945. Manganese ore output was sustained at a higher level than pre-war, and in both 1945 and 1946 exceeded 700,000 tons - more than double the figure for 1938. Gold output increased at first but diminished as several companies went out of production or were put on a "care and maintenance" basis, owing to shortages of machinery and stores, especially explosives, and exports of industrial diamonds showed no significant trend. The rise in exports of unmanufactured timber does not adequately depict the rapid increase in production, for large quantities were used inside the Gold Coast: local demand so far exceeded supply that a system of controls became necessary. Government propaganda aimed at increasing exports of wild rubber and palm-kernels had only a limited success. The fact that larger quantities of kernels became available in 1943-44 suggests that exports of palm-oil may have failed to rise because of increased domestic consumption.

Table 2 : Principal Exports from the Gold Coast, 1941-44.

| COMMODITY | QUANTITY | | | | |
|---|---|---|---|---|---|
| | 1935-39 (av.) | 1941 | 1942 | 1943 | 1944 |
| Cocoa (000 tons) . . | 272 | 219 | 124 | 187 | 203 |
| Gold (000 fine oz.) . | 567 | 815 | 786 | 630 | 534 |
| Diamonds (000 carats) | 1,345 | 1,084 | 1,056 | 1,318 | 1,166 |
| Manganese Ore (000 tons) | 399 | 429 | 484 | 423 | 504 |
| Bauxite (000 tons) . | - | 2 | 48 | 105 | 107 |
| Timber (000 cu.ft.) . | 885 | 1,205 | 1,503 | 2,226 | 2,626 |
| Palm Oil (000 tons) . | .49 | .41 | .44 | .48 | .51 |
| Palm Kernels (000 tons) | 7.1 | 3.3 | 2.8 | 8.3 | 12.6 |
| Copra (000 tons) . . | 1.4 | .54 | .70 | 1.08 | .97 |
| Rubber (000 tons) . . | .48 | .72 | 1.86 | 3.24 | 1.75 |
| Kola Nuts (000 cwt.) | 123 | 108 | 114 | 110 | 113 |

| COMMODITY | VALUE £000's f.o.b. | | | | |
|---|---|---|---|---|---|
| | 1935-39 (av.) | 1941 | 1942 | 1943 | 1944 |
| Cocoa . . . . . . . . . | 6,499 | 4,007 | 2,386 | 3,494 | 3,890 |
| Gold . . . . . . . . . | 4,123 | 6,851 | 6,603 | 5,295 | 4,485 |
| Diamonds . . . . . . | 558 | 629 | 614 | 721 | 659 |
| Manganese Ore . . . . | 790 | 1,015 | 1,264 | 1,188 | 1,423 |
| Bauxite . . . . . . . | - | 6 | 153 | 334 | 346 |
| Timber . . . . . . . | 95 | 136 | 156 | 249 | 320 |
| Palm Oil . . . . . . | 8 | 10 | 17 | 12 | 11 |
| Palm Kernels . . . . | 64 | 21 | 20 | 92 | 149 |
| Copra . . . . . . . . . | 15 | 4 | 5 | 10 | 9 |
| Rubber . . . . . . . . | 27 | 38 | 144 | 347 | 188 |
| Kola Nuts . . . . . . . | 192 | 321 | 489 | 412 | 388 |
| All domestic produce | 12,337 | 12,911 | 11,582 | 12,068 | 11,907 |

Source : Gold Coast Statistical Abstracts, No.1 (1956).

Changes in the output of foodstuffs for domestic consumption are impossible to estimate, as information of any kind about such crops is very scanty. Cocoa-farms generally grow food until they begin to bear cocoa, and investigations conducted before the war suggest that it was the normal practice to plant food-crops much in excess of requirements and leave the excess unharvested, to go to waste.[15] In such circumstances, the problem of increasing output becomes a problem of inducements and marketing facilities. The military authorities dealt with this fairly satisfactorily by their own methods, but civilian workers in the towns suffered from shortages and had to pay increasingly high prices. It follows, therefore, that any policy of industrialization in the Gold Coast would have to be accompanied by determined efforts not only to increase production of local foodstuffs but also to ensure that they reached urban markets. A partial answer to the problem was provided during the war by the government in the establishment of vegetable farms and pig-farms, the operation of a rice-mill, and improved methods of curing fish, but these undertakings were all on a comparatively small scale.[16] Mere exhortation to produce more foodstuffs was largely ineffective. Certain small industries, too, developed with official encouragement and under the stimulus of reduced imports, but few of these survived.

Details of certain important imports during the same period are shown in Table 3: for all practical purposes these may serve as indices of consumption. Averages for 1935-39 again provide a basis for comparison. Most of the imports shown have been selected for their importance as consumption-goods. Generally, the picture is one of reduced quantities and higher prices, which became even higher, in war-time conditions, before the goods reached consumers. The characteristic series of intermediaries took full advantage of scarcity, especially in rural areas, and conditional sales were common everywhere.

Table 3 : Selected Imports into the Gold Coast, 1941-44.

| COMMODITY | QUANTITY | | | | |
|---|---|---|---|---|---|
| | 1935-39 (av.) | 1941 | 1942 | 1943 | 1944 |
| Cattle - for food (000's) | 42.7 | 10.5 | 5.8 | 26.5 | 18.4 |
| Fish - canned, etc. (000 cwt.) | 116 | 16 | 33 | 20 | 20 |
| Rice (000 cwt.) . . . . . | 248 | 36 | 51 | 16 | 6 |
| Flour (000 cwt.) . . . | 159 | 115 | 100 | 96 | 99 |
| Sugar (000 cwt.) . . . | 126 | 86 | 79 | 57 | 68 |
| Unmanufactured Tobacco (000 cwt.) | 13 | 8 | 8 | 12 | 8 |
| Cotton Piece Goods (million lbs.) | 13 | 7 | 11 | 9 | 9 |
| Corrugated Iron Sheets (tons) . | 8,256 | 178 | 294 | 1 | 54 |
| Bicycles (no.) . . . . | 3,105 | 485 | 1,205 | 1,356 | 1,223 |
| Cement (000 tons) . . . | 62 | 38 | 19 | 19 | 26 |
| Illuminating Oil (million gallons) | 2.79 | 1.31 | 1.03 | 1.93 | 2.18 |
| Coal (000 tons) . . . . | 91 | 62 | 161 | 147 | 97 |

| COMMODITY | VALUE £000's c.i.f. | | | | |
|---|---|---|---|---|---|
| | 1935-39 (av.) | 1941 | 1942 | 1943 | 1944 |
| Cattle - for food . . | 227 | 95 | 79 | 188 | 276 |
| Fish - canned, etc. . | 210 | 41 | 120 | 37 | 36 |
| Rice . . . . . . . . . | 119 | 35 | 52 | 39 | 4 |
| Flour . . . . . . . . | 132 | 120 | 118 | 127 | 154 |
| Sugar . . . . . . . . . | 98 | 133 | 136 | 85 | 103 |
| Unmanufactured Tobacco | 70 | 65 | 76 | 131 | 101 |
| Cotton Piece Goods . . | 1,394 | 997 | 1,883 | 2,144 | 2,203 |
| Corrugated Iron Sheets | 154 | 5 | 10 | 0.03 | 1.6 |
| Bicycles . . . . . . . . | 12 | 3 | 8 | 9 | 8 |
| Cement . . . . . . . . . | 152 | 175 | 102 | 106 | 116 |
| Illuminating Oil . . . | 78 | 39 | 60 | 66 | 70 |
| Coal . . . . . . . . . . | 261 | 244 | 713 | 1,063 | 454 |
| All Imports . . . . . | 8,878 | 6,254 | 8,843 | 8,880 | 8,985 |

Table 3 - continued.

Source : Gold Coast Statistical Abstracts, No.1 (1956).

Notes : (1) Forces imports not included. Bullion and specie included but insignificant.

(2) Cotton piece goods comprise unbleached, bleached, printed and dyed piece goods, coloured cottons, and velveteens.

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The fall in imports of cotton piece-goods from an average of 13 million lbs. per annum pre-war to about 9 million lbs. on average in the period 1941 to 1944 was particularly important in view of their pre-eminent place among the staples of trade. Imports of canned and preserved fish, rice, flour and sugar, on which the country had been heavily dependent in peace-time, fell no less significantly, and there can be little doubt that shortages of these foodstuffs, together with the scarcity of such popular building-materials as corrugated iron sheets and cement, reduced the force of any incentives making for increased output among farmers and wage-earners alike. Much the same applies to bicycles, which frequently also serve as capital-goods and assist production in a country as deficient in transport services as the Gold Coast. Unmanufactured tobacco has long been recognized as an "incentive-good" among the peasant-farmers, and illuminating oil (chiefly kerosene) is used by everyone.

The absence of information about domestic food-production makes it impossible to gauge the extent of hardship caused by the fall in imports of foodstuffs. For people in rural areas, the majority of the population, this presumably meant little more than reduced variety of diet, but for labourers and other poorly-paid workers in the larger towns it may have caused definite under-nourishment. In any event, it seems to be true that less hardship was caused directly by the reductions than indirectly by the inflation for which they were so largely responsible.

FINANCIAL CHANGES.

Consideration of the financial changes which took place in the economy is hampered just as much by lack of information as was consideration of the physical changes. There are no reliable figures for the amount of money in circulation, for example, nor for the amounts of loans and advances and bank deposits. Published statistics relating to currency issues for all four British West African Colonies are reproduced in Table 4 below, and though their value as a true indication of the expansion is clearly very limited they may safely be assumed to represent the general trend in the Gold Coast. According to government estimates for the Gold Coast alone, total circulation increased from £6.4 million in 1942 to £11.2 million in 1946 - a less rapid rate of expansion - but the latter figure may well have been too low.[17] Certainly there was a steady and considerable increase in the proportion of notes in circulation.

Table 4 : West Africa - Note and Currency Issues, 1939-45. (At 30th June).

| Year | Currency £m | Notes £m | Total £m | Index | Proportion of Notes : % |
|---|---|---|---|---|---|
| 1939 | 10.0 | 1.7 | 11.7 | 100 | 14.5 |
| 1940 | 11.0 | 1.6 | 12.6 | 108 | 12.7 |
| 1941 | 11.4 | 2.1 | 13.5 | 116 | 15.6 |
| 1942 | 14.3 | 3.4 | 17.7 | 152 | 19.2 |
| 1943 | 18.3 | 5.6 | 23.9 | 204 | 23.7 |
| 1944 | 20.4 | 5.9 | 26.4 | 226 | 22.4 |
| 1945 | 22.1 | 7.6 | 29.7 | 253 | 25.6 |

Source: West African Currency Board Reports.

No cost of living index covering the period has been published, and the best available information about price-movements is contained in official statements submitted to the Commission on the Civil Services of British West Africa, 1945-46, which reported in September, 1946. These covered a wide range of imported consumption-goods and local foodstuffs and are probably fairly reliable, though of course they do not take account of inflated profits superimposed on landed costs of the former, nor of scarcity-prices actually charged in uncontrolled markets for the latter. A selection of indices concerning the more important commodities is given in Table 5 below. Since in most cases prices continued to rise after 1944, it may be admitted that there was justification for the Commission's finding that the cost of living had approximately doubled between 1939 and 1946, at least so far as government employees and civil servants were concerned. (Those in up-country stations normally paid higher prices for imported articles and lower ones for local produce.)

Table 5 : Indices of Landed Cost of Certain Imported Goods and Prices of Locally-Produced Foodstuffs in the Gold Coast, 1941-44.

(1939 = 100)

| IMPORTED GOODS | 1941 | 1942 | 1943 | 1944 |
|---|---|---|---|---|
| Fish, canned etc. | 250 | 243 | 77 | 108 |
| Flour . . . . . . . . . | 130 | 157 | 178 | 210 |
| Sugar . . . . . . . . . | 181 | 201 | 173 | 175 |
| Tobacco, unmanufact'd. | 124 | 153 | 171 | 192 |
| Cotton Piece Goods . | 160 | 191 | 262 | 290 |
| Corrugated Iron Sheets | 144 | 169 | 134 | 140 |
| Cement . . . . . . . . | 157 | 182 | 186 | 153 |
| Illuminating Oil . . | 146 | 282 | 166 | 154 |
| LOCAL FOODSTUFFS | | | | |
| Bananas . . . . . . . . | 110 | 93 | 143 | 194 |
| Cassava, fresh . . . | 163 | 246 | 292 | 238 |
| Groundnuts . . . . . | 130 | 169 | 201 | 169 |
| Palm Oil . . . . . . | 100 | 122 | 145 | 154 |
| Plantains . . . . . . | 112 | 130 | 211 | 218 |
| Yams . . . . . . . . . | 103 | 138 | 154 | 162 |

Source : Report of the Commission on the Civil Services of Br. W. Africa.

Notes : (1) Imported articles - average annual landed cost per unit.
(2) Local foodstuffs - annual mean of prices in markets at ten agricultural stations.
(3) An independent calculation of average c.i.f. price of imported textiles showed an increase of 140% between 1939 and 1944. By 1946 this had become 208%. 18

In considering changes in the money-incomes of wage and salary-earners, it must be borne in mind that the total number of persons affected during the war could hardly have been more than 200,000, or roughly 20% of the total adult male population, even including military personnel. That earnings increased there can be no doubt, but few specific details are available and assessment is complicated by uncertainties of definition and the fact that wage-rates varied according to area as well as type of work. The wages of unskilled and semi-skilled workers appear to have risen by rather more than 50% on average, and those of artisans by rather less, though this is admittedly a very rough estimate.[19] The increases paid to clerical workers are even more difficult to judge, though probably of the same order of magnitude. In this connection, it is significant that the Commission already referred to recommended (in 1946) increases of about 100% in the salaries of the lowest grades of civil servants. Though intended partly to rectify anomalies in the salary-structure, these were also meant to bring government rates of pay up to levels approaching those in commerce and industry, which had been more responsive to economic pressures. Increases in the region of 25% were recommended for African civil servants in the middle and upper grades. Some categories of non-government employee in special demand naturally achieved large increases; domestic servants' wages, for example, approximately doubled.

As regards the question of hardship which may have been caused by the apparent failure of money-wages to keep pace with rising prices, it may be noted that, generally speaking, full employment was maintained throughout the war. Many workers, both manual and clerical, who before had been employed only intermittently, benefited by receiving regular wages. Besides, the acceleration of activity in some sectors created new opportunities for money-making and for economic advancement. For these reasons, the total real income of the urban family probably showed less tendency to fall than the real income of the urban individual.

Table 6 sets out in general terms the changes which took place in the incomes of cocoa-producers. These of course depended not only on the "producer prices" paid at collecting-points but also on actual crop tonnages, and although the former were kept down until the 1944-45 season by the war-time marketing organization, the latter showed some natural variation. "Combined money-incomes" nevertheless remained fairly steady until the upward trend began in earnest in 1944-45. It must be emphasized, though, that these figures are somewhat greater than the amounts which actually reached the hands of the farmers; in each year a proportion was drained off in transport costs and by the many intermediaries whose operations had so markedly impressed the Nowell Commission in 1938.[20]

Table 6 : Combined Money-Incomes of Gold Coast Cocoa-Producers and Index of their Terms of Trade in Terms of Cotton Piece-Goods, 1939-46.

| Crop Year. | (1) Producer Price. (£ per ton) | (2) Tonnage Purchased. (000 tons) | (3) Producers' Income £ m | (4) Producers' Income % of 1939-40 | (5) Producers' Terms of Trade. |
|---|---|---|---|---|---|
| 1939-40 | 14.4 | 181 | 2.60 | 100 | 100 |
| 1940-41 | 11.5 | 237 | 2.72 | 105 | 66 |
| 1941-42 | 13.4 | 251 | 3.36 | 129 | 64 |
| 1942-43 | 11.6 | 207 | 2.40 | 92 | 53 |
| 1943-44 | 13.0 | 196 | 2.54 | 98 | 41 |
| 1944-45 | 22.4 | 229 | 5.13 | 197 | 63 |
| 1945-46 | 27.0 | 209 | 5.64 | 216 | 76 |

Source : Adapted from P.T.Bauer, "West African Trade" - pp.396 & 424.

Notes : (1) Column 3 is the product of Columns 1 & 2.

(2) Column 5 has been converted from base 1935-7=100 and remains in terms of calendar years, e.g. 1939=100. Calculated from landed costs of all cotton piece-goods and producer-prices paid for cocoa.

(3) An independent calculation found "national" terms of trade (i.e. based on f.o.b. cocoa prices and c.i.f. textile prices) least favourable in 1943 and 1944.[21]

Indices of cocoa-producers' terms of trade in terms of cotton piece-goods have been included in Table 6 mainly to indicate the general trend, and no far-reaching conclusions should be drawn from them. Cotton piece-goods are however the most important single class of imports and although landed costs did not correspond closely with retail prices their use in the calculation does not give a seriously misleading picture. The indices clearly support the conclusion that reductions in farmers' real incomes were caused by rising prices of imports, accompanied by stabilized domestic cocoa-prices. Some of the money they received was diverted to the purchase of locally-produced goods, thereby helping to raise the internal price-level, and to black-market operations in scarce but desirable imported goods. On the other hand, many farmers were self-supporting in foodstuffs, or could readily become so by utilizing family labour, and some farm-labourers received all or a part of their payments in kind. Moreover, since indebtedness had been widespread in agricultural areas before the war, the farming community (and other debtors) benefited when rising prices reduced its real burden.

To conclude this brief discussion of financial changes mention must be made of the sterling balances of the Gold Coast, comprising principally the counterpart funds for currency issued, the surplus funds of the West African Produce Control Board, and reserve funds held on behalf of the Government and the Railway and Harbour Administration. Like the governments of other countries which supplied the allies during the war, and consequently accumulated such balances, the Gold Coast Government improved its external financial position by increasing reserves. These rose from £2.5 million in 1938 to £7.0 million in 1946, including interest-free loans totalling £800,000 made to H.M.Government in 1940-41 and 1941-42.[22] As for the W.A.P.C.B., it handed over to the Cocoa Marketing Board in 1947 an accumulated net surplus of nearly

£14 million, of which about £4½ million appears to have resulted from operations up to and including the 1944-45 season.[23] Official figures of all Gold Coast sterling balances begin only with the year 1949 (when they were estimated at more than £77 million), but the holdings of the West African Currency Board for all four West African colonies during the period give a reasonably accurate indication of their rate of increase. The extent of these h oldings is shown in Table 7.

Table 7 : West African Currency Board Balances, 1939-45. (At 30th June).

| Year | Amount (£000's) |
|---|---|
| 1939 | 12,075 |
| 1940 | 12,960 |
| 1941 | 14,927 |
| 1942 | 16,954 |
| 1943 | 23,323 |
| 1944 | 25,981 |
| 1945 | 29,508 |

Source : West African Currency Board Reports.

INFLATION AND CONTROLS.

It has already become clear that inflation took place during the war, in the sense of an expansion in volume of money demand greater than that associated with normal cyclical movements, the principal factors in the situation being increases in some exports, reduced imports, and military demand. Which other factors encouraged the growing colume of money-incomes, and which tended to impede the process of income-creation?

Expenditure by the government for war purposes has already been mentioned. This covered such items as Civil Defence, the supplies organization, information services, and schemes to increase local production, but averaged £307,000 only in the five-year period from 1941-42. Public works expenditure increased steadily in the same period, averaging £388,000 a year.[24] Generally, however, internal government finance had a deflationary effect of considerable importance, as will be seen from Table 8.

Table 8 : Gold Coast Government Revenue and Expenditure, 1939-45. ( £m )

| Year | (1) Revenue | (2) Expendre. | (3) Surplus(+) Deficit(-) | (4) Internal Revenue | (5) Internal Expendre. | (6) Surplus (+) |
|---|---|---|---|---|---|---|
| 1939-40 | 3.73 | 3.63 | + 0.10 | 3.73 | 3.56 | + 0.18 |
| 1940-41 | 3.87 | 3.87 | - 0.002 | 3.87 | 3.20 | + 0.67 |
| 1941-42 | 4.14 | 3.60 | + 0.54 | 4.14 | 3.22 | + 0.92 |
| 1942-43 | 4.33 | 4.15 | + 0.18 | 4.33 | 4.08 | + 0.25 |
| 1943-44 | 4.72 | 4.56 | + 0.16 | 4.72 | 4.49 | + 0.23 |
| 1944-45 | 5.87 | 4.53 | + 1.33 | 5.87 | 4.46 | + 1.40 |

Source : Colonial Office List, 1949 and Annual Report, 1946.

Notes : (1) Colonial Development grants did not significantly affect revenue.

(2) Loans and gifts to H.M.Government and public debt charges excluded from Column 5. Overseas pensions and gratuities not deducted.

(3) Railway and Harbour finances are separately accounted for.

The mainstay of government revenue continued to be receipts from Customs duties, which averaged £2.64 million during the years covered by the table, or slightly less than the average for the last three pre-war years, and showed no significant tendency to rise or fall.[25] Where ad valorem duties applied, rises in prices of the imported articles would of course have had much the same result as increases in specific duties where these were applicable: there seem to have been no general increases in Customs duties until 1946, when they were required to meet increased expenditure on wages and salaries.

Up to 1944, the only direct taxation imposed by the Central Government was a tax of one shilling in the pound on mining incomes. The Income Tax Ordinance (which applied to companies as well as individuals) took effect in that year, and produced £1.34 million in 1944-45, but by that time the inflation was already under way and in any case only a small minority of the people were affected by the new tax. Official encouragement of private savings met with some response, and the number of depositors in the Post Office Savings Bank rose from 43,610 with a total holding of £290,000 in 1939-40 to 150,385 with a total holding of £1.49 million in 1944-45, representing an increase from under £7 to nearly £10 in the average deposit.[25] Generally, however, money savings hold little attraction for the Gold Coast African, who is inclined to spend excess cash on "conspicuous consumption" or gold ornaments and other valuables for hoarding. In the words of the Nowell Commission, "he prefers to spend lavishly, even foolishly, when he has money; and to borrow when he has none."[26] There was also some saving in co-operative societies and in the commercial banks, but although details are not available this was unlikely to have been very significant. The limited effectiveness of rationing and price controls has already been noted. Though there appear to have been reductions in gross capital formation (by the gold-mining companies as well as the government, for example), which offset to some extent the pressure of military demand, there is insufficient information on the subject to enable precise conclusions to be drawn.

The repercussions of changes in the merchandise trade remain to be examined. As will be seen from Table 9, there was no substantial increase in exporters' receipts, which indeed tended to fall, and although payments for imports remained stable for the first two years they did not begin to increase until 1942 and even then not particularly rapidly. Thus there was little sign of the situation , familiar in some other war-time economies, where exporters' receipts greatly increased and payments for imports increased only slightly or not at all. It follows that trade in merchandise was not an income-generating factor in the Gold Coast, except possibly to a minor extent in the earlier years. The counter-inflationary effect of the increased payments to foreign exporters for a reduced volume of imports partly offset any impetus given to the upward movement of wage-rates by rising import-prices. Finally, it seems unlikely that invisible items and private capital transactions varied greatly from their pre-war flow, which characteristically produced an excess of payments (e.g. pensions, debt charges, company profits, etc.) over receipts. No balance of payments figures for the period are available.

Table 9 : Gold Coast Imports and Exports of Merchandise, 1939-44. ( £m. )

| Year | Total Exports | Imports | Balance (export surplus +) |
|---|---|---|---|
| 1939 | 13.0 | 7.5 | + 5.5 |
| 1940 | 13.8 | 7.1 | + 6.6 |
| 1941 | 13.1 | 6.2 | + 6.9 |
| 1942 | 12.2 | 8.8 | + 3.4 |
| 1943 | 12.8 | 8.9 | + 3.9 |
| 1944 | 12.4 | 9.0 | + 3.4 |

Source : Statistical Abstracts, No.1 (1956).

Note : Military stores and exports of specie deducted. "Total exports" include exports of both domestic and foreign produce: cf. total exports of "all domestic produce" in Table 2, supra.

SUMMARY AND CONCLUSIONS.

The preceding sections have outlined, within the limits of the information available, the principal changes which took place in the Gold Coast economy during the war. In essence the situation was a familiar one - that of a government which tried to do too much with available resources, and so ran into inflation. But it is difficult to see how this could have been wholly avoided in solving the basic problem of diverting resources from private consumption and investment to the war effort. Since quick results were essential, it was necessary to bid for resources, and this involved raising prices.

The abrupt and severe reduction in imports, accompanied simultaneously by a powerful military demand for goods and services, was undoubtedly the most important change in the economy : it had two major repercussions. Firstly, by creating conditions of shortage which were fully exploited in trading operations, it strengthened the trend towards rising prices. Secondly, by diminishing incentives and limiting the availability of producers' goods, it hampered official efforts to expand domestic agricultural and industrial production. Increases in agricultural production were impeded, too, by the structure of the economy itself, and increases in industrial production by the scarcity of technical skills and indeed of fundamental education. Nevertheless, there were important increases in some exports, notably of bauxite, manganese ore and timber, needed for the allied war effort. Cocoa, the country's chief export, was of secondary importance in this connection, but significant changes were induced by war conditions in the system of cocoa-marketing.

Counter-inflationary factors discernible included the internal price-policy of the W.A.P.C.B., which kept producers' money-incomes fairly stable, and the government's surplus-financing, though perhaps the latter policy was not explicitly designed to this end. Direct taxation did not come into effect until late in the war, but the stable Customs revenue from a diminished volume of imports was equivalent to higher rates of indirect taxation and so helped to absorb purchasing-power. Increased private savings, price-control, and rationing schemes played a minor role, though their full effects cannot be gauged for lack of data.

As regards consequences of the inflation, there can be no doubt that the supply of money increased, though to what extent is uncertain. There being no semi-automatic relationship in the Gold Coast between wages and the cost of living (the first Trades Unions were initiated, with official encouragement, only in 1942), prices of imported articles and local foodstuffs alike rose faster than wages. Wage-earners, however, were relatively few in number, and imported articles represented semi-luxuries rather than necessities for large sections of the community. Some hardship may have been caused to landless urban labourers dependent on supplies of cheap imported foodstuffs, and to cocoa-farmers, whose real incomes fell. As is usual in an inflation, wage- and salary-earners (e.g. clerks, civil servants) tended to suffer, and entrepreneurs (e.g. merchants, middlemen) to gain, but debtors in general benefited.

It can be argued that the government might have shown greater competence and energy both in the direct mobilization of resources for the war effort and in forestalling the inflation, but in fairness the great difficulties confronting it must be admitted: some of these have already been noted. Probably, as has been suggested, its chief fault lay in the failure to recognise - or to recognize early enough - the paramount necessity of limiting incomes, but even if there had been no such failure the preparation and enforcement of suitable measures would have presented problems very different from those of advanced countries more directly involved in the war. The apparatus of taxation was far less well developed, for instance, and a readiness to pay higher taxes on patriotic grounds less confidently to be expected. After all, the methods of orthodox finance proved inadequate everywhere; even in those countries most highly developed.

Manpower might perhaps have been more fully utilized, but although littl more than 1% of the population was enlisted in the services at any one time it seems fairly probable that this proportion could have been enlarged only by more serious disruption of the economy. "Among the civilised nations of modern Europe," wrote Adam Smith in an era when economic conditions there had greater similarity than nowadays to those of the war-time Gold Coast, "it is commonly computed, that not more than one hundredth part of the inhabitants of any country can be employed as soldiers, without ruin to the country which pays the expence of their service."[27]

So much for the adverse effects: on the other side of the ledger must be entered the economic gains of the Gold Coast from the war. Full employment, so far as this can be judged in a backward economy, was maintained, and indebtedness was to some extent liquidated. The government's revenue benefited, with a resultant growth in reserves, and sterling balances had an unprecedented rise which was to be overshadowed only in the post-war period. A legacy of physical assets, including a complete new extractive industry (bauxite mining), airfields, roads and buildings, predicted the accelerated development and higher standard of living which were to come. Less tangible, but no less important, residual assets were the reserve of skills created by the exigencies of war (e.g. drivers, skilled artisans, mechanics) and the sense of discipline and realization of "wider horizons" instilled into those who had served with the forces. It may be noted also that the social and economic structure was shaken up and in part changed by the war, while the government acquired new interests and new functions. The Gold Coast suffered no destruction, and escaped the evils of hyper-inflation. On balance, therefore, it appears to have benefited economically from the war.

What lessons does war-time experience in the Gold Coast hold for the study of its long-term economic development? This is not the place to enter into a discussion of the various opinions advanced in the course of the widespread debate on this subject. It will be sufficient to note briefly some policies on which there is general agreement, and to refer to points of lesser importance which have been raised. The Gold Coast is an "underdeveloped country" in the sense that it is deficient in capital, relatively to population and natural resources. For capital formation to take place, a part of currently available resources must be diverted to augment capital stock so as to prepare for a future expansion of consumable output. The problem of this diversion bears some resemblance to that confronting the war-time government, and it is agreed that in the circumstances prevailing the government, rather than private enterprise, must play a major part in any attempt to solve it. Fundamentally, it consists in finding means to check consumption and ensure savings which may then be invested so as to achieve increased productivity. Opinions differ concerning relative priorities for the development of industry and of agriculture in the resultant investment programme, but there is general agreement that an increased agricultural output is essential to success.

War-time economic changes emphasize the difficulty of limiting consumption and avoiding inflation when the demand for goods and services increases, since imported consumption-goods are vital as incentives and their flow must therefore be maintained. An inflation, if it does not go too far, may of course prove beneficial to growth by redistributing incomes in favour of classes more likely to invest, and by increasing the government's share of the national income, but not all inflations are of this character or have these results. "If the inflation is due to the government spending money on paying high salaries to civil servants, or on making war, there is no reason to expect the inflation to increase capital formation, unless the economy has a fair proportion of the kind of industrial capitalists who invest inflationary profits in fixed capital - and this is more likely in advanced than in under-developed countries."[28] Moreover, service in the forces and contacts with the superior goods and patterns of consumption of overseas personnel stationed in the country appear to have set up a "demonstration effect", stimulating for many Gold Coast Africans the propensity to consume. Clearly this would make control of consumption even more difficult in the future. The war years confirmed also the government's need to rely on indirect taxation as a principal source of revenue and counter-inflationary weapon, and the overwhelming importance of "compulsory savings" emanating both from this source and from levies on raw material exports.

As regards productivity, propaganda alone was unable to overcome the traditional caution and conservatism of peasant-farmers and the inelasticity of agricultural output in a country not yet wholly converted to an exchange economy. Adequate incentives, together with an intensive programme of education and improved marketing facilities would be necessary to achieve this, and quick results could not be expected. The output of European-controlled extractive industries increased mainly because of their high capitalization and use of imported skills, including management. Insufficient information is available to enable conclusions to be drawn from the fate of the small local industries started during the war, but the fact that they did not play a greater part in meeting shortages and eventually disappeared in more normal trading conditions suggests a lack of initiative and resilience among such domestic entrepreneurs as existed. War-time experience showed too that certain elementary technical skills could be taught fairly quickly and have an important effect on the development of the economy: lorry-drivers trained by the Army were the best example of this.

Finally, it may be noted that the war-time efforts to control consumption and increase output were initiated by a government which the population regarded as alien, and whose economic activities were directed to the support of a military struggle devoid of real meaning for the mass of Gold Coast Africans.

It may perhaps be conjectured, therefore, that a more positive response would have been achieved by a government with which they could more easily identify themselves, and with more room for economic manoeuvre, in support of the less incomprehensible aim of developing their own country, in their own long-term interests. The economic history of the post-war period will throw some light on this question and follow the development of trends established during the war.

## The Economy in the Second World War.

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# CHAPTER 4

## POPULATION AND RESOURCES



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Appendix

Dr.H.W.Singer's Theorem of the 'Courbe des Populations' Tentatively Applied to the Gold Coast.

( Chapter 4 )

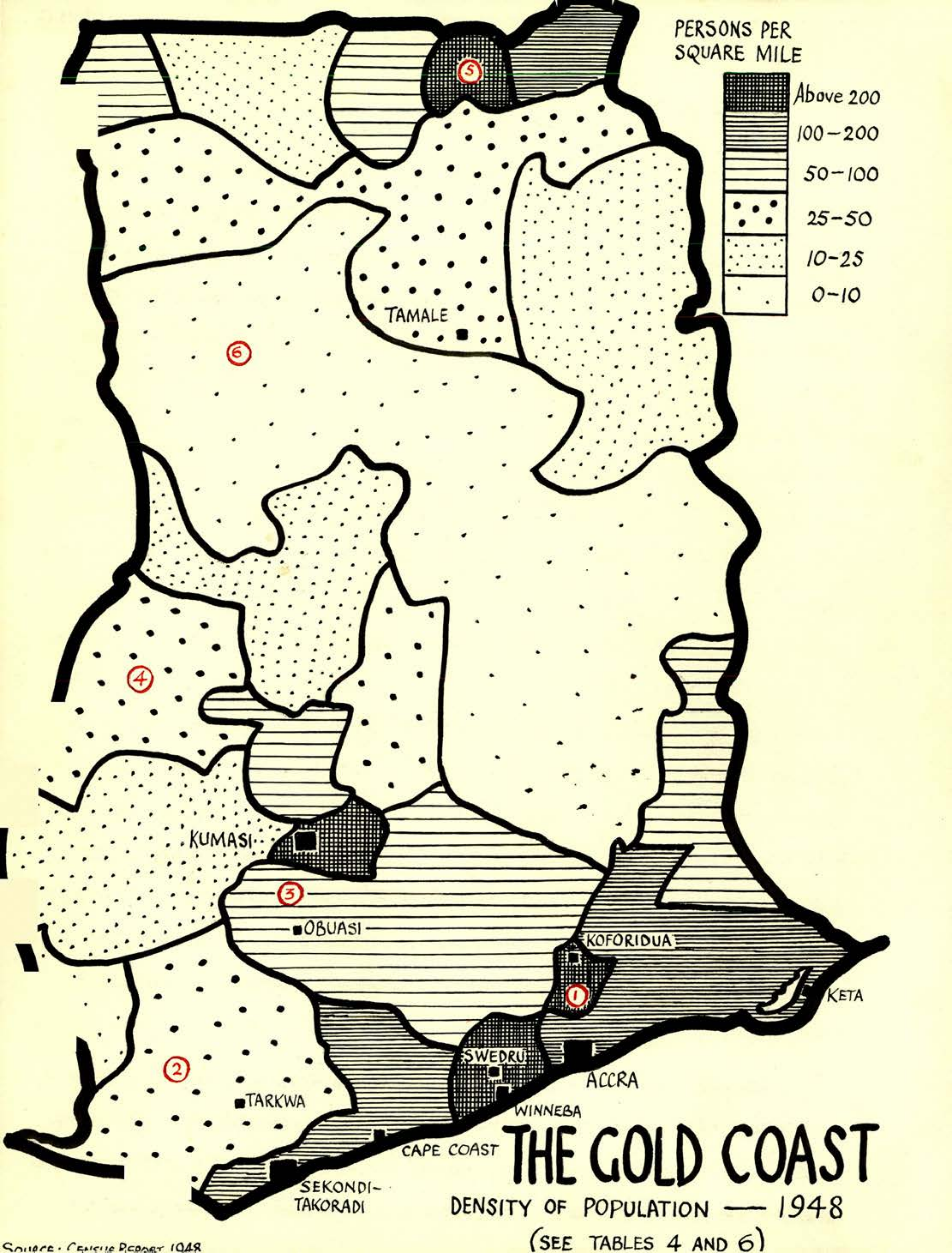
MAP



TABLES

POPULATION MAP

OVERLEAF


PERSONS PER SQUARE MILE
Above 200
100–200
50–100
25–50
10–25
0–10
TAMALE
KUMASI
OBUASI
KOFORIDUA
KETA
SWEDRU
ACCRA
WINNEBA
TARKWA
CAPE COAST
SEKONDI-TAKORADI
1
2
3
4
5
6
THE GOLD COAST
DENSITY OF POPULATION — 1948
(SEE TABLES 4 AND 6)
SOURCE: CENSUS REPORT 1948

## POPULATION AND RESOURCES.

### INTRODUCTION.

Problems of population engaged the attention of philosophers and administrators long before the development of systematic economic thought. Aristotle advised law-givers "to take care that the increase of people should not exceed a certain number; and in determining that, to take into consideration those children who will die, and also those women who will be barren," adding a warning that "to neglect this .... is to bring certain poverty on the citizens; and poverty is the cause of sedition and evil."[1] Machiavelli noted the twin dangers of rising and falling numbers and wrote that "the one part through the small number of inhabitants becometh desolate, and the other, being overcharged, oppressed with poverty."[2] Modern times have seen a change in emphasis from the anxieties of the early 19th Century, when European populations were increasing at an exceptionally rapid rate, to those of the 1930's, when the upward surge appeared to have been checked and there was a serious possibility of future decline. Since the Second World War, demographers and economists have paid special attention to the problems of population-growth in under-developed countries (viz.: most of those in Asia, Africa and Latin America, and some in south-eastern Europe), which together contain more than two-thirds of the world's people. Study has been concentrated on those already densely-populated, where the prospect of further rapid growth is consequently most menacing, but many of its results are relevant to under-developed countries in general, including the Gold Coast.

Plans for social and economic development are concerned with present and future output and needs. From the production point of view, policies designed to achieve maximum productivity and full employment must take into account the changing size and composition of the labour force, which are largely determined by similar changes in the population. From the consumption point of view, the composition, distribution and rate of growth of the population are important determinants of national needs for food, housing, schools, hospitals, equipment, machinery, and all the other requirements of a developing economy. Basically, the problem of economic development is to increase production at a faster rate than the rate of population growth. In most under-developed countries, death-rates have fallen considerably during the last few decades, but birth-rates have remained relatively high. The resultant natural increase in population absorbs most, and in extreme cases all, of the increase in output, so that per capita income does not rise much, if it rises at all.

The following pages summarize available information about the population of the Gold Coast and discuss its relevance to the country's economic development. First, however, it is necessary to strike a note of warning. Much of the basic demographic material which is readily obtainable in advanced countries is not yet produced in the Gold Coast; what little there is can be variously interpreted and permits of no final conclusions. In the words of one authority, "To form a correct opinion on demographic matters without conclusive figures is well-nigh impossible because demographic facts are not obvious. To appraise fertility, morbidity, mortality, or migrations is about as difficult in most African Dependencies as to appraise the frequency of adultery in this country."[3]

POPULATION SIZE AND GROWTH.

Censuses of population were attempted in the Gold Coast at ten-yearly intervals from 1891, but the earlier counts were incomplete and the entire population was individually counted for the first time in 1931. The sequence was interrupted by the War, and the latest census taken was in 1948, when the population enumerated was 4,118,450, representing an increase of 954,882 or 30.15% over the 1931 figure of 3,163,568. Table 1 shows the distribution of this total among the three principal administrative areas of the country, distinguishing between Africans and non-Africans. (For convenience, the population of Togoland under United Kingdom Trusteeship (382,768) has been included in those areas with which the two parts of that Territory were administered. This practice will be followed throughout unless otherwise stated.)

Table 1 : Population - Distribution and Total, 1948.

| | African | Non-African | Total | % of Total |
|---|---|---|---|---|
| The Colony | 2,217,416 | 5,394 | 2,222,810 | 54 |
| Ashanti | 817,782 | 1,162 | 818,944 | 19.9 |
| Northern Territories | 1,076,482 | 214 | 1,076,696 | 26.1 |
| The Gold Coast | 4,111,680 | 6,770 | 4,118,450 | 100 |

Source : Gold Coast Census Report, 1948.

Kuczynski's cautious examination of the 1931 census returns queried some of the interpretations which had been put upon them. He criticized unwarrantable optimism about African mortality rates, pointing out that the ratio of medical staff to population had not increased in the 25 years up to 1939, and that malaria, "the most important general factor adversely affecting the health of natives in all British West African Dependencies", was probably as common as in former times. Since registration of births and deaths was confined to one-tenth of the population, for the most part living in urban areas, few conclusions could be drawn from the data available. Fertility did not appear to be very high, while mortality, which had probably decreased in rural areas after the elimination of tribal wars and slave-raids, was not excessive in the towns, except among immigrant labourers. The population of the Gold Coast, he thought, had probably been fairly stationary up to 1920, but had increased considerably since then, partly because of immigration.[4]

The results of the 1948 Census, and more recent researches, make it possible to discern more clearly the pattern of population growth in the Gold Coast. In the comparatively small registration areas, live births up to 1948 ranged between 30 and 40 per 1,000 total population. A sample inquiry into fertility conducted following the census of that year indicated that the average live birth-rate in the country as a whole had been nearly 40 per 1,000 from about 1920 onwards, and the infantile mortality-rate in the region of 120 per 1,000 live births. Though there is no general estimate of the mortality-rate, this probably lies within the range of 25-30 deaths per 1,000 population which is the United Nations estimate for all Africa. For what they are worth, comparative figures for the registration areas in 1937 and 1946 are given in Table 2.

Table 2 : Birth- and Death-rates Registered, 1937 and 1946.

| | 1937 | 1946 | Africa (U.N. est.) |
|---|---|---|---|
| Total population (estd.- 000's) | 3,704 | 3,963 | -- |
| Population of registrn. areas (estd. - 000's) | 333 | 356 | -- |
| Birth-rate per 1,000 persons | 33.7 | 39.7 | 40 - 45 |
| Death-rate .. .. .. | 25.3 | 25.5 | 25 - 30 |
| Infantile mortality rate | 117 | 110 | -- |

Sources : Annual Reports, 1937-38 & 1947; U.N. - "The Determinants and Consequences of Population Trends" (1953).

It seems to be agreed that the spectacular decline in mortality in the advanced countries of Western Europe, which began slowly in the first half of the 19th Century and gathered momentum by its end, was due initially to general improvements in standards of living and only in its later stages to the development of medical science. Health measures are certainly beneficial in the short run to an under-developed country such as the Gold Coast, but opinions differ regarding the extent to which any reduction in mortality so achieved can be made permanent unless it is accompanied or followed by a substantial improvement in economic conditions. "The causes which determine the increase of mankind," wrote Bagehot, "are little less than all the causes, outward and inward, which determine human action."[5]

It is perhaps reasonable to suppose, however, that in the Gold Coast the security of the Pax Britannica tended to arrest any trend towards population decline, and that improved standards of living arising from trade, elementary sanitation, and the elimination of widespread epidemics, contributed largely to the growth which had taken place by 1931. From then until 1948, the influence of these factors certainly increased and was augmented by the application of new medical techniques, especially in malaria-control. Post-war prosperity not only made possible more resolute action by the Government in improving health services, communications, education, and water supplies (all important determinants of mortality), but produced directly higher real incomes for large sections of the population. In these circumstances, falling death-rates and further population growth might well have been expected.[6]

Mid-year estimates of total population have been produced since 1948. These allow for an annual rate of growth of between 15 and 16 per 1,000 and a population of 4,836,000 in 1958.[7] (This is the same as the rate indicated by the increase of population between 1931 and 1948.) For the year preceding mid-1958, the estimated increase was 73,000. These figures are based on the best available evidence and there is little reason to question them, unless to suggest that they may well be too low. The annual rate of increase corresponds with the figure of 15 per 1,000 estimated for Nigeria, where conditions, though admittedly different, most nearly correspond with those in the Gold Coast. It may be compared with rates of over 27 in Ceylon, over 30 in Malaya and parts of Latin America, and about 6 in Britain.[8]

One writer has identified five stages in population-change, proceeding from the "high stationary", with birth- and death-rates both high, to the "declining", with low mortality but even lower birth-rates, giving an excess of deaths over births.[9] If this classification were accepted, it might perhaps be argued that the population of the Gold Coast is at present in the second, "early expanding" stage, with a high birth-rate and a high but declining death-rate, and may be expected to pass sooner or later into the third, "late expanding" stage, with birth-rates declining and death-rates declining faster. Though the statistical evidence is insufficient to justify such a contention, it seems to be generally agreed that in circumstances like those prevailing in the Gold Coast an acceleration in the rate of population growth is more than likely, for several decades at least. Mortality-rates may be expected to fall, but uncertainty surrounds the future trend of fertility rates: the demographic history of advanced countries suggests they may continue fairly high for some time but eventually decline as economic development proceeds. Fertility-rates are more inflexible than death-rates, however, and there can be no guarantee that their future history in a country of such different social structure and cultural patterns will conform to past experience in Western Europe.

Plans for the future development of the Gold Coast, if they are to be realistic, must therefore take account not only of the current rate of population growth but also of the fact that that rate will probably increase. Even if the present rate is maintained, the population of 4.8 million in 1958 may have increased by nearly one million in ten years and may double itself in less than fifty. Such plans must take account also of the changing composition of the population resulting from continued growth, and of increasing density of population.

Finally, mention must be made of immigration as a factor contributing to the growth in numbers. The exaggerated importance given to it following the 1931 Census was clearly misplaced, and the more thorough count of 1948 showed that 174,067 or 4.3% of the Africans enumerated had been born outside the Gold Coast.[10] Over 52,000 of these had come from other British territories, principally Nigeria, and although the origins of the remainder are not known most of them probably came from neighbouring French colonies. In addition to the drift of population into the country from the north, there is evidently also a considerable movement inwards from the east, part of which is almost certainly connected with the westerly migration of the Ewe peoples, whose homeland was divided by the artificial frontier between British and French Mandated Togoland. As may be seen from Table 1, the total of non-Africans (which had risen to 11,000 by 1953) remains very small in proportion to the whole population. The majority in any case spend only their working lives in the country and cannot be considered immigrants.

Table 3 shows the birthplaces of the African population recorded in the 1948 Census, in the form of percentages of those enumerated in each of the administrative areas, and in the country as a whole. These figures give some indication of the extent of immigration and will be referred to later in connection with the question of internal migration.

Table 3 : Birthplaces of Africans enumerated in the 1948 Census.

| Area in which enumerated. | Percentage born in :- | | | | |
|---|---|---|---|---|---|
| | Colony | Ashanti | N.T.'s | Togold. | Elsewhere |
| The Colony (excl. Togold.) | 88.9 | 1.6 | 3.8 | 2.1 | 3.6 |
| Ashanti . . . . . . . . | 4.8 | 82.7 | 8.5 | 0.8 | 3.2 |
| N.T.'s (excl. Togoland) | 0.3 | 0.4 | 94.6 | 0.3 | 4.4 |
| Togoland | 1.9 | 0.4 | 5.4 | 83.0 | 9.3 |
| Gold Coast (incl. Togold.) | 45.4 | 17.3 | 24.0 | 9.0 | 4.3 |

Source : Gold Coast Census Report, 1948.

POPULATION DENSITY AND DISTRIBUTION.

Uneven distribution of population is due in part to those geographic factors which determine the opportunities for economic action in various areas, and whose influence is itself modified by cultural factors, including types of economic activity and organization. Some kinds of economic activity rely for development on the presence of a labour supply and a body of consumers; others on the location of certain physical resources. In advanced countries, good transport facilities and diminished reliance on agriculture have reduced the limitations imposed by geographic factors, but these are still of primary importance in under-developed countries, not yet subjected to the full impact of the "Industrial Revolution." Though figures of population density give only a rough and sometimes misleading index of the relationship between population and area or natural resources, they can be a useful guide in the absence of more adequate measures.

Table 4 sets out the average densities of population in the Gold Coast as a whole and its three main administrative areas for 1948 and 1958, together with 1948 figures for six selected districts. In 1953, when the Gold Coast density was about 50 persons per square mile (roughly the same as in Scotland at the time of Adam Smith[11]), corresponding figures for other countries were: Nigeria, 85; Sierra Leone, 67; Egypt, 53; Ceylon, 300; Malaya, 113; India, 295; Denmark, 250; Netherlands, 800; United Kingdom, 525; and the United States, 50.[12] Clearly, therefore, the country on average is neither very densely nor very sparsely populated. Nor, prima facie, is it "over-populated" in the sense that its population is larger than can be fed without importing food, or in the sense that there would be a larger output per head with a smaller population.

Even the limited information in the Table demonstrates that the population is very unevenly distributed, and greater extremes might have been shown by contrasting smaller areas. The Colony, with just over a quarter of the area, held more than half the people; while the Northern Territories, with nearly half the total area, held only a quarter of the people. Density in the large towns, of course, was of a special order - 3,398 in Accra, 1,570 in Kumasi, and about 1,200 in Sekondi-Takoradi in 1948. Elsewhere, concentration is greatest round the mines and in richer farming areas, least in areas of poor land and undeveloped communications. Though the Colony was most thickly populated, and the Northern Territories least, there were many sparse areas in the former and pockets of higher density in the latter. A belt of very scanty population extends across the country, north of the forest zone.

Table 4 : Density of Population, 1948 and 1958.

| | Area. sq.mls. | Persons per square mile. | | Remarks. |
|---|---|---|---|---|
| | | 1948 | 1958 | |
| The Colony | 26,401 | 84.2 | 100.7 | S.Togoland included - 2,464 sq.mls. |
| Ashanti | 24,379 | 33.6 | 41.2 | |
| N.T.'s | 41,063 | 26.2 | 28.6 | N.Togoland included - 10,577 sq.mls. |
| Gold Coast | 91,843 | 44.8 | 52.7 | Togoland included. |
| Selected Admin. Districts. | | 1948 | | |
| 1 Akwapim-New Juaben | 397 | 286.8 | | Colony. Small towns, cocoa-farming. |
| 2 Wasaw-Aowin | 4,705 | 27.9 | | .. Mining, cocoa-farming. |
| 3 Bekwai | 2,220 | 71.1 | | Ashanti. .. .. .. |
| 4 Wenchi-Sunyani | 9,294 | 19.6 | | .. Cocoa-farming. |
| 5 Mamprusi | 6,376 | 83.3 | | N.T.'s. Subsistence-farming mainly. |
| 6 Gonja. | 14,469 | 5.8 | | .. .. .. .. |

Source : Census Report, 1948; Digest of Statistics, Oct. 1958.

Note : 1958 densities are based on population estimates only.
(Reference nos. identify districts on Density of Population map.)

It will be observed that in 1948 the average density in the Colony was more than twice the Ashanti figure and three times that for the Northern Territories, but the significance of this is reduced by the absence of data re-

-garding cultivable land. In all three administrative areas are many square miles which are scarcely inhabited at all; it does not follow, however, that such land could readily be made productive by the expenditure of capital and labour. Generally speaking, there is no shortage of land for agricultural purposes, and very few areas where pressure of population offers serious problems. The exceptions are certain districts in the forest-belt where the wealth obtainable from cocoa-farming has attracted migrants from elsewhere; the south-east littoral, where small-scale intensive agriculture has been developed by the inhabitants in response to limitations of area; and some places in the North where the land is reasonably fertile and the people are unwilling to move elsewhere. In all of these cases, the pressure is aggravated by relatively primitive agricultural techniques and consequent low productivity. Nowhere is the problem as serious as in parts of Southern Nigeria, where a density of 400-500 per square mile is reported to be approaching the limit the land will bear, and to be causing soil depletion and migration.[13]

"Because economic growth reduces the importance of agriculture in the economy, it is necessarily associated with urbanization. The proportion of people living in towns with less than 2,000 inhabitants falls from eighty per cent or more to thirty per cent or less. This is because of the economies of scale in doing the sort of things which are done in towns ...."[14] How far has this process gone in the Gold Coast? First, it must be noted that the figure of 2,000 is to some extent arbitrary, but since the "average" town of that size in 1948 contained 1,140 adults (equally divided between men and women) it seems to provide a reasonably adequate criterion. Secondly, there is difficulty in defining a "town"; some large agglomerations in the Bolgatanga area, for example, are groups of farming communities only, and cannot be included. Thirdly, the 1948 Census returns were based on divisions of Native States, and so tend to conceal the identity of towns. Making allowance for these points, however, figures of some significance can be extracted from the available sources: this has been done, and the relevant information is presented in Tables 5, 6 and 7.

Table 5 : Number of Towns and proportions of the Population living in them, 1948.

| | COLONY | | ASHANTI | | N.T.'s | | GOLD COAST | |
|---|---|---|---|---|---|---|---|---|
| | No. | % of Pop. | No. | % of Pop. | No. | % of Pop. | No. | % of Pop. |
| Towns over 1,500 | 186 | - | 63 | - | 26 | - | 275 | - |
| .. .. 2,000 | 128 | 31 | 34 | 21 | 13 | 5.8 | 175 | 23 |
| .. .. 5,000 | 28 | 19 | 4 | 11 | 5 | 3.9 | 37 | 13 |
| .. .. 10,000 | 8 | 13 | 2 | 9.5 | 1 | 1.5 | 11 | 9.2 |

Note : Population columns show percentage of the total population in each area living in the towns listed. This calculation was not made for 'towns over 1,500.'

Table 6 : Towns exceeding 10,000 inhabitants - population increase, 1931-4

| | 1931 Population | 1948 Population | Increase | |
|---|---|---|---|---|
| | | | Numbers | % |
| Accra . . . . . . . | 70,000 | 135,926 | 65,926 | 95 |
| Sekondi-Takoradi | 25,000 | 44,557 | 19,557 | 78 |
| Koforidua . . . . | 14,048 | 21,550 | 7,502 | 53 |
| Cape Coast . . . | 17,685 | 23,206 | 5,521 | 31 |
| Winneba . . . . . | 10,926 | 15,110 | 4,184 | 38 |
| Swedru . . . . . | 3,867 | 10,913 | 7,046 | 180 |
| Keta . . . . . . . | 6,405 | 11,358 | 4,953 | 78 |
| Tarkwa-Abosso . . | 17,000 | 25,566 | 8,566 | 50 |
| Obuasi . . . . . | 7,598 | 15,724 | 8,126 | 120 |
| Kumasi . . . . . | 35,829 | 58,626 | 22,797 | 59 |
| Tamale . . . . . | 12,941 | 16,055 | 3,114 | 24 |

Notes : (1) Three 1931 figures have been partly estimated, because of uncertainties in the Census returns.

(2) Kumasi figures exclude suburban areas; total urban and suburban population was 77,689 in 1948.

(3) Figures for Tarkwa-Abosso include populations of five almost contiguous towns.

(4) Towns named are shown on Density of Population map.

Table 7/

Table 7 : Proportion of Population in Towns exceeding 10,000 inhabitants, 1931 and 1948.

| | 1931 | | | 1948 | | |
|---|---|---|---|---|---|---|
| | Total pop. 000's | Towns over 10,000 | | Total pop. 000's | Towns over 10,000 | |
| | | Pop. 000's | % of total | | Pop. 000's | % of total |
| The Colony | 1,574 | 165 | 10.5 | 2,050 | 288 | 14.0 |
| Ashanti . . | 579 | 43 | 7.4 | 819 | 74 | 9.5 |
| N.T.'s . . | 717 | 13 | 1.82 | 866 | 16 | 1.85 |
| Togoland . | 294 | - | - | 383 | - | - |
| Gold Coast | 3,164 | 221 | 7.0 | 4,118 | 379 | 9.2 |

Source (Tables 5,6 & 7) : Census Report, 1948; Annual Report, 1937-38.
Note : Togoland is shown separately in Table 7; hence apparent discrepancy between Tables 5 & 7.

A simple measure of the proportion of population which may be termed "urban" is admittedly unsatisfactory as an index of urbanization, but lack of data precludes any thorough attempt to discover whether Dr.H.W.Singer's theorem of the "Courbe des Populations" applies as well to the under-developed Gold Coast as it does to more advanced countries.[15] (But see the Appendix to this Chapter.) The information in Tables 5-7 is however sufficient to confirm the qualitatively observed fact of increasing urbanization in the Gold Coast. Notwithstanding reservations about the statistics, it is significant that the degree of urbanization is greatest in the more developed south, that some 23% of total population in 1948 lived in towns exceeding 2,000 inhabitants, and that the proportion of total population living in towns exceeding 10,000 inhabitants increased by nearly a third (i.e. from 7.0% to 9.2%) in the seventeen years to 1948.

Table 6 emphasizes that population in the largest towns has increased much faster than the rate of natural increase. Detailed study of the reasons is impossible here, but it may be noted that the highest increases took place in thriving centres of trade and (in some cases) industry, while the lowest were in "surf ports" where activity diminished following the construction of Takoradi Harbour, and in Tamale, which is primarily an administrative centre. The fact that many of the new town-dwellers have migrated from rural areas supports the belief that there is considerable under-employment in agriculture. Generally, however, the "drift to the towns" is a familiar economic phenomenon, and does not by itself prove that economic development is taking place. Familiar, too, are the resultant problems - slum dwellings, irregular employment, inadequately expanding public services, and a landless and "de-tribalized" urban proletariat - and these are exacerbated by the prevailing low level of real income. There is little doubt that this urbanization is continuing, though its rate since 1948 is uncertain: Accra, for example, now has an estimated population of about 200,000, including suburban areas. Nor can it be doubted that the process tends to influence government policy in favour of the urban community.[16]

POPULATION AND LABOUR SUPPLY.

Before proceeding to the general question, two important factors affecting productive capacity will be briefly noted. The first is the tribal composition of the people. To many European observers, accustomed to the ethnic, linguistic and cultural homogeneity of their own countries, the inhabitants of the Gold Coast may at first appear to fall merely into the general category of "Africans", barely distinguishable from their neighbours in other West African territories. Closer acquaintanceship reveals considerable diversity, not only in tribal groupings, but in cultural background and social attitudes, of which the "Europeanized" Ga lawyer and the near-naked Lobi peasant may be taken as extreme examples. That this constitutes an obstacle to economic advancement requires no further elaboration: the language difficulty alone would hamper effective use of available resources.

The 1948 Census returns listed 60 distinct tribes and sub-tribes, varying in size from 115 Mandingoe to 580,369 Ashantis. Two other tribes (Ewe and Fanti) were of the order of half a million, while seven numbered between one and two hundred thousand and eight had less than 2,000 representatives each. Many northern tribes, mostly of non-indigenous origin, are actually more numerous in other parts of the country. Table 8 indicates the proportion of population in each of the three main administrative areas which was represented in the major tribal groups. The tentative conclusion appears to be that the greater proportion of population in large groups in Ashanti and the Colony has been a factor, albeit possibly a minor one, in the speedier economic development of those areas.

Table 8 : Major Tribal Divisions and Distribution, 1948.

| Tribal Groups | Number Counted 000's | % of Total Population | % of Population in large tribal groups |
|---|---|---|---|
| Colony . | 2,212 | 100 | |
| Ewe . . . | 506 | 23 | |
| Fanti . . | 446 | 20 | |
| Ga . . . | 144 | 7 | 62 |
| Akim . . | 129 | 6 | |
| Adangme . | 120 | 6 | |
| Ashanti . | 817 | 100 | |
| Ashanti . | 505 | 61 | 78 |
| Brong . . | 136 | 17 | |
| N.T.'s . | 1,076 | 100 | |
| Frafra . | 167 | 16 | |
| Dagomba . | 161 | 15 | 41 |
| Dagarti . | 107 | 10 | |

Source : Census Report, 1948.

Notes : (1) Tribal numbers shown cover 2,421,000 people - 56% of population

(2) Figures show tribal numbers counted in each area only: aggregate figures for the whole country would be larger. Nearly 76,000 Ashantis, for example, lived outside Ashanti.

The second factor to be noted is that of the non-African population: this will be mentioned again later in connection with output. Non-Africans increased steadily in numbers from 428 in 1891 to 6,770 in 1948 and about 11,000 in 1953. The largest group are the British, who numbered 4,211 in 1948; Lebanese came next with 1,213, then Swiss (221), Dutch (203), Indians (197), French (180), Syrians (157) and Americans (126). The fact that they have an economic importance out of proportion to their numbers explains why those numbers are so often assumed to be much greater than they are. Some have indeed increased considerably since the grant of Independence in 1957, by the establishment of Commissions, embassies and aid programmes, but the total of non-Africans is still very small (about 0.05%) in relation to the whole population. The majority remain concentrated in the few large towns, as they were in 1948, when over 40% (2,850) were in the Accra District. Some 800, or 12%, of the non-Africans in 1948 were juveniles and children.[17]

In any country, the size of the economically active population is determined partly by those long-term demographic trends which establish the size and structure of the total population, partly by other demographic factors (such as the urban-rural composition), and partly by a complex series of economic and social factors which are much less easily measured. A full assessment of the labour supply would take into account not only the number of workers available for employment, but also their efficiency and the amounts of time they contributed to production, two variables about which there is little reliable information in under-developed countries. The main concern of this discussion, however, is the sex-age structure of the Gold Coast population, its effect on the potential labour force (as distinct from the actual labour force represented by the occupied or employed population), and the significance of this in relation to economic development.

One of the consequences of a rapidly-increasing population is a relatively heavier burden of dependency. There are three aspects of this. Firstly, and most important, there are more children to be supported by fewer producers: this is a burden only partly offset by the lower proportion of old people and the employment of children. In the United States and Canada, it has been said, 100 producers support themselves and 56 dependants, whereas in under-developed areas, on the average, they must support themselves and 82 others.[18] Secondly, where mortality rates remain fairly high, many children die without repaying by productive effort the investment the community has made in them. Thirdly, the exigencies of child-bearing and care of children restrict, where they do not virtually preclude, the economic emancipation of women. There is good reason to believe, however, that the burden of dependency, whose economic and social effects are felt in these ways, is itself a factor tending to encourage reduced birth-rates where development is taking place.

Most Gold Coast Africans are uncertain of their exact ages and those of their children, and their statements in this connection were probably the most unsatisfactory feature of the 1948 Census. Particular doubt attaches to the recorded number of children under one year of age, owing to confusion between "babies who could not walk" (who therefore should be counted in this group) and "babies who do not walk" (comprising all those carried on their mothers' backs, for two years or even more, until they are weaned.) This exemplifies the difficulties of statistical investigation in the Gold Coast. The Census results nevertheless provide a fairly reliable statement of the sex-age structure of the population; this has been adapted and is summarized in Table 9. Estimates of age-distribution in 1958 form the basis of Table 10, which is somewhat more informative.

Table 9 : Distribution of African Population by Sex and Age per 1,000 Total Population, 1948.

| | Under 16 yrs. | | | 16-45 yrs. | | | 45 yrs.& over | | | Males per 1,000 Females |
|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | Total | M | F | Total | M | F | Total | |
| Colony . . . | 217 | 213 | 430 | 215 | 209 | 424 | 76 | 70 | 146 | 1,033 |
| Ashanti . . | 227 | 218 | 445 | 219 | 213 | 432 | 63 | 60 | 123 | 1,037 |
| N.T.'s . . . | 221 | 197 | 418 | 212 | 239 | 451 | 64 | 67 | 131 | 990 |
| Gold Coast . | 220 | 210 | 430 | 215 | 218 | 433 | 70 | 67 | 137 | 1,022 |

Source : Gold Coast Census Report, 1948.

Table 10 : Estimated Distribution of African Population by Age-groups, 1958.

| | S.Ghana (Colony) % | Ashanti % | N.Region (N.T.'s) % | Ghana (G.Coast) % | U.N. Estimates Under-dev. Countries % | U.N. Estimates Advanced Countries % |
|---|---|---|---|---|---|---|
| Under 15 years | 36 | 38 | 35 | 36 | 40 | 22-30 |
| 15 - 64 years . | 62 | 60 | 64 | 62 | 60 - | 65 + |
| 65 years & over | 1.6 | 1.3 | 1.5 | 1.5 | 3-4 | 10 + |

Source : Ghana Govt. Digest of Statistics, Oct. 1958.
U.N.,"Determinants & Consequences of Population Trends" (1953) - XV, C.

Note : In the U.N. estimates (necessarily very approximate), a minus sign denotes "or less", a plus sign, "or more".

The fact that these Tables refer to different age-groups, and the uncertainties above-mentioned, make it difficult to draw worthwhile conclusions. Nevertheless, after making comparisons and allowing for probable overstatement of the "under 16" group in Table 9 (because at that age names are usually entered on tax-rolls), it seems reasonable to believe that adults of "productive" age (16 - 64) number rather more than 60% of total population, and dependants (under 15, or 65 and over) rather less than 40%, which is to say that 100 "producers" have to support themselves and about 67 others.

Such a ratio of producers to dependants is certainly less favourable than the corresponding ratio in advanced countries, but more favourable than the average for under-developed countries -- vide the United Nations estimates included in Table 10 to facilitate comparisons. This belief is supported by the finding that the rate of population-growth, although high, is not nearly so high as in some other under-developed countries, which therefore face the problem of an even more unfavourable producer:dependant ratio. Should the rate of growth in the Gold Coast accelerate, the position would of course deteriorate, at least for a time. It is in the transitional stage, when death-rates have begun to fall but improved living-standards and health-services have not yet lengthened working lives, that the problem of dependency is most acute. Shortage of manpower, paradoxically enough, is a major obstacle to successful economic development.

The potential adult labour force in the Gold Coast in 1958 was thus not far short of 3 million, almost equally divided between men and women. Lack of reliable data about employment of children, women and old people makes the actual labour force much more difficult to estimate. Children are put to work earlier than in advanced countries, but for obvious reasons the presence of a large proportion of children in the population tends to lower per capita output, and anyway such employment is made possible only by neglecting education. "The people of under-developed countries," says the United Nations Report on population trends, "continually resort to wasteful exploitation of the oncoming generations of workers in their effort to achieve a more nearly adequate current standard of consumption. Their position is rather like that of peasants compelled by hunger to harvest their wheat every year before it has ripened."[19] However true it may be in general terms, this statement can be applied to the Gold Coast only to a limited extent.

The contribution made by women to production is equally difficult to assess quantitatively, but is undoubtedly very large. Women not only carry out all the domestic work characteristic of a largely-unspecialized economy in transition from subsistence to exchange, but also participate to a great extent in cash-crop agriculture and trade. Urbanization may formerly have tended to reduce the female labour force but now provides a growing number of opportunities for the employment of women. Regarding the employment of old people, hardly any data exist, and reliance must be placed on observation. Though life is shorter, they tend to work longer, relatively speaking, than old people in advanced countries. Early retirement is a luxury which few countries but these can afford, and yet there are many elderly cocoa-farmers in the Gold Coast whose contribution to production has ceased to be significant. The fact that African civil servants retire at the age of 55 is misleading, since many take up other work at the conclusion of their service, but it provides an interesting official estimate of useful working life for a clerical or executive employee.

The absence of basic statistical data is not the only handicap in measuring the labour force and its contribution to production, as national income investigators have found in comparable countries. Where much of the economy is still only partly converted to the exchange system, many of those who are gainfully employed can be identified only with great difficulty. Furthermore, there is a great deal of part-time and seasonal employment in the Gold Coast, both in subsistence agriculture and in cocoa-farming, which has in the past given rise to the mistaken idea of a large superfluity of manpower. Under-employment may very well exist, but it is important to remember that labour which appears to perform no economic function for a large part of the year may in effect be supplying what has been called "the service of availability."[20]

The principal drawbacks of a high birth-rate and a rapidly-increasing population have now been examined. Are there any compensating advantages? First, it is obvious that if the population continues to grow, the potential labour-force will continue to grow as well. It can be plausibly argued too that a high proportion of young people tends to make a population more adaptable and ready to accept new ideas and attitudes, and even to stimulate investment. There is some truth in this so far as the Gold Coast is concerned for the political and economic stimuli of recent years have emanated in large measure from the younger members of the community, and young men and women are nowadays engaged in occupations unthought-of by their parents. From the strictly economic point of view, therefore, increased flexibility and probably increased mobility may be noted as advantages in the contemporary demographic situation.

THE DISTRIBUTION OF LABOUR.

Sufficient attention having been paid to the size and composition of the labour force, it is now appropriate to consider the allocation of labour among the various kinds of economic activity, since this also is an important determinant of the level of output and consequently of the standard of living. Not until the census of 1948 was any systematic attempt made to ascertain the occupations of all males in the Gold Coast, so that no statistical evidence of previous trends is available. Even then, the information obtained was of a very general nature: only four main groups of occupations, which it was thought could easily be identified, were selected, together with a fifth group for occupations not included in the first four. The four groups were (i) Cultivation of Cocoa; (2) Artisans, Craftsmen and Skilled Workmen; (iii) Shopkeepers, Traders and Sellers; and (iv) Unskilled Workmen (including men engaged solely in carrying bags of harvested cocoa.)

No attempt was made to count separately farmers other than cocoa-farmers because, in the words of the Census Report, "practically all men outside and many inside the towns do a certain amount of farming. This is nominally for subsistence purposes only, but any surplus products are sold and it was feared that there would be confusion as to which group they should be assigned." The estimated number of African males over 15 years of age was at that time 1,308,000, and although this included boys not engaged in definite occupations and old men who had retired or become incapacitated it may serve as an approximate representation of the labour supply. The distribution of this force among the four main groups of occupations is summarized in Table 11.

Table 11 : Distribution of Males According to Occupation, 1948.

| | (i) Cultivation of Cocoa | | (ii) Skilled Workmen, etc. | | (iii) Traders, etc. | | (iv) Unskilled Workmen, etc. | | (v) Remainder | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 000's | % | 000's | % | 000's | % | 000's | % | 000's | % | 000's |
| Colony | 93 | 13.0 | 92 | 12.8 | 33 | 4.7 | 126 | 17.5 | 374 | 52.0 | 718 |
| Ashanti | 56 | 21.5 | 26 | 10.0 | 16 | 6.1 | 44 | 17.0 | 118 | 45.4 | 259 |
| N.T.'s | 1 | 0.4 | 10 | 2.9 | 7 | 2.1 | 8 | 2.4 | 305 | 92.2 | 331 |
| Gold Coast | 150 | 11.5 | 127 | 9.7 | 56 | 4.3 | 178 | 13.6 | 797 | 60.9 | 1308 |

Source : Census Report, 1948.

The large proportions included in the "Remainder" column are immediately seen to be a defect, but nevertheless some information of general significance is conveyed by these figures. For the country as a whole, the low proportion of skilled workers (9.7%) is noteworthy, while comparison of the area figures shows the dearth of both skilled and unskilled workmen in the Northern Territories (2.9% and 2.4%), the preponderating importance of cocoa-growing in Ashanti (21.5%), and the very large proportion of men included in the

"Remainder" column for the Northern Territories (92.2%) -- most of whom were evidently engaged in farming. Detailed census returns listed the highest proportions of skilled workers in Accra (20%) and the mining district round Tarkwa (18.8%). Thus, as might have been expected, the figures reflect the greater degree of economic development in the Colony and Ashanti, as compared with the relatively unprosperous North, which is less fully converted to the exchange economy. Finally, it may be noted that most men listed as traders, etc., were hawkers and sellers: the small proportions in this column are due to the fact that commerce is overwhelmingly the province of women. More will be said about this below.

Further information can be deduced from detailed returns of occupations obtained during the 1948 census from 240,560 men and 118,272 women (or about 18% and 9% of total adults) in areas where a fair degree of literacy was to be expected. These figures cannot of course be taken as representative of the whole population: their chief interest lies in the indication they give of numbers of men engaged in minor and traditional industries (e.g. 6,243 tailors, 3,683 goldsmiths, 7,979 road transport workers, 6,659 domestic servants and washermen, 3,295 civil servants, 3,123 teachers, and 2,937 police and prison employees) and in what they reveal of women's occupations, since only wage- and salary-earning females are included in the labour returns published since 1952. By far the largest group among the women questioned, only 2,328 of whom described themselves as working for wages, were engaged in commerce, nearly all as hawkers, traders or sellers, amounting to 78,899 or nearly 67% of the total. Since the corresponding figure for men was 18,760, two-thirds of whom were hawkers, etc., it follows that if the ratio of male to female "petty traders" was fairly constant throughout the population, the number of women so engaged was probably at least 300,000 -- a figure which emphasizes the important part played by women in the economic life of the community. That they dominate the markets, as the markets dominate the distribution-system, no observer can remain in doubt. Kumasi market, for example, is reputed to have over 15,000 sellers, mostly women.[21] Such petty traders, however, often follow that occupation for only part of their time. The next largest group of women covered by this inquiry (27,894) were engaged in farming, while "manufacture", by contrast, claimed only 7,432, mostly in tailoring and jobs almost entirely restricted to women, such as baking and pottery-making.

In his well-known examination of "the most important concomitant of economic progress, namely the movement of working population from agriculture to manufacture and from manufacture to commerce and services", Colin Clark drew conclusions both from comparative statistics of different countries in the present day and from figures for each over a series of years, relying as much as possible on "industrial" rather than "occupational" classifications. He found that "different levels of economic advancement are very closely associated with the proportions in which the working population is distributed" and formally defined production as "primary", "secondary" and "tertiary" -- "for convenience in international comparisons."[22] Another writer on the subject (who however considers mining a "primary" activity, whereas Clark thought it more properly included with secondary production) has said that "in any progressive economy there has been a steady shift of employment and investment from the essential "primary" activities, without whose products life in even its most primitive forms would be impossible, to secondary activities of all kinds, and to a still greater extent into tertiary production."[23]

This generalization has gained widespread acceptance, and its relevance to Gold Coast conditions must therefore be studied briefly. Table 12 sets out the estimated industrial distribution of men of working age in the Gold Coast in 1952, when total population was estimated at 4.4 million. These figures, based on census results revised in the light of more recent information, are not all of the same degree of accuracy, but give a reasonably accurate picture of the situation at that time. In Table 13 they are shown again in simplified form, beside corresponding figures for six selected countries chosen from those examined by Colin Clark, and divided into primary secondary and tertiary types of production in accordance with his definitions The high ratio of tertiary producers to occupied population in the three advanced countries is immediately thrown into contrast with the even higher ratio of primary producers in all four under-developed countries. This, and the relatively low proportion for tertiary production in the Gold Coast, seems to justify the conclusion that the industrial statistics of the Gold Coast provide further evidence in support of the generalization, although figures in time-series which might augment it are unfortunately lacking. A continued shift of manpower from agriculture might therefore be expected to take place there.

Table 12 : Estimated Industrial Distribution of the Male Population of Working Age, 1952.

| INDUSTRY GROUP | Males of Working Age | |
|---|---|---|
| | 000's | % |
| Agriculture (other than cocoa-farming), Forestry, Fishing. | 680 | 53.5 |
| Cocoa-farming (including labourers carrying harvested crop.) | 185 | 14.5 |
| Mining and Quarrying . . . . . . . . . . . . . . . . . . . . . . . | 48 | 3.8 |
| Manufacturing . . . . . . . . . . . . . . . . . . . . . . . . . . | 74 | 5.8 |
| Construction . . . . . . . . . . . . . . . . . . . . . . . . . . | 50 | 4.0 |
| Electricity, Water and Sanitary Services . . . . . . . . . . | 5 | 0.4 |
| Commerce . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 115 | 9.1 |
| Transport, Storage and Communications . . . . . . . . . . | 39 | 3.1 |
| Services . . . . . . . . . . . . . . . . . . . . . . . . . . . . | 74 | 5.8 |
| TOTAL | 1,270 | 100 |

Source : Gold Coast Economic Survey, 1952.

Table 13 : Industrial Distribution of Labour in the Gold Coast and Certain Other Countries Compared. (% occupied population).

| Type of Production | Gold Coast 1952 | Malaya 1931 | Burma 1931 | Mexico 1930 | New Zealand 1936 | Britain & N.Ird 1938 | U.S.A. 1940 |
|---|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishg. | 68 | 59.3 | 69 | 70.5 | 25.2 | 7.1 | 19.3 |
| TOTAL PRIMARY | 68 | 59 | 69 | 71 | 25 | 7 | 19 |
| Mining . . . . | 3.8 | 2.0 | 1.0 | 1.0 | 1.8 | 4.5 | 2.0 |
| Construction & Manufacture | 10.2 | 12.1 | 13.0 | 13.5 | 26.8 | 41.8 | 29.2 |
| TOTAL SECONDARY | 14 | 14 | 14 | 15 | 29 | 46 | 31 |
| Transport & Communications | 3.1 | 17.1 | 14 | 2.1 | 10.1 | 7.4 | 5.8 |
| Commerce & Finance . . . . | 9.1 | | | 5.3 | 16.2 | 16.8 | 19.6 |
| Services . . . | 5.8 | 9.5 | 3.0 | 7.6 | 19.6 | 22.4 | 24.1 |
| TOTAL TERTIARY | 18 | 27 | 17 | 15 | 46 | 47 | 50 |
| Occupied Popn. (000's) | 1,270 | 1,990 | -- | 5,352 | 616 | 20,230 | 45,166 |

Source : Colin Clark : "The Conditions of Economic Progress"(1951) - pp.398-9 and Table 12, herein.

Notes : (1) Detail reduced and totals rounded for ease of comparison.

(2) All females excluded from Gold Coast figures. Other figures include occupied females except unpaid ones engaged in agriculture. (Clark : op.cit. - p.396).

(3) "Services" comprise professional, governmental, domestic and other personal services, entertainment and armed forces. "Construction & Manufacture" includes public works and utilities.

The familiar economic generalization referred to has however been challenged, as regards both its empirical and its analytical basis, by writers who cite West African conditions to reinforce their criticisms.[24] Much can be said on either side of this argument, and no attempt at adjudication can be made here, but a brief summary may not be out of place. West African experience, it is asserted, shows the empirical conclusion to be invalid because obscurity in the official statistics conceals the existence of numerous intermediaries and traders, and the fact that trade forms a large part of economic activity. The misleading impression that an overwhelming proportion of the population is engaged in agriculture is due to the inappropriateness of classification by distinct occupational categories in an economy where occupational specialization is imperfect, not only among farmers but in all social classes. Furthermore, the comparability of statistics is affected by shifts of labour between paid and unpaid activities, and the classification adopted, though superficially convenient and clear, conceals large arbitrary elements.

The analytical reasoning is said to be defective in failing to recognize the essential nature of some distributive tasks in a backward but developing economy, especially as a considerable volume of trading and transport activity is a necessary pre-condition of greater specialization and therefore increased output in primary production. (Dr.Clark, however, had drawn attention to the important effect cheap transport would have in promoting specialization in China, and to the unduly large numbers engaged in transport there and in India and Japan.[25]) Tertiary production, and especially trade and transport, was in the early stages expensive in resources, and the proportion of population engaged in it might even be reduced as greater security, improved communications, and the growth and stability of markets led to more intensive use of available resources. Insufficient attention had been paid too to the possibilities of mass substitution of labour for capital in tertiary production -- a phenomenon as striking in West Africa as the reverse substitution in North America. Finally, the term "tertiary" misleadingly suggested that the heterogeneous collection of different services it included were all in the category of luxuries, and there was no _a priori_ reason to believe that as income rose the greater part of additional luxuries consumed would be tertiary products.

No-one acquainted with economic conditions in the Gold Coast would deny that there is a great deal in this argument so far as that country is concerned. The astonishing pre-occupation of the people with trade is apparent to the observer almost as soon as he disembarks, while the vast number of "petty traders" and intermediaries has frequently aroused comment.[26] Less noticeable, but equally significant, is the extent to which women do agricultural work, and this too is a part of the economic picture inadequately portrayed by Table 12, whose statistics comprise only men. Details are lacking, but a statement of industrial distribution for the whole adult population, both males and females, would certainly differ greatly from one restricted to the former. If there is truth in the saying that "nearly everyone in the Gold Coast is a farmer", it may just as accurately be said that "nearly everyone in the Gold Coast is a trader" (though this would scarcely apply to the Northern Territories.) Neither occupation is regarded so much as an occupation as part of the natural business of life.

Observation bears out also the lack of occupational specialization: the domestic servant, government official and chief who engage in trade, the lawyer and doctor who engage in contracting or timber-getting, are familiar figures, while the part-time occupations of wives and politicians are too numerous to mention, even if they were adequately known. In such an economy, primary, secondary and tertiary, paid and unpaid activities tend to merge imperceptibly into one another, rendering particularly difficult the task of the National Income investigator. Similar circumstances in Nigeria have evoked the wry comment that "it is the pre-industrial revolution economics of Adam Smith and not the economics of the modern American college text-book which is the relevant standard. It is .... quite impossible to sort out the distributive and productive functions involved in a large part of agricultural activity."[27] There is a certain lack of realism, too, when the concept of tertiary industry, embracing as it does all kinds of "non-material" production, is applied to the Gold Coast, and the canoe-boy, the bank-manager, the bicycle-hirer, the native "herbalist", the Army officer, the itinerant barber and the letter-writer are grouped together with the medical specialist, the Economic Adviser and the Prime Minister. The substitution of labour for capital takes place on a scale almost incredible to one who has not witnessed it -- "head-loading" of cocoa, and grass-cutting by cutlass, are everyday examples -- but has certainly decreased in recent years.

It seems fair to conclude, then, that although the concept of primary, secondary and tertiary production is of value in discussing the Gold Coast economy and comparing it with others, it can serve only as a starting-point for the economist resolved on obtaining a realistic and balanced picture. "There may be no justification for describing the observed inverse correlation between economic progress and agricultural employment as 'a significant economic law'; it certainly appears to be something much more than merely 'a statistical accident."[28] Nevertheless, it is perhaps more prudent to rely on National Income studies to provide the picture required (although here too conceptual and statistical problems abound), if only because that approach is necessarily comprehensive and has developed systematic techniques.

National Income accounting in the Gold Coast will be discussed in a subsequent chapter. Meanwhile, the results obtained by a third method of investigation deserve to be mentioned. Starting from the fact that in tropical Africa "the indigenous inhabitants are in process of transition from almost complete dependence on subsistence activities to participation in various forms of money earning", the United Nations Department of Economic Affairs has produced a chain of reasoning about this process of change which, although open to criticism at many points, is none the less of considerable interest.[29] At the risk of distortion, its logic may be briefly outlined. Setting out to consider the extent to which the resources of land and labour in the indigenous agricultural economies of tropical Africa had become commercialized, the writers began by differentiating between the economic activities of the indigenous inhabitants carried on within the framework of the indigenous social organization, and all other economic activities.

Then, admitting the impossibility of measuring the relationship between labour resources applied to subsistence and those applied to earning cash income, they accepted the belief that average labour input within the framework of indigenous agriculture did not differ greatly between production for subsistence and production for market. In the absence of more precise knowledge, this justified them in assuming that within the indigenous agricultural economies labour resources were divided between subsistence and commercial production in approximately the same proportion as land areas. Their next step was to apply this assumption to the total male population of working age. The difference between this total and the statistically known number of male wage-earners (i.e. men permanently outside the indigenous agricultural economies) gave the total number of adult males remaining within those economies, and finally this number was divided in the same ratio as the estimated areas of land under crops for market and under crops for subsistence, giving a reasonable approximation of the distribution of the adult male population between commercialized production and subsistence production. Results for the nine countries studied are given in Table 14.

Accepting these figures as the rough approximations which they admittedly are (and no better estimates are available), it is clear that only the Gold Coast and the Belgian Congo had percentages of labour in commercial production appreciably above the average for the region as a whole; in other words, that the shift of resources resulting in an enlargement of the exchange economy had proceeded further there than in the other seven territories. As regards the Gold Coast figures, the high percentage of commercialized production within the indigenous economy reflects the importance of the cocoa industry, while comparison of the percentage for "outside wage-earning" with that in the Belgian Congo indicates the importance of mining, industry and plantation-crops in the latter territory.

Table 14 : Countries of Tropical Africa -- Estimated Adult Male Population in Commercialized and in Subsistence Production. ( 1950 -- % of total male adults).

| TERRITORY | Commercialized Production | | | Subsistence Production |
|---|---|---|---|---|
| | Within indigenous economies | In outside wage-earning | Total | |
| Gold Coast . . . . | 64 | 15 | 79 | 21 |
| Belgian Congo . . | 29 | 30 | 59 | 41 |
| S. Rhodesia . . . | 9 | 40 | 49 | 51 |
| Nigeria . .. . . | 39 | 4 | 43 | 57 |
| Uganda . . . . . . | 29 | 12 | 41 | 59 |
| French Equat.Afr. | 23 | 15 | 38 | 62 |
| Tanganyika . . . . | 18 | 19 | 37 | 63 |
| Kenya . . . . . . | 5 | 25 | 30 | 70 |
| French W. Africa . | 18 | 5 | 23 | 77 |
| WHOLE REGION . . . | 27 | 13 | 40 | 60 |

Source : U.N. "Enlargement of the Exchange Economy in Tropical Africa" (1954).

Of all the territories considered, the Gold Coast was estimated to have the largest proportion of cultivated land devoted to crops for domestic and export markets (30% and 45% respectively, compared with 16% and 15% for the area as a whole), and the smallest proportion under subsistence crops (25% compared with 69% for the area as a whole).

It is unnecessary to trace here the further course of the United Nations investigation, culminating in an appraisal of development problems in the light of this study of the growth of exchange activities. Suffice it to say that available evidence of the distribution of manpower between commercialized and subsistence production in the Gold Coast indicates that the process of transition to an exchange economy is already comparatively far advanced there, and that continuing economic development will require not only a more effective use of resources already engaged in production for exchange but also an enlargement of the exchange economy itself.

POPULATION AND OUTPUT.

In discussing available demographic information about the Gold Coast, attention was drawn earlier to the influence on output of such factors as the ratio of the labour force to the total population, and its geographical and industrial distribution. Factors affecting the skill and efficiency of the labour force remain to be considered. Once again, reliable information is scanty, and qualitative observation must to a great extent take the place of statistics. Moreover, comprehensive examination of the subject is outside the scope of the present study, and only a few of its aspects can be mentioned here.

There can be little doubt that the productivity of the Gold Coast wage-earner is low by the standards of more advanced countries, but the precise reasons for this are not easy to determine. The small amount of capital per head is agreed to be one, but there is less agreement concerning the extent to which climate, health, education and training, and what may be called "natural indolence" are contributory. An older school of historical thought might perhaps have insisted on the paramount importance of climate. "The energy and regularity with which labour is conducted," wrote Buckle, "will be entirely dependent on the influence of climate. This will display itself in two different ways. The first, which is a very obvious consideration, is that if the heat is intense, men will be indisposed, and in some degree unfitted, for that active industry which in a milder climate they might have exerted. The other consideration, which has been less noticed, but is equally important, is that climate influences labour not only by enervating the labourer or by invigorating him, but also by the effect it produces on the regularity of his habits." [30]

According to at least one contemporary observer, the principal cause of such underdevelopment as exists in British colonies is the fact that most of them are in the tropics, and there is a considerable body of evidence to show that high temperatures and high humidity combined have deleterious effects on human life and activity.[31] While such conditions are favourable to settlement in that they promote rapid growth of vegetation and reduce the need for clothing and shelter, they also stimulate the propagation of harmful insects, fungi and bacteria. As Mary Kingsley remarked sixty years ago, "seventy-five per cent of West African insects sting, five per cent bite, and the rest are either permanently or temporarily parasitic on the human race."[32] That heat, humidity and insect-borne diseases adversely affect productivity in the Gold Coast may therefore be admitted: whether their influence is more or less harmful than the cold and inclement weather of northern latitudes remains a matter of conjecture.

Similarly, the economic significance of malaria and yaws, for example, cannot readily be compared with that of influenza and the common cold. On balance, it is reasonable to suppose that ill-health of all kinds is a greater factor in reducing productivity in the Gold Coast than it is in more advanced countries, if only because medical attention is less adequate and knowledge of elementary hygiene less widespread. "Among the principal diseases prevalent in the Gold Coast," says the Annual Report of 1947, "the following may be mentioned: tuberculosis, malaria, trypanosomiasis, yaws, diseases of the enteric group, smallpox, cerebro-spinal meningitis, leprosy, venereal diseases, yellow fever, helminthic diseases, nephritis and affectations of the respiratory system."[33] In the absence of reliable statistics, opinions expressed on the incidence of these should be treated with reserve, for it must be remembered that ill-health, like poverty, tends to be more noticeable in a tropical country than in the colder lands of the north, but the testimony of doctors and employers to the prevalence of diseases which weaken physical or mental powers, and so reduce efficiency, is practically unanimous. In 1947, it may be added, there were only 0.49 hospital beds per 1,000 of population in the Colony, 0.34 in Ashanti, and 0.17 in the Northern Territories.[33] New hospitals and extensions to existing ones, built during the First Development Plan, have considerably improved the position since then.

The importance of education and training to the growth of wealth has long been recognized. Marshall pointed out that a good education conferred great indirect benefits even on the ordinary workman, because "it stimulates his mental activity; it fosters in him a habit of wise inquisitiveness; it makes him more intelligent, more ready, more trustworthy in his ordinary work; it raises the tone of his life in working hours and out of working hours; it is thus an important means towards the production of material wealth; at the same time that, regarded as an end in itself, it is inferior to none of those which the production of material wealth can be made to subserve." He proceeded to condemn "that wasteful negligence which allows genius that happens to be born of lowly parentage to expend itself in lowly work", and concluded that education was profitable as a mere investment, by increasing the range of opportunities open to the masses of the people.[34] These sentiments would be vigorously applauded by articulate members of the Gold Coast community today.

Nevertheless, the difficulties of administering a largely-illiterate population and securing its co-operation in carrying out progressive measures are seldom fully appreciated by critics accustomed to the high educational level and relative sophistication of Western Europe and the countries of European settlement. The very fact that new techniques must for the most part be explained orally or practically demonstrated, instead of being committed to writing, represents a serious drain on scarce expertise: technological progress and rising standards of living in advanced countries are nourished and sustained by a vast mass of printed material.

The census returns of 1948 showed that only 4% of the total African population at that time was literate, or about 5½% if children under ten years of age were excluded. In terms of actual numbers, this means that only some 165,000 of the total African population of 4.12 million had had a bare minimum of schooling, including a small proportion who had progressed to secondary school level and an even smaller proportion who had gone beyond it. Table 15 shows the extent of literacy in the three administrative areas of the country and includes for purposes of comparison corresponding figures for the districts previously listed in Table 4. It will be seen from this that the proportion of literates was greatest in the Colony and least in the Northern Territories, while there was considerable variation among administrative districts. Proportions were much higher in the main towns, Cape Coast having 24.9%, Accra Municipality 17.8%, Sekondi-Takoradi 15.4% and Kumasi Municipality 10.5%.

Table 15 : Numbers Educated as Percentage of Total Population, 1948.

| AREA | Percentage of Literates in Population |
|---|---|
| Colony . . . | 5.8 |
| Ashanti . . . | 3.9 |
| N.T.'s . . . | 0.21 |
| Gold Coast . . | 4.0 |
| Selected Admin. Districts | |
| 1 Akwapim-New Juaben | 11.3 |
| 2 Wasaw-Aowin . . | 4.9 |
| 3 Bekwai . . . . . | 3.8 |
| 4 Wenchi-Sunyani . . | 2.1 |
| 5 Mamprusi . . . . | 0.11 |
| 6 Gonja . . . . . | 0.21 |

Source : Census Report, 1948.

Notes : (1) 'Literates' comprise all those educated to Primary School Standard III, or higher.

(2) Actual numbers : Colony 129,723; Ashanti 31,685; N.T.'s 2,244.

(3) Refce. nos. identify districts on Density of Population Map at beginning of chapter.

Even if allowance is made for the probably small number of adults who had become literate without ever attending school, the percentage of literates among people of school age and over must be considered low as compared with a number of countries in Latin America and Asia, though it compares reasonably well with other areas of Africa and the Middle East. Some corresponding figures are : Turkey, 30%; Nicaragua, 37%; Mexico, 46%; Colombia, 56%; and Ceylon, 58%.[35]

The percentage of literacy in the Gold Coast would be higher today, however. Almost the first act of the elected African government of 1951 was to introduce an "accelerated education plan", designed "to provide a free basic primary education course for all children of school age and to accelerate the Africanisation of public life by providing adequate secondary and

and higher education facilities."[36] (The huge expenditures involved were made possible by inflated government revenues arising in the main from unprecedentedly high prices obtained for cocoa exports.) It is claimed that this plan so far achieved its objectives that by 1956 the enrolment of children in primary schools had risen to 443,710 (about 45% of all children between the ages of 5 and 14), while the annual output of trained teachers had increased from 730 in 1951 to 1,680, and the number of students in technical institutions rose from 606 in 1951 to 1,720. Simultaneously, "mass education teams" financed by the government tackled the problem of illiteracy among adults, especially in rural areas. If this rate of progress can be maintained, it is clear that in a few decades all but a comparatively small minority of Gold Coast Africans will be literate. The indoctrination of technical, managerial and administrative skills is necessarily a much slower process, however, and the demand for trained workers and directorial staff must continue to exceed the supply for a considerable time to come.

"Natural indolence" as a factor affecting productivity is more difficult to assess. It has often been condemned by foreign visitors, and African legislators, in demanding increased supervision of government employees, explicitly admit its existence. A readiness to stop or slacken work when the foreman's back is turned is of course by no means confined to workers in the Gold Coast, but it is certainly very noticeable there. To some extent, no doubt, it is attributable to the climate and poor physical stamina, but a general fondness for *dolce far niente* may also be discerned. This is natural in a society which is as yet only partially converted to a system of exchange and whose inhabitants have for the most part obtained the means of subsistence with comparatively little effort hitherto. Increased output and a progressively higher standard of living can be achieved only if economic attitudes are transformed, however, and the revolutionary change involved is almost certainly the greatest single obstacle to sustained economic growth in the Gold Coast. "If modern machinery is to produce an improvement in economic conditions, it has to be operated by labour which will be on the job even though it is a wonderful day and the fish are biting. It is much easier to train an intelligent man to diagnose and repair an injury to a machine than to get him to spend day after day tightening Nut 36 on an assembly line."[37]

One type of apparent "indolence", it may be added, is in fact under-employment due to the scarcity of capital as a co-operant factor, and is exemplified by the groups of able-bodied but idle men to be seen in any small town or village at certain seasons of the year. This phenomenon arises from the fact that even successful cocoa-farming does not require constant labour and from the absence of alternative local employment at times when its demands can be ignored. It has been said that of all agricultural products only the carob-nut in Cyprus requires less effort to produce than the cocoa-bean in the Gold Coast.

To conclude, hours of work may be briefly mentioned. Official figures relating to the 244,417 wage- and salary-earners of both sexes registered by the Labour Department in 1954 are summarized in <u>Table 16</u> below. It will be appreciated that these cover no more than a majority of employed workers, who are themselves only a fraction of the entire labour force, and that hardly any information exists about hours worked by "self-employed" persons. Their value is thus very limited, but it will be seen that half of the total (including most employees of public authorities) had a normal working week of less than 40 hours, and that there was a tendency for employees of private enterprise to work rather longer hours than their colleagues in the public service. It would be rash to read a great deal of meaning into this, however.

Table 16 : Normal Hours of Work of Registered Employees, 1954. (At 31 De

| Hours normally worked per week | REGISTERED EMPLOYEES | | | | | |
|---|---|---|---|---|---|---|
| | All Industries | | Private Enterprise | | Public Authorities | |
| | 000's | % | 000's | % | 000's | % |
| Under 30 . . | 1.0 | 0.4 | 0.8 | 0.6 | 0.1 | - |
| 30 - 35 . . | 3.9 | 1.6 | 0.8 | 0.6 | 3.0 | 2.5 |
| 35 - 40 . . | 123.3 | 50.4 | 22.1 | 18.1 | 101.2 | 82.5 |
| 40 - 45 . . | 25.2 | 10.3 | 18.0 | 14.8 | 7.2 | 5.9 |
| 45 - 50 . . | 71.1 | 29.0 | 64.6 | 53.0 | 6.5 | 5.3 |
| 50 - 60 . . | 3.7 | 1.5 | 3.4 | 2.8 | 0.3 | 0.2 |
| Over 60 . . | 1.0 | 0.4 | 1.0 | 0.8 | - | - |
| Not stated . | 15.2 | 6.2 | 11.2 | 9.2 | 4.0 | 3.3 |
| TOTAL | 244.4 | 100 | 121.9 | 100 | 122.5 | 100 |

Source : Report on the Labour Division, Ministry of Trade & Labour, 1954-55.

Note : Public Authorities include Central and Local Government, and Public Boards and Corporations.

SUMMARY AND CONCLUSIONS.

No apology need be made for discussing at length the Gold Coast's human resources. Indeed, since the basic resources of any country are the energy, skills and character of its people, such detailed study is an essential prelude to consideration of the whole problem of economic development. It is all the more necessary because economic generalizations based on the experience of advanced countries can be applied only with some caution to circumstances in ~~advanced~~ under-developed ones, and because misapprehensions have arisen from the conclusions of observers who failed to realize this. Nevertheless, although the economic progress of the Gold Coast inevitably depends to a great extent on its inhabitants themselves, human resources are only one of the matters concerned, and the essential interdependence of all economic resources must continually be borne in mind. This will be referred to again later; meanwhile, it is necessary to review the information already presented and to see what conclusions may justifiably be drawn from it.

The picture that emerges is of a country in which human resources are heterogeneous and very unevenly distributed, not only as regards numbers but also as regards education, occupations and skills. The backwardness of the Northern Territories, still on the threshold of an exchange economy, is immediately apparent in comparison with Ashanti and even more so in comparison with the Colony, where longer contact with Europeans, superior communications, and the relative prosperity resulting from mining and the cocoa industry, have led to considerable advances. In the Colony are the highest proportions of skilled workers, urbanization and literacy, the largest number of population and the greatest density. Ashanti, generally speaking, stands intermediate in these respects between its northern and southern neighbours, yet has peculiar economic characteristics of its own and cannot be regarded simply as a more-developed version of the former or a less-developed version of the latter. Furthermore, none of these three administrative areas is itself homogeneous; each contains widely differing degrees of economic progress just as it contains varying densities of population.

It is evident too that although the dynamics of its population show the usual characteristics of underdeveloped areas, the Gold Coast is more fortunate in this regard than many other countries. In one group, comprising mainly Asian and Latin American countries, high fertility rates and low death rates prevail, and populations are growing very rapidly now. This means that the rate of "demographic investment", required simply to maintain standards of living in face of the annual increase in numbers, is unduly high, and may be as much as 15% of national income per year. In the other group, comparatively high fertility is still held in check by high mortality. Their more moderate rate of population increase implies a lower level of "demographic investment" now, but they have high growth potential and may be expected to move into the first group as death-rates continue to fall. Although the data are incomplete, its annual rate of increase of 15 per 1,000 indicates that the Gold Coast is in the second group, though quite possibly already moving into the first. An important point to note is that social custom among several Gold Coast tribes prohibits intercourse with a mother suckling a child, and suckling may continue for as long as two years: this has almost certainly kept birth-rates low. Modification of the custom seems very likely to take place in present-day conditions, and will evidently lead to a more rapid rate of population-growth.

Meanwhile, in what may be looked upon as the race between population and output, the country appears to have the advantage of a short "breathing-space", such as is no longer available to Ceylon and Malaya, for example. With a population density averaging 52 per square mile it does not yet have to face the problem of inadequate resources of land: indeed, there is some justification for classifying it as "under-populated", in the sense that greater numbers will enable more efficient use of existing resources. Urbanization is proceeding fairly rapidly, indicating a progressive transference of manpower to the exchange economy and making possible those economies of scale which are essential to development, but has hardly as yet given rise to the more serious problems associated with inadequate economic opportunities. By 1948, the proportion of people living in towns and villages of less than 2,000 inhabitants had already fallen below the 80% typical of countries in the earliest stage of economic advancement, and is almost certainly still falling.

Notwithstanding the doubts cast on the validity as an indicator of economic progress of the proportions of workers in "secondary" and "tertiary" industry, available information about the industrial distribution of the population is significant in showing the existence of a movement from agriculture into manufacture, commerce and services. That this is continuing is suggested both by observation and by the urbanization statistics. Equally significant is the United Nations finding that there is much less subsistence production, and much more commercialized production (including both market agriculture and wage-earning), in the Gold Coast than in any other country of tropical Africa. The large number of people (especially women) engaged in petty trade or as intermediaries has often been condemned as wasteful, but is more realistically regarded as an indication of the scarcity of co-operant resouces, especially capital, and the proportion of population concerned may well decrease as economic development proceeds. So long as no better alternative employment is available, people will willingly seek even the meagre gains offered by small-scale trade.

Comparison of the Gold Coast's industrial and occupational statistics with those of advanced countries may be misleading, and the extent of the differences between its economy and theirs can scarcely be exaggerated. Part-time and seasonal employment and the employment of women and children make measurement of the actual labour force difficult. This difficulty is increased by the imperfect specialization of labour and the admixture of social and commercial activities, both largely due to the narrowness of the market, and by remarkable fluidity arising from the low level of skills. A carpenter may be simultaneously a cocoa-farmer, a market in some respects resembles a club, and a cook may turn overnight to trading or labouring. As the market is expanded by better communications and increased purchasing-power, specialization may be expected to become more profitable and therefore to increase, and fluidity of this type to diminish. In countries with a higher income-level, it may be added, some of the services performed in the

Gold Coast by petty traders are a normal function of the consumer. This applies especially to holding stocks of commodities and "breaking bulk": few observers fail to comment on the phenomenon of a packet of cigarettes or matches, for example, being regarded in Gold Coast markets as a wholesale article, to be subdivided and sold "by the stick" from the petty trader's tray. Much the same is true of a variety of personal services.

What major obstacles to economic progress have been revealed by this study of human resources? First, there is the problem of dependency. In the Gold Coast today, rather more than 60% of the population is economically active, implying that 100 producers have to support about 67 dependants in addition to themselves, and although this rate is less unfavourable than the average estimated for underdeveloped countries it will alter for the worse if the rate of population growth should accelerate, as it seems likely to do. Secondly, there is the large number of tribal groups and languages. This factor may be expected to diminish in importance with the development of national consciousness and the spread of education, but must remain a considerable obstacle - although by no means an insuperable one, as experience elsewhere has shown - for many years to come. Thirdly, there is the low level of education and skills, which is perhaps the most prominent obstacle of all. Efforts are being made to overcome it, but the process is necessarily slow and expensive. The need for importing skills, too, is more readily admitted by the government than acted upon, while xenophobia and a revulsion from "colonialism" hamper realistic appraisal of the problem. Non-Africans in the population numbered only 11,000 or so in 1953, and although the total may have doubled since then the value of their contribution to output is seldom fully appreciated. This is particularly true of those engaged in commerce and (to a lesser extent) in industry; in popular opinion they are "exploiters" and supplant local entrepreneurs. For this reason, immigration restrictions on foreign capitalists are unlikely to be removed entirely, despite government action in favour of industrialization.

Fourthly - and it has been suggested that this is the greatest single obstacle - there is the problem of transforming economic attitudes, with which are associated the enervating climate, poor physical stamina, lack of education and training, and what has been called "natural indolence". The answer lies partly in improving health measures and medical services, and in heavier investments in education, but basic human attitudes to productive work are less susceptible to alteration. It would be a mistake to assume that the people of the Gold Coast think of change entirely, or even predominantly, in terms of economics, and productivity (as war-time experience showed) cannot be increased merely by exhortation. "A mere desire for more of the good things of life which others are known to enjoy is not enough to produce development. People must be willing to undertake, or at least to accept, important changes in the way they make their living, in their attitudes toward investment, taxes and countless other things, even some of their religious and family traditions."[38] The core of the development process, in short, is what happens in men's minds, and in its repercussions on their habits and institutions.

Increased flexibility in the labour force, and probably also increased mobility, have been mentioned as economic advantages in an increasing population (the widening of the market is of course another), and further study of these matters in Gold Coast conditions is desirable. Unfortunately, factual information is so scanty that most statements on the subject are little better than conjecture. As regards geographical mobility, both the cocoa-industry and the mines rely heavily on migrant labour from the Northern

Territories and neighbouring French colonies. It has been recorded that in the year 1948-49 more than 200,000 southbound travellers, about a third of whom were of French origin, crossed the Volta River ferries into Ashanti and the Colony. The number of migrant labourers included is uncertain, but may have been as much as 100,000. Estimates of the total number of labourers employed annually on the harvesting of cocoa, many of whom are migrants, vary from 40,000 to 250,000, but all of these figures must be treated with reserve.[39] The census returns of 1948 suggested that a proportion of these migrants were beginning to settle permanently in the mining towns, or at least to prolong their stay for several years, and the same thing may be happening in cocoa areas. This appears to be confirmed by observation, and by the statistics of birthplaces shown in Table 3. Some movement has also taken place from cocoa-growing areas where crop yields are declining, or where severe damage has been caused by swollen-shoot disease, in order to bring fresh land under cultivation. Finally, mention must be made of the marked reluctance of educated southerners to undertake work in the Northern Territories; unless this can be successfully overcome progress there must continue to be retarded. On the other hand, small numbers of enterprising Gold Coast Africans have for many years ventured much further afield. In the 1890's, according to Mary Kingsley, all of West Africa was dependent on Accra for its skilled labour, and the Basel Mission won herapproval for teaching converts not only the word of God but "at the same time to use their hands and brains in such a way that they were bound to become of some use to their fellow men, and command ready employment."[40]

To sum up, then, it may be said that although the Gold Coast is faced with the problems of population generally associated with underdeveloped countries, these are for the most part less serious than they are elsewhere.

This comparatively favourable state of affairs may not continue a great deal longer, however, for the indications are that the rate of population increase may accelerate. For sustained economic progress to take place, therefore, it is essential that during the "breathing-space" thus afforded - extending possibly to a few decades - every means of increasing productivity should be followed with determination and in full awareness of the nature of the problem. Otherwise, it appears that increasing numbers may overtake increasing output, and the aim of progressively higher standards become as difficult to achieve as it is in countries where this has already happened. Examination of the Gold Coast's economy since the war will show to what extent success may be expected.

POPULATION AND RESOURCES - APPENDIX.

Dr.H.W.Singer's Theorem of the 'Courbe des Populations'

Tentatively Applied to the Gold Coast.

In his article[41], Dr.Singer pointed out that the proportion of population which might be called 'urban' in any country was unsatisfactory as an index of urbanization. He proceeded to show that there was a remarkable statistical regularity in the distribution of population among human agglomerations, providing a complete analogy to Pareto's law of income distribution, from which could be obtained an exact quantitative measure or 'index of metropolization.'

This regularity was characterized by the equation $\log y = A - a \log x$, where $x$ = a certain number of inhabitants, $y$ = the number of towns with more than $x$ inhabitants, and $A$ and $a$ are constants. That is, if the population limit is increased in any proportion, the number of towns above this limit will decrease in a given multiple of that proportion.

The relative deviation between the actual and the theoretical number of towns of given size in any country may be found by calculating the values of $\frac{100\,(y - y')}{y}$, where $y$ is the actual and $y'$ the theoretical number of towns with population greater than $x$. The arithmetical mean of these values gives the average error.

In the equation, $a$ represents the inclination of the straight line showing the relationship between $x$ and $y$, and provides an index of the relative frequency of small, medium and large towns - the 'index of metropolization.' For England and Wales in 1921, the equation was calculated to be $\log y = 6.5158 - 0.9893 \log x$, giving a value for $a$ of 0.9893. Corresponding values for $a$ in other countries (corrected for conurbations), and the average errors, are set out below.

| Country | Date | Value of 'a' | Average Error : % |
|---|---|---|---|
| France | 1920 | 1.30 | 7 |
| U.S.A. | 1920 | 1.00 | 5 |
| Germany | 1925 | 1.00 | 4 |
| Japan | 1920 | 1.59 | 7 |
| Canada | 1932 | 0.93 | 4 |
| Hungary | 1930 | 1.31 | 8 |

The smaller the value of $a$, the greater is the proportion of large towns in a given number of towns. France and Hungary are thus seen to be countries in which small towns predominated, and Japan even more so.

POPULATION AND RESOURCES - APPENDIX (Continued).

The results of a tentative application of the theorem to the Gold Coast are given in the following table. Values of A and a in the equation have been calculated by the Method of Least Squares[42], and actual values of x and y were extracted from the 1948 Census Report.

$$\log y = 6.63 - 1.36 \log x$$

| x (Inhabitants) | y (No. of places above x) | | Error : |
|---|---|---|---|
| | Formula | Actual | $\frac{100\,(y - y')}{y}$ |
| 100,000 | .676 | 1 | + 32.4 |
| 50,000 | 1.74 | 2 | + 13.0 |
| 25,000 | 4.457 | 3 | - 48.6 |
| 20,000 | 6.039 | 5 | - 20.8 |
| 15,000 | 8.954 | 9 | + 0.5 |
| 10,000 | 15.49 | 11 | - 40.8 |
| 5,000 | 39.81 | 37 | - 7.6 |
| 2,000 | 138.7 | 175 | + 20.7 |
| 1,500 | 204.6 | 275 | + 25.6 |

Average error : 23.3%

If a = 1.36 could be accepted as valid for the Gold Coast, this would mean that small towns predominate there to a greater extent than in Hungary but to a less extent than in Japan. The deviation between theoretical and actual values of y is however unduly high, compared with Dr. Singer's applications of the theorem. This may be due to inaccuracies in the actual values, since difficulties arise in deciding when an agglomeration should be treated as one single town (e.g. in the cases of rural settlements in the Northern Territories, and conurbations in mining areas and elsewhere) and re-examination of the census material would possibly lead to a closer correlation. Positive conclusions could not have been expected from a study so very tentative and based on such scanty data, but it is perhaps permissible to suggest that further detailed analysis, using several sets of figures, will be needed before the validity of the theorem in regard to under-developed countries can be accepted.

## POPULATION AND RESOURCES.

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# CHAPTER 5

## POST-WAR DEVELOPMENT

( Chapter 5 )

TABLES



continued /

( Chapter 5 )

TABLES (contd.)



DIAGRAMS Facing -



APPENDIX /

( Chapter 5 )



Tables :-

## POST-WAR DEVELOPMENT.

### INTRODUCTION.

Political and constitutional developments in the Gold Coast since the war have distracted attention from the economic changes taking place concurrently, but these were hardly less remarkable. The transformation has been so great that in some respects there is little resemblance to the pre-war economy. The tempo of activity has been quickened and its volume greatly expanded. New roads bridges and buildings exemplify the higher level of fixed capital. For most of the people standards of living have improved and economic opportunities have increased. Continuing urbanization has drawn ever greater numbers of the population into contact with European and American habits of life and thought, while obstructive tribal customs have been progressively relinquished.

These changes had their beginnings, as we have seen, in the period of the war itself, but since 1945 the process has accelerated. World shortages stimulated demand for cocoa and other Gold Coast exports and the resultant higher prices not only brought greater returns to producers but also enabled the government to expand its revenues to an unprecedented extent and to embark on an ambitious development programme. Thus, rising per capita consumption by the growing population has been accompanied by expansion in public facilities and in social services generally.

The private sector has also benefited. Established trading companies under overseas ownership have expanded their activities and some have invested in manufacturing industry. New companies have been established, some of them by African business-men, and gained a minor but nevertheless substantial share in the country's trade. Far more Africans have been appointed to responsible managerial positions, and the number receiving training has multiplied. Primary and Secondary schools have more pupils than ever before, and the University College and the College of Technology provide the first institutions for higher education.

Not every part of the country has been equally affected, however: the new-found sophistication of Accra is not reproduced in the villages and small towns of the hinterland. Most of them have changed too - there are new buildings and better roads, more lorries and bicycles, for example, in testimony of the fact - but many remain comparatively untouched, their inhabitants working and living in much the same ways as their forefathers did. Though the big towns have cinemas and hotels, taxis and motor buses, electric lights and water supplies, the villages in the forest and the northern savannah are primitive by comparison, to a degree hardly comprehensible to a Western European. Just as in advanced countries there are underdeveloped areas, so does the Gold Coast, an underdeveloped but developing country, contain some areas more backward than the rest. Per capita consumption of textiles may increase, but some people still wear a bunch of leaves for clothing; cowrie shells and a national issue of currency exist side by side.

To achieve an understanding of the country and its problems, it is essential that such contrasts be borne continually in mind. Our chief concern at present, however, is the economic development of the Gold Coast since the war, and more especially in the last decade. Tables 1, 2 and 3 below therefore set out in summary form "selected indicators of economic growth" for the period 1935 to 1955, from which the extent and rapidity of this development may be gauged.[1] These figures are not all of equal reliability or importance, and some of the series are incomplete. Still, after allowance has been made for the increase of about a million in population, the general rise in price levels, and the fact that export prices were depressed in 1935, they clearly support the impression that both the country as a whole and its individual inhabitants are now better off materially than ever before.

Government revenue was adventitiously high in 1955, it is true (see Table 1), yet in 1954 it was nearly £50 million and has never since fallen below that level, which is probably more than four times the pre-war amount in real terms. Currency in circulation appears to have increased at least sixfold, and Post Office savings even more, although local authorities' operations are partly responsible for the latter. Figures for local authority revenues and bank deposits are unfortunately incomplete, but those available provide further evidence of expansion.

Table 2 is defective in that it makes use of import figures instead of consumption figures concerning road transport, and gross revenue figures instead of traffic statistics for the railway, but provides a reasonably accurate picture nevertheless. Whereas there had been no more than 100 cars and lorries on the roads in 1913, and 12,000 in 1937, there were over 25,000 in 1955. Imports of vehicles in the previous twenty years had increased fourfold, and the consumption of motor spirit considerably more. Similar, though less spectacular, increases took place in the use of railway facilities and the extent of the telecommunications network. Mileages of tarred road and railway track, however, showed no significant increases until the First Development Plan got under way after 1951.

Foreign trade is better documented, and Table 3 shows that the principal consumer goods rose rapidly in volume once the immediate post-war shortages had been overcome. Greater imports of luxuries like wheaten flour and rayon piece-goods reflect the rising standard of living, and those of building materials the higher level of capital formation. Although the total money value of both imports and exports increased about tenfold, the principal exports (except for timber and to some extent diamonds) showed little tendency to increase in volume.

In the following pages we shall examine this post-war expansion in greater detail and analyse its causes. This will involve study of changes in the Gold Coast's external trade and domestic economy during the period. Finally, we shall seek an answer to the most interesting, as well as the most vital, question concerning the country at the present time : is current economic development likely to be transformed into sustained economic growth?

Table 1 : Selected Indicators of Economic Growth - Financial.

| | | 1935 | 1940 | 1945 | 1950 | 1953 | 1955 |
|---|---|---|---|---|---|---|---|
| | Central Government | | | | | | |
| a | Total revenue £m | 3.0 | 3.7 | 5.9 | 18.1 | 42.5 | 80.6 |
| | Indirect taxation " | 1.9 | 2.6 | 2.5 | 11.0 | 26.5 | 62.4 |
| | Direct taxation " | - | - | 1.3 | 3.7 | 8.5 | 7.3 |
| b | Currency in circuln. " | n.a. | 5.5 | 9.8 | 22.9 | 29.8 | 30.1 |
| | Bank Deposits | | | | | | |
| | With G.C. banks " | n.a. | n.a. | n.a. | 11.8 | 17.3 | 20.0 |
| | Post Office Savings | | | | | | |
| | Bank deposits " | 0.1 | 0.3 | 1.5 | 4.0 | 5.3 | 5.1 |
| | No. of accounts-000's | 21 | 44 | 150 | 309 | 397 | 456 |

Table 2 : Selected Indicators of Economic Growth - Transport & Communications.

| | | 1935 | 1940 | 1945 | 1950 | 1953 | 1955 |
|---|---|---|---|---|---|---|---|
| | G.C. Railway | | | | | | |
| | Gross revenue £m | 0.8 | 1.0 | 1.7 | 2.5 | 3.3 | 3.4 |
| | Road Mileage | | | | | | |
| | P.W.D. roads-000 mls. | n.a. | 2.4 | 2.4 | 3.4 | 3.4 | 4.2 |
| c | Tarred roads - mls. | n.a. | n.a. | n.a. | 939 | 1001 | 1320 |
| | Road Vehicles. | | | | | | |
| d | Total imported-000's | 1.9 | 0.4 | 0.5 | 4.8 | 7.1 | 7.6 |
| | Motor Spirit. | | | | | | |
| | Total imported-m.gal. | 5.6 | 5.5 | 11.4 | 20.3 | 25.6 | 32.6 |
| | Telecommunications. | | | | | | |
| | Telephone & telegraph trunk wire -000 mls. | 12.5 | 15.3 | 16.2 | 18.2 | 21.2 | 21.6 |

Source : G.C.Digest of Statistics; Statistical Abstracts; Economic Survey, 1958; Colonial Office List; Statesman's Yearbook; Economic Survey of the Colonial Empire, 1951.

Notes :Symbols - a = Railway & Harbour accounts excluded.
b = 1939 estimate for 1940.
c = 1951 figure for 1950.
d = Cars, taxis, lorries & lorry chassis.

Each figure is for calendar year or financial year ending in year named. Currency & deposits are for same date in each year.

Table 3 : Selected Indicators of Economic Growth - Foreign Trade.

| | 1935 | 1940 | 1945 | 1950 | 1953 | 1955 |
|---|---|---|---|---|---|---|
| EXPORTS, Total f.o.b. (£m.) | 9.4 | 13.9 | 15.7 | 77.4 | 89.9 | 95.7 |
| Cocoa (000 tons) .. | 269 | 224 | 232 | 267 | 237 | 206 |
| Gold (000 fine oz.) | 371 | 858 | 475 | 705 | 733 | 724 |
| Manganese (000 tons) | 399 | 477 | 702 | 711 | 746 | 540 |
| Diamonds (m. carats) | 1.3 | 0.6 | 0.8 | 1.1 | 2.2 | 2.3 |
| Bauxite (000 tons) | - | - | 146 | 115 | 115 | 116 |
| Timber - Logs (m.cu.ft.H.M.) | 1.1 | 1.0 | 2.6 | 8.2 | 8.2 | 13.4 |
| Sawn (m.cu.ft.) | - | - | - | 2.1 | 4.6 | 5.2 |
| IMPORTS, Total c.i.f. (£m.) | 7.6 | 7.1 | 10.6 | 48.1 | 73.8 | 87.9 |
| Corr.Iron Sheets (000 tons) | 8.8 | 2.2 | 0.04 | 8.3 | 14.4 | 16.7 |
| Sewing-machines (000's) | 1.5 | 0.4 | 0.4 | 18.1 | 17.7 | 13.2 |
| Bicycles (000's) | 2.4 | 1.2 | 2.2 | 51.7 | 43.1 | 43.0 |
| Cotton Piece-goods (m.lb.) | 14.7 | 7.1 | 8.9 | 20.5 | 24.3 | 28.7 |
| Rayon Piece-goods (m.lb.) | n.a. | 0.2 | 0.6 | 1.6 | 5.2 | n.a. |
| Cement (000 tons) | 44 | 35 | 54 | 178 | 234 | 295 |
| Illuminating Oil (m.gal.) | 2.5 | 2.8 | 2.8 | 7.4 | 8.5 | 9.7 |
| Wheaten Flour (000 tons) | 6 | 6 | 5 | 21 | 29 | 33 |

Source : G.C.Digest of Statistics; Statistical Abstracts No.1; Economic Survey, 1958.

Notes : (1) Exports include re-exports.
(2) Owing to changes in classification it has been necessary to calculate some 1955 figures from other units, involving a certain amount of estimation.
(3) Figures are for calendar years.

# POST-WAR DEVELOPMENT.

## PART I - COCOA.

### COCOA.

Cocoa now predominates among exports from the Gold Coast even more than in pre-war years, when gold contributed as much to export earnings. Since 1947 it has accounted for two-thirds of the value of all domestic exports, rising over 70% in 1948, 1950 and 1954, and never falling lower than 56%, its proportion in 1957. Earnings from cocoa are the main determinant of the balance of payments position and the level of overseas balances, while the seasonally-fixed price paid to local producers considerably affects the level of purchasing-power and domestic prices generally, the volume of imports and sales of merchandise, the size of the government's revenue and the amount of currency in circulation. The price to be paid to producers is decided and announced before each crop season by the Cocoa Marketing Board, a statutory body on which government, commercial and producing interests are nominally represented, and which has an export monopoly. It is scarcely an exaggeration to say that this announcement sets the pace of economic activity for the ensuing year, because not only is cocoa production the largest single source of incomes and of government revenue, but most other sections of the economy depend on its prosperity either directly or indirectly.

Study of the Gold Coast's post-war development must therefore begin with the cocoa industry. The first point to be noted is the instability of the world price, for although a considerable part of the crop is sold direct to manufacturers it is the prices paid on the New York and London markets which effectively determine its total value. These prices reflect variations in world demand, which in turn is largely determined by the levels of economic activity and of consumers' incomes in the United States and Britain Two main reasons have been adduced for the extreme sensitiveness of cocoa prices to periodical fluctuations in trade. First, any effect of rising prices on output is inevitably delayed for at least five years, which is the minimum period required for newly-planted trees to come into bearing. Secondly, the effective demand for chocolate is highly responsive to changes in price, and this tends to fall in slumps and to rise in booms.

"It has even been argued", says one survey of the importance of cocoa in the Gold Coast economy, "that the welfare of the Gold Coast African depends, in the long run, on two apparently disconnected factors: first, the price of sugar; and second, the caprice of American children. The argument is that the price of sugar determines the quantity of boiled sweets or candy that can be bought for a given amount in the U.S.A.; that children will move from chocolate to candy, and vice versa, according as one appears a better bargain than the other; and that as the U.S.A. market is the largest, and therefore determines the world price of cocoa, the requirements of the children in the U.S.A. in effect constitute the marginal demand for cocoa in the world market."[2] However far-fetched this may be, it provides a striking illustration of the uncertainties of prosperity in a one-crop economy.

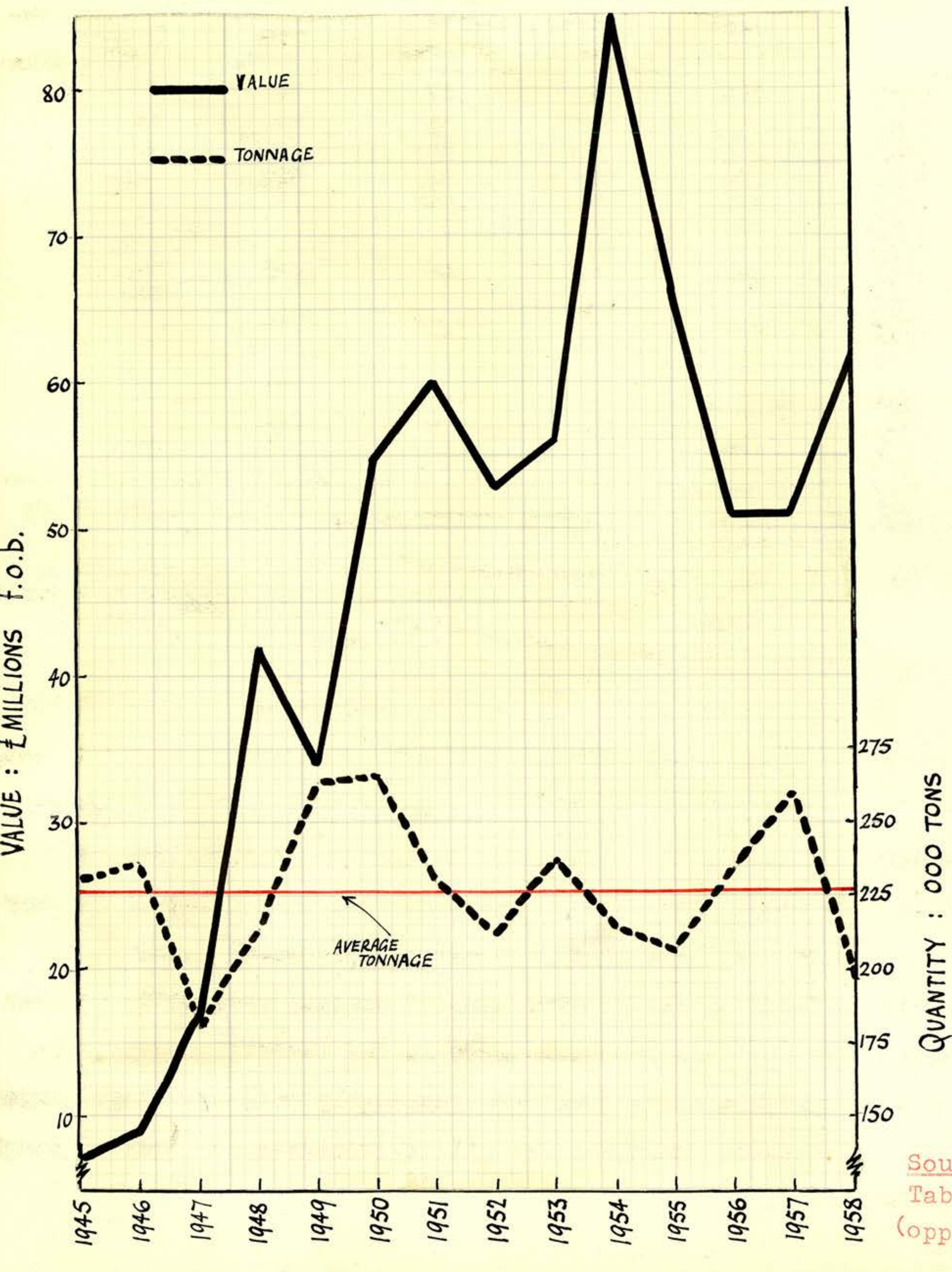
The general depression of the 1930's adversely affected cocoa prices as it did those of most primary commodities, and even in 1938-39, the last full crop year before the outbreak of war, Accra cocoa was fetching only 5 cents a pound on the New York market. Demand was stimulated during the war, however, and in the immediate post-war years depleted stocks in consuming countries, combined with a reduction in total world output (633,000 tons a year on average in 1945-48, as against 722,000 tons in 1934-40[3]), radically altered the situation. In 1947-48, Accra cocoa was being quoted at between 40 and 50 cents a pound, or about £350 per ton, and although the world price has continued to fluctuate sharply within each season, and from year to year, it has since remained many times higher than in the best years of the 1930's. Following an excess of world consumption over production in 1953, it reached a peak in mid-1954, when small quantities of cocoa available between seasons were at one time quoted at as much as £500 per ton.[4]

The Gold Coast is the world's largest producer of cocoa, providing about one-third of total output, so expectations of a smaller-than-average crop from this source tend to push up the world price, and vice versa, notwithstanding the fact that climatic factors and the many scattered holdings make estimating a hazardous business. An important result of this is that total earnings from Gold Coast cocoa exports tend to fluctuate less widely than world prices. <u>Table 4</u> and <u>Diagram</u> 1 overleaf show the value and quantity of cocoa exports in the period 1945-58.

DIAGRAM 1

OVERLEAF

DIAGRAM 1 : VALUE AND QUANTITY OF COCOA EXPORTS, 1945-1958.




Source
Table 4
(opposite)

Table 4 : Value and Quantity of Cocoa Exports, 1945-58.

| Calendar Year | 1 Quantity Exported 000 tons | 2 Total Value £m f.o.b. | 3 Av. Value per Ton £ f.o.b. | 4 Value as % of All domestic exports | 5 Value as % of All non-mineral exp. |
|---|---|---|---|---|---|
| 1938 | 263 | 5 | 17 | 42 | 87 |
| 1945 | 232 | 7 | 31 | 47 | 83 |
| 1946 | 236 | 9 | 40 | 48 | 83 |
| 1947 | 180 | 17 | 92 | 62 | 86 |
| 1948 | 214 | 42 | 197 | 76 | 92 |
| 1949 | 264 | 34 | 129 | 69 | 90 |
| 1950 | 267 | 55 | 205 | 72 | 90 |
| 1951 | 230 | 60 | 262 | 67 | 87 |
| 1952 | 212 | 53 | 248 | 62 | 83 |
| 1953 | 237 | 56 | 237 | 64 | 83 |
| 1954 | 214 | 85 | 395 | 75 | 89 |
| 1955 | 206 | 66 | 318 | 69 | 87 |
| 1956 | 234 | 51 | 218 | 59 | 80 |
| 1957 | 260 | 51 | 195 | 56 | 80 |
| 1958 | 197 | 62 | 316 | 60 | 82 |

Source : Statistical Abstracts No.1; Digest of Statistics, 1958; Economic Survey, 1958.

Notes : (1) 'All non-mineral exports' calculated by subtracting gold, manganese, diamonds & bauxite from total exports
(2) Columns 1 & 2 are shown graphically in Diagram 1.
(3) Average annual export since 1945 = 227 tons.

As may be seen from this Table and Diagram, the total value of cocoa exports f.o.b. showed a remarkable upward trend from 1945, reaching a peak of £85 million in 1954, and although the values in subsequent years were less, those for 1955 and 1958 (£66m. and £62m.) were higher than in any previous year except 1954. So many variables are involved that forecasting the future trend is extremely difficult, but the consensus of opinion appears to be that whatever fluctuations may take place in the immediate future the long-term prospects for cocoa are reasonably well assured because of steady economic expansion and rising standards of living throughout the world.

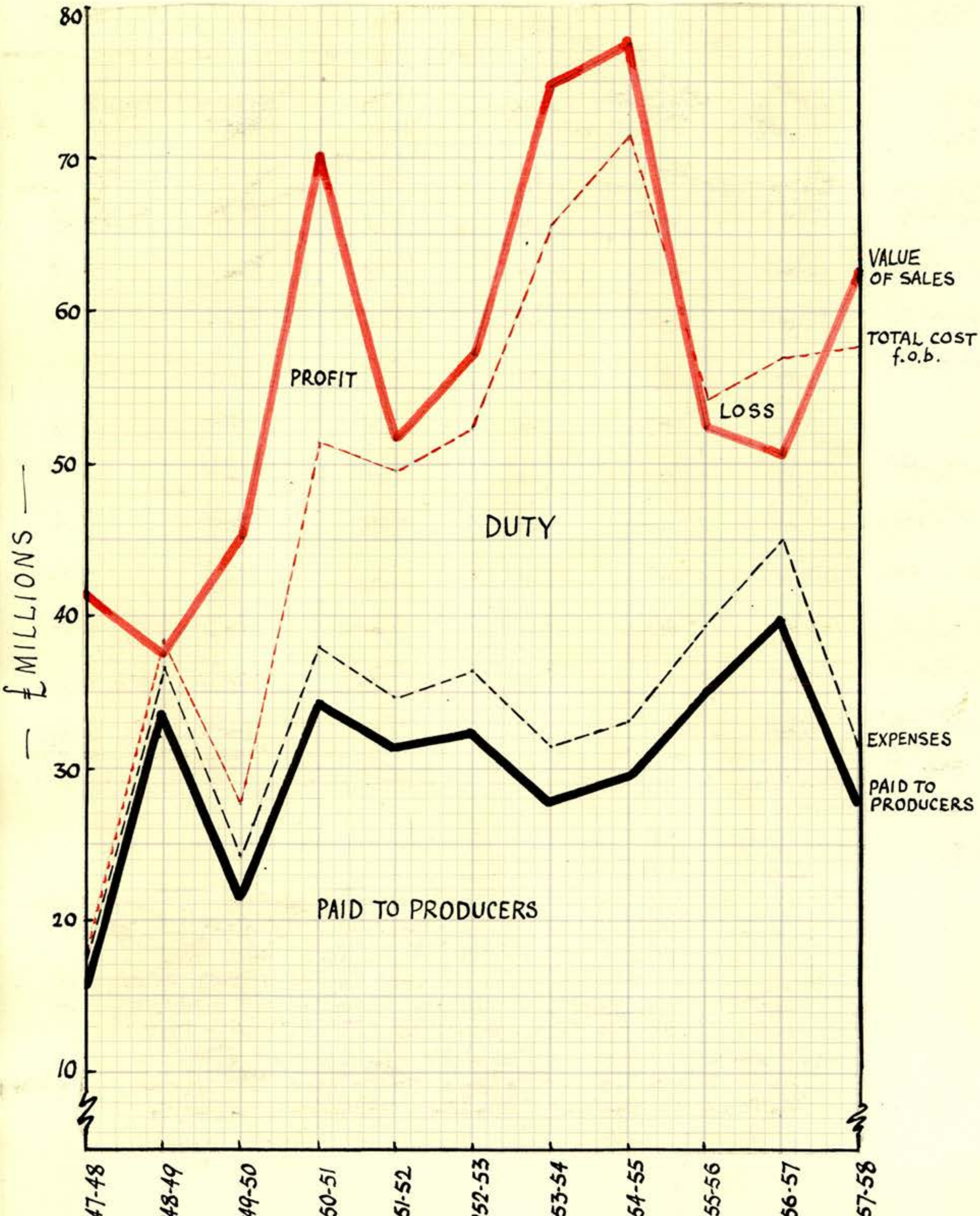
The tonnage of cocoa exported each year is directly related to the amount produced, since only a fraction of each crop is used locally, but there are annual variations owing to the speed with which the crop comes in, the availability of shipping, and so on. It is clear from Diagram 1 that, in contrast to the rise in its total value, the total tonnage exported each year has shown no tendency to increase, despite the large amount of new planting carried out in response to high post-war prices. This is due partly to the delay which elapses before a young tree comes into bearing, and partly to the fact that new production is still offset to some extent by the cutting-out of trees infected or endangered by swollen shoot disease.

At 227,000 tons per annum, the average Gold Coast export since the war is some 45,000 tons below the pre-war level (1935-39) but the downward trend discernible in the eleven crop years to 1946-47 has almost certainly been arrested.[5] As might have been expected, an export tonnage below average in some years (but not in all) coincided with a particularly high return in earnings. The years 1948, 1954, 1955 and 1958 provide examples of this, while the converse situation of a larger crop and lower relative earnings is to be seen in the figures for 1949, 1956 and 1957.

Of fundamental importance to the Gold Coast's post-war development is the manner in which these increased earnings from cocoa exports were distributed. This is shown in Table A.1 on a 'per ton' basis, and in the form of aggregates in Table 5 and Diagram 2, overleaf. The diagram illustrates it particularly clearly.

DIAGRAM 2
OVERLEAF

## DIAGRAM 2: DISTRIBUTION OF COCOA PROCEEDS (AGGREGATE), 1947-58.




Source : Table 5 (opposite).
Note : Vertical distance between solid lines represents excess of sales proceeds over total payment to producers - i.e. the amount shared among Expenses (C.M.B., buying agents, intermediaries), Export Duty (Govt.), and Profit (C.M.B.).

Table 5 : Distribution of Cocoa Proceeds (aggregate), 1947-58.

| CROP YEAR | 1<br>Paid to Producers<br>£m | 2<br>Export Duty<br>£m | 3<br>Expenses<br>£m | 4<br>Total Cost f.o.b.<br>£m | 5<br>Value of Sales<br>£m | 6<br>Board Profit/ Loss<br>£m |
|---|---|---|---|---|---|---|
| 1947-48 | 15.4 | 0.4 | 1.9 | 17.7 | 41.5 | + 23.8 |
| 1948-49 | 33.3 | 1.7 | 3.3 | 38.3 | 37.5 | - 0.8 |
| 1949-50 | 21.2 | 3.5 | 3.0 | 27.7 | 45.1 | + 17.4 |
| 1950-51 | 34.3 | 13.4 | 3.7 | 51.4 | 70.3 | + 18.9 |
| 1951-52 | 31.4 | 14.8 | 3.4 | 49.6 | 51.6 | + 2.0 |
| 1952-53 | 32.2 | 16.0 | 4.3 | 52.5 | 57.1 | + 4.6 |
| 1953-54 | 27.9 | 34.0 | 3.6 | 65.5 | 74.7 | + 9.2 |
| 1954-55 | 29.4 | 38.3 | 3.8 | 71.5 | 77.5 | + 6.0 |
| 1955-56 | 35.0 | 14.6 | 4.5 | 54.1 | 52.3 | - 1.8 |
| 1956-57 | 39.8 | 12.0 | 5.2 | 57.0 | 50.7 | - 6.3 |
| 1957-58 | 27.8 | 26.2 | 3.8 | 57.7 | 62.8 | + 5.1 |

Source : Cocoa Marketing Board Tenth Annual Report & Accounts; Economic Survey, 1958.

Notes : (1) Column 4 = Column 1 + 2 + 3.
Column 6 = Column 5 - 4.

(2) Figures in Column 5 have been extracted direct from C.M.B. accounts. The others were calculated from 'per ton' figures, as in Table A.1, and therefore exclude all activities of the Board other than the purchase and sale of cocoa. Operating profits and losses shown in the accounts for 1947-48 onwards are rather more favourable than those given above, viz.:- +£24.1m., -£0.1m., +£18.0m., +£20.1m., +£3.5m. +£6.4m., +£11.0m., +£8.1m., +£0.8m., -£5.2m.

(3) The statistics in this table are shown graphically in Diagram 2.

Government efforts to divert a larger share of cocoa proceeds to domestic capital formation followed the method described in the report made to the United Nations in 1951 on "Measures for the Economic Development of Under-developed Countries." "Some countries," this said, "have found a source of savings by taking advantage of a temporary, or a permanent, improvement in their terms of trade. The method is not to let exporters or producers get the full benefit of the increased prices of their goods in foreign countries. This can be done by imposing an export tax which varies directly with the foreign price, or by establishing a government marketing agency which buys produce at a low price and sells it at a higher price."[6]

Arrangements for the marketing and sale of cocoa after the war differed profoundly, as we have seen, from those in operation before it.[7] The Cocoa Marketing Board inherited and has continued a policy of paying producer prices well below selling prices, but in theory at least is an autonomous statutory body, not a "government marketing agency", and so is not subject to official directives. Its first four years of operation, ending with 1950-51, produced a total surplus of £62 million, bringing up to £76 million the funds taken over from its predecessor, the West African Produce Control Board.

These reserves were far greater than anyone had expected, and the government thought them "adequate for any foreseeable demands under the Board's primary function of stabilisation."[8] In 1951, therefore, it introduced legislation providing that when the f.o.b. cocoa price was over £120 per ton the duty imposed would be half the amount by which it exceeded £100. This naturally swelled government reserves, since a part of the duty collected was set aside for development, and reduced the Board's profits. It also affected purchasing-power, by influencing the Board's decisions regarding prices to be paid to the farmers.

In 1954, since world prices in the interval had remained high, further legislation provided that when the export price was more than £260 per ton, the duty payable would be the amount by which it exceeded £180, thus restricting the Board's return to the latter figure, which was considered sufficient to meet the current purchase price and expenditure on cocoa disease control, research and other rehabilitation measures. The revenue so obtained, it was announced, would be used, as far as possible, to expand the economy of the country as a whole. "While fostering the development of the cocoa industry and encouraging increased production both by economic incentives and technical assistance, the ultimate aim is to reduce the country's dependence on one product and to provide increased amenities and a higher standard of living for the country."[8] The incidence of the new duties imposed in 1951 and 1954 may be clearly seen from Diagram 2.

Criticisms of the West African Marketing Boards have already been mentioned: their chief expositor is Mr.P.T.Bauer, whose argument is developed cogently and at length in "West African Trade" (1954) and elsewhere.[9] So far as the Gold Coast is concerned, its essence is that the Cocoa Marketing Board's export monopoly and price-fixing policy represent an interference with the unrestricted operation of economic forces eventually disadvantageous both to the cocoa-producers and to the country as a whole. (The system of quotas for the licensed buying agents was dropped after the war. Many interesting questions arise in this connection, but they are more easily asked than answered, and liable to be confused by value-judgments. Should not the Board's objective be stabilisation of incomes, rather than mere stabilisation of prices? May not so much compulsory saving inhibit personal saving? Is it justifiable on economic grounds to withhold from producers their equitable share of higher world prices? Will not the Gold Coast's competitive position be adversely affected because cocoa-farmers elsewhere, receiving the full price, have been encouraged to improve yields and increase acreage?

Notwithstanding the force of objective criticism, and the fact that the Board's policies in its earlier years may have been unduly cautious, the advantages derived from its operations certainly appear to outweigh the disadvantages. The pre-war organization of the cocoa industry, it is generally agreed, was unsatisfactory from nearly every point of view.[10] The avowed intention behind the creation of the Boards was "to provide machinery which, by insulating producers' prices for cocoa from the day-to-day fluctuations in world market values, will enable West African producers to improve their own lot and, as their capacities develop, to assume increased responsibility for the marketing of their own product."[10] This aim has in effect been achieved, and although in the Gold Coast all cocoa-farmers would like to be paid more for their crops, few would advocate a return to the uncertainties and bitterness of the system of marketing which prevailed before the advent of the Board.

Seasonal price-fixing gives stability to the merchandise market as well as to the produce market, since it enables importers to forecast consumers' demand more accurately. The inflow of goods therefore corresponds more closely to purchasing-power, tending to reduce fluctuations. It must be remembered too that the Board was planned to act as agent or trustee for the producers, and was never intended to make a profit at their expense.[10] Reserves were accumulated partly as a result of conscious policy and partly in expectation of a price-fall which did not take place. Their existence has not only made it possible to assure to producers the benefit of reasonable and relatively stable prices for several years to come but also has enabled the Board to lend large sums for financing development and to spend heavily on measures designed to rescue the industry from the ravages of swollen shoot. By imposing graduated export duties, the government has made certain of its share of any future surpluses and (hardly less important) has reduced the economic power of the Board and confined its major activities to the business of fixing prices and the purchase and marketing of cocoa.[11]

Quite the most important consideration, however, is that the setting of relatively low producer-prices greatly mitigated inflationary pressures at a time when they might have inflicted untold harm. In an earlier chapter we have examined the war-time tendency towards inflation, in which the main factors were the severe reduction in imports and the powerful military demand for goods and services. An expert study of the Gold Coast economy conducted for the government by Dudley Seers and C.R.Ross in 1951 demonstrated conclusively that inflation was still the principal danger to its stability and the greatest obstacle to successful completion of the Development Plan scheduled to start in that year.[12]

The main inflationary factors in the situation were the export surplus and gross capital formation, government development expenditure being the largest constituent of the latter. Set against these were the main deflationary factors: Cocoa Marketing Board profits, Government surplus on current account, undistributed company profits, and personal savings. Since purchasing-power was largely determined by the price paid to the cocoa farmers and the level of development expenditure (both of which were the outcome of decisions by public authorities within the country), the government and people clearly had to choose, if they wished to avoid inflation, between increased capital expenditure on development and a high buying price for cocoa. Lacking the checks on an inflationary wave of spending familiar to students of more developed countries, the Gold Coast economy was "fragile" and liable to "over-respond" to any acceleration : it could easily get out of control.[13]

The problem was complicated by the existence of physical limitations on the quantity of goods which could be imported, since port capacity and the transport system were being fully utilized and shipping-space was hard to get. If the volume of purchasing-power increased, higher money incomes would compete for the same volume of imports. Indeed, imports of consumer goods would probably have to be reduced, so as to make way for the constructional materials needed for development. If the limits of port capacity were reached, Seers and Ross reported, an increase of £1 million in imports of building materials would displace £4m. to £5m. of imports of consumer goods, which would be equivalent to increasing consumers' incomes by the latter amount while the volume of goods to be bought remained constant.

A rise of 10/- in the price of cocoa per 60 lb. load, or of £10 million a year in development expenditure, it was estimated, would have increased purchasing-power by nearly £5 million, and this would have had serious inflationary effects even if there had been no physical limit to the volume of imports. Such a large increase would have been bound to inflate prices, simply because of its size, and further pressure would have resulted from the inevitable delay in increasing the volume of imports. To a great extent, too, local traders use the cocoa-price as a yard-stick in fixing retail prices, which therefore follow it upwards almost automatically but are less responsive when it falls.

In this situation, the difficulties confronting the government were much the same as they had been during the war. Large-scale rationing of resources was administratively impracticable, and neither domestic production of consumer goods nor the volume of them imported seemed likely to increase appreciably. Private savings could not be expected to absorb much money, and the scope for anti-inflationary taxation and budgetary measures generally was very limited. Development expenditure could not be reduced, for the government was irretrievably committed to it. The principal effort to restrict claims on scarce resources by controlling the level of money-income had therefore to be directed at the price paid to farmers by the Cocoa Marketing Board.

What in fact has happened since Seers and Ross explained and drew attention to the danger of inflation in 1951? All available evidence goes to show that although inflation has continued to menace the stability of the economy, it has never got out of hand and indeed has had much less serious results than might have been expected. This is all the more remarkable because of the large additions to purchasing-power made by "rehabilitation grants" paid by the Cocoa Marketing Board to cocoa-farmers in furtherance of the campaign against swollen shoot disease (averaging nearly £1.5 million a year from 1947-48 to 1956-57[14]), and the unprecedentedly high rate of capital formation. Between 1948 and 1951, both the index of retail prices for Accra and the general index of prices of market foodstuffs rose considerably (from 100 to 154 and 186, respectively) but since then the rate of increase in both cases has been comparatively slight.[15]

There can be no doubt that the control of the domestic cocoa-price was largely responsible for this. From the 1950-51 season onwards it has never fallen below 70/- per 60 lb. load, nor risen above 80/- (i.e. £130.7 and £149.3 per ton). Study of Table A.1 and Diagrams 1 & 2 shows that variations in crop tonnage offset the higher producer-price in some years, so that the total of farmers' money-incomes remained much more nearly stable than it would have done if producer-prices had been allowed to respond freely to market trends. Only in the 1956-57 season, when an unusually large crop coincided with the maximum price of 80/-, did this total, at £39.8 million, vary more than £5million from the average of £32.2 million for the period: in most seasons it was below that average. The government's action in imposing increased export duties had at least as much effect on the Board's price-policy, in the face of strong pressure from the farmers, as any other influences it brought to bear. The effect of swollen shoot disease in restricting tonnages should not go unnoticed, however: to some extent it was a blessing in disguise.

Another important counter-inflationary factor was the increase in the volume of imports, as may be seen from Tables 9 & A.5 below. Although the average value has varied comparatively little since 1948, the volume had doubled by 1953 and continued to increase in the subsequent four years, falling only in the recession of 1958. With the sole exception of 1954, the total value of goods imported annually was higher in every year between 1948 and 1957 than in the previous one; it rose during that period from £31 million to £96 million. Materials required for the Development Programme accounted for much of this, but the quantity of consumer goods imported also increased enormously.

Evidently, therefore, the physical limitations on imports proved to be less inflexible than they had appeared to Seers and Ross in 1951. Between 1948 and 1957, the total of cargo unloaded at all ports rose from 648,000 tons to 1,476,000 tons per annum, the rate of increase being much more marked in the second half of the period. Though the quantity handled at Takoradi doubled, its share of the total actually fell from about 70% to 60%. This was because at Accra unloadings tripled, while at other surf-ports (responsible for only some 4% of the total) they increased five-fold.[16]

The ability of the ports to handle such a vastly increased volume of imports is in part explained by government expenditure of over £6 million on improving and enlarging facilities at Takoradi between 1949 and 1956.[17] Also, since port capacity largely depends on the rate at which inland communications can handle goods passing through the port, it is partly explained by road and railway improvements and the expansion of lorry traffic. As regards the small surf-ports, which had been inoperative during the war, expansion in the organizations of import-export firms (especially in supervisory staff) was largely responsible.

The swollen shoot disease of cocoa has been mentioned and deserves further notice. It is a virus infection, spread from tree to tree by mealybugs, and no direct cure for it has yet been found: the only method of combating it is to cut out infected trees. First recognized in the Gold Coast in 1936, it was estimated to be killing about 5 million trees a year from 1939 to 1945. By the end of 1947 it was spreading at the rate of 15 million trees a year, and there were said to be 46 million infected trees (that is, about one-tenth of the total tree population) which would die by 1949. Quite clearly, the disease constituted the most important and most urgent economic problem in the country at that time, since it threatened the industry with extinction within about twenty years, and this might well have involved the collapse of the economy. Its eradication was a vital necessity.[18]

There were many obstacles in the way of a successful campaign of counter-measures. Farmers were for the most part ignorant and illiterate, and could not readily be made to understand the true nature and importance of the disease. The large number of scattered holdings, and the inadequacy of communications, made it extremely difficult to carry out surveys and enforce controls. Irrational fears of alienation of land were encouraged by agitators concerned to exploit every grievance against the government. Most important of all, however, was the delay between first infection of a tree and its eventual loss, which made the farmer reluctant to cut it out and lose the profit of one or two years' yield, no matter how poor. Such postponement of its destruction naturally allowed more time for the infection to spread. In this context, the significance of rising producer-prices will be appreciated, especially as they followed a period in which consumer goods had been scarce.

The government's efforts to overcome this menace cannot be described in detail here. Suffice it to say that a considerable part of its resources has been devoted to them up to the present time. A special branch of the Agriculture Department was set up, hundreds of additional staff were recruited both overseas and locally, financial inducements were offered to farmers for cutting out and for replanting in uninfected areas, and the activities of the West African Cacao Research Institute at Tafo were expanded. Direct expenditure on the industry in the period 1953-57 averaged about £3.5 million annually, much of which represented grants paid to farmers and was reimbursed by the Board.[19]

By 1958, the disease was reckoned to be "fairly controlled":[20] the fact that in the twelve preceding years about 80 million trees had been cut out by the Department from some 143,000 farms gives an idea of the magnitude of the task involved. Between 1953 and 1958 the number removed annually increased from 10 million to over 19 million, the reason for this greater efficiency being that growing compliance on the part of farmers made it possible for "contacts" to be removed as well as obviously infected trees. Although the danger from the disease has been largely overcome, therefore, it has had important educational effects which should not be overlooked. The precarious nature of a one-crop economy has been emphasized to all sections of the population, and a new concern for the health of their crop has been encouraged in cocoa-farmers. It is significant that farmers have responded enthusiastically to the campaign for the control of capsids (responsible for an estimated annual loss of up to 80,000 tons), to which the effort of the Agriculture Department are now being diverted. Since capsid control measures in experimental conditions have raised yields by over 25% their widespread adoption is confidently expected to bring about substantial increases in output within the very near future.

Another result of the devastation caused by swollen shoot has been a change in the proportions of the cocoa crop produced in the various regions of the country. The "devastated area", where most damage was done, lay in the Eastern Region, round the town of Koforidua. As Table 6 shows, the relative importance of this Region has tended to decline in recent years, while that of Ashanti has considerably increased. The notable activity of Ashanti farmers in combating capsid attacks by chemical means has almost certainly been one of the reasons for this. Should the trend continue, as it is likely to do, it may be expected to encourage a relative improvement in the economic position of Ashanti vis à vis the older areas of cocoa production to the south, but further estimates of its effects can be little more than conjecture.

Table 6 : Cocoa Purchases by Region (percentages), 1952-59.

| REGION | Percentage of Crop Purchased. | | |
|---|---|---|---|
| | 1952-3 to 1957-8 average. | 1957-58 total crop. | 1958-59 main crop. |
| Ashanti | 50.4 | 51.4 | 58.6 |
| Eastern Region | 21.3 | 19.9 | 13.8 |
| Western Region | 18.0 | 18.3 | 17.8 |
| Trans-Volta/ Togoland | 10.3 | 10.4 | 9.8 |

Source : Economic Survey, 1958 - p.28.

Note : Since some cocoa is carried over regional boundaries to old-established marketing-centres, these figures do not exactly reflect the proportions of production.

To conclude this brief outline, the main facts may be summarized. Cocoa is of outstanding importance in the post-war economy of the Gold Coast, but its world price is liable to extremes of fluctuation. Though output has shown comparatively little varia-

-tion, world prices have risen greatly and the total value of the crop has increased tremendously. By continuing the war-time policy of paying farmers less than the world price, the Cocoa Marketing Board built up very large reserves, but the imposition of higher export duties in 1951 and again in 1954 diverted the major portion of subsequent profits to government reserves, which played a large part in financing the Development Programme. Dangerous inflation has been avoided, chiefly because the domestic cocoa-price was maintained at a reasonable level, and because the volume of imports expanded much more than had been thought possible. The swollen shoot disease of cocoa, which had threatened the industry with destruction, has been brought under control, and greater attention is now being paid to increasing output.

The high post-war price of cocoa has had effects on almost every aspect of the Gold Coast economy, and these will be discussed in due course. In the sections immediately following, changes in the country's external economy will be considered, beginning with the structure of foreign trade, continuing with exports, imports and terms of trade, and concluding with the important questions of the balance of payments and overseas balances.

# POST-WAR DEVELOPMENT.

## PART II - THE EXTERNAL ECONOMY.

### STRUCTURE OF TRADE AND TRADE POLICY.

The term "oligopoly" may be applied with some justification to Gold Coast trading conditions, for ten large British and European firms handle about 85% of imports. Most of these are also exporters of produce on their own account and licensed buying agents for the Cocoa Marketing Board, and some have branched out into other activities, investing undistributed profits in local transport, industrial, shipping and timber undertakings. By far the largest is the United Africa Company, a branch of the Leverhulme organization, which with its associates is responsible for about two-thirds of total merchandise trade. As for the remainder of the import trade, Syrian, Lebanese and Indian firms account for 10% and Africans for only 5%.[21]

Why has trade remained concentrated in this way? The chief reason undoubtedly is that the amount of working capital required is disproportionately high in relation to turnover. The prevalent low level of fixed capital in the country ties up large quantities of resources as stocks and goods in transit, while the low level of technical knowledge reduces the life and efficiency of available capital equipment. Though wealthy Africans are quite numerous, there is as yet no substantial class of domestic capitalists (as there is in South-East Asia, for example), and the shortage of local merchants has raised the capital needs of the large firms, by forcing them into small-scale wholesaling and the issuing of advances to intermediaries.

Social and economic conditions, too, militate against the accumulation of capital by Africans for investment in commerce or industry, and managerial experience is conspicuously lacking. The U.K.Trade and Industrial Mission which visited the country in March 1959, described the situation succinctly (if somewhat ungrammatically) : "This is partly due to inexperience in collective activity in the formation and running of companies, partly to the dissipation of capital among families as it is accumulated and its disintegration on death, partly to the temptations of quick and large returns on property-investment or money-lending which could not be expected from commercial or industrial enterprises. There is also great difficulty in obtaining reliable credit ratings on most prospective Ghanaian importers......"[21]

Trade policy can be briefly described. The Gold Coast has never had a preferential tariff, and the only pre-war restriction on imports (apart from administrative controls over firearms and potable spirits) was the quota on textiles imposed with effect from 1934 following the Ottawa Conference.[22] Exchange control came with the outbreak of war, and the familiar restrictions on expenditure of "hard currencies" - especially U.S. and Canadian dollars - have persisted, though in greatly modified form. A system of import and export licensing is still in force, but the government's avowed intention is to remove the restrictions progressively: by the end of 1958 only imports from Japan and from dollar sources were affected to any considerable extent.[23]

FOREIGN TRADE AND ITS DIRECTION.

Generally speaking, the Gold Coast is an exporter of primary commodities and an importer of manufactures. As Table 7 overleaf shows, the total value of its external trade has greatly increased since the war and since 1950 has averaged seven or eight times as much annually as in the five years to 1939. One reason for this was the spectacular rise in the export value of the cocoa crop, but the total value of imports has also risen steadily.

In the "boom year" of 1937, imports and exports had reached the unprecedentedly high levels of £12m. and £16m. respectively. During the war, though the volume of imports fell, the values of imports and exports remained fairly steady. But from 1945 onwards foreign trade expanded rapidly, rising in aggregate value from £82m. to £189m. in the ten years to 1958. The value of imports increased each year, with the sole exception of 1954, rising from £10m. to £96m. The rise in the value of exports has been less regular, because of variations in the returns from cocoa: the peak of £56m. in 1948 was soon surpassed, and in both 1954 and 1958 their total value exceeded £100m.

As regards the balance of trade position, it will be seen from Table 7 that except for the record surplus produced in 1954 by the very high cocoa price there was a deterioration from 1951 to 1957, since the great increase in imports (partly attributable to development expenditure) was not offset by sustained advance in exports. The improvement in 1958 resulted from an increase of £13m

Table 7 : Value of Imports and Exports and Balance of Visible Trade, 1935-58.

£ m.

| YEAR | Total Imports c.i.f. | Exports f.o.b. | | | Balance of Visible Trade |
|---|---|---|---|---|---|
| | | Total | Domestic Produce | Foreign Produce | |
| Averages - | | | | | |
| 1935-39 | 8.9 | 12.5 | 12.3 | 0.2 | + 3.6 |
| 1940-44 | 8.0 | 12.9 | 12.4 | 0.5 | + 4.9 |
| 1945-49 | 24.6 | 33.9 | 33.3 | 0.6 | + 9.3 |
| 1950-54 | 64.7 | 92.1 | 90.3 | 1.7 | + 7.8 |
| 1951 | 63.8 | 92.0 | 90.0 | 2.0 | + 28.2 |
| 1952 | 66.6 | 86.4 | 84.3 | 2.1 | + 19.8 |
| 1953 | 73.8 | 89.9 | 88.0 | 1.9 | + 16.1 |
| 1954 | 71.0 | 114.6 | 113.2 | 1.4 | + 43.5 |
| 1955 | 87.9 | 95.7 | 95.2 | 0.5 | + 7.8 |
| 1956 | 88.9 | 86.6 | 85.9 | 0.7 | - 2.3 |
| 1957 | 96.6 | 91.6 | 90.9 | 0.7 | - 5.0 |
| 1958 | 84.6 | 104.6 | 103.8 | 0.8 | + 20.0 |

Source : Statistical Abstracts No.1 (1956); Digest of Statistics, Oct.1958; Economic Survey, 1958.

Note : Total foreign trade (i.e. imports plus exports) rose from an average of £21.4m. in 1935-39 to £58.5m. in 1945-49 and to £156.8m. in 1950-54. In 1958 it amounted to £189.2m.

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in the value of exports and a decrease of £12m. in the value of imports. The former was entirely due to higher prices. The latter was mainly due to reduced volume, but there was also a slight fall in prices (see Table A.5). Whether the previous deterioration is likely to continue, as it did after 1954, or whether the volume of imports will be curbed in future, it is as yet impossible to say, but it will be appreciated that a persistent adverse balance of trade, and unrestricted consumption of imported goods, could seriously hamper development.

The direction of foreign trade is shown in broad outline in Table A.2. Britain remains the principal source of imports and the principal market for exports (largely disposed of through London produce markets), but its share of the trade has diminished considerably in comparison with pre-war years. It has a larger share of imports than of exports, and at the end of the war was by far the biggest supplier, with 63.8% of the total in 1946. By 1958 this had dropped to 43.3%, owing to renewed competition, but was still nearly 4½ times the immediate post-war value. Japan's share meanwhile had risen to 10% by 1955, but fell to 8% in 1958. In that year the Netherlands became the second most important supplier with 8.4%, and Western Germany exactly regained its pre-war share of the market with 5.7%.

In the words of the U.K. Mission of 1959, "the post-war sellers' market did no service to the United Kingdom, since for a long period manufacturers and their representatives in Ghana had too easy a time. Those who paid too little attention to the needs of the market and gained a bad reputation for delivery, price, quality, servicing and the supply of spare parts, damaged the reputation of the United Kingdom as a whole and made it easier for our European, Japanese and other competitors when they were ready to enter the field."[24]

Significantly, the U.K.Mission's visit had been preceded by visits of trade missions from Egypt, India, the Netherlands,Czecho-slovakia, Tunisia, Italy, East Germany and Poland: missions from Russia and Yugoslavia were expected later in the year.[24] Keen competition, therefore, may be expected to continue, and it would be foolish to expect the British connection to be maintained simply on grounds of sentiment.

Britain still has the largest share of exports too, and although this fell from 51.7% in 1946 to 36.2% in 1958, the latter percentage represented more than three times the value of the former Next in order of importance came the U.S.A., Western Germany, and the Netherlands, all valuable markets for Gold Coast cocoa, which accounts for some 50-60% of total export earnings. In the 1956-57 crop season, indeed, Western Germany was the biggest purchaser of Gold Coast cocoa, with 53,025 tons, compared with 46,750 tons for the U.S.A., 46,289 for Britain, 39,200 for the U.S.S.R., and 37,650 for the Netherlands.[25] (Russian purchases in that year were larger than ever before, and accounted for the sudden increase in its share of the export trade). Since the 9% tariff on cocoa projected by the European Common Market could damage this flourishing trade with Germany, Britain and the other Commonwealth countries have tried to take action through the G.A.T.T. to mitigate such discrimination.

Trade between the Gold Coast and Commonwealth countries other than Britain is on a relatively minor scale, although imports are in some cases large enough to be important to the countries of origin. In 1957, for example, imports from South Africa exceeded £1.5m., while those from India, Hong Kong and Canada were each in the region of £1m. Since the Gold Coast became independent, trade agreements have been negotiated with a number of smaller countries (e.g. Israel) and although some of these are unlikely to have much effect, it is interesting to note that the percentage of total imports bought from minor suppliers has steadily increased since 1946. In the three years 1956-58, this included imports worth nearly £3m. on average annually from neighbouring French territories, mostly cattle for food.

The fact that exports to the dollar area have been consistently higher than imports from it has achieved for the Gold Coast since the war a position as a dollar-earner second only to Malaya among Commonwealth countries other than Britain. Its current surplus with dollar countries rose from £5.3m. in 1957 to £8.5m. in 1958, mainly because of an increase in the value of cocoa exported to the U.S.A. and a decrease in dollar imports.[26]

EXPORTS.

Exports from the Gold Coast have averaged more than £95m. in value annually since 1951. This is nearly as much as Portugal's present-day export trade, and approximately three-quarters of the value of current exports from Turkey, Ceylon, Nigeria, Morocco or the Irish Republic. Considered in relation to population, the average value per capita (over £20 in 1957) is certainly higher than the corresponding figure for most under-developed countries. As reference to Table 2 will confirm, however, the capital structure of transport and communications bearing this volume of trade is still inadequate by modern standards.

Table 8 on the following page shows the values and quantities of the principal exports since 1945. Even apart from the preponderant importance of cocoa, the lack of diversity is immediately apparent. No more than five primary commodities (counting logs and sawn timber as one) account for over 97% of the total value of exports. Nor is cocoa the only one whose price on world markets is subject to wide fluctuations. The demand for industrial diamonds (of which the Gold Coast is one of the world's largest producers) depends on the maintenance of a high level of industrial activity in the U.S.A. and Western Europe and is stimulated by stock-piling requirements, which cannot be regarded as a permanent feature of the market.

Demand for manganese and bauxite is similarly dependent. It is related too to world demand for steel, recent increases in which have not only stimulated consumption of manganese but also encouraged the use of such substitutes as aluminium. In both cases though, strong demand may lead to running-down of accumulated stock rather than increased purchases, so that little or no benefit accrues to producing countries; this is in fact what happened in the 1955 "boom". As for timber exports, a major determinant of demand is the demand for furniture in Britain, which in turn is greatly affected by government policies on credit and hire purchase.

Table 8 : Values and Quantities of Principal Exports, 1945-58.

| YEAR | Cocoa 000 tons | Gold 000 f.oz. | Mang-anese 000 tons | Dia-monds 000 cts. | Timber (logs) 000 c.ft. | Timber (sawn) 000 c.ft. |
|---|---|---|---|---|---|---|
| | QUANTITY | | | | | |
| 1945-50 av. | 232 | 620 | 690 | 910 | 5,393 | 872 |
| 1951 | 230 | 692 | 806 | 1,763 | 9,131 | 2,703 |
| 1952 | 212 | 705 | 794 | 2,134 | 7,528 | 3,028 |
| 1953 | 237 | 733 | 746 | 2,164 | 10,389 | 4,700 |
| 1954 | 214 | 788 | 448 | 2,127 | 12,615 | 5,231 |
| 1955 | 206 | 724 | 540 | 2,276 | 16,903 | 6,440 |
| 1956 | 234 | 599 | 636 | 2,519 | 19,617 | 7,335 |
| 1957 | 260 | 788 | 641 | 2,931 | 24,534 | 7,726 |
| 1958 | 197 | n.a. | n.a. | n.a. | n.a. | n.a. |

| YEAR | Cocoa | Gold | Mang-anese | Dia-monds | Timber (logs) | Timber (sawn) |
|---|---|---|---|---|---|---|
| | VALUE - £ millions f.o.b. | | | | | |
| 1945-50 av. | 27.3 | 5.9 | 3.0 | 1.2 | 1.5 | 0.4 |
| 1951 | 60.3 | 8.6 | 7.2 | 6.4 | 3.2 | 1.8 |
| 1952 | 52.5 | 9.2 | 8.3 | 5.4 | 2.3 | 1.9 |
| 1953 | 56.1 | 9.4 | 8.7 | 3.9 | 3.2 | 2.6 |
| 1954 | 84.6 | 9.8 | 5.1 | 4.3 | 3.6 | 3.0 |
| 1955 | 65.6 | 9.0 | 5.2 | 5.5 | 4.4 | 3.7 |
| 1956 | 51.0 | 7.5 | 7.0 | 7.9 | 5.2 | 4.3 |
| 1957 | 50.9 | 9.8 | 9.0 | 9.0 | 5.4 | 4.6 |
| 1958 | 62.3 | 10.6 | 8.6 | 8.7 | 6.2 | 4.8 |
| 1954-58 Avge. | 62.9 | 9.3 | 7.0 | 7.1 | 5.0 | 4.1 |
| % of total | 64.3% | 9.5% | 7.1% | 7.2% | 5.1% | 4.2% |

Source : Digest of Statistics, Oct.1958; Economic Survey, 1958; Statistical Abstracts, No.1 (1956).

Note : Percentages relate to total domestic exports. Those not shown accounted for only 2.6% on average in 1954-58. Sawn timber includes veneers from 1950.

Except in the case of timber, the export quantities in Table 8 may be taken to represent actual output. Mining for gold, manganese and diamonds has long been established: the industry is largely owned and managed by British firms, although a growing number of Africans now hold diamond concessions which produce over 40% of the output. Bauxite production began during the war, expanded rapidly, and has averaged about 100,000 tons annually since 1951. Exports in 1958 reached a peak value of nearly £½m. but although the industry is a valuable addition to the economy its output is still of comparatively minor importance. The position will of course be greatly changed if the Volta River hydro-electric scheme is carried out and electricity can be supplied for the local manufacture of aluminium.

The annual value of exports other than cocoa has continued to rise during the last twenty years. It was £5.8m. on average in 1935-39, £11.4m. in 1945-49, £28.7m. in 1950-54, and over £40m. in 1957 and 1958. The post-war increase was due in the main to rising world prices: output of gold and manganese has shown little tendency to expand. Some small gold-mining companies, in fact, have been unable to operate profitably and have gone out of production, while four others have been supported by government subsidies. Diamond production rose from 1951 onwards and since then has averaged nearly twice as much as before the war.

Exports of timber, on the other hand, have steadily increased both in quantity and value, the post-war production of sawn timber and veneers being a particularly welcome development. In 1958, more than a fifth of Britain's requirements of hardwoods came from the Gold Coast.[27] Export figures conceal the fact that a large part of the output of sawn timber is consumed locally: from 1954 onwards this averaged about 3m. cubic feet a year, compared with an average export of about 7m. cubic feet. Sawn timber from modern sawmills is gradually ousting that produced by the traditional but primitive and wasteful African method of pit-sawing.

Exports of foreign produce deserve further brief mention. Their value in some years reached £2m. but is usually much less and forms only a minor part of export earnings. They consist mainly of oil fuel and stores supplied to ships, and manufactured goods (especially textiles and hardware) transported overland to French Togoland and Nigeria. An entrepot trade may develop when the new port of Tema is in operation and further advantage can be taken of improved internal communications, but there is little sign of it as yet.

To recapitulate, it may be said that although future prospects for established export industries appear to be reasonably good the preponderance of cocoa and the lack of diversity in the range of export products constitute real weaknesses in the economy. Nigeria's more diversified export trade provides an interesting contrast. In the five years to 1953, this averaged over £100m. annually in value, of which cocoa accounted for 22.3%; palm-oil, kernels and groundnuts together for 48.1%; and seven other exports for a total of 25.5%.[28] Further, the dependence of the Gold Coast's export trade on the level of economic activity in manufacturing countries means that earnings from it are difficult to predict and liable to considerable variation from year to year.

IMPORTS.

The Gold Coast's imports have averaged nearly £80m. in value annually since 1951, which is about £15m. lower than the equivalent figure for exports and represented about £17 per capita in 1957. Table 9 below sets out the quantities of nine important commodities imported each year in the post-war period, while Table A.3 summarizes all imports for the last five years by end-use.

As might have been expected, finished consumer goods bulk large; they account for over half of the total value annually. Textiles and clothing (17.8% in 1958) and food, drink and tobacco (16.5%) are the main groups, but imports of most of the principal consumer goods have shown an increase since the war, though not always a steady one. Yearly variations are largely due to the fact that importers tend to base their orders on estimations of payments to be made to cocoa-producers: hence the particularly large import of textiles in 1955, for example. (The inevitable delay in increasing imports which will absorb expanded purchasing-power is one of the factors which make for instability in the economy.)

Imports of most items listed in Table 9 are now at least four times as much as before the war; imports of bicycles have increased tenfold and of petrol, sixfold.

Table 9 : Quantities of Selected Imports, 1947-58.

| YEAR | 1 Cotton Piece Goods m.sq. yds. | 2 Wheat Flour 000 tons. | 3 Sugar 000 tons. | 4 Kero-sene m. gals. | 5 Bi-cycles 000's | 6 Corr. Iron Sheets 000 tons. | 7 Ce-ment 000 tons. | 8 Motor Spirit M. gals. | 9 Cars & Lorries 000's |
|---|---|---|---|---|---|---|---|---|---|
| '47-50 av. | 73 | 14 | 9 | 5 | 34 | 5 | 131 | 16 | 4 |
| 1951 | 83 | 25 | 15 | 6 | 37 | 11 | 222 | 23 | 5 |
| 1952 | 73 | 27 | 14 | 8 | 42 | 5 | 174 | 25 | 5 |
| 1953 | 96 | 29 | 21 | 8 | 43 | 14 | 234 | 26 | 7 |
| 1954 | 95 | 31 | 23 | 7 | 32 | 15 | 233 | 31 | 6 |
| 1955 | 116 | 33 | 28 | 9 | 43 | 17 | 295 | 34 | 8 |
| 1956 | 85 | 35 | 31 | 8 | 28 | 13 | 320 | 35 | 10 |
| 1957 | 97 | 50 | 35 | 11 | 25 | 17 | 274 | 43 | 10 |
| 1958 | 67 | 44 | 36 | n.a. | 12 | n.a. | n.a. | n.a. | n.a. |
| '54-57 av. | 98 | 37 | 29 | 9 | 32 | 15 | 280 | 36 | 8 |

Source : Digest of Statistics, Oct.1958; Economic Survey, 1958; Statistical Abstracts No.1 (1956).

Notes : (1) Since some units of quantities differed in the various sources, a few of these figures have been partly estimated. Col.8 includes aviation spirit, and Col.9 includes chassis with engines.

(2) Imports by end-use are shown in Table A.3.

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As regards consumer goods, it has been pointed out that in comparison with Nigeria the Gold Coast imports a larger proportion of commodities outside the list of "staples of trade", which is evidence of the higher standard of living of its people.[29] Even in 1952, Seers and Ross had noted that imports of luxury goods were increasing faster than those of semi-luxuries.[30]

It is hard to distinguish any evidence of trends since 1954 in the statistics of imports by end-use set out in Table A.3. The relative insignificance of industrial activity is however emphasized by the small proportion of imports in the category of non-durable producers' goods, although this has shown some tendency to expand. The proportion of durable producers' goods rose from 1954 to 1956 but then fell away, probably because of the slackening in government development activity during the subsequent two years. The significance of the greater quantities of constructional materials, motor spirit, bicycles and vehicles imported since the war (see Table 9) has already been referred to.

The clearest general picture of recent changes in the import trade is probably that given by the indices of volume and value in Table A.5. It is evident that import prices have remained fairly steady from 1948 onwards: a sharp increase in 1951 was continued through 1952 but soon fell away thereafter, so that the average value index is now only some ten points higher than it was ten years ago. Volume, by contrast, doubled between 1948 and 1953, continued to rise and has remained high. (In passing, it may be noted that when Seers and Ross warned against inflationary dangers in 1952 the indications were that import prices were going to rise faster than volume. See the import indices for 1949-50-51 in Table A.5).

TERMS OF TRADE.

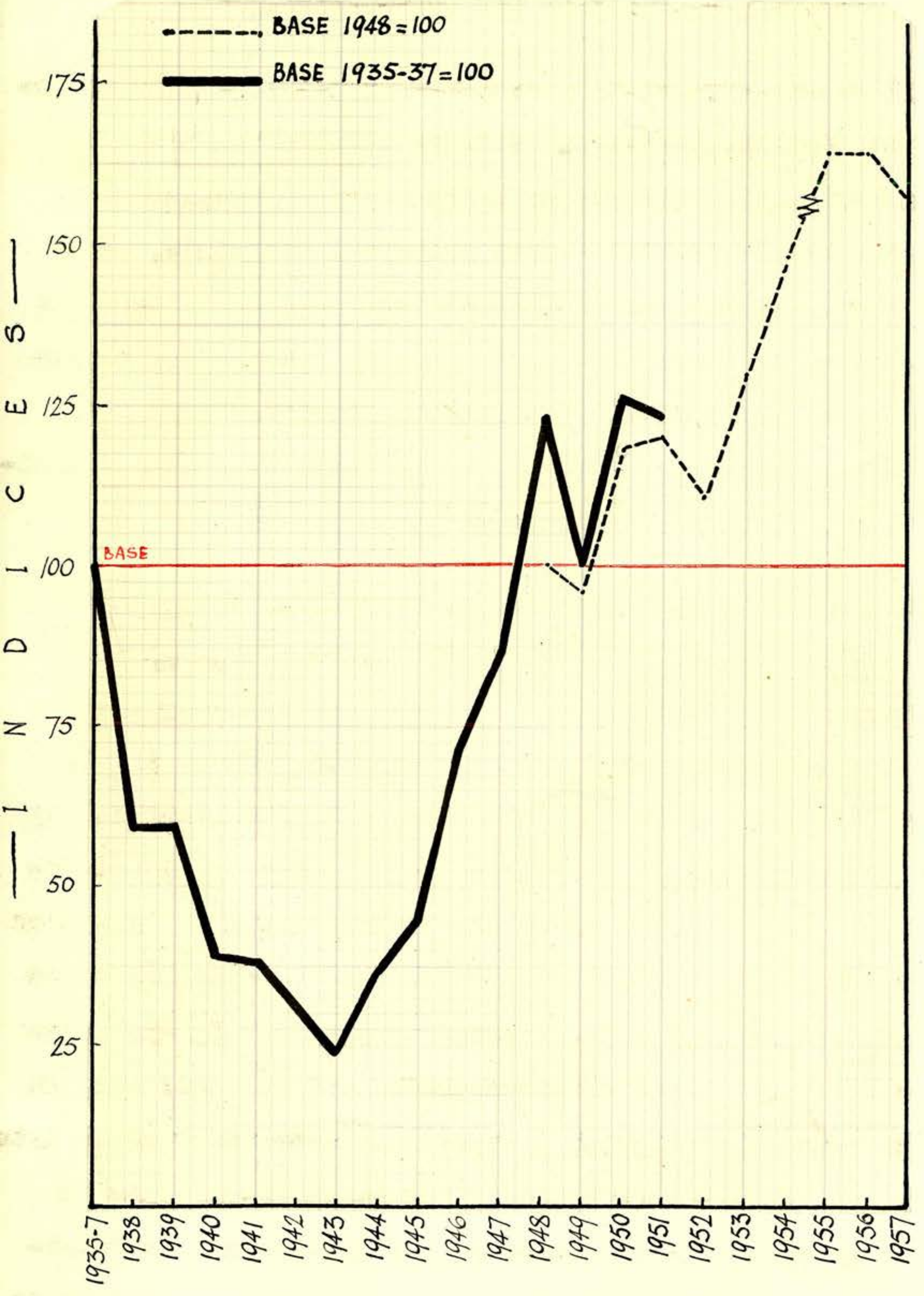
Even at a conservative estimate, more than a quarter of the Gold Coast's national product is exported. Its economy is heavily dependent on foreign trade, which is vital for the maintenance of existing standards of living, and changes in the terms of trade are therefore of great importance. Some degree of caution must however be exercised in applying this familiar concept to an economy still in a comparatively early stage of development, with a diminishing but still considerable subsistence sector. Lack of specialization in economic activities, as well as the paucity of reliable data, means that any conclusions drawn must be subject to reservations.

"The terms of trade between primary and manufactured commodities entering into international trade moved against primary commodities for the sixty years between 1873 and 1937. During this period primary commodities lost nearly 40 per cent of their value in terms of manufactures. A considerable deterioration in 1937 and 1938 was followed by improvement in the succeeding years; different countries were affected in very different ways, according to the market for their product, the type of commodity sold, and the timing of their exports in relation to required imports". So said the committee of experts who reported to the United Nations in 1951 on "Measures for the Economic Development of Under-Developed Countries".[31] Critics of the British administration in the Gold Coast, maintaining that such a deterioration took place in the terms of trade of cocoa producers before the war, have even implied

DIAGRAM 3

OVERLEAF

DIAGRAM 3 : INDICES OF TERMS OF TRADE OF GOLD COAST COCOA PRODUCERS IN TERMS OF IMPORTED TEXTILES, 1935-57.




Source : P.T.Bauer : "West African Trade" - p.424 : Table A.4 herein (q.v.).

that somehow this was the fault of the authorities.[32]

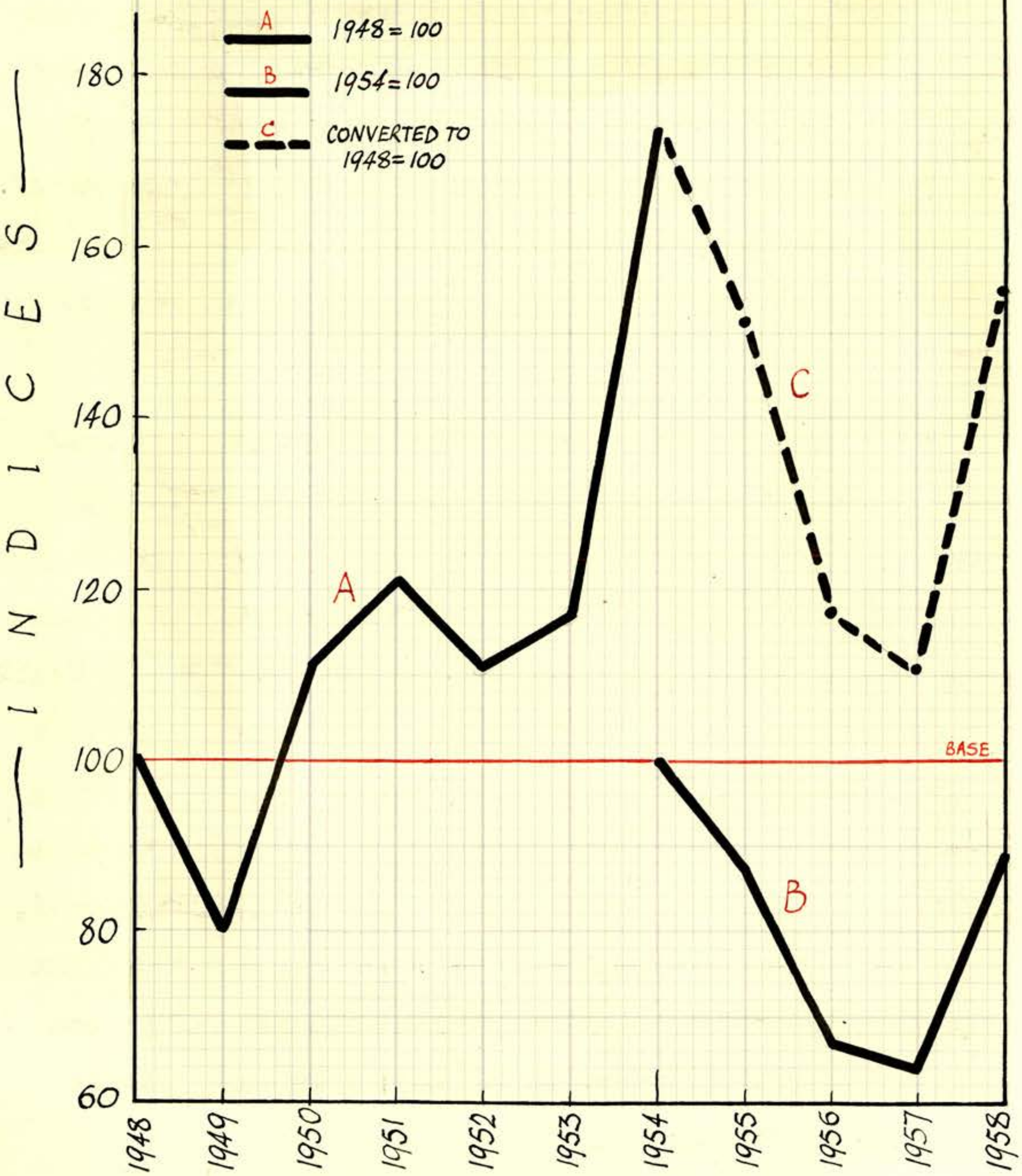
Available evidence of such long-term trends is apt to be ambiguous and misleading, however. Contrary movements, which are often considerable, can take place in the shorter term, and the whole situation can be transformed by technical progress. Long-term comparisons, too, become a somewhat hazardous undertaking in particular cases: the composition and quality of imports, for example, are subject to change. An apparent deterioration in the terms of trade of primary producers, in fact, may be quite consistent with a rise in their real incomes.[33]

In the shorter term, one is on safer ground. Indices of Gold Coast terms of trade as the ratio of f.o.b. cocoa prices to average c.i.f. prices of imported textiles have been published by the United Africa Company for the period 1936-47.[34] According to these, there was an unfavourable movement until 1944, followed by a spectacular improvement, but this method of calculation had obvious limitations. A more far-reaching investigation by P.T.Bauer for the period 1935-37 to 1951 gave indices of the terms of trade of cocoa-producers as the ratio of producer-prices paid for cocoa to the "landed costs" of cotton piece-goods, and the movements in these are represented in <u>Diagram 3</u> opposite.[35] Extrapolation of late indices on precisely the same basis is not practicable owing to imperfect knowledge of Bauer's methods, but independent calculations for 1948-57 have been made as in <u>Table A.4</u> and additions made to the Diagram for comparative purposes.

DIAGRAM 4

OVERLEAF

DIAGRAM 4 : INDICES OF TERMS OF TRADE OF THE GOLD COAST 1948-58.
(1948 = 100 & 1954 = 100)




Source : Table A.5.

Despite reservations made necessary by the method employed and changes in the base year (which should be particularly noted in studying the Diagram), these indices probably give a reasonably accurate impression of the changes which have taken place. Prima facie, they indicate that a steady improvement from the low point of 1943 up to 1948 continued, with only two minor checks, until 1956. This is confirmed in a general way by actual observation of farmers' prosperity. Whether the unfavourable turn in 1957 is temporary only or marks the beginning of a new trend is at present a matter of conjecture.

Official indices for the terms of trade of the Gold Coast have been published for the period 1948 onwards, although 1954 has now replaced 1948 as the base year. These are computed from average values of all imports and all domestic exports, as set out in <u>Table A.5</u>, and are charted in <u>Diagram 4</u>, opposite. The generally favourable movement between 1948 and 1954, indicated by a rise in the index from 100 to 174, gave way to an unfavourable one during the next three years, but this was reversed in 1958. As was to be expected (because cocoa forms such a large part of total exports), there is a fairly close correspondence between this index and the average export price of cocoa per ton, which also reached a peak in 1954, fell away during 1955-56-57, and recovered partially in 1958. (See Column 3 of Table 4).

It appears that from 1954 onwards there was considerable divergence between cocoa producers' terms of trade and those of the country as a whole. Whereas the latter became more unfavourable until 1957, the former actually improved and remained more favourable than they had been in 1954. (See Diagrams 3 & 4). The reason of course was that although the export price of cocoa fell away in the manner just described, the producer price never fell below the 1954 level. (See Tables A.1 & A.4). In other words, the price-policy of the Cocoa Marketing Board maintained the trading position of cocoa farmers in a period when that of the country as a whole was deteriorating. Owing to the close relationship between the incidence of the export duty and the selling-price, however, the government's receipts from this source in the same period were very greatly reduced. (See Table 5). In the 1955-56 and 1956-57 seasons, it will be recalled, the Board suffered operating losses. (See Diagram 2).

Changes in the volume and value of imports and exports during the last ten years may now be summarized. The average value of imports and the volume of exports have remained fairly constant. The average value of exports has varied considerably and the volume of imports has steadily increased. The favourable movement in the country's terms of trade was reversed from 1955 to 1957, chiefly because of falling cocoa prices, but improved in 1958 when the world price rose. It should be noted however that the accuracy of the export index is limited by the relatively small number of export items and by changes in their relative importance. For this reason it would be unwise to place too much reliance on the actual extent of variations in this index, or on the terms of trade index derived from it.

BALANCE OF PAYMENTS.

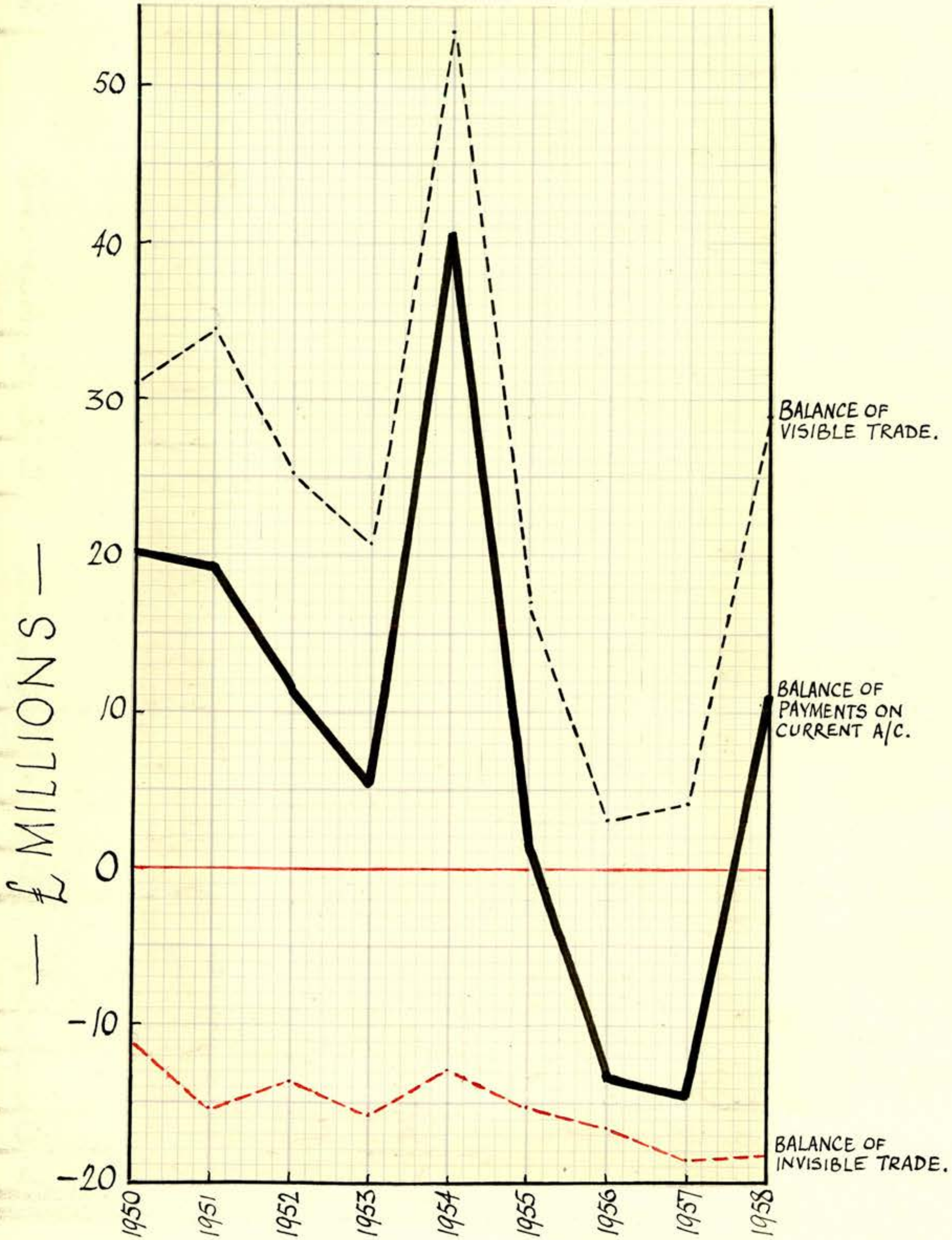
Export proceeds now buy more, in terms of imports and domestic goods and services, than they did before the war, and this is the chief reason for the improvement in living standards and in the Gold Coast's finances. Although the economy remains sensitive to price fluctuations in world markets, Cocoa Marketing Board reserves are an important safeguard against domestic repercussions and those held by the government provide means for financing further development. In this situation, the balance of payments position and the extent of overseas balances are particularly relevant: they must now be briefly examined.

Official balance of payments estimates for 1954-58 are set out in Table 10 overleaf. Diagram 5, also overleaf, reproduces changes in the balance on current account, and in the balances of visible and invisible trade since 1950, as shown in Table A.6. Earnings from cocoa exports, it is clear, are again of outstanding importance. Characteristically, there is an adverse balance of invisible trade, due in the main to the burden of payments for freight and insurance on imports, the cost of sea and air passages, expenditure abroad by Gold Coast residents, and earnings on investments made in the country by non-residents. This has recently shown a tendency to increase, and in both 1957 and 1958 exceeded £18m. The country must therefore earn enough to pay for required imports and also to meet this adverse balance.

DIAGRAM 5

OVERLEAF

DIAGRAM 5 : BALANCE OF PAYMENTS ON CURRENT ACCOUNT, AND BALANCES OF VISIBLE & INVISIBLE TRADE, 1950-58.




Source : Table A.6.

Table 10 : Balance of Payments Estimates, 1954-1958.

£ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| CURRENT ACCOUNT | | | | | |
| Receipts. | | | | | |
| A. Goods and Services. | | | | | |
| Merchandise . . . . . . . . | 110 | 91 | 78 | 84 | 96 |
| Non-monetary gold . . . . . | 10 | 9 | 7 | 10 | 11 |
| Transportation & insurance . | 1 | 1 | 1 | 2 | 2 |
| Travel . . . . . . . . . . | 1 | 1 | 1 | 1 | 1 |
| Investment income . . . . . | 4 | 5 | 5 | 5 | 5 |
| Miscellaneous . . . . . . | 15 | 14 | 19 | 20 | 22 |
| Total goods & services | 141 | 121 | 111 | 122 | 137 |
| B. Donations | 1 | 0.4 | 1 | 0.7 | 0.5 |
| Total current receipts | 142 | 122 | 112 | 122 | 138 |
| Payments. | | | | | |
| A. Goods and Services. | | | | | |
| Merchandise . . . . . . . . | 66 | 83 | 82 | 89 | 78 |
| Transportation & insurance . | 9 | 10 | 11 | 12 | 12 |
| Travel . . . . . . . . . . | 2 | 3 | 3 | 3 | 3 |
| Investment income . . . . . | 6 | 6 | 6 | 6 | 7 |
| Miscellaneous . . . . . . | 17 | 17 | 22 | 24 | 27 |
| Total goods & services | 101 | 119 | 125 | 136 | 126 |
| B. Donations | 1 | 1 | 1 | 1 | 1 |
| Total current payments | 102 | 120 | 126 | 137 | 127 |
| Balance on current account | + 41 | + 2 | - 13 | - 14 | + 11 |
| CAPITAL ACCOUNT | | | | | |
| Receipts - Private . . . . . . | 4 | 12 | 9 | 4 | 0.4 |
| Official & Banks . . | - | - | 4 | 13 | 2 |
| Total capital receipts | 4 | 12 | 13 | 17 | 2 |
| Payments - Private . . . . . . | 5 | 2 | - | 3 | 8 |
| Official & Banks . . | 40 | 12 | - | - | 5 |
| Total capital payments | 44 | 14 | - | 3 | 13 |
| Net capital transfers | - 41 | - 2 | + 13 | + 14 | - 11 |

Source : Economic Survey, 1958.

Note : Apparent discrepancies due to rounding.
"Miscellaneous" receipts & payments were mainly private.
Figures have been converted to a payments basis.

As the Diagram clearly shows, the highly favourable balance of visible trade attributable to cocoa earnings reached a peak of £53.6m. in the record year 1954, when the surplus on current account was £40.7m. In the following three years, reduced cocoa earnings and a greater volume of imports led to serious reductions in the balance of visible trade and consequential adverse effects on the balance of payments. In 1956 and 1957 there were deficits for the first time, but increased cocoa earnings and reduced imports produced a surplus again in 1958.

These deficits, following as they did a series of healthy surpluses, emphasized one of the dangers attending the energetic prosecution of development policies. The volume of imports is determined primarily by the amount of purchasing-power in circulation, and this in turn depends largely on three sets of payments : C.M.B. payments for cocoa, government expenditure, and private capital investment. Cocoa payments have been kept fairly constant, and private capital investment (much of which was in houses and commercial buildings rather than in directly productive enterprise) has shown no marked tendency to expand, so that in effect government expenditure is the main determining factor. Increasing much more rapidly than domestic production, it has generated purchasing-power which stimulated the rise in imports. Between 1950 and 1957, according to official estimates, imports increased by 82% at constant prices, compared with a growth in domestic production of under 25%.[36] Hence the balance of payments difficulties of 1955, 1956 and 1957.

Since the world cocoa price can hardly be expected to come to the rescue in future years as opportunely as it did in 1958, difficulties of this kind are bound to recur, and a worsening of the balance of payments position must be accepted as one cost of increased development activity. This need cause little anxiety so long as aggregate expenditure on imported consumer goods can be prevented from rising faster than export earnings and domestic production, for the long-term solution is a more diversified economy and the further expansion which can be achieved only by a high rate of investment. A temporary deterioration, in fact, may be not only necessary but desirable in the country's long-term interests.

Seers and Ross in 1952 discussed the same problem from a rather different point of view. "The problem of paying for Development", they wrote, "is really this: how large a balance of payments deficit can the Gold Coast incur during the Development period? This can only be answered by assessing how large a foreign exchange reserve must be held to finance possible trade deficits in periods of depression, or in periods when import prices rise much faster than export prices. The difference between this necessary reserve and the Gold Coast's total holdings of sterling is the amount that is really available for Development finance. And by Development finance we mean financing a trade deficit that is due to increasing investment".[37]

Table 11 : Regional Balance of Payments on Current Account, 1954-58.

£ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Sterling Area | + 16.2 | - 4.9 | - 22.1 | - 15.6 | - 7.0 |
| Non-Sterling Area | | | | | |
| Dollar countries | + 13.9 | + 12.2 | + 12.2 | + 5.3 | + 8.5 |
| O.E.E.C. countries | + 10.2 | + 1.9 | + 8.5 | + 6.9 | + 17.1 |
| Other countries | + 0.4 | - 7.4 | - 11.9 | - 11.0 | - 7.8 |
| T o t a l | + 24.5 | + 6.7 | + 8.8 | + 1.2 | + 17.8 |
| Grand Total | + 40.7 | + 1.8 | - 13.3 | - 14.4 | + 10.0 |

Source : Economic Surveys, 1957 & 1958.
Note : Figures for O.E.E.C. countries include those for possessions.

The regional balance of payments position for 1954-58 is summarized in Table 11 above. Since the Gold Coast shares in the advantages and disadvantages of membership in the Sterling Area and makes the bulk of its payments for "invisible" items to Britain the degree of correspondence between its over-all net balances and those representing its current account with the Sterling Area need occasion no surprise. Deficits with the Sterling Area are however nothing new. Net surpluses with dollar countries, on the other hand, have continued to make a useful contribution to the dollar reserves of the Sterling Area. Unrequited imports from Japan were largely responsible for the adverse balances with other non-sterling area countries outside the O.E.E.C.

OVERSEAS BALANCES.

Official estimates of the nominal value of overseas balances, the bulk of which is in sterling, are shown in Table 12 overleaf. The figures given include overseas assets of the public sector, banking institutions, public corporations and higher educational institutions, but not those of private enterprises and individuals. In December, 1958, the total of £189m. included £68m. and £52m. to the account of the Central Government and Cocoa Marketing Board respectively, and £40m. of counterpart sterling funds for currency issued in the Gold Coast. Over 80% were long-term assets, made up of securities due to mature at least a year from the time of acquisition. Short-term assets, consisting of securities maturing on demand or within a year (such as treasury bills) and liquid funds, amounted to £35m., nearly half of which was accounted for by funds held by the Marketing Board for its operations, and most of the remainder by currency reserves and the assets of banks.

The great post-war increase in overseas balances, it is clear, was principally due to the combination of export surpluses and high cocoa prices. From 1950 to 1955, they rose by more than £21m. on average annually, which represents nearly 23% of total export earnings and is a very high rate of exchange savings. The balance of payments deficits of 1956 and 1957 were met mainly by running down the country's overseas assets, but they rose again in 1958 when there was again a surplus on current account, as the Table shows.

Table 12 : Overseas Balances of the Gold Coast, 1949-58.

(Nominal value at 31 December : £ m.)

| YEAR | 1 Central Govt. | 2 Cocoa Board | 3 Commercial Banks | 4 Other Instns. | 5 Currency Reserves | 6 Total |
|---|---|---|---|---|---|---|
| 1949 | 17 | 31 | - | 5 | 29 | 83 |
| 1950 | 19 | 52 | 4 | 7 | 32 | 113 |
| 1951 | 30 | 63 | 3 | 6 | 35 | 137 |
| 1952 | 35 | 61 | 7 | 6 | 36 | 145 |
| 1953 | 39 | 66 | 10 | 10 | 35 | 160 |
| 1954 | 76 | 66 | 11 | 7 | 37 | 197 |
| 1955 | 84 | 63 | 14 | 12 | 38 | 211 |
| 1956 | 79 | 52 | 12 | 13 | 41 | 196 |
| 1957 | 69 | 50 | 11 | 15 | 38 | 183 |
| 1958 | 68 | 52 | 14 | 15 | 40 | 189 |

Source : Economic Surveys, 1957 & 1958.

Notes : (1) "Other Institutions" include public corporations, local authorities, colleges, private institutions, etc.

(2) Bank of Ghana reserves included with currency reserves for 1957 and 1958.

More effective use might obviously be made of these balances for the development of the Gold Coast, and action has recently been taken by the Government to this end. Government assets have of course already played a part, both by yielding interest of £2m.-£3m. a year and by creating an impression of stability encouraging to potential lenders and investors, and will provide much of the finance for the Second Development Plan which has just begun. Marketing Board reserves provide a safeguard against future deterioration in the cocoa price, and must therefore be maintained at a reasonably high level, but they are now being invested to an increasing extent within the country. The Board has also made large loans to the government.

As regards the currency reserves, it is generally agreed that however useful the colonial currency system may have been in the past the requirement of 100% backing in sterling is unnecessary, since it is inconceivable that the whole of the domestic issue should disappear from circulation. "Some governments," writes Professor W.A.Lewis, "are themselves hoarding on a large scale, in so far as they continue to back their domestic currency fully with foreign exchange."[38] The Bank of Ghana issue which in 1959 replaced the West African Currency Board money is apparently still backed in this way, but it seems to be the intention that counterpart funds should be scaled down in future and the assets so released used for more productive purposes.

This note concludes our study of post-war changes in the country's external economy, and attention turns in the following pages to changes in its internal economy. (The distinction, of course, is an artificial one and is made for ease of analysis only). It is not proposed to attempt a comprehensive examination, but instead to concentrate on those changes which are significant in relation to economic growth. Accordingly, we shall seek evidence of increased savings and capital formation, the growth of industrialization and the exchange economy, the expansion of domestic output, and the diversification of the economy generally. Some obstacles to growth will also be mentioned.

# POST-WAR DEVELOPMENT.

## PART III - THE INTERNAL ECONOMY.

### NATIONAL INCOME AND CAPITAL FORMATION.

Anyone setting out to examine the Gold Coast's internal economy is in much the same position as an observer called upon to describe the geography of an unfamiliar country briefly seen from a high-flying aircraft. In both cases some relevant information will have been obscured or inadvertently overlooked, some will have appeared in a misleading light, and it will be hard to distinguish many major features and the relationships between them. For the observer's purposes, a map would be invaluable: its equivalent for the student of economic growth is a reliable series of national income figures.

National income accounting is a systematic means of collating all the principal statistics relating to a country's economic life and has come to be accepted in "Western" countries as a vital part of budgetary planning and an indispensable tool of administration. Controversy persists concerning application of the technique in under-developed countries - Professor S.H.Frankel's objections in particular deserve mention[39] - but although difficulties of principle and practice are formidable the increasing attention paid by governments and international organisations to the preparation of national income statistics, and the increasing use made of them, is testimony that the effort involved is worth while. As Miss Phyllis Deane said in her pioneering study, "even a crude attempt to combine and systematise the available data increases the sum of accessible information which could form a basis, however shaky, for economic policy decisions, and strengthens the argument for attempting a full-scale local calculation in each colony."[40]

The difficulties must not be under-estimated, however, and although the contemporary investigator may regard them as less insurmountable than did Professor Frankel, he would be rash indeed to proceed incautiously, or to push the interpretation of his results further than their origins really justify. So far as West Africa is concerned, most difficulties are due to fundamental differences between its economic conditions and those of advanced countries; the extent of subsistence production is a notable example. They have been well described by A.R.Prest and I.G.Stewart in their report on the Nigerian National Income in 1950-51, which repeatedly emphasizes that countries like Nigeria do not have the highly specialized economy to which we are accustomed.[41]

In the Gold Coast, as in Nigeria, production and consumption, or consumption and investment, may be inextricably commingled, and a "farmer" may engage almost simultaneously in agriculture, transport and distribution. It follows that economic distinctions, and reasoning based on the phenomenon of exchange in the market, may have little relevance to such circumstances, and that conclusions drawn from national income statistics must necessarily be tentative and limited. A warning by Dr.Prest may be quoted : "Any attempt to apply a standard pattern of accounts in a purely mechanical fashion to all territories, tropical or non-tropical, Asiatic or African, is most unlikely to be revealing. It is the crassest blunder imaginable to think that economic differences between these territories are small and insignificant. Only those estimates which do recognise the special characteristics of individual territories are likely to be of real utility."[42]

The Seers and Ross Report of 1952 included estimates of the Gold Coast's national income in the years 1948-49 to 1950-51, but (as the authors admitted) these showed little detail, took no account of subsistence production, and were based for the most part on very slender evidence. More detailed tables, covering the period from 1950, were published by the Government Statistician in 1955 and 1957, but these too were provisional and far from complete. ("Miscellaneous incomes" accounted for £145m. of an estimated Gross Domestic Product of £276m. in 1957.) They were superseded in 1958 by substantially different figures making use of budget surveys and including estimates of subsistence-farming and self-employment. The seven tables then published are reproduced below as Tables 13-19.[43]

Considerable achievement though they are, these Tables are rudimentary compared with the information issued annually in Britain and much less informative than the calculations made by Prest and Stewart in Nigeria. Chief among their deficiencies is the absence of figures based on the "output approach" (i.e the summation of net outputs of, or values added by, different sectors), which deprives us of the brief outline of the country's economy which would have been shown by the industrial origins of its Domestic Product. The absence of supporting tables and a commentary is a further drawback, though a fine break-down was hardly to be expected

Table 13 : Expenditure on Gross National Product at Market Prices, 1954-1958.

£ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Private consumption expendre. | 234.5 | 244.3 | 273.2 | 281.3 | 273.9 |
| General govt.consumption expre. | 27.1 | 30.8 | 33.6 | 36.6 | 40.5 |
| Gr.domestic fixed capital form. | 38.9 | 42.5 | 45.3 | 43.3 | 40.7 |
| Increase in stocks . . . . . | 2.9 | 3.8 | 0.4 | -1.1 | -5.9 |
| Exports of goods & services | 122.0 | 102.2 | 87.8 | 96.0 | 109.9 |
| Less : imports . . . . . | -77.2 | -96.1 | -96.6 | -104.7 | -92.9 |
| Expendre.on gross domestic product | 348.2 | 327.5 | 343.7 | 351.4 | 366.2 |
| Net factor income received from rest of world . | -4.5 | -3.5 | -4.2 | -5.2 | -5.6 |
| Expendre.on gross national product at market prices . . | 343.7 | 324.0 | 339.5 | 346.2 | 360.6 |

Table 14 : Private Consumption Expenditure.

£ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Food . . . . . . . . . . . | 123.6 | 128.9 | 148.7 | 153.4 | 146.9 |
| Drink & tobacco . . . . . . | 12.8 | 13.2 | 14.2 | 14.5 | 13.8 |
| Fuel & light . . . . . . . . | 10.6 | 10.8 | 11.7 | 12.0 | 12.7 |
| Clothing/personal effects . . | 38.2 | 39.2 | 42.2 | 43.2 | 40.5 |
| Furniture/household equipment | 12.9 | 13.2 | 14.2 | 14.6 | 15.4 |
| Transport/communication . . | 9.7 | 11.3 | 12.7 | 13.6 | 13.5 |
| Personal care/health . . . . | 3.3 | 3.4 | 3.6 | 3.7 | 3.9 |
| Household operation . . . . | 2.7 | 2.8 | 3.0 | 3.0 | 3.2 |
| Rent & water charges . . . . | 9.5 | 9.6 | 9.9 | 10.1 | 10.4 |
| Recreation/entertainment . . | 1.8 | 1.8 | 2.0 | 2.0 | 2.1 |
| Miscellaneous services . . . | 8.0 | 8.2 | 8.8 | 9.0 | 9.5 |
| Expre.of residents abroad . . | 2.4 | 2.8. | 3.1 | 3.2 | 3.2 |
| Less : expre.of non-residents | -1.0 | -0.9 | -0.9 | -1.0 | -1.2 |
| Total private consumption expenditure | 234.5 | 244.3 | 273.2 | 281.3 | 273.9 |

Source of Tables 13 & 14 : Economic Survey, 1958.

Table 15 : Gross Capital Formation by Type of Asset , 1954-58.

£ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Building and construction . . | 23.7 | 25.0 | 26.4 | 25.6 | 24.3 |
| Plant, machinery & equipment . | 10.4 | 12.2 | 14.4 | 13.1 | 12.1 |
| Other fixed assets . . . . . | 4.8 | 5.3 | 4.5 | 4.6 | 4.3 |
| Gross fixed capital formation | 38.9 | 42.5 | 45.3 | 43.3 | 40.7 |
| Increase in stocks . . . . . | 2.9 | 3.8 | 0.4 | -1.1 | -5.9 |
| Gross capital formation . . | 41.8 | 46.3 | 45.7 | 42.2 | 34.8 |

Table 16 : Gross Fixed Capital Formation by Sector, 1954-58. £ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Persons . . . . . . . | 14.2 | 15.7 | 18.0 | 17.2 | 16.2 |
| Companies . . . . . . . | 5.2 | 5.6 | 7.9 | 8.2 | 8.3 |
| Central Government . . . | 13.0 | 12.9 | 12.5 | 9.0 | 7.6 |
| Railways & harbours . . | 4.2 | 5.3 | 3.8 | 4.7 | 4.4 |
| Other government . . . | 1.3 | 2.0 | 2.3 | 2.3 | 2.3 |
| Public Boards . . . . | 1.0 | 1.0 | 0.8 | 1.9 | 1.9 |
| Gross fixed capital formation | 38.9 | 42.5 | 45.3 | 43.3 | 40.7 |

Table 17 : Income Shares in Gross National Product at Factor Cost.

£ m.

| | | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|---|
| | Income from employment . . . | 76.3 | 84.0 | 86.1 | 89.4 | 92.0 |
| | Income from self-employment . | 163.6 | 161.5 | 191.5 | 183.2 | 195.0 |
| a | Income from property . . . | 9.0 | 9.2 | 9.4 | 9.6 | 9.9 |
| b | Gross profits of companies & surpluses of boards & corporns. | 77.6 | 49.8 | 30.0 | 40.4 | 40.0 |
| | Income from govt.property . . | 3.0 | 2.7 | 3.1 | 3.1 | 4.5 |
| | Gross national product at factor cost . . | 329.5 | 307.2 | 320.1 | 325.7 | 341.4 |

Source of Tables 15-17 : Economic Survey, 1958.

Note (Table 17) : Symbols - a = Net of transfer incomes.
b = Including capital consumption allowances, export duties & direct taxes.

Table 18 : General Government Revenue, 1954-58. £ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Income from property & entrepreneurship | 3.0 | 2.7 | 3.1 | 3.1 | 4.5 |
| Indirect taxes . . . . . | 15.6 | 17.6 | 19.8 | 20.8 | 19.3 |
| Direct taxes . . . . . . | 48.2 | 34.4 | 20.5 | 24.0 | 35.5 |
| Current transfers from households . | 0.9 | 1.0 | 1.0 | 1.1 | 1.2 |
| Total | 67.7 | 55.7 | 44.4 | 49.0 | 60.5 |

Table 19 : General Government Expenditure, 1954-58. £ m.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Consumption expenditure | | | | | |
| Compensation of employees | 18.0 | 19.6 | 20.6 | 21.2 | 23.4 |
| Net domestic purchases of goods & services . | 9.1 | 11.2 | 13.0 | 14.0 | 15.3 |
| Net purchases from the rest of world . | - | - | - | 1.4 | 1.8 |
| Interest on public debt | | | | | |
| Domestic . . . . . . | 0.3 | 0.4 | 0.7 | 0.7 | 0.7 |
| Abroad . . . . . . . | 0.3 | 0.4 | 0.2 | 0.1 | 0.1 |
| Subsidies . . . . . . . | 1.4 | 0.8 | 0.4 | 0.3 | 0.1 |
| Current transfers to households & non-profit organisations . . . . . . . . | 1.5 | 1.7 | 1.8 | 2.1 | 2.1 |
| Total | 30.6 | 34.1 | 36.7 | 39.8 | 43.5 |

Source of Tables 18 & 19 : Economic Survey, 1958.

Notes : 'General Government' includes Central Govt.& all Local Authorities. Direct taxes include income tax, local authority 'poll taxes', export duties on cocoa & minerals, and royalties paid to Central Govt. by mining companies. Indirect taxes are mainly import duties & excise taxes, and net profits of certain Central Govt.Departments.

Inter-spatial comparisons of national income figures can be misleading, to say the least, but it may be noted that the Gold Coast's Gross Domestic Product in 1958 was estimated at £366.2m. or £76 per capita for a population of 4.8 million, whereas corresponding figures for Nigeria in 1950-51 were £596.7m. and £20 per capita for a population of 32 million.[44] Prima facie, this means that in 1958 the Gold Coast, with an area one-quarter as large and a population about one-sixth as numerous, had a Gross Domestic Product more than half as great in the aggregate as Nigeria's some eight years earlier, and nearly four times as great per capita. The Gold Coast calculations published in 1957 and since superseded had indicated an annual per capita income of about £57 on average from 1953 onwards; even this earlier figure represented a higher level than prevails in most under-developed countries, though far below the per capita income in Western Europe, which exceeds £200.[45] (But a lower income in the tropics does not necessarily mean a lower satisfaction of needs.)

The Gold Coast's level of income is certainly a great deal higher than pre-war guesses had suggested, and a comment by Prest and Stewart explains the reason. "Why is it - or was it," they wrote, "so firmly believed that output is at the pitiably low level so often quoted? We feel very strongly that in the case of Nigeria (and how many other African territories?) it is due partly to the neglect of the great volume of foodstuffs grown and consumed within the country and partly to the neglect of the large mass of internal trading and transport activities, and to the failure of many investigators to appreciate the significance and importance of the great inland trading centres...... It is after all not surprising that national income calculations are biassed downwards if large sectors of the economy are omitted completely or grossly underestimated."[46]

Other general deductions may be made from the Tables herein, but the necessary reservations concerning them must continue to be borne in mind. The importance of consumption expenditure is emphasized by Table 13: it amounted to £314m. in 1958 out of a total expenditure of £360m. on the gross national product. Private consumption expenditure rose both relatively and absolutely until 1958 when it fell by £7m. despite an apparent increase in personal incomes. This seems to have been due to a higher level of savings, the total of which (public and private) is estimated to have risen from 8.0% to 12.6% of gross national product between 1957 and 1958. General government consumption expenditure, largely composed of wages and salaries, continued to rise (see Table 19).

The details in Table 14 reveal hardly any change in the pattern of private consumption expenditure during the period. Outlays on food (the most important item), drink and tobacco, and clothing and other personal effects, fell rather sharply in 1958, although the decline seems to have begun about a year before, when symptoms of deflation first appeared in the economy. This was probably due in part to the substitution of locally-produced commodities (such as foodstuffs, beverages and cigarettes) for more expensive imported ones. Postponed purchases of durable and semi-durable consumers' goods are of course to be expected in a period of lessened economic activity.

The extent of government participation in the economy is of special interest in view of the widely-held belief that the ratio of government expenditure to national income must be greater in under-developed countries than it is in advanced ones. Study of Tables 18 and 19 shows that general government revenue and current expenditure averaged about 16% and 11% respectively of gross domestic product between 1954 and 1958. Because of variations in the return from cocoa export duty (included with 'direct taxes'), the former fluctuated between 19% in 1954 and 13% in 1956, but the latter increased relatively as well as absolutely during the period.

Government current expenditure in Nigeria in 1950-51 was calculated to be 3% of the total, while in Israel and Turkey in 1954 it is said to have been about 24% and 15% respectively. In many 'Western' countries the proportion is 20% or more. The share of the total product absorbed by the government in the Gold Coast (11%) therefore appears to be fairly high for an under-developed country, but in the absence of more detailed information it would be dangerous to place too much reliance on such comparisons or on this deduction. The corresponding ratio for government revenue (16%) appears to be much the same as in Israel (15%) and Turkey (14%) in 1954, though the same warning is applicable here as well.[47]

Table 18 also shows that an average of about 15% of the gross domestic product was taken in direct and indirect taxes. This too is a high rate for an under-developed country (the corresponding one for Nigeria in 1950-51 seems to have been less than 5% [48]) but as we shall see later cocoa export duties collected in the four financial years from 1954-55 came to more than import duties and income tax together. If this fruitful source be excluded, the ratio is reduced to something like 7%, and if income tax alone (averaging under £6m.a year) is considered it falls to less than 2%. By contrast, government taxes and property income in advanced countries take 20% or more - much more in the case of Britain, where the ratio was 7% even in the 18th.Century.[48]

Table 17 is an attempt at the "income approach" - i.e. the total of wages and salaries, profits, interest, rent and unclassified incomes generated inside the economy - but has not been explicitly reconciled with the "expenditure approach" in Table 13 and must have involved some hazardous guesses. Prest and Stewart commented feelingly on the intractable character of this problem in Nigeria: "Although we can get some distance with computing major firms' wages and profits bills we have no means at all of grappling with the myriad small farmers, petty traders, women dealers, and the hundred and one minor professions (drum throwers, praisers, rainmakers, cattle fatteners, sword makers, money changers, native herbalists, calabash cutters, palm wine tappers, beggars-cum-clowns, charm makers, horse tetherers, to select a few). And even if we had any means of finding out the incomes of such people ... we should be unable to classify them in the usual Western way ..."[49]

By the very manner of its presentation, Table 17 emphasizes the lack of occupational specialization in the Gold Coast. Nevertheless, in the absence of data from an "output approach" it provides a little more information about the structure of the economy. Income from self-employment is outstandingly important; it accounted for £195m. (or 57%) out of a total of £341m. in 1958, comprising net incomes of cocoa farmers, food farmers (both subsistence and cash), fishermen and others working on their own account - this last requiring a particularly heroic assumption. Income from employment covers salaries and wages, before tax, of the employees of government, companies and firms, and of migrant labourers: at £92m. it was 27% of the total in 1958, and seems to have remained fairly constant in this proportion since 1955. As details are lacking it is difficult to comment on the figures for "gross profits of companies," etc.; the inclusion of export duties and Marketing Board profits prevents any effort to discern a trend.

The evidence regarding gross fixed capital formation (Tables 15 and 16) may now be considered. According to Table 13 this averaged 12% of gross domestic product from 1954 to 1958. What has happened is that from 1956 onwards private and company investment expanded from 50% to 60% of the total, while the proportion from government and quasi-government sources fell correspondingly, as First Development Plan expenditure tailed off. As a result the over-all total did not vary greatly in absolute terms during the period. The growth of company investment from 13% of the total in 1954 and 1955 to 20% in 1958 (an increase of 60% in absolute terms) is particularly remarkable when it is remembered that the country became fully independent in March, 1957, even though established expatriate enterprises, rather than newcomers, were chiefly responsible.

The nature of investment is no less important than its volume however.[50] Though there may be no simple criterion for assessing the contributions made to national product by different allocations of resources, yet the choice between a water supply and an ornamental fountain, a generator and a memorial statue, or a hospital and a national monument, is not unduly difficult to make if economic considerations alone are taken into account. The trouble is that they seldom are, at least in so far as the public sector is concerned, but even if full knowledge of investment decisions could be attained we might not be much nearer to an objective valuation of the resultant assets from a national economic point of view.

Table 16 sets out the division of capital among types of asset from 1954 to 1958, but there are many important and relevant considerations about which its figures tell us nothing. Least of all do they enable us to infer a connection between relative volumes of investment and a certain rate of economic progress. No trends are discernible: building and construction has continued to make up about 60% of fixed capital formation, and plant, machinery and equipment for about 30%. Much of the former undoubtedly represents investment in dwelling-houses and commercial premises, and in such official buildings as schools, hospitals and offices, none of which can be regarded as immediately productive. Expenditure on roads, railways and water supplies, another important constituent, has especial significance as long-period growth investment.

As regards the second category ("plant, machinery and equipment"), it is not clear where the line of demarcation has been drawn between capital goods and other kinds; this prevents any effective assessment of the figures. Heavy machinery and lorries are included, but private cars, bicycles and sewing machines apparently are not, and they are best thought of as capital goods in Gold Coast conditions. (On the other hand, African style houses, which in Nigeria Prest and Stewart classed as durable consumers' goods rather than capital goods,[51] were included in the estimate for "building and construction".)

What general conclusions on the subject of economic growth in the Gold Coast can justifiably be drawn from the results of this national income investigation, incomplete and inadequate though they are? As Professor W.A.Lewis has written, "Communities in which the national income per head is not increasing invest 4 or 5 per cent of their national incomes per annum or less, whilst progressive economies invest 12 per cent per annum or more. The central problem in the theory of economic growth is to understand the process by which a community is converted from being a 5 per cent to a 12 per cent saver - with all the changes in attitudes, in institutions and in techniques which accompany this conversion."[52]

The Gold Coast's gross national product at current prices seems to have increased annually between 1955 and 1958, and per capita income from about £70 to nearly £76, though in the latter year it was apparently rather less than in 1954. The abnormally high cocoa earnings made 1954 an exceptional year, however. According to the estimates, gross capital formation averaged about 12% of gross national product during the period, though it seems to have fallen from about 14% in 1955 to less than 10% in 1958.

The present state of knowledge makes it inevitable that these aggregates should be "gross"; that is, they include that part of current output which is needed to maintain capital intact. Any estimates of <u>net</u> national product, or <u>net</u> capital formation, can be little better than guesses, but it seems reasonable to suppose that in recent years the ratio of the latter to the former has been somewhere in the region of 1:12 - in other words, that the volume of net investment, or the net increase in capital, has been about 8% of the net national product.

Naturally, there is no reliable estimate of the relevant "capital coefficient", but if this is assumed to be 4 and other things are assumed to remain equal, then it follows that this rate of investment would cause a 2% increase annually in the net national product. Allowing for population growth at 1.5% per annum, therefore, the net annual increase in per capita income would be a mere ½%, which would allow it (all other things being equal) to double in about 140 years.

Other things, of course, will not remain equal, and any government concerned to stimulate economic growth should ensure, so far as lies within its power, that they change in such a manner as to help rather than to hinder the process. A faster rate of population growth would lengthen the period mentioned: a greater volume of investment or a lower "capital coefficient" would shorten it. Of these three variables, the volume of investment is the one most amenable to change. Returning to the calculation above, and making the same assumptions, we see that a 50% increase in investment in the Gold Coast (elevating it just into the category of "12 per cent savers") would give a 3% increase in net national product, corresponding to a 1.5% increase annually in per capita incomes, which would then double in less than 50 years.

An arithmetical exercise of this kind is in a sense unrealistic, but it does serve the purpose of bringing into focus the variables principally involved in economic growth and leaving no doubt as to the necessarily slow character of the process. It helps to show, too, what rate of growth lies within the bounds of possibility. In Nigeria, it is interesting to note, the World Bank Mission of 1953 firmly rejected suggestions that its proposals should aim to increase total output by 10% a year, and explained that an average annual increase of 3% was as much as could be hoped for in the next five years. "With few exceptions," says their report,"attributable to unusually favourable circumstances, no country has in recent years achieved a rate of growth of 10% a year. There have been in fact very few under-developed countries able to maintain a rate of (aggregate) income growth in excess of 5% per year, while in high-income countries the rate of income expansion has been between 2% and 5% in recent years. Nigeria is not at this juncture in a position to effect an increase in domestic investment large enough to bring about a growth in income of more than modest proportions."[53]

A final apposite quotation may perhaps be allowed in this context; it has been taken from the conclusion to Professor A.J. Youngson's recently-published study of economic progress. "In thinking about so vast and complex a problem as the economic development of a nation, it is exceedingly difficult to give due weight to all the important considerations. Thus we are constantly reminded that sustained economic development takes capital, that it takes entrepreneurs, that it takes 'know-how', that it takes mobility. But we should not allow ourselves to forget that whatever else it takes, it certainly takes time."[54]

If the national income statistics had been made the framework to which other information about the Gold Coast's economy was related, the next step in this examination would logically be to study each sector in turn and to integrate the data concerning it with that framework and with the other sectors - to transform the skeleton into a living organism, as it were. Unfortunately, this is not yet possible, and _faute de mieux_ we must be content to survey such relevant information as is actually available: although this helps to fill out the picture given by the national income statistics it can seldom be directly related to them. [55]

PUBLIC FINANCE AND DEVELOPMENT.

Nigeria, said the World Bank Mission of 1953, was fortunate in possessing two of the essentials for a development programme: manpower and funds. "There is lacking, however," they wrote, "the supply of technical and managerial skills and the knowledge of the country's resources necessary to carry out an accelerated programme of economic development. Research, survey and extension services in agriculture, forestry, hydrology and industry, the construction of roads and schools and other public works - in short, the kinds of services customarily provided by the government - have failed to keep up with the expansion of the economy. And so although the country's wealth has grown, it could not be put to its fullest use for the benefit of the people."[56]

This was equally true of the Gold Coast in the years just after the war, and the First Development Plan (1951-57) was intended to prepare the way for accelerated economic growth. That it was substantially completed, without significant financial assistance from abroad, and in spite of political as well as economic difficulties, represented a considerable achievement. The Consolidation Development Plan (1957-59) added some new projects and finished off some old ones, and the Second Development Plan is scheduled to run from June,1959 to 1964. Strictly speaking, of course, these Plans are not examples of economic planning in the fullest sense, since they did not cover all sectors of the economy; they are programmes of expenditure to be carried out by the Central Government.[57]

Table 20 : Government Development Expenditure, 1951-59.
(Major categories only - £ m.)

| | Total Actual Expre. 1951-57 | Total Estd. Expre. 1957-59 | 1951-59 | |
|---|---|---|---|---|
| | | | Estd. Total | % of Total |
| Communications | 32.6 | 20.5 | 53.1 | 36 |
| Civil Aviation | 0.2 | 1.4 | 1.6 | |
| Posts & Tels. | 1.6 | 0.9 | 2.5 | |
| Railways . . | 8.0 | 4.2 | 12.2 | 8 |
| Roads . . | 14.9 | 4.9 | 19.8 | 14 |
| Tema Harbour | 5.2 | 8.6 | 13.8 | 9 |
| Tema Railway | 2.3 | - | 2.3 | |
| Public Utilities | 9.5 | 5.4 | 14.9 | 10 |
| Electricity | 1.8 | 2.6 | 4.5 | |
| Urban water | 3.5 | 1.0 | 4.5 ) | 5 |
| Rural water | 1.9 | 0.9 | 2.8 ) | |
| Tema water | 0.9 | 0.3 | 1.2 | |
| Agriculture, Industry & Trade. | 9.6 | 8.0 | 17.6 | 12 |
| Agriculture, etc. | 4.6 | 2.7 | 7.3 | 5 |
| Commerce & Industry | 2.8 | 3.9 | 6.7 | 5 |
| Co-ops.& Labour | 0.1 | 1.1 | 1.2 | |
| V.R.P.Preparations | 1.6 | 0.1 | 1.7 | |
| Law & Order | 4.7 | 1.9 | 6.6 | 4 |
| Military | 2.7 | 0.5 | 3.2 | |
| Police, Prisons | 2.0 | 1.3 | 3.3 | |
| Social Services | 24.6 | 11.3 | 35.9 | 25 |
| Health . . | 4.7 | 1.7 | 6.3 | 4 |
| Education . . | 12.3 | 4.6 | 16.9 | 12 |
| Housing . . | 4.0 | 0.6 | 4.6 | |
| Tema (various) | 2.3 | 3.7 | 6.0 | |
| Admin.& General | 12.3 | 6.2 | 18.5 | 13 |
| Official Bldgs. | 8.5 | 2.5 | 11.0 | 7 |
| Local Govt. | 3.0 | 1.9 | 5.0 | 3 |
| GRAND TOTAL | 93.3 | 53.3 | 146.6 | 100 |

Source : Economic Survey, 1958.

Notes : (1) First Dev.Plan : 1951-57 (incl.'sandwich year' 1956).
Consolidation Dev.Plan : 1957-59.
(2) 'Agriculture' includes Animal Health, Fisheries & Tsetse Control.
(3) Tema Harbour & Town, and the Tema-Accra Railway, took altogether 16% of the total.

Table 20 outlines Central Government Development expenditure from 1951 to 1959. The greatest share went to the improvement of communications and to education, which together accounted for nearly half of the total. Although theorists may object that by comparison public utilities (10%) and agriculture, industry and trade (12% together) received inadequate attention, it must be remembered that in a situation where shortages of skills and imported materials prescribed limits to activity those sectors offered relatively less scope for expenditure. Labourers to work on road construction, for instance, were more readily available than qualified agriculturists to supervise extension programmes. Besides being desirable politically, the improvement of communications and educational facilities were activities in which much experience had been gained and which could be expanded by the use of existing organizations. On the other hand, swollen shoot disease overshadowed all agricultural work and the political situation discouraged government ventures into unfamiliar sectors.

Nearly all the finance required for the First and Consolidation Development Plans came from cocoa earnings, which had contributed about 90% of the total up to the end of 1955. Until a few years ago, the yield from cocoa export duty produced an annual surplus of government revenue over expenditure, enabling the government to accumulate considerable balances which were kept in reserve for later development expenditure. In 1955-56, 1956-57 and 1957-58, however, there were deficits (chiefly because of the rising cost of maintaining basic services) and these balances had to be drawn upon. This may be seen from Table 21 overleaf.

Table 21 : Total Revenue & Expenditure of Central Government, and Composition of its Ordinary & Extraordinary Revenue, 1954-58.

£ m.

| | 1954-55 | 1955-56 | 1956-57 | 1957-58 |
|---|---|---|---|---|
| Ordinary Revenue | | | | |
| Cocoa export duty | 48.9 | 24.1 | 12.1 | 22.1 |
| Import duties | 12.9 | 18.3 | 16.4 | 15.0 |
| Income tax | 6.0 | 6.1 | 5.2 | 5.4 |
| Interest & redemption | 2.0 | 2.8 | 2.4 | 2.2 |
| Mineral duty & royalties | 1.3 | 1.5 | 2.1 | 2.5 |
| Other ordinary revenue | 5.5 | 7.5 | 7.5 | 9.9 |
| Extraordinary Revenue | 3.9 | 3.8 | 6.7 | 3.0 |
| Total Ordinary & Extra-ordinary Revenue | 80.5 | 64.1 | 52.4 | 60.1 |
| Total Development Revenue | 4.7 | 6.8 | 0.2 | - |
| Total All Revenue | 85.2 | 70.9 | 52.6 | 60.1 |
| Total Expenditure | 48.3 | 71.5 | 60.2 | 63.8 |

Source : Economic Survey, 1958.

Notes : (1) 1955-56 covers the 15-month period, April to June. The Govt. financial year differs from the C.M.B. year.

(2) 'Extraordinary Revenue' comprises Colonial Development & Welfare grants, C.M.B. grants & Treasury bills, which totalled £1.9m., £12.5m. and £3m. respectively for the period.

(3) Other items of ordinary revenue which yielded more than £1m. each in 1957-58 were Excise Duties (£1.9m.), P.& T.Receipts (£1.5m.) and Electricity Dept.Receipts (£1.4m.)

Table 21 also draws attention to export and import duties as the principal sources of revenue: together they made up nearly two-thirds of all Ordinary and Extraordinary Revenue in 1957-58. Variations in the return from cocoa export duty are also noticeable; it produced 61% of Ordinary and Extraordinary Revenue in 1954-55, but only 23% two years later. "Other Ordinary Revenue" has shown a tendency to rise both absolutely and relatively since 1954, which may indicate increasing success in obtaining an economic return from the users of government services.

Income tax deserves special mention. Some writers condemn high rates as disincentive to entrepreneurial enterprise in under-developed countries, while others welcome them as a means to the desirable elimination of inequalities,[58] but there is no need to enter into this controversy here. In the Gold Coast, personal income tax remains very largely a tax on salary-earners, and fewer than 9,000 were assessed in 1955.[59] Rates are low by European standards but have recently been raised by 25%. Company tax, the maximum rate of which is now 8/6d in the £, provides the greater part of revenue from this source, yielding £5.3m. out of a total of nearly £6m. in 1954-55, of which five companies paid £3.6m.[59] With a view to stimulating the development of new industries, "pioneer companies" are allowed a "tax holiday" period of up to five years and special allowances for capital expenditure. Double taxation agreements have been made with Britain, Canada, New Zealand, Nigeria and Sierra Leone.

The cocoa duty is a very progressive tax on cocoa-farmers' incomes, linked to the world price of cocoa (see Diagram 2). If it is included, then the ratio of direct taxes to estimated gross national product works out at a high rate for an under-developed country, as we have already seen.

TRANSPORT AND COMMUNICATIONS.

The large development expenditure on Tema Harbour has already been noted. Work began in 1952 but it is not expected to be fully open for commercial use until 1961. At present, Takoradi is the only port equipped with wharves and modern facilities, and the continued heavy use of the "surf port" at Accra for imports emphasizes the high cost of transporting goods from Takoradi by road or rail to eastern areas of the country. The new railway line connects Tema to Accra and the country's existing transport system and will provide an outlet for the new industries already starting there. Irrespective of the outcome of plans for the Volta River Project, the new harbour and town are certain to be of vast importance to the country's economy.

Expenditure on railways (a typical example of "long-term growth investment") took some 8% of the Development Plan total. This covered the extension of the Central Province Line, which shortened the haul from Takoradi to Accra by about 200 miles, the improvement of other lines and facilities, and the purchase of new engines and rolling stock. Since the war, however, the operation of the railway has been uneconomic, and only the expansion of timber exports has prevented heavy losses.

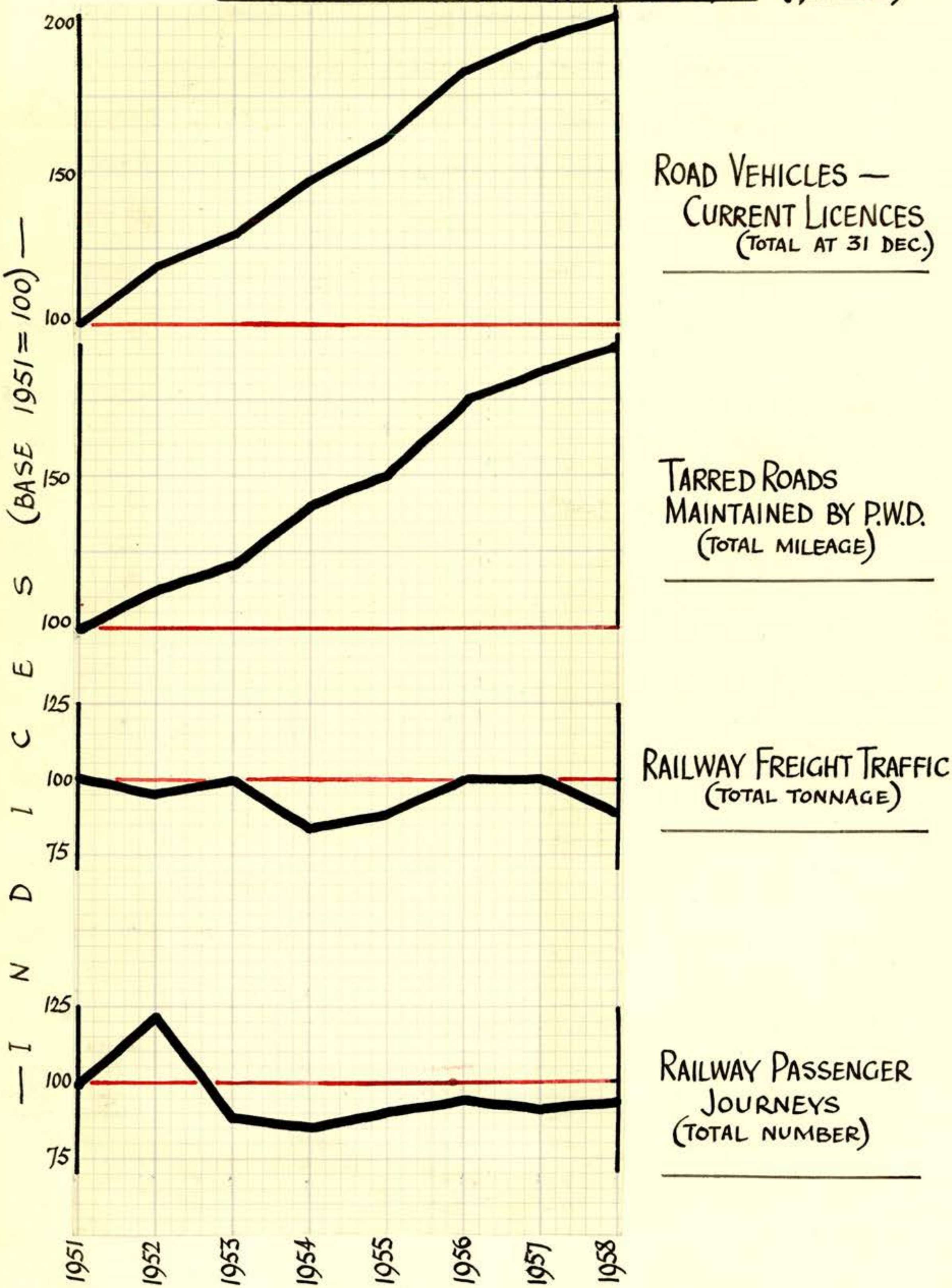
Road traffic, on the other hand, has increased spectacularly, and ownership of one or more "free-lance" lorries for the carriage of passengers or goods is a characteristic form of African economic enterprise. These vehicles penetrate to almost every corner of the country and have played a considerable part not only in spreading the benefits of post-war prosperity but also in breaking down the former insularity of rural life and tribal xenophobia. The independent African lorry-driver is a figure whom Adam Smith would have understood and appreciated.

Road vehicles in use doubled between 1951 and 1958, reaching 36,700 in the latter year, or one for each 130 of population - a high proportion for an under-developed country - while new registrations have risen to an average of 9,000 annually. Imports of motor fuel during the same period increased nearly as much. Traffic entering and leaving Accra has increased by 87% in four years, and traffic between Accra and Togoland by 147%, the latter being due to the replacement of the pontoon ferry by a bridge. It has been estimated that the cost of road haulage generally has been reduced by nine-tenths in the last 30-40 years.[60] No wonder, therefore, that railway passenger traffic has failed to increase, despite reductions in fares!

Transport by road has of course been stimulated by the extensive road construction and improvements carried out under the First and Consolidation Development Plans at a cost of nearly £20m. These were too many to be listed here, and they cannot conveniently be mapped, but mention must be made of the most important: the reconstruction and tarring of the 500-mile-long road from Accra to Bolgatanga via Kumasi, and the substitution of bridges for all but one of the ferries en route. There can be no doubt that this one

DIAGRAM 6
OVERLEAF

## Diagram 6: Indices of Number of Road Vehicles, Tarred Road Mileage & Railway Traffic, 1951-1958 (1951=100).




Source : Table A.7.

major project has done more than anything else to encourage the development of the backward Northern Territories and to integrate their economic life with that of the country as a whole. Diagram 6 opposite graphically illustrates the increases in number of road vehicles and mileage of tarred roads since 1951, in contrast with railway freight traffic and passenger journeys in the same period. (The detailed figures on which it is based are shown in Table A.7).

Air travel too has added to the effectiveness of the country's transport system since the war. Internal services link Accra with Takoradi, Kumasi and Tamale, and from the international airport at Accra there are regular services to Europe, America and other parts of Africa. London is less than a day's journey away by air, compared with twelve days or more by sea.

Finally, the expansion of postal and telecommunications facilities must be commented on, since this is a fairly good indicator of the spread of knowledge and economic activity. Table 22 below gives relevant figures for the last five years; comparison with pre-war conditions would show an even more impressive improvement.

Table 22 : Expansion of Postal & Telecommunications Facilities, 1954-58. (000's)

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| T'phone subscribers | 7.0 | 8.3 | 9.0 | 9.8 | 10.8 |
| Telephones | 11.3 | 13.5 | 15.3 | 17.0 | 19.1 |
| Trunk route miles | 3.3 | 3.4 | 3.5 | 3.5 | 3.6 |
| Trunk wire miles | 17.2 | 17.9 | 18.8 | 19.1 | 19.8 |
| Post Offices (number) | 107 | 122 | 126 | 133 | 136 |
| Postal Agencies ( .. ) | 414 | 455 | 497 | 516 | 526 |

Source : Economic Survey, 1958.
Note : Ordinary numbers of offices & agencies are shown, not

## SOCIAL SERVICES.

Improvement in "the quality of the factors of production" has long been recognized as vital to the process of economic development, and opinions differ only as to the relative claims upon resources of the human and the non-human factors. Mention has already been made of the former in discussing population and it will be sufficient now to take note of the effects of the 1951-59 Development Plans in this regard. One-quarter of all Development expenditure in that period, as we have seen from Table 20, went to social services, much of this being incurred on new buildings. In part a matter of making up for ground lost during the war, this was even more a natural response to the desire for improvement which had been stimulated by nationalist fervours.

Table 23 : Public Education, 1950-58.

(Numbers).

| | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| | 1950 (Dec.) | | 1958 (Feb.) | |
| | Pupils No. | Teachers No. | Pupils No. | Teachers No. |
| Primary & Middle Schools | 266,850 | 8,840 | 580.366 | 18,733 |
| Secondary Schools . . | 2,776 | 450 | 10,423 | 638 |
| Teacher-training Colleges | 1,776 | 220 | 4,055 | 327 |
| Trade & Technical Schools | 226 | n.a. | 2,826 | 127 |
| University College . . | 211 | 70 | 424 | 144 |
| College of Technology . | - | - | 536 | 95 |

Source : Economic Survey, 1958.

Notes : (1) Columns 1 & 2 include private schools later taken over by government; the number of teachers is approximate only.

(2) Private institutions not included in Columns 3 & 4.

Figures illustrating the expansion of the public education system are given in Table 23 : these actually under-state the extent of the improvement, since non-government school facilities also grew. The availability of qualified teachers was a limiting factor, but was tackled by increasing the number of training-colleges. Though the numbers of teachers and pupils may be expected to grow steadily, therefore, the principal benefits from this programme will obviously accrue only in the long term. Meanwhile, rapidly-increasing imports of books and periodicals, and rising newspaper circulations, testify to the spread of literacy (but not necessarily of knowledge.)

Particularly significant from the economic point of view is the growing number of girls attending school, which is already affecting the employment situation. Their number is still small, however, and many years must elapse before households where both parents have been educated form more than a tiny fraction of the total. Hardly less important is the spread of education in the Northern Territories, which supplements other factors in undermining tribalism and the remainder of the subsistence economy and will eventually draw into the modern productive system a hitherto untapped reserve of intelligence and skills.

Considerable though this expansion has been, though, its limitations should be clearly understood, against the background of a population of nearly 5 millions. The output from full-time courses at government trade and technical schools was only 288 in 1958, and that from government secondary schools could hardly have exceeded 1,500, if indeed it was as much. Numbers of this magnitude are clearly still insufficient to meet all the needs of a growing economy. On the other hand, quite a lot of technical training at a fairly humble level is not accounted for in the Table (e.g. by apprenticeship arrangements), and excellent results have been claimed for mass literacy campaigns. More than 400 students, too, are attending institutions overseas on government scholarships, and a similar number are supported there by grants from the Cocoa Marketing Board and Commonwealth and foreign governments.

Progress with the improvement of health services has been less rapid, chiefly because of the shortage of doctors and trained staff, but nevertheless has been continuous and steady. It will accelerate when the effects of current training-programmes begin to be felt. Statistics covering the period 1954-58 are given in Table 24:-

Table 24 : Doctors, Nurses & Hospital Beds in Government Hospitals, 1954-58. (Numbers)

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Doctors . . | 80 | 87 | 82 | 88 | 97 |
| Nurses . . | 710 | n.a. | 821 | 768 | 958 |
| Hospital beds | 1,949 | 2,094 | 2,037 | 2,135 | 2,103 |
| .. cots | 426 | 488 | 612 | 643 | 665 |

Source : Economic Survey, 1958.

Eleven new hospitals have been built in the last ten years, bringing the total of properly-managed hospitals up to 62 (34 of which are directly managed by the government), and the total of hospital beds up to 4,020, or one for every 111,940 of population.

Clearly there is still a long way to go before health services can be considered even barely adequate, although these figures do not take account of the growing number of health centres in rural areas the medical field units combatting trypanosomiasis and yaws, and the activities of the Leprosy Service.

As for housing, the 1948 Census revealed that 2.2 persons per room was the average throughout most of the country; even in large towns the figure was only slightly higher. This does not represent serious overcrowding by West African standards, though of course there were wide local variations and the position in the towns has certainly worsened as their populations grew. The size and quality of rooms, too, must be considered as well as their number. Housing may be less of a problem in the Gold Coast than in colder countries, but there is great political pressure for improvements.

Government housing estates, built at a cost of over £600,000 annually since 1952, provide only a partial solution, and the rate of building will have to be accelerated greatly to keep pace with demand and avoid the spread of slums. Private investment strongly favours upper-class housing and the large expatriate contracting firms which could undertake the large-scale construction of lower-class housing (socially the greatest need) appear to require unacceptable profit margins, so that the government-financed Housing Corporation is the only considerable enterprise operating in this field.

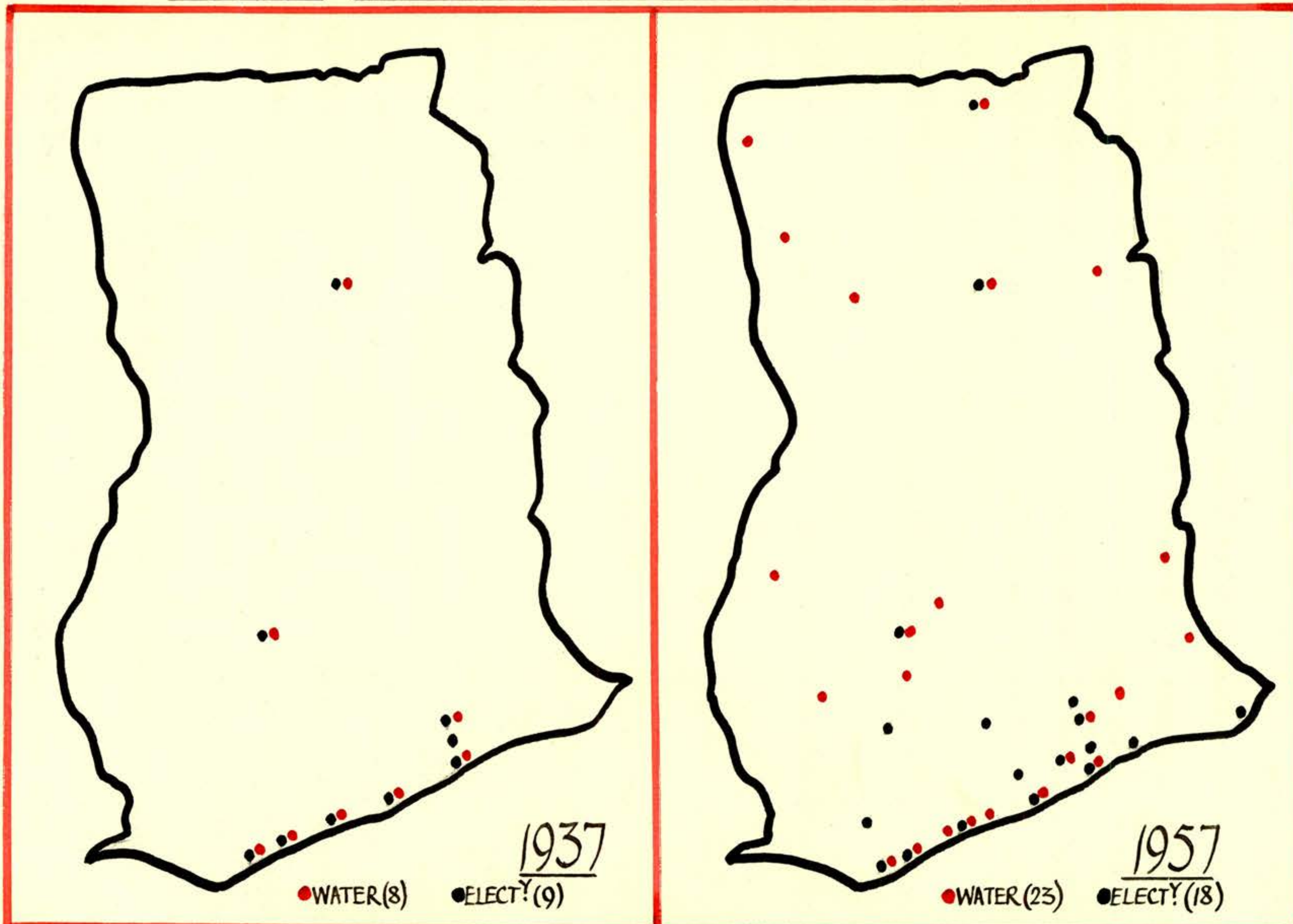
It is a truism that investment in social services of the kind we have been discussing produces little or no return in the short term, however much it may contribute in the long term to improved efficiency and national well-being. Nor does it produce any immediate increase in domestic output to help in satisfying additional purchasing-power generated in the construction industries. Nevertheless, the danger of serious inflation appears to have been evaded in the Gold Coast, for the time being at least.

A further danger, to which recent government deficits have drawn attention, arises from the rapid growth of recurrent expenditure on social services. Inability to meet this out of annual revenue could jeopardize plans for further development. Government recurrent expenditure on secondary schools alone rose from £93,980 in 1952 to £527,000 in 1958, and other educational and health expenditure has vastly increased as well. Efforts to secure larger contributions from Local Authorities towards this have so far had little success. (<u>Their</u> 'vicious circle' consists of inability to pay more for services until they can raise larger sums in local taxation, which they cannot hope to do unless they provide more services. Central Government subsidies are an obvious but unsatisfactory answer.) The annual cost of maintaining roads, buildings and the government apparatus itself has also multiplied and adds to the burden, while the problem of obtaining economic returns from public utility services has by no means been finally solved. Meanwhile, the demand continues unabated, and will probably intensify as time goes on.

DIAGRAM 7

OVERLEAF

## DIAGRAM 7 : EXPANSION OF WATER & ELECTRICITY SUPPLIES, 1937-1957.




SOURCE : ANNUAL REPORT 1937-8 ; GHANA HANDBOOK OF COMMERCE & INDUSTRY 1957.

NOTE : MINOR WATER SUPPLIES NOT INCLUDED.

## PUBLIC UTILITIES.

The introduction of pipe-borne water or electricity supplies to towns and villages in the Gold Coast is not only a practical example of capital formation and the more effective use of resources by the application of technology. To the inhabitants who have not previously enjoyed such amenities it is visible and tangible evidence of man's ability to control nature in the interests of his own welfare - a link with modern civilization and all that it implies. Even for a European who has experienced the insularity of African village life, and witnessed the drudgery of water-carrying and the menace that comes with nightfall, the full impact is hard to comprehend. Social and economic repercussions are practically endless.

Even before the end of the war, the Governor of the time had repeatedly stressed the vital part to be played in development by improved water supplies and had set up a government department to provide them in rural areas. Better drinking-water, he pointed out, would lead to better health among the people, leading in turn to greater efficiency, higher output and an improved standard of living all round. This sensible view has continued to influence policy, and urban and rural water supplies took about 5% of all government expenditure in the period from 1951 to 1959.

Diagram 7 opposite, revealing though it is, gives only an incomplete picture of the change which has taken place. It fails to illustrate extensions to the older town supplies and the great number of minor borehole supplies, ponds and wells which have been provided in rural areas. By 1958, more than a million people were served by public water supply systems, representing an increase of some 75% since 1953, and about two-thirds of this increase was composed of rural population. Over three hundred boreholes were constructed during the same period. In urban centres, where supplies to industry are growing in importance, consumption reached a daily average of nearly 10m. gallons in 1958. Though it would be foolish to deny that an immense amount of work remains to be done in this connection, the improvement of water supplies throughout the country remains one of the most significant achievements of the First Development Plan.

The expansion of electricity supplies is less of a vital necessity unless industries are involved (villagers demand them for 'prestige' reasons), but considerable progress has been recorded in urban areas despite staff shortages and the high expense of installations. Diagram 7 shows this expansion in geographical terms, while Table 25 overleaf gives figures of actual output. It will be seen from the latter that output has risen by 83% since 1948. Current from government supplies has steadily increased in relation to that generated by the mines, and now makes up one third of the total.

Most of the increase in output, apart from that of the mines, was due to domestic consumption and communal lighting. Demand is far ahead of supply in the large towns, and two-thirds of the increased generation by government supplies between 1954 and 1958 went to Accra, Kumasi and Tema. Accra and its environs took nearly a half of the total government output in 1958, and probably less than one third of that total (i.e. 35m.kwh.) served as motive power. When the country's total generated output of 311m.kwh. in 1958 is compared with the 59,605m.kwh. produced by Japan in 1954 (or even the 746m.kwh. produced by Israel in the same year[61]), it will be seen that electricity is as yet comparatively insignificant as a source of power for industrial activity other than mining. The large steam-power station at Tema, which will cost over £3m., and the Volta River Project, both of which are included in the Second Development Plan, are intended to fill this need.

Table 25 : Generation of Electricity, 1948-58.

| | Government | | Private Enterprise | | Total |
|---|---|---|---|---|---|
| | m.kwh. | % | m.kwh. | % | m.kwh. |
| 1948 | 19 | 11 | 151 | 89 | 170 |
| 1949 | 23 | 12 | 161 | 88 | 184 |
| 1950 | 27 | 14 | 170 | 86 | 197 |
| 1951 | 31 | 14 | 189 | 86 | 220 |
| 1952 | 37 | 17 | 182 | 83 | 220 |
| 1953 | 44 | 19 | 185 | 81 | 228 |
| 1954 | 50 | 21 | 191 | 79 | 241 |
| 1955 | 58 | 24 | 184 | 76 | 241 |
| 1956 | 67 | 29 | 163 | 71 | 231 |
| 1957 | 87 | 31 | 195 | 69 | 282 |
| 1958 | 105 | 34 | 206 | 66 | 311 |

Source : Digest of Statistics, Oct.1958.
Economic Survey, 1958.

Note : 'Private enterprise' refers almost entirely to the mines, and especially to the gold mines, which generated 196m.kwh. in 1958.

The operating costs of government electricity supplies in 1958 were nearly £1m. and together with those of water supplies imposed a heavy burden on government finances, since returns in revenue were by no means as large. Efforts are being made to reduce the deficit in both cases by increasing charges to consumers but the violent results of past attempts at doing so, as well as normal political considerations, have made them somewhat hesitant. The truth is that the town-dwellers of the Gold Coast are as yet almost wholly unaccustomed to paying economic rates for services of this kind. Their failure to do so naturally hampers further development and of course encourages the allocation of new water or electricity undertakings on political rather than economic or social grounds.

AGRICULTURE AND NATURAL RESOURCES.

Most studies of under-developed countries emphasize the need for increasing agricultural productivity,[62] both as a means of diversifying the economy and raising living standards, and to provide a basis for industrialization, but the difficulty of doing so is not always fully appreciated. An unwarranted belief in human rationality can engender the assumption that improved methods or new crops, for example, have only to be demonstrated for them to be adopted. Notwithstanding failures in Tanganyika and the Gambia, too, there continues to be a popular misconception that large injections of capital, or rapid "mechanization", would provide an easy solution.

Only a few aspects of Gold Coast agriculture can be referred to here. Widespread illiteracy, high cocoa-prices, the large number of scattered holdings, and pre-occupation with swollen shoot disease, have already been mentioned as obstacles to successful extension work. Shortage of skilled staff was another but, as we have seen, the Cocoa Rehabilitation organization is now re-directing its efforts towards increased output, while the value of large numbers of quickly-trained agricultural assistants has been recognized.[63] Educated Africans still shun agriculture as a career, however.

Overcoming the deep-rooted caution and conservatism of peasant farmers is necessarily a slow business, but improved communications and marketing facilities, together with assured prices and markets for export crops other than cocoa, are perceptibly changing their outlook. The relative stability of market prices suggests that the output of foodstuffs for domestic consumption has nearly kept pace with demand, but pressure from spending under the Second Development Plan is bound to prove inflationary unless the speed of this increase can be accelerated. It is some indication of the inadequacy of domestic production (and domestic entrepreneurs) that imports still supply most of the meat and vegetables for European and upper-class African consumption in the towns: it even pays to bring in eggs by air from South Africa!

Table 26 overleaf shows the varying degree of success achieved in encouraging agricultural exports other than cocoa. In some cases, this is a matter of reviving interest in crops, popular before the war, whose output has fallen owing to the diversion of effort to cocoa; in others, of arousing interest in new crops. The aim is to establish alternative cash crops to cocoa, and also to utilize some of the labour which is surplus except at times of cocoa-harvesting or in the fishing season. The Agricultural Development Corporation has a marketing monopoly of these export crops, and uses the profits from its operations, together with government loans, to foster development. It has already invested in poultry units, boat-building, a pineapple cannery and a tobacco-growing scheme.

Table 26 : Exports of Principal Agricultural Products other than Cocoa, 1935-58.

| | QUANTITY - Annual Average. | | | | VALUE - £000's | |
|---|---|---|---|---|---|---|
| | 1935 -39 | 1950 -54 | 1955 -58 | 1958 | 1935 -39 | 1958 |
| Coconuts (000 cwt.) | n.a. | n.a. | 18.4 | 20.3 | 1 | 25 |
| Copra (000 tons) | 1.4 | 2.5 | 3.5 | 3.1 | 25 | 134 |
| Palm kernels (000 tons) | 7.1 | 5.7 | 9.0 | 7.9 | 107 | 335 |
| Kola nuts (000 cwt.) | 83.0 | 108 | 84 | 124.5 | 101 | 383 |
| Other nuts ( .. ) | - | - | 12.2 | 21.6 | - | 36 |
| Lime juice (000 gal.) | 453 | 78 | 170 | 230 | 38 | 24 |
| Bananas (000 cwt.) | 19.4 | 1.6 | 19.4 | 33.5 | 7 | 54 |
| Rubber (tons) | 482 | 297 | 334 | 433 | 33 | 48 |
| Coffee, raw (000 cwt.) | 1.6 | 2.9 | 13.6 | 9.4 | 7 | 87 |

Source : Economic Surveys, 1955, 1957, 1958.
Statistical Abstracts No.1 (1956).

Notes : (1) 'Value 1935-39' - Highest annual figure in the period, to nearest £000.
(2) Lime juice and bananas figures in first column are averages for 1937-38-39 only.
(3) Since most of these crops are also consumed locally, the figures given are not a reliable guide to total production.

Measures to remedy the low level of capital in agriculture have been much discussed in economic publications, and there is clearly a good case for capitalizing peasant-farming to the same extent as plantation-agriculture in the past.[64] The difficulties are formidable, however, and this too must be a slow process. One of the arguments for plantations, indeed, is the greater ease and rapidity with which capital can be applied to them. (So far as the Gold Coast was concerned, the perennial dispute between the supporters of a plantation-system and of peasant-farming had been decided by the government before the war, in favour of the latter. It will not be resuscitated here.[65])

The Gonja Development Scheme, an ambitious post-war experiment in commercial mechanized agriculture, had to be wound up in 1957 with heavy loss to the government because costs of production could not be sufficiently reduced, and later experiments of a similar nature are on a much smaller scale. Various organizations set up to liquidate farmers' indebtedness and make capital directly available for "farm improvements" have also come to grief and further attempts by the government in this direction are unlikely to succeed until adequate methods of control have been devised and farmers adopt a more orthodox attitude to the repayment of loans.

Many agricultural improvements, however, require comparatively small capital outlays, though their aggregate effect would be considerable. In this category come better implements and improved storage and processing facilities. The increased use of bicycles in rural areas is also of great importance both in production and marketing, while improved village water supplies have significantly increased the reserve of female labour available for productive purposes. (They have also enabled large numbers of women to attend literacy classes.) It is all too often forgotten, however, that much of the agricultural capital which is such an obvious feature of advanced countries, and of some backward ones as well, derives not so much from direct financial investment as from the unremitting application of labour over a long period of time.

The system of communal land-tenure in the Gold Coast creates numerous problems, but these have never become so overwhelmingly important as in some other countries. In particular, the familiar conflict between oppressive landlords and impoverished tenants has been avoided, with all its political repercussions.[66] The small size of holdings and the absence of individual titles to land remain obstacles to progress, but the system has been flexible enough to permit the unhampered growth of the cocoa-industry and is probably less rigid than it appears. Tribal opposition to "stranger farmers" seldom prevents them from obtaining access to cultivable land, and transactions in freehold ownerships are growing in number.

Forestry and fishing really deserve more than the brief attention they can be given here. The recent expansion of the timber industry has already been noted. Commercial export timbers come from the closed forest zone of 30,000 square miles (one third of the country's total area), of which only 10,600 square miles or 33% can now be classed as forest, compared with 16,000 square miles or 55% in 1947.[67] All of this deforestation is due to clearance for farming, mostly cocoa-farming. Forest reserves make up about 6,000 square miles of the total, and will form the permanent forest estate, protected from deforestation by farmers. In the words of the U.K. Trade Mission of 1959, "unless the Government actively pursue and enforce a policy of forest conservation and regeneration, the prospects for a continuance of the present high level of exports are not good."

As regards fishing, most of the catch (estimated at ½m. tons a year[68]) is still made by the thousands of canoe-fishermen who operate all along the coastline, but more modern methods are gradually being introduced. The number of motor fishing vessels reached 114 in 1958 (30 of them privately-owned) and is expected to increase rapidly, especially after completion of the fishing harbours at Tema and Elmina. Canoe-fishermen are being encouraged to use outboard motors, and fishing techniques are being taught to young men in the Northern Territories. The sale of fresh fish beyond 50 miles from the coast is still very limited, however, and the marketing system will require drastic improvement if the increased catches now becoming possible are to have the maximum benefit. A particularly important development recently was the formation of the Ghana International Fisheries Corporation, with a nominal capital of £½m. It is to build cold storage plants and a canning factory as well as operating fishing trawlers, and capital from Swiss and American sources is likely to be invested in enterprises of a similar kind.[68]

INDUSTRIES.

In devising measures to encourage industrialization in the Gold Coast, the government has had the benefit of the admirable report made by Professor W.A.Lewis in 1953.[69] His careful analysis may now be somewhat out of date: it has certainly not been improved upon. Industrialization, he pointed out, usually starts in one of three ways: (1) with the processing for export of primary products; (2) with the production of light manufactures for export; or (3) with the manufacture of commodities for an expanding home market.

Regarding the first of these, where loss of weight in manufacture was the main determinant, cocoa and oilseeds offered little scope for domestic processing, saw-milling for export was already developing, and plans for the local manufacture of aluminium were being made in connection with the Volta River Project. Regarding the second, Japan, Hong Kong and Puerto Rico were outstanding examples of industrialization built on a basis of low labour costs and imported raw materials which were light in relation to value and used little fuel in the process of manufacture. Since the Gold Coast was not over-populated and had relatively high wages for an under-developed country, industrialization there was unlikely to follow this path.

Regarding the third, "industrialization for the home market can make little progress unless agriculture is progressing vigorously at the same time, to provide both the market for industry, and industry's labour supply. If agriculture is stagnant, industry cannot grow."[70] A major programme to increase the manufacture of commodities for the home market should therefore wait until the country was better prepared to carry it. The first priority was "a concentrated attack on the system of growing food in the Gold Coast, so as to set in motion an ever-increasing productivity," and the second was the improvement of the public services. "To do this will reduce the cost of manufacturing in the Gold Coast, and will thus automatically attract new industries, without the government having to offer special favours."[71]

In the event, the 1951-59 Development Plans gave more emphasis to the second of these objectives than to the first, and some of the reasons for this have been discussed. Even in normal circumstances, of course, the improvement of public services would have been an easier task than the raising of agricultural productivity. It was also more readily comprehensible by the electorate and more likely to win popular acclaim. As a policy, it was less liable to failure (which the African Ministers who held office from 1951 onwards could ill afford to have) and was more certain to produce a favourable reaction in world opinion. Improved communications and water supplies, for example, are more easily demonstrable than an increase of even 5% in local food production.

It need occasion no surprise, therefore, that what little evidence there is indicates no spectacular increase so far in the importance of manufacturing industry. In the absence of a census of production and of detailed output statistics from the national income accounts, the best available figures are those relating to the number of employees in manufacturing, which are reproduced in Table 27 below for the period 1951-57. The coverage is not complete, and there are other obvious deficiencies, but nevertheless some significance attaches to the fact that, prima facie, the proportion of such employees in the recorded total number of employees has risen from 5.2% to 6.9%, an increase in absolute terms not far short of 10% a year. More than two-thirds of this took place in the private sector. Proper perspective is restored, however, when the total number of recorded employees (277,413 in 1957) is compared with the estimated total male labour force of 1.5 million.

Table 27 : Recorded Numbers of Employees in Manufacturing, 1951-57.

| | 1<br>Estd. Total Populn. 000's | 2<br>Total Recorded Employees 000's | 3<br>Recorded Employees in M'fre. | 4 | 5 |
|---|---|---|---|---|---|
| | | | Total No. 000's | As % of Col.2 | As % of Col.1 |
| 1951 | 4,342 | 218 | 11.3 | 5.2 | 0.26 |
| 1952 | 4,409 | 216 | 11.8 | 5.5 | 0.27 |
| 1953 | 4,478 | 224 | 12.6 | 5.6 | 0.28 |
| 1954 | 4.548 | 244 | 14.8 | 6.0 | 0.32 |
| 1955 | 4,620 | 245 | 16.1 | 6.6 | 0.35 |
| 1956 | 4,691 | 267 | 17.7 | 6.6 | 0.38 |
| 1957 | 4,763 | 277 | 19.1 | 6.9 | 0.40 |

Source : Digest of Statistics; Economic Surveys, 1957, 1958.
Note : The coverage is not complete, and later figures are likely to be more reliable than earlier ones.

The impression given, of a very small but gradually expanding manufacturing sector, is confirmed by study of the new enterprises which have been started. Detailed information is scanty, but the capital for these seems to have come in the main from the reinvested profits of large expatriate trading firms and from the government, through the agency of the Industrial Development Corporation, which loaned about £85,000 to 90 small businesses between January, 1954 and September, 1955.[72] The part played by direct African investment is hard to assess, since this tends to go to very small undertakings (such as carpenters' workshops), but is unlikely to have been considerable, in view of other, more inviting outlets.

Both Professor Lewis and the U.K. Trade Mission emphasized the shortage of managerial capacity among African entrepreneurs and the difficulty of remedying it.[73] In the words of the former, "It is a common error in under-developed countries to believe that entrepreneurship requires mainly technical knowledge and capital. The truth is the reverse: if people really have managerial capacity they will in most cases be able to find technical knowledge and capital to work with. What makes a business successful is the efficiency of its management, for, given this, all else will follow." He added the blunt warning that "African enterprise cannot be built up simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain."

Such outspokenness could hardly be expected to commend itself to self-styled African businessmen clamant for government assistance and nationalist zealots convinced that only "colonialism" had prevented the widespread establishment of secondary industries. Yet it is strongly supported by the views of the World Bank Mission to Nigeria. Their report goes even further: "The need for self-help is not understood by the African business-man who looks to the government, and the government alone, for financial assistance in the expansion of his business instead of joining with others in a partnership or other form of common enterprise. It is not understood by rural communities and their leaders who demand school and hospital facilities but are not ready to pay for them by increased tax assessments. It is not understood by those who deplore graft and corruption in the hospitals, in the produce inspection service, in the railway and in private business, yet are unwilling to take effective action against these abuses."[74]

This aspect of the problem of industrialization has been dealt with at some length not only because of its fundamental importance but also because there is so much emotional confusion of thought regarding it, and because the prevailing inadequacy of African entrepreneurship tends to be lost sight of amid the haze of publicity surrounding the government's achievements. "At every turn," the Watson Commission had written in its report on the 1948 riots, "we were pressed with the cry of industrialization. We doubt very much if the authors of this cry really understood more than their vague desire for something that promised wealth and higher standards of life."[75] It must be admitted, however, that some reasonably competent entrepreneurs are beginning to establish themselves in a small way (there have always been a few), and that there is much in the social organization of the Gold Coast which can serve the cause of economic growth instead of impeding it. This is a matter where pessimism can be as unreliable a guide as optimism.

Credit, too, must be accorded the government for its efforts to follow much of the expert advice given to it in this connection, whatever reservations may have to be made concerning them. It has established an Industries Division in the appropriate Ministry, provided for tariff rebates and tax concessions to infant industries, made land available for industrial estates, expressed a welcome to foreign enterprise, entered into business partnerships, arranged for the temporary employment of qualified Africans in industrial undertakings overseas, and adopted various other measures for the promotion of industrialization. Finally, in accepting Professor Lewis' eminently practical recommendation, it has provided a first-class hotel in Accra to facilitate visits to the country by overseas industrialists.

CURRENCY AND BANKING.

The colonial currency system has been much discussed.[76] Its operation in the Gold Coast will be described here only in barest outline. "Broadly speaking, it is a sterling exchange system under which a currency issue may be expanded only if an equivalent value of sterling is deposited with the relevant currency authority. Conversely, the issue may be contracted by paying Colonial currency into the authority in exchange for sterling."[77]

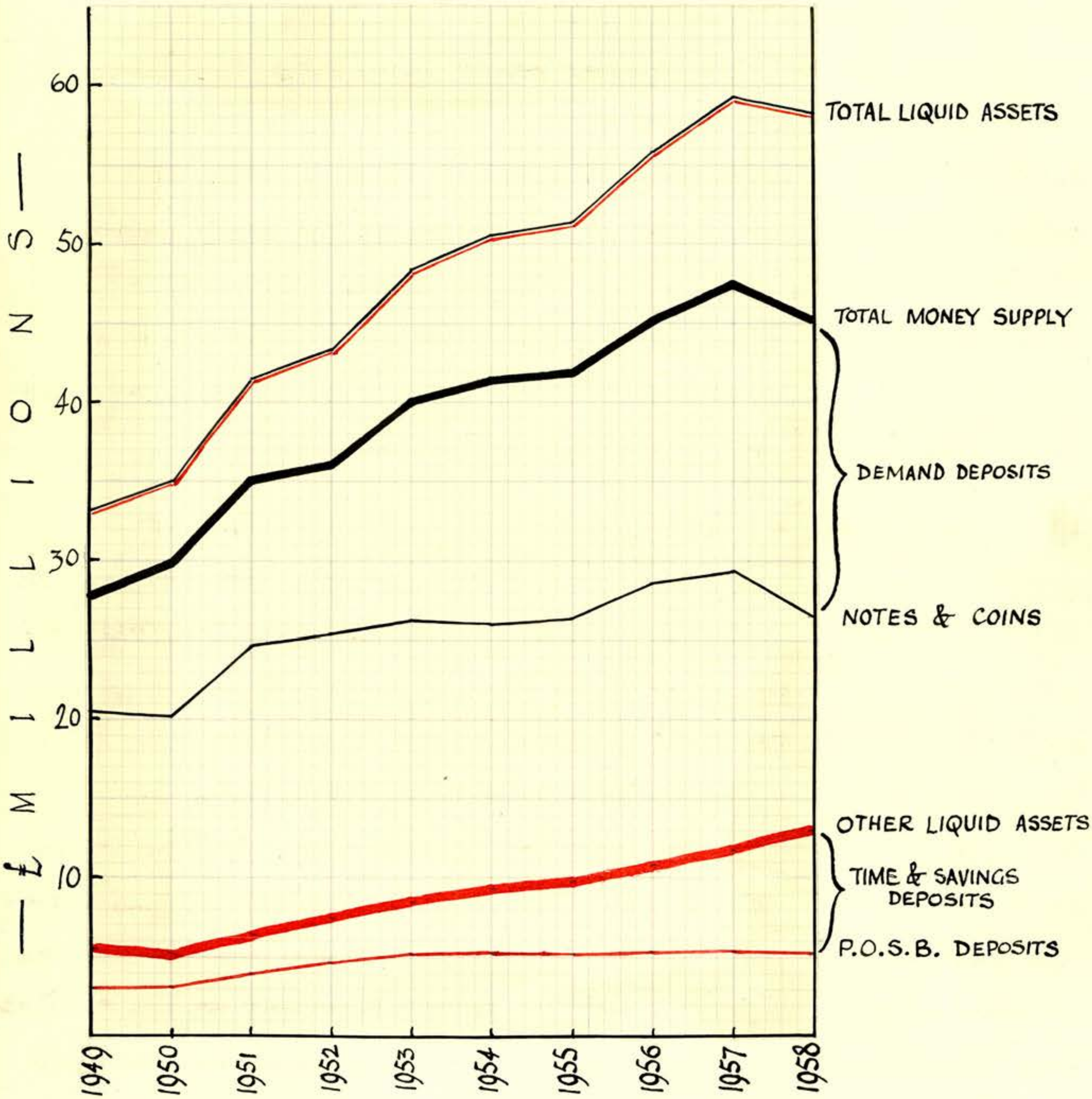
The amount of money circulating in the Gold Coast, therefore, could be expanded if sterling earned by exports was paid to the West African Currency Board, local currency so obtained being regarded as an import paid for with export earnings. In the usual form of transaction, sterling was deposited with the Board by expatriate trading firms to secure the release of local currency with which to conduct their activities in the colony. This meant that although initially the increase in circulation and in the Board's sterling holdings was financed by such firms, in the longer term it was financed by saving on the part of peasant-farmers from whom export products had been bought. This saving had its counterpart in investment abroad, and sterling earnings representing imports foregone were immobilised in the Board's reserves. (See "Overseas Balances", supra.)

The "automatic" operation of this system had definite advantages in the past, and certainly assisted the export sector, as it had been designed to do, although the necessary close relationship between currency circulation and the balance of payments (which the intervention of the Cocoa Marketing Board had affected but not eliminated) may have impeded the development of the internal exchange economy.[78] It is not appropriate to conditions in a self-governing country, however. The establishment of the Bank of Ghana in 1957 as the central bank and its issue of a national currency in the following year is clearly intended as a step towards mobilising financial resources in support of the government's development programme. Though the new currency is still fully backed by sterling and is exchangeable with sterling at par, the way has been prepared for a fiduciary issue and for currency manipulation by the government. (As Professor Hicks has recently reminded us, however, "one of the drawbacks of being underdeveloped is that one has so little room for monetary 'magic'."[79])

DIAGRAM 8

OVERLEAF

DIAGRAM 8 : MONEY & OTHER LIQUID ASSETS HELD IN THE GOLD COAST BY THE GOVERNMENT & THE PUBLIC, 1949–1958.




Source : Table A.8.

Note : Total liquid assets = total money supply + other liquid assets.

Diagram 8 opposite illustrates the considerable increase in the money supply and other liquid assets which has taken place since 1949; the detailed figures are in Table A.8. The growth of demand deposits and time and savings deposits in commercial banks is particularly significant and supports other evidence of the spread of banking habits and the expansion of the money economy. Although the total money supply fell by £2.2m. between 1957 and 1958, demand deposits actually rose by £700,000 and since other bank deposits also rose the net decline in total liquid assets was only 1.7%.

The increase of currency in circulation cannot be explained simply by price rises, and it was larger than the real increase in value of domestic exports. The rate of increase, too, appears to have been greater than before the war; in other words, the proportion of the total amount of currency issued each year which did not return to the Currency Board appears to have grown. Bank deposits, as already noted, have greatly increased in importance. In an interesting article published in 1958, E.K.Hawkins has reasoned from this evidence (which he admits is inconclusive) that the internal exchange sector, which has grown relatively to the subsistence sector, has also grown relatively to the *export* sector since 1946.[80] The significance of this deduction, if it can be accepted as valid, is that post-war prosperity has begun to change the structure of the economy: it is swinging away, however gradually, from dependence on foreign trade. This does not mean to say, of course, that the swing, if it exists, will necessarily accelerate or even

continue.

It is a truism that savings and their investment productively are essential to economic development. Hoarding, inadequate facilities for saving and for financing enterprises, and, in general, a lack of "bank-mindedness" in the people, are numbered among the obstacles. The availability of modern banking facilities is thus a highly relevant topic. Four commercial banks operate in the country today. Two of these, the British-owned Bank of West Africa and Barclays Bank D.C.O., have been established for many years. They still handle nearly all the business but are as yet ill-equipped for activity outside the merchandise trade and have been alleged, rightly or wrongly, to "discriminate" against Africans.

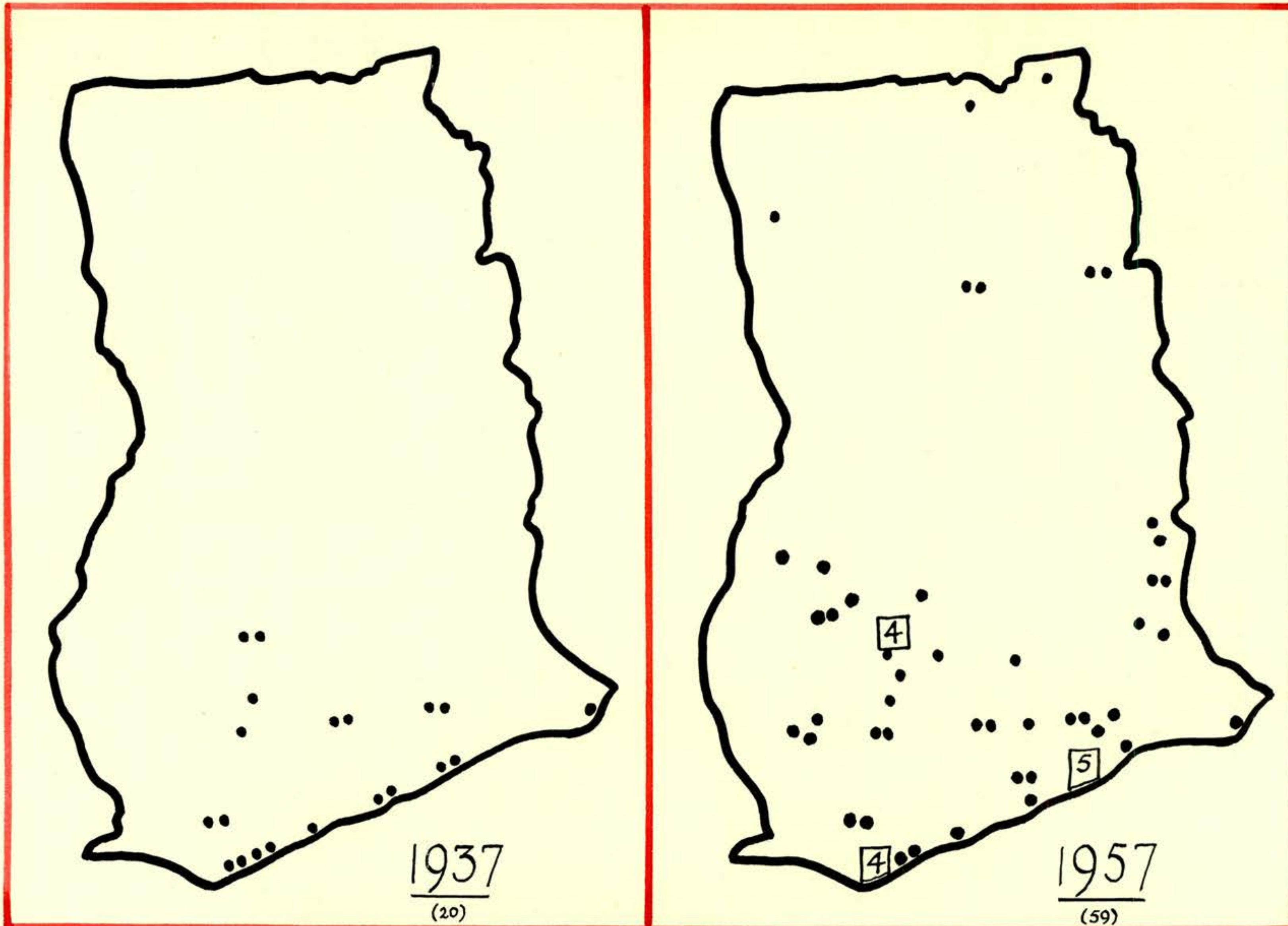
The Ghana Co-operative Bank has grown steadily in importance since the war and although it exists primarily to supply the short-term finance needed by cocoa-marketing co-operative societies it also makes long-term loans to societies for buildings and capital equipment. The Ghana Commercial Bank (formerly the Bank of the Gold Coast) was established by the government in 1957 and is intended to finance Africans engaging in trade and industry and so to fill the gap left by the British-owned banks. Its operations are on a comparatively small scale so far.

Particulars of loans and advances made to domestic customers in 1957 and 1958 by the commercial banks (excluding the Co-operative Bank) are given in <u>Table A.9</u>. Commerce took the lion's share, with 61% and 65%, mostly for wholesale and retail trading, and for cocoa marketing, while industry in general had only 14% and 17% and most

DIAGRAM 9

OVERLEAF

DIAGRAM 9 : EXPANSION OF COMMERCIAL BANKING FACILITIES, 1937 — 1957.




(DOTS & NUMERALS REPRESENT BRANCHES & AGENCIES OF BANK OF WEST AFRICA & BARCLAYS BANK D.C.O.)
SOURCE : G.C. HANDBOOK 1937 ; GHANA HANDBOOK OF COMMERCE & INDUSTRY, 1957.

of that was for timber extraction and building and construction. "Industry and manufacturing" accounted for only £109,000 in 1957 and £188,000 in the following year, but the increase from 1.5% to 2.8% of the total may possess some significance. If any loans at all were made for agricultural development, they appear to have been of minor importance. Loans and advances are also made by the Ghana Guarantee Corporation, the Industrial Development Corporation and the Agricultural Development Corporation.

The gold trinkets and expensive clothing which appear on special occasions are evidence that hoarding is still common in the Gold Coast, and although its extent cannot be measured it is probably less common now than formerly. Mistrust of banks continues, too, supported in individual cases by the idea that a bank account invites unwelcome attention from needy relatives. Nevertheless, there has been a remarkable expansion in banking facilities since the war, from which a rapidly-growing "bank-mindedness" may reasonably be inferred.

As <u>Diagram 9</u> opposite shows, branches of the Bank of West Africa and of Barclays Bank D.C.O. increased in number from 20 to 59 between 1937 and 1957. Most of this increase took place since the war, and by the end of 1958 the total number was 85.[81] The expansion is related to improvements in communications as well as to the prosperity of the cocoa industry. Togoland and the Northern Territories now have banking facilities for the first time, and expansion in Ashanti is also noticeable. Many Post Offices and co-operative societies also provide savings facilities.

CO-OPERATIVE SOCIETIES.

The development of co-operation in the Gold Coast deserves more careful attention than it has received hitherto in any writings about the country's economy. "The aim of the Co-operative Movement," said an official report of over twenty years ago, "has been to introduce more businesslike methods amongst the local peasants by utilizing the Africans' natural mode of communal working and endeavouring to develop that spirit of independence, self-help and neighbourly assistance so essential to the maintenance of an active and virile rural population. In addition to guiding members along these lines, the machinery of the movement provides facilities for stimulating thrift and for the profitable utilization of such savings. The village society provides banking facilities which cannot be provided by other banking organizations on account of the suspicions and illiteracy of farmers and the small amounts that they can save."[82]

These objectives must surely be approved by the "economic developer" of today. In addition, the cocoa-marketing societies, which form by far the largest section of the movement, encourage their members to use improved farming methods and to "even out" their incomes by making deposits at harvest-time sufficient to meet off-season expenses. This helps to counter instability in the economy resulting from the very marked seasonal flow of internal expenditure and to lessen hardship caused by the succession of spending-sprees and periods of indigence, which the activities of import-export firms tend to aggravate. Progress has inevitably been slow (much too slow for impatient nationalists), but it has been securely founded and was genuinely dependent to a very large extent on the efforts of the co-operative members themselves.

Although its beginnings ante-dated the war, the movement received a special stimulus from the formation in 1944 of a separate Department of Co-operation, with the duty of providing advice, assistance and audit services. The Co-operative Marketing Association, too, benefited from the establishment of the Cocoa Marketing Board, which solved for it the problem of exporting cocoa collected from its member-societies. By the 1952-53 season, it had become responsible for one-fifth of the entire crop (worth about £6m. to producers), a larger share than was handled by any other licensed buying agent, and has held this position since in spite of direct competition from the heavily-financed Cocoa Purchasing Company set up by the Board at government instigation. In the ten years to 1958, membership in cocoa marketing societies rose from under 13,000 to about 40,000, and since many of these are heads of families the total number of farmers concerned is actually much greater.

At the end of 1958, 489 societies of all kinds were in operation, including 376 engaged in cocoa marketing, with £1.4m. in paid-up share-capital and members' deposits, and properties nominally valued at £592,000. It is a statutory requirement that in every society one quarter of the surplus on each year's operations must go to reserve; as the movement has grown, therefore, so has its financial basis become more stable.

Other forms of co-operation have not flourished so well as cocoa marketing. Recommending the adoption of measures for the encouragement of consumers' co-operatives, the Watson Commission of 1948 had said [83] that this was "not only economically desirable, but also politically expedient, as a means of increasing the responsibilities or the African community and making clear the complexities and problems of modern economic life", but recognized that it would take time and require intensive education and propaganda. The Co-operative Wholesale Establishment was founded as a result, and by December 1952 was supplying goods to 39 consumers' societies, but the organisation had been hastily devised, lacked spontaneous mass support and never gained a secure foothold; after a few years it was wound up at a cost of over £250,000. (The war-time growth of consumer co-operation in Ceylon provides an edifying contrast.)

Small thrift and credit societies have continued to operate, with continual encouragement from the Department, but have had little appeal in the prosperous conditions prevailing since the war and are unlikely to expand. Fishing societies, and societies for the marketing of crops other than cocoa, are now receiving greater attention, and show better prospects of survival. Improved communications and an enlarged staff in the Department have also enabled it devote more effort recently to the development of co-operation in the Northern Territories, where low living standards and the absence of a lucrative cash crop offer a particularly stimulating challenge to co-operative activity.

It has been pointed out that "substantial official support does not generally promote the qualities which are so highly regarded in the literature of the co-operative movement and in its philosophy. On the contrary these qualities become subordinated to others which are in many ways their opposites, especially the ability to secure political influence and administrative privileges".[84] Generally speaking, government support in the Gold Coast has been confined to maintenance of the small Department of Co-operation, and to guarantees of borrowing from commercial banks to finance cocoa-marketing. The strength of the marketing societies has come almost entirely from their own individual members, though they have undoubtedly been favoured by recent prosperity in the cocoa industry. The main impetus for their expansion was the elimination of middlemen's profits.

In recent years, the big trading firms have been less interested in cocoa than in the import trade, where returns are higher (in March, 1959, the United Africa Coy. withdrew entirely from cocoa marketing), and the reduced competitive pressure has also helped the co-operatives. Government support, however, has not increased. Since 1951, when African Ministers first began to formulate policy, the government's attitude has been equivocal, to say the least, and it still seems determined to weaken the movement or to replace it with a centrally-controlled farmers' organization.

EMPLOYMENT, WAGES AND PRICES.

So fragmentary and of such dubious reliability is the available evidence that little can be said about employment, wages and prices. "Disguised unemployment" in Gold Coast agriculture has already been discussed. As regards unemployment among wage-earners outside agriculture, three main groups may be distinguished. These are, first, unskilled workers; secondly, skilled and semi-skilled workers; and, thirdly, what are known locally as "middle school leavers" - i.e. young persons who have had rather more than a rudimentary education and are entering the labour market for the first time.

Numbers of unemployed recorded in the first two groups naturally reflect changes in the volume and pattern of economic activity (particularly building and construction) so that for the most part this is unemployment of the "frictional" variety. Some of it results from the relatively inflexible wage-structure which, in a context of low labour productivity and shortage of supervisory staff, now tends to discourage the use of labour-intensive techniques. African labour, if it ever was cheap, is so no longer; the bull-dozer (for instance) is replacing the gang of manual workers. The low degree of mobility is a contributory factor.

Unemployment in the third group is more "structural" in character, and causes more concern locally. Before the war, the small number of Africans leaving school had little difficulty in securing employment of a clerical nature, but in recent years the situation has been transformed. While the supply has vastly increased, the nature of the demand has altered and a mere elementary education, unsupported by additional skills, is no longer a sufficient recommendation. The problem is aggravated by the fact that clerical work is still regarded as the gateway to wealth and privilege; agriculture, by contrast, has a negligible appeal.

Some of the government's attempts at a solution have been noted; another of these was the recent formation of a "Builders' Brigade", based on Israeli models. This is ostensibly designed to provide employment outlets, to give further training, and to undertake minor capital works. It operates under quasi-military discipline and is meant to be self-sufficing in transport and commissariat facilities. By the end of 1958, it had a total strength of 8,281, of whom some 25% were "middle school leavers", 20% carpenters and masons, 15% clerical workers, and 5% fitters. Applications for enlistment greatly exceeded the vacancies available.

Generally speaking, however, unemployment is not a serious problem. If co-operant factors of production continue to become available in the course of economic expansion, and measures for technical and other training prove adequate, it seems unlikely to become one. The annual average figure for recorded unemployment in 1958 was only 8,918, which was about 3% of the total number of recorded employees, and of course the coverage of these figures is far from complete.

Significant changes have also taken place in the country's wage-structure since the war. When literacy had a scarcity-value greater than it does now, the rates paid to clerical workers were very high relatively to those of artisans and the like: this is of course a characteristic of many under-developed countries. The increasing demand for technical skills required in the Development Plan was articulated in the reports of various Government Commissions and set in train pressures which have practically remedied the disparity, however. Indeed, it can be argued that Trade Union action has pushed some wages (particularly those of some categories of unskilled and semi-skilled workers) above the level justified by economic circumstances.

Average money wages paid to Africans appear to have risen considerably in the post-war period: between the end of 1954 and the end of 1957 the average increase for all industries has been calculated as 24%. During those three years, the average increases in commerce (37%), in manufacturing (33%), and in construction (25%) are noteworthy, and may indicate a more rapid rate of development in those industry groups. In part, however, they are due to promotions of Africans to more senior positions; "Africanisation" or "Ghanaisation" is a cardinal tenet of government policy. In the same period, the ratio of African to non-African earnings on average throughout all industries rose from 9.0% to 9.7% : in commerce alone the increase was from 11.9% to 12.9%.[85]

Common misconceptions on the subject make it appropriate to include here a note about the distribution of income by size, though this is only partly relevant to a discussion of wages. The point has been well made by Prest and Stewart with reference to Nigeria: it is equally applicable to the Gold Coast. "Our general conclusion (they wrote) is that not only is there the obvious gap between European living standards and those of the great mass of African clerks, petty traders, farmers and so on, but that there is also a more important (because less obvious and less easily documented) gap between African and African, on which the present structure of taxation makes little or no impression. Large differences in income do not necessarily or perhaps even normally arise from exploitation. Nevertheless, the danger of exploitation of African by African, rather than of African by European, is possibly a subject to which far too little attention has been paid."[86]

Finally, what evidence is available of price-movements since the war? As regards import prices, we have seen from Table A.5 that on average they have remained fairly steady, except for the upward fluctuation which reached its peak in 1952. Not surprisingly, there is no general index of retail prices, and neither the provisional index of expenditure by manual workers in Accra from 1948 onwards nor the improved index which replaced it in 1954 is sufficiently typical to afford a sound basis for generalization. (These suggest that since 1951 the cost of living of the group concerned has never been more than 7% above its level then.) The remaining official index, whatever its deficiencies, has a wider geographical coverage, and is reproduced in Table 28 overleaf.

Table 28 : Index of Market Prices of Locally-Produced Foodstuffs, 1948-58. (1948 = 100 & 1954 = 100)

| | Weighted Index | Accra | Kumasi | Tamale | Ho |
|---|---|---|---|---|---|
| 1948 | 100 | 100 | 100 | 100 | 100 |
| 1949 | 145 | 126 | 158 | 159 | 132 |
| 1950 | 145 | 128 | 153 | 182 | 158 |
| 1951 | 186 | 200 | 157 | 239 | 201 |
| 1952 | 190 | 197 | 170 | 249 | 197 |
| 1953 | 186 | 185 | 182 | 244 | 199 |
| 1954 | 184 | 188 | 177 | 235 | 204 |
| 1954 | 100 | 100 | 100 | 100 | 100 |
| 1955 | 106 | 110 | 104 | 98 | 101 |
| 1956 | 115 | 126 | 109 | 99 | 112 |
| 1957 | 116 | 116 | 117 | 115 | 126 |
| 1958 | 113 | 115 | 114 | 125 | 114 |

Source : Quarterly Digest of Statistics, March 1959.

Notes : (1) Indices represent annual averages. A new base year was adopted in 1954.

(2) Weights for the seven towns covered were :- Accra 42, Kumasi 25, Sekondi/ Takoradi 14, Tarkwa 8, Tamale 5, Keta 4, Ho 2. Only the four administrative capitals are shown above.

Not only does the weighted index conceal wide local variations, but detailed investigation on the spot would reveal considerable differences in price even within comparatively small areas. This phenomenon too is characteristic of many under-developed economies: the large number of small-scale producers (with imperfect knowledge of the market), the inadequacy of storage and transport facilities, and the persistence of localized consumption-

-habits, are among the principal factors responsible.

The general picture which emerges from the Table is fairly clear. Prices of local foodstuffs rose steeply to a peak in 1952 or thereabouts (earlier in the case of Accra, later in the case of Kumasi) but have shown comparatively little tendency to rise since 1954. The rise was greater than the rise in import prices, with which it corresponded in time, and the two movements may not have been entirely unrelated: as reference to Diagram 2 will confirm, total payments to cocoa producers were particularly high in the three seasons beginning with 1950-51.

Though the evidence is necessarily inconclusive, the comparative stability in their prices which has persisted since 1954, despite pressure from development spending, suggests that the local output of foodstuffs has been increasing almost as rapidly as demand. It can also be interpreted as an indication that the country has not yet pushed its productive capacity to the limit. Since the marginal propensity to consume imported goods appears to be high, a large part of any future increase in incomes will probably augment the demand for such goods, while increasing urbanization and growth in the number of wage-earners will reinforce the trend. Nevertheless, pressure created by growing demand seems bound to force up prices of local foodstuffs as spending in the next phase of development gets under way.

# APPENDIX.

# APPENDIX.

Table A.1 : Distribution of Cocoa Proceeds (per ton), 1947-58.

| CROP YEAR | 1 Producer Price £ | 2 Export Duty £ | 3 Expenses £ | 4 Total Cost f.o.b. £ | 5 Sale Price £ | 6 Board Profit /Loss £ | 7 Cocoa Exported 000 tons |
|---|---|---|---|---|---|---|---|
| '47-48 | 74.7 | 1.8 | 9.4 | 85.9 | 201.2 | +115.3 | 206 |
| '48-49 | 121.3 | 6.1 | 12.1 | 139.6 | 136.7 | - 2.9 | 275 |
| '49-50 | 84.0 | 13.8 | 12.0 | 109.9 | 178.4 | + 68.5 | 253 |
| '50-51 | 130.7 | 51.1 | 14.1 | 195.8 | 268.5 | + 72.7 | 262 |
| '51-52 | 149.3 | 70.0 | 16.3 | 235.6 | 245.1 | + 9.5 | 211 |
| '52-53 | 130.5 | 64.7 | 17.3 | 212.7 | 231.3 | + 18.6 | 247 |
| '53-54 | 134.4 | 163.4 | 17.1 | 315.0 | 358.7 | + 43.7 | 208 |
| '54-55 | 135.0 | 175.8 | 17.5 | 328.3 | 355.0 | + 26.7 | 218 |
| '55-56 | 148.4 | 61.8 | 19.0 | 229.4 | 221.7 | - 7.7 | 236 |
| '56-57 | 149.2 | 44.7 | 19.4 | 213.4 | 189.4 | - 24.0 | 268 |
| '57-58 | 134.4 | 127.0 | 18.6 | 280.0 | 304.7 | + 24.7 | 207 |

Source:

Cocoa Marketing Board Tenth Annual Report & Accounts; Economic Survey, 1958.

Notes : (1) Column 4 = Column 1 + 2 + 3.
Column 6 = Column 5 - 4.

(2) It has been necessary to extract these figures from the accounts of the Cocoa Marketing Board, which in their published form contain some errors, ambiguities and discrepancies. Although therefore they may not be wholly accurate in detail, they are sufficient to provide a general picture of cocoa marketing finances over the period concerned. Activities of the Board other than the purchase and sale of the cocoa crop have not been taken into account.

(3) See also Table 5 and Diagram 2, in the text.

Table A.2 : Imports by Origin and Exports by Destination, as Percentages of Total Imports and Exports, 1938-58.

| ORIGIN | IMPORTS | | | | |
|---|---|---|---|---|---|
| | 1938 | 1946 | 1956 | 1957 | 1958 |
| United Kingdom | 54.5 | 63.8 | 46.9 | 42.2 | 43.3 |
| Japan | 3.6 | - | 10.1 | 10.7 | 8.0 |
| Netherlands | 2.0 | 2.4 | 8.3 | 8.2 | 8.4 |
| West Germany | 5.7 | - | 5.1 | 5.5 | 5.7 |
| U. S. A. | 9.8 | 8.8 | 3.8 | 4.8 | 5.1 |
| Others | 24.4 | 25.0 | 25.8 | 28.6 | 29.5 |
| DESTINATION | EXPORTS | | | | |
| United Kingdom | 65.7 | 51.7 | 34.6 | 37.3 | 36.2 |
| U. S. A. | 11.8 | 27.7 | 18.5 | 15.8 | 19.2 |
| West Germany | 6.9 | - | 16.3 | 12.5 | 16.1 |
| Netherlands | 5.2 | 3.2 | 11.2 | 9.9 | 9.7 |
| U. S. S. R. | - | 1.9 | 2.4 | 6.8 | 0.4 |
| Italy | 0.4 | - | 2.9 | 4.2 | 4.3 |
| Others | 10.0 | 15.5 | 14.1 | 13.5 | 14.1 |

Source : Report of the U.K. Trade & Industrial Mission to Ghana, 1959.

Notes : (1) Exports to East & West Germany shown together for 1938 & 1946. All export percentages calculated from total exports - i.e. including re-exports.

(2) For total annual values of imports & exports, see Table 7.

Table A.3 : Imports by End-use, as percentages of Total Value, 1954-58.

| | 1954 | 1955 | 1956 | 1957 | 1958 |
|---|---|---|---|---|---|
| Non-durable consumers' goods | | | | | |
| Food, drink & tobacco . . . . | 15.4 | 15.6 | 15.3 | 16.3 | 16.5 |
| Textiles & clothing . . . . . | 22.2 | 22.9 | 19.5 | 21.4 | 17.8 |
| Other . . . . . . . . . . | 8.6 | 8.8 | 9.2 | 9.8 | 10.6 |
| Total | 46.2 | 47.3 | 44.0 | 47.5 | 44.9 |
| Durable consumers' goods | | | | | |
| Private vehicles & accessories | 3.0 | 3.2 | 3.6 | 3.4 | 3.3 |
| Other . . . . . . . . . . | 6.5 | 6.7 | 6.6 | 5.9 | 6.3 |
| Total | 9.5 | 9.9 | 10.2 | 9.3 | 9.6 |
| Non-durable producers' goods | | | | | |
| Materials for food, drink, tobacco | 5.7 | 4.8 | 5.6 | 6.0 | 5.6 |
| " " agriculture . . | 1.6 | 1.1 | 2.1 | 2.0 | 2.2 |
| " " industry & commerce | 5.5 | 5.7 | 5.4 | 5.6 | 6.4 |
| Animal & veg. oils and fats . | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 |
| Total | 13.0 | 11.8 | 13.2 | 13.8 | 14.4 |
| Durable producers' goods | | | | | |
| Materials . . . . . . . . . | 11.5 | 12.4 | 12.5 | 10.2 | 10.6 |
| Capital equipment . . . . . . | 14.1 | 13.3 | 15.1 | 13.0 | 13.9 |
| Total | 25.6 | 25.7 | 27.6 | 23.2 | 24.5 |
| Fuels and lubricants . . . . . | 5.7 | 5.3 | 5.0 | 6.2 | 6.6 |
| TOTAL IMPORTS . . . . . | 100 | 100 | 100 | 100 | 100 |

Source : Economic Survey, 1958.

Note : Since Customs classifications for imports were altered in 1954, precisely comparable figures for earlier years are not available. According to the 1958 Digest of Statistics, however, particular volume indices increased as follows :-

| | | | |
|---|---|---|---|
| Food, drink & tobacco ...... | from 100 - 257 | during | 1948-54 |
| Textiles . . . . . . . . . . . | " 100 - 205 | " | " " |
| Metal manufactures . . . . . . | " 100 - 182 | " | " " |
| Machinery & transport equipt. | " 100 - 124 | " | 1954-57 |
| Food . . . . . . . . . . . . | " 100 - 153 | " | " " |

Table A.4 : Indices of Terms of Trade of Gold Coast Cocoa Producers in Terms of Imported Textiles, 1948-1957. (1948 = 100)

| YEAR | 1 Producer Price of Cocoa | 2 | 3 Textiles Value Index | 4 Terms of Trade |
|---|---|---|---|---|
| | £ per ton | Index | | |
| 1948 | 105.7 | 100 | 100 | 100 |
| 1949 | 96.4 | 91 | 95 | 96 |
| 1950 | 115.2 | 109 | 92 | 118 |
| 1951 | 143.2 | 136 | 113 | 120 |
| 1952 | 136.8 | 129 | 116 | 111 |
| 1953 | 133.1 | 126 | 97 | 130 |
| 1954 | 134.8 | 127 | 86 | 148 |
| 1955 | 144.0 | 136 | 83 | 164 |
| 1956 | 148.9 | 141 | 86 | 164 |
| 1957 | 139.3 | 132 | 84 | 157 |

Source : C.M.B. Accounts; Econ. Survey, 1958; Digest of Statistics, Oct. 1958.

Notes : (1) Col.1 : Calendar year prices have been calculated from crop year prices on the assumption that approximately $\frac{2}{3}$ of each season's crop had been bought by 31 December.

(2) Col.3 : Govt. Statistician's average value index for all imported textiles. Since the base was changed in 1954, it has been necessary to re-adjust indices for 1955-56-57 from base 1954 = 100 to base 1948 = 100.

(3) Col.4 : Indices of terms of trade of cocoa producers represent producer price index as a percentage of value index for textiles (Col.2 divided by Col.3) - i.e. units of textiles exchanged against 100 units of cocoa.

Table A.5 : Indices of Volume and Average Value of Imports and Domestic Exports, and of Terms of Trade of the Gold Coast, 1948-1958. (1948 = 100 & 1954 = 100).

| YEAR | 1 VOLUME INDEX | 2 | 3 AVGE. VALUE INDEX | 4 | 5 TERMS OF TRADE |
|---|---|---|---|---|---|
| | Imports | Exports | Imports | Exports | |
| 1948 | 100 | 100 | 100 | 100 | 100 |
| 1949 | 154 | 118 | 94 | 75 | 80 |
| 1950 | 152 | 123 | 101 | 112 | 111 |
| 1951 | 168 | 111 | 121 | 146 | 121 |
| 1952 | 167 | 108 | 127 | 141 | 111 |
| 1953 | 205 | 118 | 115 | 135 | 117 |
| 1954 ( | 208 | 108 | 109 | 190 | 174 |
| | 100 | 100 | 100 | 100 | 100 |
| 1955 | 127 | 98 | 98 | 85 | 87 |
| 1956 | 123 | 111 | 101 | 68 | 67 |
| 1957 | 133 | 123 | 102 | 65 | 64 |
| 1958 | 118 | 102 | 101 | 90 | 89 |

Source : Digest of Statistics, Oct.1958; Econ.Survey, 1958.

Notes : (1) In 1954 the series of indices base 1948 = 100 were replaced by new series base 1954 = 100. Adjustment from the former to the latter, or vice versa, would cause distortion and therefore has not been attempted above.

(2) The country's terms of trade are shown in Col.5, which shows the export value index as a percentage of the import value index - i.e. Col.4 divided by Col.3.

Table A.6 : Balance of Payments on Current Account, and Balances of Visible and Invisible Trade, 1950-1958. £ m.

| YEAR | Balance of Visible Trade | Balance of Invisible Trade | Balance of Payments on Current Account |
|---|---|---|---|
| 1950 | + 31.0 | - 11.0 | + 20.1 |
| 1951 | + 34.6 | - 15.3 | + 19.3 |
| 1952 | + 25.1 | - 13.6 | + 11.5 |
| 1953 | + 20.8 | - 15.6 | + 5.2 |
| 1954 | + 53.6 | - 12.8 | + 40.7 |
| 1955 | + 17.0 | - 15.1 | + 1.8 |
| 1956 | + 3.1 | - 16.5 | - 13.3 |
| 1957 | + 4.2 | - 18.6 | - 14.4 |
| 1958 | + 29.0 | - 18.2 | + 10.8 |

Source : Economic Surveys, 1957 & 1958.

Notes : (1) Visible trade balance includes non-monetary gold

(2) Imports have been valued f.o.b. and trade statistics converted to a payments basis, so figures for merchandise receipts and payments on which this table is based are not directly comparable with those shown elsewhere.

(3) The figures in this Table are represented diagrammatically in Diagram 5. Detailed Balance of Payments estimates for 1954-58 are given in Table 10 in the text.

Table A.7 : Number of Road Vehicles, Tarred Road Mileage and Railway Traffic, 1951-58.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| | Road Vehicles | | Tarred Roads (P.W.D.) | Railways | |
| | Current Licences at 31 Dec. 000's | New Registr-ations 000's | Miles | Freight Traffic M. Tons | Passenger Journeys No. - M. |
| 1951 | 18.3 | 5.5 | 939 | 1.9 | 5.5 |
| 1952 | 20.8 | 5.7 | 1,049 | 1.8 | 6.7 |
| 1953 | 23.5 | 6.8 | 1,135 | 1.9 | 4.9 |
| 1954 | 26.9 | 7.6 | 1,317 | 1.6 | 4.7 |
| 1955 | 29.3 | 8.3 | 1,403 | 1.7 | 5.0 |
| 1956 | 33.2 | 9.8 | 1,645 | 1.9 | 5.2 |
| 1957 | 35.4 | 9.7 | 1,721 | 1.9 | 5.0 |
| 1958 | 36.7 | 8.4 | 1,802 | 1.7 | 5.1 |

Source : Economic Surveys, 1954, 1955, 1957, 1958.
Digest of Statistics.

Notes : (1) These figures are not all equally reliable, the road mileages in particular being open to question (Col.3).

(2) The large but unsustained increase in the number of railway passenger journeys made in 1952 is not readily explainable (Col.5)

(3) Figures in Cols.1,3,4 & 5 have been converted to simple indices with the base 1951=100 and are shown graphically in that form in Diagram 6.

Table A.8 : Money and Other Liquid Assets Held in the Gold Coast by the Government and the Public, 1949-58.

(Monthly Averages - £ m.)

| | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| | Money Supply | | | Other Liquid Assets | | Total |
| | Notes & Coins | Demand Deposits | Total Money Supply | Time & Savings Deposits | P.O.S.B. Deposits | Liquid Assets |
| 1949 | 20.5 | 7.3 | 27.8 | 2.3 | 3.1 | 33.2 |
| 1950 | 20.2 | 9.7 | 29.9 | 2.1 | 3.1 | 35.1 |
| 1951 | 24.8 | 10.4 | 35.2 | 2.4 | 4.0 | 41.6 |
| 1952 | 25.4 | 10.6 | 36.0 | 2.7 | 4.7 | 43.4 |
| 1953 | 26.2 | 13.8 | 40.0 | 3.4 | 5.1 | 48.5 |
| 1954 | 26.0 | 15.3 | 41.3 | 4.1 | 5.2 | 50.6 |
| 1955 | 26.4 | 15.4 | 41.8 | 4.6 | 5.1 | 51.5 |
| 1956 | 28.6 | 16.5 | 45.1 | 5.5 | 5.3 | 55.9 |
| 1957 | 29.4 | 18.1 | 47.5 | 6.5 | 5.3 | 59.3 |
| 1958 | 26.5 | 18.8 | 45.3 | 7.9 | 5.1 | 58.3 |

Source : Digest of Statistics, Oct.1958; Economic Survey, 1958.

Notes : (1) In 1956 the West African Currency Board revised its estimates of currency in circulation. Pre-1954 figures in Col.1 have been adjusted to conform with these. Currency circulation figures in Table 1, supra, have not been so adjusted.

(2) All figures are monthly averages except for pre-1954 figures in Col.5, which are for 31 March.

(3) Figures in Cols.2 & 4 are for commercial banks. Col.2 figures include deposits (other than banks' deposits) in the Bank of Ghana from August, 1957.

(4) These statistics are represented graphically in Diagram 8, in the text.

Table A.9 : Loans and Advances to Domestic Customers by Commercial Banks, 1957-58. (At 31st.Dec.)

| | 1957 | | 1958 | |
|---|---|---|---|---|
| | £000 | % | £000 | % |
| Agriculture & Mining | 32 | 0.4 | 93 | 1.4 |
| Agricultural produce | 26 | | 46 | |
| Mining | 6 | | 47 | |
| Industry, etc. | 1,042 | 14.1 | 1,172 | 17.4 |
| Timber | 581 | 7.9 | 573 | 8.5 |
| Building & Construction | 352 | 4.8 | 411 | 6.1 |
| Industry & M'facturing | 109 | 1.5 | 188 | 2.8 |
| Commerce | 4,488 | 60.7 | 4,398 | 65.4 |
| Wholesale & retail distribution | 3,162 | 42.8 | 3,011 | 44.8 |
| Cocoa marketing | 1,202 | 16.3 | 1,053 | 15.7 |
| Motor dealers | 124 | 1.7 | 334 | 5.0 |
| Personal, etc. | 741 | 10.0 | 848 | 12.6 |
| Personal & professional | 698 | | 822 | |
| Govt.& public authorities | 43 | | 26 | |
| Miscellaneous | 1,084 | 14.7 | 213 | 3.2 |
| T O T A L | 7,388 | 100 | 6,725 | 100 |

Source : Economic Survey, 1958.

Note : Ghana Co-operative Bank not included.

## POST-WAR DEVELOPMENT.

## Notes and References.

1 Cp. I.B.R.D.:"The Economic Development of Nigeria" (1955) - p.18.

2 U.A.C.:"Statistical & Economic Review No.2" (Sept.1948) - p.26.

3 Economic Survey, 1952 - p.16.

4 " " 1954 - p.20.

5 U.A.C.: op.cit. - p.15.

6 U.N.:"Measures for the Economic Development of Under-Developed Countries" (1951) - p.40.

7 See p. 79 herein.

8 Economic Survey, 1954 - pp.18, 19.

9 e.g. P.T.Bauer & F.W.Paish : "The Reduction of Fluctuations in the Incomes of Primary Producers" (Economic Journal, Dec. 1952). Also, F.J.Pedler : "Economic Geography of West Africa" (1955) - - pp.202-4.

10 Colonial Office : "Statement on the Future Marketing of West African Cocoa" (Cmd.6950 - 1946) - pp.5,8,9.

11 Cp. I.B.R.D. Mission on Marketing Boards in Nigeria : op.cit. - - pp.85-9.

12 Dudley Seers & C.R.Ross : "Report on Financial & Physical Problem of Development in the Gold Coast" (1952).

13 Ibid. - pp.1, 2, 42.

14 C.M.B. : "The Ghana Cocoa Marketing Board at Work" (1958) - p.15.

15 Digest of Statistics, Oct.1958.

16 Ibid. - p.34.

17 Economic Survey, 1955 - p.49.

18 See U.A.C. : op.cit. - p.12 ff.

19 Economic Survey, 1955 - p.29.

20 " " 1958 - pp.29-30.

21 Board of Trade :"Report of the U.K. Trade & Industrial Mission to Ghana" (1959) - p.10.

22 See F.V.Meyer :"Britain's Colonies in World Trade" (1948) - p.67ff and W.K.Hancock :"Wealth of Colonies" (1950) - p.47.

23 Economic Survey, 1958 - p.9.

24 U.K.Trade Mission Report (1959) - pp.2, 9.

25 C.M.B. : Tenth Annual Report & Accounts (1958).

26 Economic Survey, 1958 - p.18.

27 U.K.Trade Mission Report (1959) - p.4.

28 I.B.R.D. : op.cit. - p.133.

29 See Pedler : op.cit. - p.133
and U.A.C. : "Stat.& Econ.Review No.6" (Sept.1950) - p.22.
The 16 'staples' are : wax block & print textiles, shirtings & bafts, tobacco, cigarettes, dried fish, flour, salt, sugar, enamelware, matchets, cement, bicycles, iron sheets, singlets, thread.

30 Seers & Ross : op.cit. - p.7.

31 U.N. : op.cit. - p.73.

32 e.g. H.Collins in "The New West Africa" (ed.B.Davidson, 1953) - - p.109 ff.

33 See P.T.Bauer : "The U.N.Report on the Economic Development of Under-Developed Countries" (Economic Journal, March 1953 - p.219).

34 U.A.C. : op.cit. - p.20
Also U.A.C. : "Stat.& Econ.Review No.8" (Sept.1951).

35 P.T.Bauer : "West African Trade" (1954) - p.424.

36 Economic Survey, 1957 - p.3.

37 Seers & Ross : op.cit. - p.87.

38 W.A.Lewis : "The Theory of Economic Growth" (1955) - p.246.

39 S.H.Frankel : "The Economic Impact on Under-Developed Societies" (1953).
For the favourable point of view, see A.R.Prest :"The Investigation of National Income in British Tropical Dependencies"(1957) and A.T.Peacock & G.M.Dosser :"The National Income of Tanganyika, 1952-54" (1958).

40 Phyllis Deane :"The Measurement of Colonial National Incomes: an Experiment" (1948) - p.6.

41 A.R.Prest & I.G.Stewart :"The National Income of Nigeria, 1950-51 (1953) - pp.4, 20.

42 A.R.Prest :"The Investigation of National Income in British Tropical Dependencies" (1957) - p.29.

43 See Seers & Ross : op.cit. - pp.4, 32
and Economic Surveys, 1955, 1957 & 1958.

44 Prest & Stewart : op.cit. - p.81.

45 See I.B.R.D. : op.cit. - p.12.

46 Prest & Stewart : op.cit. - p.82.

47 Ibid. - p.87.
Also, A.Bonne :"Studies in Economic Development" (1957) - p.288.

48 Prest & Stewart : op.cit. - p.83.

49 Ibid. - p.54.

50 A.J.Youngson :"Possibilities of Economic Progress" (1959) - p.65 et seq. contains an interesting discussion of "the disaggregation of investment".

51 Prest & Stewart : op.cit. - pp.17, 50.

52 W.A.Lewis :"The Theory of Economic Growth" (1955) - p.225.
Also, U.N. :"The Determinants & Consequences of Population Trends" (1953) - pp.277-282 and E.Staley :"The Future of Underdeveloped Countries" (1954) - p.260 ff.

53 I.B.R.D. : op.cit. - p.31.

54 A.J.Youngson : op.cit. - p.321.

55 Note : Unless otherwise stated in the text, the information referred to has been taken from the Economic Surveys published between 1952 and 1958, or from issues of the Digest of Statistics. Both are official publications.

56 I.B.R.D. : op.cit. - p.3.

57 W.A.Lewis :"The Principles of Economic Planning" (1949) contains a concise summary of the technique of planning for a whole economy.

58 See, for example, U.N. :"Measures for the Economic Development of Underdeveloped Countries" (1951) and P.T.Bauer's review of it in the 'Economic Journal', March 1953.
Also, Bauer & Yamey :"The Economics of Under-developed Countries" - p.168 and W.A.Lewis :"The Theory of Economic Growth" - p.396.

59 Gold Coast Govt. : Income Tax Dept.Report, 1954-55.

60 Economic Survey, 1957 - p.47.

61 A.Bonné :"Studies in Economic Development" (1957) - p.284.

62 e.g. U.N. :"Enlargement of the Exchange Economy in Tropical Africa" (1954) ; Sir Alan Pim :"Colonial Agricultural Production" (1946) ; W.A.Lewis in "Attitude to Africa" (1951) ; and Bauer & Yamey : op.cit.

63 See W.A.Lewis in "Attitude to Africa" (1951) - p.81, and U.K.Trade Mission Report (1959) - p.40.

64 W.A.Lewis : Ibid. - p.85 ff. The U.K.Trade Mission Report (p.42) advised finding "some means to make the services of small tractors and simple cultivating implements available to as many farmers as possible."

65 For outlines of the arguments involved, see :-
U.A.C. :"Stat.& Econ.Review No.9" (March 1952);
Sir Alan Pim :"Colonial Agricultural Production" (1946)-passim
F.J.Pedler :"Economic Geography of West Africa" (1955)-p.38etc

66 E.Staley :"The Future of Underdeveloped Countries" (1954). Chaps. 6 & 7 discuss communist tactics & propaganda in underdeveloped areas.

67 U.K.Trade Mission Report (1959) - p.44, and Ghana Handbook of Commerce & Industry (1957) - p.44.

68 Economist Intelligence Unit :"Ghana, Nigeria, Sierra Leone, Gambia" (March 1959).

69 W.A.Lewis :"Report on Industrialization in the Gold Coast" (1953)

70 Ibid. - p.2.

71 Ibid. - p.22.

72 I.D.C. :"Gold Coast Industrial Development Corporation" (1955 ?)

73 Lewis Report - p.12 ; Mission Report - p.11. Also Pedler, op.cit

74 I.B.R.D. : op.cit. - p.21.

75 Colonial Office :"Report of the Commission of Enquiry into Disturbances in the Gold Coast, 1948" (Colonial No.231 - 1948) - p.54.

76 e.g. G.L.M.Clauson :"The British Colonial Currency System" (Economic Journal, Apr.1944).
A.Hazlewood :"Sterling Balances & the Colonial Currency System" (Economic Journal, Dec.1952).
I.C.Greaves :"Colonial Monetary Conditions" (Col.Research Series No.10 - 1953).
U.A.C. :"Stat.& Econ.Review" Nos.8 & 16 (Sept.1951 & 1955)

77 A.Hazlewood : op.cit. - p.942.

78 See E.K.Hawkins : op.cit.infra. - p.354.

79 J.R.Hicks :"Essays in World Economics" (1959) - p.178.

80 E.K.Hawkins :"The Growth of a Money Economy in Nigeria & Ghana" (Oxford Economic Papers, Oct.1958).-

81 Information privately provided by London offices of the Banks.

82 Gold Coast Handbook, 1937 - p.42.

83 Reference 75 - p.46.

84 Bauer & Yamey : op.cit. - p.226.

85 Economic Survey, 1958 - p.64.

86 Prest & Stewart : op.cit. - p.82.

# CHAPTER 6

## CONCLUSION : PAST HISTORY AND FUTURE PROSPECTS

( Chapter 6 )

# CONCLUSION : PAST HISTORY AND FUTURE PROSPECTS.

## INTRODUCTION.

Notwithstanding the serious gaps revealed in the available information, there can be no doubt that economic development as defined herein has been taking place in the Gold Coast. Previous chapters outlined the early history of the economy and war-time changes in it. The complex relationship between its population and resources has been explored, and its post-war prosperity has been described in some detail. To conclude this study, the pattern of development must now be reviewed, so as to delineate its principal causes and estimate its future course.

Superficially, the pattern is simple enough, and the history of the Gold Coast's development is the history of its cocoa industry. In a remarkably short time cocoa has transformed much of the economic and social structure: it is the main source of prosperity today as it was in the 1920's. Certainly this is a large part of the story, but it is still only a part. The cocoa industry flourished because economic conditions favoured it, and their importance must not be overlooked: by no means least significant were the character of the farmers themselves and the activities of European traders and the British Colonial Government. In retrospect its expansion has an air of the inevitable, yet reflection shows that in other circumstances the story might have been a very different one.

## THE BEGINNINGS OF DEVELOPMENT.

Economic development in the modern sense is still something of a novelty in the Gold Coast: it did not really begin until the last decade of the 19th Century. Yet in the previous four hundred years of contact with Europeans changes had been taking place which helped to prepare the way for new ideas and new ways of life. To the Portuguese, the fort built at Elmina in 1482 was an instrument of trade: hindsight enables us to see it also as a symbol. Seekers after gold, slave-traders, "palm-oil ruffians", soldiers, missionaries, and administrators like Henry Meredith and George Maclean - they all contributed, in divers ways and for a wide variety of motives, to those changes.

The "leap to prosperity", in its turn, prepared the way for subsequent development, and many factors had to combine for it to take place. No other territory in West Africa attained a comparable degree of wealth in so short a space of time. By good fortune, gold, manganese and diamonds could be extracted fairly easily, and geographical conditions favoured cocoa production, but co-operation by the people and the government, and both capital and entrepreneurship from abroad, were necessary to transform these material resources into goods for exchange on world markets and so, indirectly, into economic welfare. Without the stimulus of trade they would have remained latent; without the peaceful conditions and the transport facilities which the government had provided the process would have been interrupted and obstructed. Sound policies of government finance and native administration also played an important part, and advances in medical science.

Takoradi Harbour and Achimota College exemplify measures taken to improve communications and social services during this period. As exports of cocoa and minerals increased and the volume of imports grew, the government's revenues expanded and for the first time it had considerable funds to spend on development, to which were added loans raised in Britain. Some mistakes were made, of course, but on the whole these forced savings were invested in ways beneficial to the development of the country. The essential framework of "social overhead capital" began to take shape and the improvement of "human capital" was accelerated. In the depression of the 1930's, however, the catastrophic fall in earnings from cocoa re-emphasized the insecure character of an economy so largely based on one export crop, while diminishing government revenues exposed the inherent weakness of the fiscal structure.

The war years brought opportunities as well as difficulties, and on balance the Gold Coast appears to have gained from them. Serious inflation was averted as much by good fortune as by good judgment, a bauxite industry was established, and from the military authorities the country inherited not only various important capital assets but also an enlarged labour force, some of whose members had acquired valuable new skills. The government assumed new responsibilities and a new interest in economic affairs.

Gold Coast soldiers served overseas and returned with new ideas and attitudes. In general, the economy and its social structure were shaken up in a manner which, although damaging to the old order, was probably favourable to continued economic development.

To some extent the economic situation during the war resembled that likely to confront a government consciously trying to induce development, and important lessons may be learned from it. The diversion of resources to meet military needs, and the reduction in volume of imported goods for private consumption, produced an inflationary trend not readily subject to control. The most effective weapon against it was the price-policy of the West African Produce Control Board in regard to cocoa purchases, which led to the accumulation of large resources almost inadvertently. Private consumption expenditure, stimulated by the "demonstration effect" created by overseas soldiers, was difficult to check and the inelasticity of local agricultural production was amply demonstrated.

The country's shortage of labour skills rapidly became apparent and although conditions favoured them in many ways few small-scale local industries were established, indicating the absence of a class of domestic entrepreneurs. Extractive industries increased their output chiefly because of scientific techniques and imported management. Continuous exhortation had only a very limited effect in diversifying agricultural production and encouraging the growth of personal savings. On the other hand, although many of the people had come to rely on supplies of imported foodstuffs they seem to have been able to replace them fairly readily with domestic output for their own use.

Certain changes, too, took place during the war which were especially significant to later development. The marketing of cocoa was revolutionized by the forerunners of the Cocoa Marketing Board, which set a precedent for "compulsory savings". Income tax was introduced by the government to augment its Customs revenues and direct taxation by Native Authorities was systematized. Large overseas balances were accumulated. Finally, the administrative system was tested under particularly exacting conditions and the consequent exposure of its defects hastened their eradication.

DEVELOPMENT SINCE THE WAR.

Population questions have been considered in detail and need not be recapitulated. Suffice it to note that in this respect the Gold Coast is less seriously hindered economically than many under-developed countries. Though the rate of increase is probably greater now than the 15 per thousand calculated in 1948, a "breathing-space" has been afforded which provides an opportunity for keeping output ahead of numbers. Generally speaking, density is not unduly high ("under-populated" is a justifiable description), and the ratio of workers to dependants is relatively favourable.

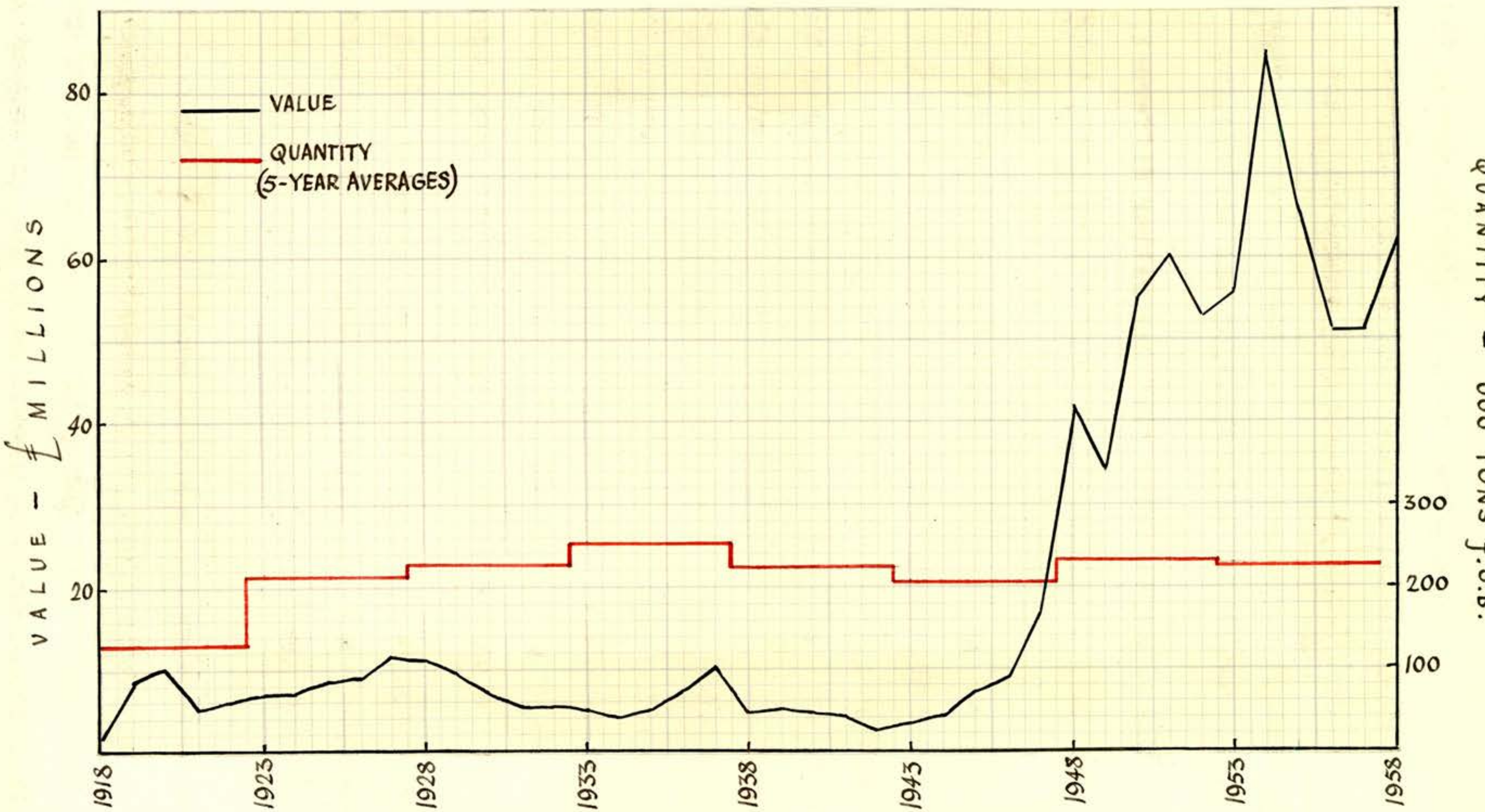
The movement away from agriculture seems to be proceeding fairly rapidly and the numbers employed in "secondary" and "tertiary" occupations to be growing. Subsistence production is less important than in comparable African territories and is gradually yielding to the exchange economy. Urbanization is already quite far advanced and is continuing, enlarging the scope for economies of scale. Educational and training facilities have been greatly expanded and illiteracy is being resolutely attacked.

The obstacles must not be under-estimated, however; development depends to a very large extent on the energy, skills and character of the Gold Coast people and the speed with which their economic attitudes can be transformed. Even now they do not form a united, homogeneous nation, but rather a collection of tribal groups, held apart by language differences and traditional antipathies, unevenly distributed geographically and widely diverse in cultural levels. All this is changing, of course, but the techniques of modern production and the new attitudes essential to their success cannot be learned overnight. Manufacturing industry, for this and other reasons, is unlikely to grow with such rapidity and assurance as did cocoa production.

History does not repeat itself, but nevertheless there are striking resemblances between the current prosperity of the Gold Coast and that which it enjoyed during the 1920's, although the scale is different. These extend even to the character of development programmes: Tema Harbour and the University College, for example, replace Takoradi and Achimota. Cocoa exports were the main source of new wealth, then as now. An important distinction must be made, however. (See Diagram 1, overleaf.)

DIAGRAM I
OVERLEAF

DIAGRAM 1 : QUANTITY & VALUE OF GOLD COAST COCOA EXPORTS, 1918 – 1958.




SOURCE : TABLE A.1.

Inflated post-war cocoa prices were a major factor in the earlier period, certainly, but the conditions of opportunity they created were solidly reinforced by increasing production, not only of cocoa but also of manganese and diamonds. Economic resources were in part being recombined and expansion was the r esult.

What has happened since 1948 was rather different. Cocoa output remained well below the average of the years immediately before the war and showed no tendency to rise. (In part this was a result of swollen shoot disease.) The astonishing upward trend of world cocoa prices, however, overshadowed everything else: cocoa exported only once fell below £40m. in annual value and from 1950 to 1958 averaged nearly £60m. The share of this exacted by the government in export duties enabled it to meet almost the whole cost of the First Development Plan and still r etain substantial reserves to help with the financing of the Second Development Plan. Meanwhile, imports greatly increased in volume and standards of living improved despite the fact that cocoa producers received only a part of the sums realized from their crops.

Production of diamonds and timber increased simultaneously, it is true: increased earnings from them and higher prices received for gold and manganese contributed to the general prosperity, but cocoa prices were undoubtedly the principal factor involved. A favourable movement in terms of trade, rather than increased investment or productivity, made accelerated development possible. As suggested e arlier, it was as if the country had benefited from huge capital transfers - or almost as if its government and people had won a series of lottery prizes!

Naturally enough, this theme recurs again and again in the post-war history of the Gold Coast. Higher cocoa earnings enabled imports to double in volume between 1948 and 1953 and continue to rise. They were responsible for healthy balance of payments surpluses (except in 1956 and 1957) and swollen overseas balances. They stimulated domestic trade, expanded the amount of currency in circulation, and encouraged both the spread of commercial banking facilities and the growth of co-operative societies. On the other hand, although they prompted farmers to put more land under cocoa, they dissuaded them from producing more foodstuffs and from the cultivation of alternative cash crops. It is certain, too, although precise information is lacking, that cocoa production has permanently affected African social relationships and communal systems of land tenure, and that wage-labour has become increasingly important to it.

It will be apparent that in recent years low "absorptive capacity" has been a more serious obstacle to development than lack of capital. The aim of the 1951-59 Development Plans, therefore, was to expand and strengthen the framework whose construction had been started by Guggisberg some thirty years before, and their main emphasis was on communications, education, public works and general services. Agriculture and industry, by contrast, received comparatively little attention, but the scope for action there was necessarily limited and in any case the Agriculture Department was pre-occupied with the struggle against swollen shoot disease. The substantial completion of these Plans, in the face of numerous difficulties, was largely due to the sound administrative organization which had been built up, and the efforts of British officials in the technical departments of government.

Adequate National Income statistics would be immensely valuable not only to the student investigating Gold Coast development, but also to the government encouraging it, and in no other way could this development be assisted so much at so little cost as by having them prepared. The deficiencies of those now available need no elaboration: they are incomplete, cover only a short period and must be subject to many reservations. In the circumstances, though, they represent a considerable achievement, and much of what they show is interesting.

The Gross Domestic Product, for example, seems to have increased annually from 1955 to 1958, and for the latter year was estimated at £366m. or £76 per capita, which is a level of income higher than in many under-developed countries and much higher than earlier guesses had suggested. Gross capital formation averaged about 12%, so that net investment may have been about 8% of net national product, causing it to increase by perhaps 2% a year. This rate of increase would leave little enough to spare even if population continued to grow by 1.5% a year: if it grew much faster, "demographic investment" would swallow up all of the annual addition to output.

The essential economic task for the Gold Coast is to increase output faster than the rate of population growth. Considered in the foregoing highly conjectural terms, which involve all sorts of assumptions, this means in practice that the rate of investment must be increased, or that the net increment of output resulting from a given amount of investment must be increased (i.e. the "capital coefficient" must be lowered), or both. This is equivalent to saying that there must be more investment, and that it must be more productive. It follows that in the taking of investment decisions by the government, by the firms, and by the people themselves, the future economic history of the Gold Coast will be largely determined.

PROSPECTS FOR THE FUTURE.

So many incalculable factors are involved that any attempt to forecast the economic future of the Gold Coast must necessarily be hazardous. What follows is therefore an assessment of possibilities rather than a confident prediction. The nationalist government now in power will clearly play a leading role in events, yet it is subject to such a wide variety of influences, non-economic as well as economic in character, that there can be no assurance of its decisions appearing wise, or even wholly rational, to the impartial observer.

The government's economic aspirations for the five years from 1959 to 1964 are set out at length in its Second Development Plan. (See Table A.2.) This provides for a total expenditure of £243m. and places special emphasis on agriculture and industry, which together account for £50m. or about 20% of the total, compared with 12% in the previous Plan. It proposes to increase and diversify agricultural production by introducing new methods and new crops, by bringing undeveloped areas under cultivation, and by expanding educational services.

As for industry, the establishment of at least 600 factories producing a range of 100 products, is contemplated. These are intended to relieve pressure on the balance of payments by replacing imported consumer goods, to provide productive employment in towns, and generally to contribute towards the necessary diversification of the economy. Direct government investment in industry is envisaged, and the government proposes to hold £10m. available for this purpose as well as to continue with the improvement of services which facilitate industrialization, but the principal agents in the process are expected to be private firms from overseas.

In addition, the Plan provides for expenditure of £100m. on hydro-electric work on the Volta River, as the first stage of an attempt at country-wide electrification, irrespective of the development of an aluminium industry to utilize proved deposits of bauxite. (The Volta River Project, in the original form published in 1955, comprised the construction of a dam, smelter plant, and other works, the cost of which was to be shared by the participating aluminium companies and the British and Gold Coast Governments. It would have been in every way a highly economic use of Gold Coast resources, but for reasons which have not been adequately explained the negotiations were never completed.)

Finally, projects estimated to cost £15m. remained outstanding from the previous Plan, so that the total expenditure envisaged in the five-year period comes to no less than £358m. (i.e. £243m. plus £100m. plus £15m.) Towards meeting this, the government expects to be able to muster some £50m. from its own unencumbered reserves, £25m. in loans from Cocoa Marketing Board reserves and about £15m. in all from general revenue - a total of approximately £90m. To reduce the disparity, therefore, it has selected a number of projects "for immediate implementation" (in effect, a scaled-down version of the main Plan), estimated to cost nearly £126m. without taking into account either the hydro-electric project of the £15m. worth of work carried forward.

There is a visionary quality about this kind of "planning" which commands attention, but of course it is open to criticism on a great number of counts. The Plan itself, in its attenuated as well as its original form, appears to be based on a sound enough assessment of the country's principal economic needs and there can be little doubt that if it could be successfully completed the people of the Gold Coast would be much better off in a material sense and well prepared for further advances. A nationalist government, recently come to power and savouring the delights of independence, naturally tends to the grandiose, if only because so much is expected of it, and because it is eager to out-do the achievements of the colonial government it has displaced. In such circumstances over-confidence, accompanied by inexperience, may be as great a danger as excessive caution.

It is courting disaster to arouse expectations which may not be fulfilled, and the most obvious defect of the Second Development Plan, even in its modified form, is that there is not nearly enough money to pay for it. Increased local taxation and foreign loans may help to close the gap, but there are serious limitations to the amounts which can be raised in this way. Earnings from the established export industries, too, are particularly liable to fluctuations, and the experience of the great depression and, on a lesser scale, the recession of 1956-57, showed how seriously these could interfere with development. In addition, there are the problems of balance of payments deficits and of inflation, which can all too easily get out of hand when development spending increases more rapidly than domestic production. The growing burden of recurrent charges is another.

Furthermore, the Plan over-simplifies dangerously by making development appear to be almost entirely a matter of finance. There is no mention of restricted consumption, or harder work, and these are not aims which can be achieved by mere exhortation, however eloquently repeated. Social and cultural factors in the Gold Coast are not especially unfavourable to economic development, but changes in certain customs and attitudes would clearly be advantageous. Examples are the low regard in which farmers are held by literates, the repugnance of educated Africans for anything resembling manual work, and widespread "conspicuous consumption": many others might be quoted. Conscious efforts by the government to modify these and, in short, to reform the general conditions of economic life, would quite conceivably have more important repercussions in the long run than some of its heavy expenditure on public works. The 'climate of investment', of course, deserves special attention.

Some government expenditure incurred since 1957 might have been reduced or even foregone without detriment to the country from an economic point of view, and this is true also of some proposed expenditure. The case in its favour rests on such matters as the enhancement of national prestige and the encouragement of a sense of national identity, but the "demonstration effect" on an international level has played an unadmitted part. Costly defence services, embassies, and monumental public works, as well as inter-governmental visiting and conferences, are perhaps the best examples. All of these may be justifiable on non-economic grounds, but it is well to remember that continuous extravagance on the part of their governments is a luxury which few countries can afford.

Even if there is enough money to pay for it, however, the Development Plan can be put into effect only if the necessary staff is forthcoming. Since the Gold Coast itself cannot produce them in time, this is a fundamental difficulty. Technical aid programmes can help up to a point, but skilled men, like development capital, are scarce and, like it, must be attracted: their availability is very far from being wholly a matter of monetary incentives. The presence of British officials after the coming of Independence may have been an unpleasant reminder of the reviled colonial system, yet the mass exodus encouraged by the new government was undoubtedly harmful to the country's economic prospects.

Prosperity has come easily to the Gold Coast. By the standards of under-developed countries its people do not work very hard, and in recent years its government has been much less concerned with the problem of financing development than with spending the large sums already available. In the circumstances, it is hardly surprising that the development process should seem simple and natural, and progressively higher standards of living readily attainable so long as funds are plentiful. A spirit of cheerful optimism has undoubted merits for a country undertaking the task of self-improvement, but the external observer becomes more confident of its success when there is also a widespread realization of the difficulties and hardships likely to be involved.

Triumphant nationalism can give a powerful impetus to economic and social change, and adherents naturally think of it thus, but it may substitute new obstacles for those swept away. It may inspire a belief that Independence inaugurates the millenium, bringing less work and lower taxes. It may divert attention from economic matters and perpetuate the idea that political action alone ensures results. It may impair powers of judgment, foster intolerance, nepotism and corruption, and destroy that very cohesiveness which helped it to succeed. Signs of all these tendencies have appeared in the Gold Coast, and all are relevant to an assessment of its economic prospects.

CONCLUSION.

After nearly a century and a half, Meredith's prescription for "increasing the trade of this country" is still remarkably apposite, though the emphasis has shifted. When he wrote, in 1812, it was imperatively necessary to impose peaceful conditions and the rule of law. These were secured, in time, by the spread of British influence, and made possible all subsequent economic and political advance.

Railways and roads penetrated the forest, enabling Gold Coast produce to reach world markets more quickly and cheaply and bringing in return manufactured goods which raised living standards. The history of the cocoa industry is also a history of improving communications. "Free intercourse with the interior" has been achieved: new and improved roads and a vastly increased road traffic are transforming ways of life in all but the most remote villages, yet a great deal remains to be done.

Much the same is true of education. Nowadays there are Africans in every profession and all ranks of the Civil Service, as well as skilled artisans, accountants and clerks, but their numbers are still far too small for the country's needs. The basis of education has been widened and soon nearly all young people will be at least literate, but the task of "enlarging their knowledge" implies much more than that. More schools and colleges are being built, but it is easier to put up new buildings than to staff them with teachers and to inculcate new ideas.

As for "introducing an improved system of agriculture and the arts of civilised life", there is fairly general agreement among contemporary theorists. Cocoa has transformed the situation since Meredith's day, but increased agricultural production and the spread of scientific techniques are essential if further economic development is to take place. By growing old crops in better ways and learning to grow new ones, by acquiring new practical skills and using them productively, the people of the Gold Coast can continue and even accelerate the process. In the long run, the benefits of increased consumption can be achieved only by increased production, but the fundamental problem of "exciting their industry" is still incompletely solved.

Finally, there is the need for "such a government and police, as will secure them in the enjoyment of what they may acquire by exertion". For 113 years, if one reckons from the "Bond of 1844", this was supplied by British administration, though for most of the country the period was a great deal shorter. Whatever its shortcomings may have been, no impartial student of history can doubt that the results were on the whole beneficial. Since 1957, however, the newly-independent state of Ghana has been ruled by a government of its own people, elected by democratic processes. Too little time has elapsed for this government's policies to be judged conclusively, but an observer who has the welfare of the people at heart may appropriately express the hope that it will prove itself no less careful of their political and economic interests than the British Colonial Government which preceded it.

# APPENDIX.

Table A.1 : Quantity & Value of Gold Coast Cocoa Exports, 1918-58.

| | Annual Value £m. | Average Quantity 000 Tons | | Annual Value £m. | Average Quantity 000 Tons |
|---|---|---|---|---|---|
| 1918 | 1.8 | | 1938 | 4.5 | |
| 1919 | 8.3 | | 1939 | 5.1 | |
| 1920 | 10.0 | 132 | 1940 | 4.5 | 222 |
| 1921 | 4.8 | | 1941 | 4.0 | |
| 1922 | 5.8 | | 1942 | 2.4 | |
| 1923 | 6.7 | | 1943 | 3.5 | |
| 1924 | 7.2 | | 1944 | 3.9 | |
| 1925 | 8.2 | 216 | 1945 | 7.1 | 208 |
| 1926 | 9.2 | | 1946 | 9.5 | |
| 1927 | 11.7 | | 1947 | 16.6 | |
| 1928 | 11.2 | | 1948 | 42.2 | |
| 1929 | 9.7 | | 1949 | 34.0 | |
| 1930 | 7.0 | 226 | 1950 | 54.6 | 237 |
| 1931 | 5.5 | | 1951 | 60.3 | |
| 1932 | 5.5 | | 1952 | 52.5 | |
| 1933 | 5.0 | | 1953 | 56.1 | |
| 1934 | 4.0 | | 1954 | 84.6 | |
| 1935 | 5.2 | 256 | 1955 | 65.6 | 230 |
| 1936 | 7.7 | | 1956 | 51.1 | |
| 1937 | 10.0 | | 1957 | 50.9 | |
| | | | 1958 | 62.3 | |

Source : G.C.Statistical Abstracts, No.1 (1956); Digest (1959); P.Hill : "The Gold Coast Cocoa Farmer" (1956).

Notes : (1) Values are f.o.b. and averages cover 5-year periods.
(2) Diagram 1 presents these figures graphically. See also Diagrams opposite pages 16 & 169 herein.

Table A.2 : Government Development Plan Expenditure, 1951-59 and Proposed Expenditure, 1959-64.

£000's

| | First & Consol. Plans | Second Plan Total | Second Plan Modified |
|---|---|---|---|
| Agriculture & Nat.Resources | 7,616 | 24,668 | 10,425 |
| Industry & Trade . . . | 5,548 | 25,331 | 15,418 |
| Electricity (excl.V.R.P.) . | 4,440 | 8,765 | 7,000 |
| Communications . . . | 35,955 | 53,010 | 28,679 |
| Local & Regional Government | 6,000 | 18,852 | 9,220 |
| Education . . . . | 17,390 | 27,852 | 14,150 |
| Information & Broadcasting | 1,176 | 2,677 | 1,693 |
| Housing . . . . | 7,862 | 17,000 | 7,093 |
| Health, Sanitation & Water | 15,033 | 43,650 | 19,675 |
| Police & Prisons . . . | 2,953 | 7,677 | 4,786 |
| Miscellaneous . . . | 13,549 | 13,684 | 7,718 |
| | 117,522 | 243,166 | 125,857 |

Source : Ghana Govt. : "Second Development Plan, 1959-64" (1959).

Notes : (1) First Dev.Plan : 1951-57.
Consolidation Dev.Plan : 1957-59.
Second Dev.Plan : 1959-64 (proposed).

(2) The discrepancy between first column figures above and Table 20 at p.229 herein is explained by the fact that the latter included only estimates for 1957-59 and also Tema and V.R.P. expenditure. Reconciliation is not possible on a basis of the information available.

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ABBREVIATIONS USED : C.M.B. = Gold Coast Cocoa Marketing Board.
G.C. = Gold Coast
I.B.R.D. = International Bank for Reconstruction & Development.
I.D.C. = Gold Coast Industrial Development Corporation.
P.W.D. = " " Public Works Department.
U.A.C. = United Africa Company Limited.
V.R.P. = Volta River Project.