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IMPORT LICENSING AND IMPORT SUBSTITUTION IN GHANA

IN THE 1960's

by

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and
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RESEARCH MEMORANDUM NO. 19
CENTER FOR DEVELOPMENT ECONOMICS
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We have here, in Africa, everything necessary to become a powerful, modern, industrialized continent. United Nations investigators have recently shown that Africa, far from having inadequate resources, is probably better equipped for industrialization than almost any other region in the world....

The true explanation for the slowness of industrial development in Africa lies in the policies of the colonial period. Practically all our natural resources, not to mention trade, shipping, banking, building, and so on, fell into, and have remained in, the hands of foreigners seeking to enrich alien investors, and to hold back local economic initiative....

.

In planning national development, the constant, fundamental guide is the need for economic independence.... An important essential is to reduce our colonial-produced economic vulnerability by lessening the dependence on mono-crop farming....

Every time we import goods that we could manufacture if all the conditions were available, we are continuing our economic dependence and delaying our industrial growth. It is just these conditions that we are planning to provide, so as to make ourselves independent of the importation of goods and foodstuffs that we can produce ourselves.

-- Kwame Nkrumah
Africa Must Unite
pp. 23, 24, 108, 112.

IMPORT LICENSING AND IMPORT SUBSTITUTION

IN GHANA IN THE 1960'S*

Ideology Behind Ghanaian Import-Substitution Policy

Ghana's desires to promote economic growth and to break free of dependence on developed countries and on world market conditions have motivated its efforts to expand industrial capacity. Especially in the 1960's, Ghana has tried to promote domestic production of manufactured goods, instead of relying on what it regards as the colonial pattern of exchanging primary materials for manufactured products. These views were expressed (see Frontispiece) by Kwame Nkrumah, President of Ghana from its independence in 1957 until his overthrow in 1966, and were reflected in government policy:

First, it is the Government's intention that as early as possible the country shall produce within its own borders a very high proportion of all the goods and services that are consumed here from day to day....

Having freed ourselves from the clutches of imperialism, whose economic policy is the preservation of colonies as sources of raw materials for factories in metropolitan countries, as well as markets for the finished products of those countries, we are embarking on a vigorous policy of converting many of our raw materials into semi-processed or final products before exporting them from this country. 1

* Much of the material and information for this paper came from interviews and conversations with government officials and advisers, industrial managers, and others in Ghana, whose cooperation we very much appreciate. We also wish to thank Professors Stephen Lewis, Jr., Henry Bruton, and Paul Clark of Williams College for essential guidance and comments, without implicating them in the result.

Ghana's industrialization policy was not founded upon an isolationist approach. Its leaders recognized that concentration on goods which can be produced relatively efficiently in Ghana and trading them for goods which cannot would best promote the goal of economic progress:

This should not be interpreted to mean that we are to aim at complete economic self-sufficiency in all fields, since the principle of international division of labor makes it abundantly clear that no nation can obtain the best results by endeavouring to produce all requirements from within its own borders.... 2

Nkrumah, however, did not believe that a free market system could achieve his social and economic aims:

. . . colonial rule precluded that accumulation of capital among our citizens which would have assisted thorough-going private investment in industrial construction. It has, therefore, been left to the government, as the holder of the means, to play the role of main entrepreneur in laying the basis of the national economic and social advancement.... Production for private profit deprives a large section of the people of the goods and services produced. If, therefore, we are to fulfil our pledge to the people and achieve the programme set out above, socialism is our only alternative. For socialism assumes the public ownership of the means of production, the land and its resources, and the use of those means in fulfilment of the people's needs.... 3

Although Nkrumah did not explicitly introduce socialism until the 1960's, the principle that the government had a role in directing and planning the economy was established during the

1. Imoru Egala, Minister of Industries, in Ghana, Parliamentary Debates: Official Report--First Series, Vol. 34 (1 November, 1963), col. 525.
2. Ibid.
3. Kwame Nkrumah, Africa Must Unite (New York, Frederick A. Praeger, 1963), pp. 119-120.

1950's. A Ten-Year Development Plan (later accelerated to a Five-Year Plan) was introduced in 1951 shortly before Nkrumah's Convention People's Party first won control of the Legislative Assembly. Little was actually done to promote industry during the 1950's, however, until the Second Five-Year Development Plan was initiated in 1959.⁴ The socialism which Nkrumah then began instituting took the form of extensive central government control over the economy, society, education and politics. This approach meant rapidly accelerated government investment in industry, as well as in public services and in agriculture.⁵ Whereas the government had previously concentrated on the Volta River project as the basis for industrial diversity, it now turned toward direct investments in order to gain control over industrial production and to reduce dependence on imports of manufactured goods. Before evaluating the instruments with which Ghana carried out its import-substitution policy and their impact, we will first describe the changes which took place in the structure of industry and of imports during 1960-66.

4. This plan was abandoned after two years and replaced by the Seven-Year Development Plan, which was instituted in 1964. For a discussion of the Plans, see the concluding chapter by E. K. Omaboe in V. Birmingham, I. Neustadt, and E. N. Omaboe, eds., A Study of Contemporary Ghana: Vol. I, The Economy of Ghana (Evanston, Northwestern University Press, 1966).

5. An excellent analysis of the evolution of Ghanaian economic policy is contained in a Ph.D. thesis by Douglas A. Scott, Growth and Crisis: Economic Policy in Ghana (Harvard, 1967).

INDUSTRIAL STRUCTURE

Growth of Manufacturing

The increasing level and share of output originating in manufacturing from 1958 to 1966 are summarized in Table 1. In current prices, manufacturing output almost doubled from 1958 to 1962 and again from 1962 to 1966. Much of this increase, however, was attributable to rising prices, especially in 1961 and 1965-66.⁶ Real growth rates slowed in 1964 and 1965 to practically nil, although production picked up again in 1966. The manufacturing sector became increasingly important in total industrial output⁷ (from less than half to two-thirds over the period 1958-66) and in Gross Domestic Product (from less than 3% to 4½%).

Output figures provide only an indicator of the growth in industrial capacity. Although capital formation estimates were not given in real terms or separately for manufacturing in the available statistics, unofficial estimates suggested that industrial capacity grew more rapidly than output in the 1960's. A Bank of Ghana study in 1964 found that only half of one-shift capacity was being utilized, with especially high surplus capacity in food processing, metal and non-metallic mineral manufactures, and clothing and accessories. It found that "the existence of surplus capacity . . . has been due mainly to lack

6. The wholesale price index for manufactured articles, based on 1961 = 100, rose from an average of 118.8 in 1964 to 129.2 in 1965 and 138.4 in 1966 (Table B).

7. Including mining, quarrying, electricity, gas and steam, but not construction.

TABLE 1
GROWTH OF MANUFACTURING OUTPUT

	<u>1958</u>	<u>1959</u>	<u>1962</u>	<u>1963</u>
Gross Output:				
Current prices: (\$ million)	52	61	100	130
Fixed price index: (1962 = 100)			100	123
Real growth rate:				23%
Share in total industrial output:	43%	48%	58%	64%
Value Added:				
Share in GDP:	2.6%	2.7%	3.7%	4.3%
	<u>1964</u>	<u>1965</u>	<u>1966</u>	
Gross Output:				
Current prices: (\$ million)	150	168	199	
Fixed price index: (1962 = 100)	133	134	151	
Real growth rate:	8%	1%	13%	
Share in total industrial output:	67%	62%	68%	
Value Added:				
Share in GDP:	4.4%	4.3%	4.7%	

Source: Appendix, Tables, A, B, C.

of raw materials and shortages of working capital" and was more severe in sectors "that depend to a greater extent on imported raw materials."⁸ Rising debt repayments (mainly on short-term supplier credits) further tightened the pressure on foreign exchange available for raw material imports in 1965 and 1966, reducing capacity utilization well below half. The proposed 1967 import program⁹ defined its target of "attainable" production capacity as roughly 50% of one-shift capacity. In 1967, the Government decided to halt imports of new machinery and equipment (except in special cases) and to concentrate on raw materials and spare parts in order to achieve higher utilization of existing capacity before trying to expand it further.

Role of the Public Sector

The Central Government of Ghana played a leading role in this build-up of industrial capacity in the 1960's. Central Government capital expenditures (Table 2 and Appendix, Tables G and H) rose in 1961 from a previous average of 20% of gross domestic capital formation to the vicinity of 30% thereafter. The share of expenditures on industry (mineral resources, manufacturing and construction) in total Government capital expenditures also increased sharply in 1961, from less than 9% to 20%. One indicator of the role of Government in industrial capital

8. M. K. Brenya, "Survey of Manufacturing Enterprises" (Bank of Ghana), p. 3.

9. Ghana, Ghana's Economy and Aid Requirements in 1967 (Accra, Ministry of Information, 1967), Appendix B.

TABLE 2

CENTRAL GOVERNMENT EXPENDITURES (NØ million)

	<u>1958/59</u>	<u>1961/62</u>	<u>1965</u>
TOTAL EXPENDITURE:	124	229	362
CAPITAL EXPENDITURE:			
Economic services:	29	54	83
% GDCF:	22%	30%	31%
Minerals, manufacturing and construction:	4	19	26
% GDCF:	3%	10%	10%
% total government capital expenditure:	6%	20%	19%
% gross investment in machinery and equipment:	17%	67%	45%

Source: Appendix, Tables G and H.

formation -- Government capital expenditures on industry taken as a percentage of gross investment in machinery and equipment -- tripled from 1960/61 to 1961/62. Statistical analysis of investment and import figures led Douglas Scott to "the inescapable conclusion . . . that government capital expenditure has dominated the demand for imported producer durable goods."¹⁰

The Industrial Development Corporation (IDC) was created in 1951 to promote industry in Ghana and to carry out Government investments. By June, 1958, it had invested in 17 "Subsidiary Companies," which it managed (12 of them 100% IDC-owned), and in 10 "Associated Companies," which were managed and partly owned (generally $\frac{1}{4}$ to $\frac{1}{2}$) by outside participants, often foreigners.¹¹ In 1961 the IDC, now with 22 Subsidiary Companies and 9 Associates, was liquidated and its functions taken over by the newly-created Ministry of Industries. The State Enterprises Secretariat (SES) was established in April, 1964, to administer the 20 "State Enterprises" in existence by then, plus the 9 joint State/Private ventures.¹² By the end of 1966

10. Regressing producer durable imports (M) against Government expenditure on capital account (G), lorry imports (L), and gross foreign private long-term investment (F), he found that F was not significant and was subject to error, while M against G alone gave a corrected R^2 of 0.953 (as against 0.976 for M on G and L). (Ph.D. thesis, p. 146.)

11. Ghana Industrial Development Corporation, Report and Accounts 1957-58. In 1957/58, total sales of the Subsidiary Companies (exclusive of Ghana Hotels Co., \$C.6 million) amounted to \$1.6 million, or approximately 3% of manufacturing output. Lumber and furniture represented almost half of these sales, and the major share of the rest arose from metal products, engineering and construction, moving pictures, laundries and bakeries.

12. West Africa, June 13, 1964, p. 664. Seven of the State Enterprises were in mining, six in vegetable oil processing.

the SES¹³ controlled 54 State Enterprises and was involved in 12 Joint State/Private Enterprises. In addition to Marketing Boards (cocoa, diamonds and timber) and transportation (road transport, airways and shipping), these companies included: processing of food, vegetable oils and cocoa; mining; metal products; beverages; tobacco products; textiles; fibre bags; furniture; baking; farming and fishing; films; hotels; and various other industries and services. These investments reflected the stated intentions of the government to "diversify our economy" through centrally-directed industrialization. The declining share of private industry in gross manufacturing output -- from over 80% in 1962 to less than 70% in 1966 (Table 3) -- reflects this expansion of the public sector. Although private investment by Ghanaians continued, it was mostly in small business and trading, not in the large-scale plants associated with "industrialization."

Composition of manufacturing output

The composition of Ghana's manufactured output does not differ significantly from what might be expected for a country of Ghana's size (over 8 million people in 1965) and per capita income (about \$200-250) on the basis of Chenery's cross-sectional findings (see Table 4 and notes). Its distribution among investment, intermediate and consumer goods (12%, 23%, and 64%, respectively) corresponds roughly to Chenery's \$100-300

¹³. Now being replaced by a holding corporation.

TABLE 3
 SHARE OF GROSS MANUFACTURING OUTPUT BY
 TYPE OF OWNERSHIP (%)

	<u>1962</u>	<u>1955</u>
State owned:	12%	20%
Joint State/Private:	7%	11%
Private:	81%	70%

Source: Appendix, Table D.

TABLE 4

COMPOSITION OF MANUFACTURING OUTPUT (%)

	GHANA ¹		INDUSTRY: PATTERNS OF INDUSTRIAL GROWTH: ² income per capita:			
	1958	1966	\$100	\$300	\$600	
Group A. Investment & Related Products	10.0	11.5	12.0	23.6	34.5	
36-37 Machinery	--	--	1.0	4.3	9.4	
38 Transport equipment	8.0	3.4	2.2	5.4	8.4	
34-35 Metals	0.9	6.0	4.2	8.5	11.7	
33 Nonmetallic minerals	1.1	2.1	4.8	5.4	5.1	
Group B. Other Intermediate Goods	2.0	23.3	19.7	22.3	22.6	
27 Paper	--	2.0	0.4	1.8	3.6	
32a Petroleum products	--	3.7	0.1	0.3	0.4	
30 Rubber	(in 29)	1.1	0.7	1.2	1.6	
31 Chemicals	2.0	11.6	6.2	7.4	7.3	
23 Textiles	(in 24)	4.9	12.2	11.5	9.7	
Group C. Consumer Goods	87.9	64.2	68.3	54.0	42.9	
25-26 Wood products	40.9	18.0	4.2	5.8	6.1	
28 Printing	6.2	3.8	3.9	4.8	4.9	
24 Clothing	0.8	5.0	6.1	7.6	7.5	
29 Leather products	1.0	0.3	1.2	1.2	1.2	
20-21 Food, beverages		22.7	46.8	31.3	21.2	
22 Tobacco	39.0	14.4	6.2	3.3	2.0	
39 Miscellaneous	--	0.9				
TOTAL ³	100.0	100.0	100.0	100.0	100.0	
			39 Miscellaneous: ⁴	31.0	26.7	12.7

1. Source: Appendix, Table A. Given as a percentage of total manufacturing output, including Miscellaneous.
Ghana's Gross National Product per capita at current prices and official exchange rates was \$173 in 1958 and \$316 in 1966. Correction for overvaluation of Ghana's currency relative to the dollar would place its income per capita in the neighborhood of \$200-\$250.

TABLE 4 (cont.)

2. Source: H. B. Chenery, "Patterns of Industrial Growth," AER, September, 1960, p. 638. Given as percentage of total Groups A-C, excluding Miscellaneous.
3. Details may fail to add to total because of rounding.
4. Given as percentage of total manufacturing output, including Miscellaneous.

Note: Comparisons should be qualified by well-known problems with attributing normative significance to Chenery's results. Chenery's figures are for a country of 10 million people, whereas Ghana's population was just over 6 million in 1958 and over 8 million in 1966. Since the size elasticity is considerably higher in Groups B (0.26-1.04) and A (.16-.42) than for C (-0.03 to 0.18), the given figures overstate the "norm" in investment and intermediate goods and understate in consumer goods for a country of Ghana's size. Chenery's use of value added to represent output also overstates the "normal" share of consumer goods to the extent that these industries had a lower value-added/output ratio than Groups A and B in his sample.

range for a country of 10 million.¹⁴ The most striking differences are Ghana's failure to produce machinery, the comparatively low share of its textile and clothing industries, and the relatively large role played by production of wood and tobacco products. The wood industry processes local raw materials for export as well as for domestic use, but the others are import-competing industries. While Ghana's industrial structure does not appear strikingly unusual, it does have individual characteristics whose origins may well lie in particular import-substitution policies.

The impact of investments (public and private) from 1958 to 1966 may be seen in the changes in composition and diversity of Ghana's manufacturing production (Table 4, and Appendix, Table A). Production shifted away from consumer goods toward intermediates,¹⁵ and became much more diversified. While more than two-thirds of the value of gross manufacturing output originated in the beverage, tobacco and wood products industries at the end of the 1950's, by 1965 these industries account for less than half of manufacturing output. Textiles, footwear and other textile goods, and paper products consistently increased their share of output. Chemicals and petroleum products also became more significant contributors to manufacturing output, but, as in most other industries, the increase was not a

14. Especially if size and other factors are taken into account. See note to Table 4.

15. The figures overstate this trend in that the decline in consumer goods is accounted for almost entirely by wood products, almost half of which is sawmilling for export, while textiles and much of chemicals (e.g., soap, pharmaceuticals) should really be classified as consumer rather than intermediate goods in Ghana today.

steady one.¹⁶

The direct impact of government investment was most evident in the large rise of food manufacturing output in 1965 following state-owned investments in cocoa products and meat-packing plants, and in the acceleration of textile output growth in 1966 resulting largely from initial production in the new State and Joint State/Private textile mills.¹⁷ Although it was in general difficult to discern a precise relationship between government investments and the changing over-all industrial pattern, the growing diversity of industrial production reflected to some extent the diversity of State Enterprises -- many of which initiated production within Ghana of particular goods. Further discussion of the progress of import-substitution in Ghana, in the sense of "producing within its own borders a very high proportion of all the goods and services that are consumed here," requires analysis of trends in Ghana's imports.

^{16.} In many cases, a sudden increase in the share of output for a particular industry represented a new large plant coming into production, while a decline might have resulted either from more rapid growth in other industries or from a shortage of imported raw materials in that industry. The latter interpretation seems especially applicable to the rubber, chemicals and metal industries, whose current price outputs declined in 1965 and 1966, in spite of sharp rises in prices.

^{17.} Though it should be remembered that inflation -- particularly of food prices -- in those years meant that the current price figures overstated the real growth.

IMPORTS

Ghana's leaders desired industrialization as a way to reduce dependence on imports of manufactures, as well as simply to "diversify our economy." The composition of imports (Table 5) did in fact shift strongly away from consumer goods, which fell from just over half the value of total imports at the end of the 1950's to less than a third in 1966. The value of consumer goods imported dropped from \$159 million in 1959 and a peak of \$196 million in 1962 to \$109 million in 1966 (Appendix, Table E). A major share of this decrease was in textiles, which reversed a generally increasing trend in 1962 -- when the first (private) textile mill began production -- and fell sharply in 1966 -- the first year of production for the State and Joint State/Private mills. Imports of drinks also declined strongly, especially in 1962, when (according to the Economic Survey) Ghana was "becoming self-sufficient" in soft drinks and beer, and when a high import duty was imposed on beer. Imports of tobacco and footwear, whose domestic output (in current prices) increased steadily, also fell by 1966 to a half or less of their 1959 level and share. Since the value of consumption of beverages and tobacco rose from 1960 to 1966 (Appendix, Table F), it is apparent that domestic production was replacing imports (which represented 22% of consumption of beverages and tobacco in 1960, but less than 4% in 1966). Although the level of consumption and imports of textiles and of durables fluctuated around generally declining trends, imports as a percentage of consumption

TABLE 5
 IMPORTS: COMPOSITION AND SHARE IN
 CONSUMPTION 1955-66 (%)

	<u>1955</u>	<u>1960</u>	<u>1966</u>
SHARE IN TOTAL IMPORTS:			
Consumer non-durables:	47	41	27
Consumer durables:	10	9	4
Producer non-durables:	12	13	18
Producer durables:	26	32	47
Fuels and lubricants:	6	5	4
IMPORTS AS % OF CONSUMPTION EXPENDITURES:			
Food:	7	9	3
Beverages and tobacco:	32	22	4
Clothing and textiles:	48	44	25
Durable goods:	87	100	50

Source: Appendix, Tables E and F.

Note: "Imports as % of consumption expenditures" should be interpreted as an index, not as the amount of consumption which actually was supplied from imports in the given year.

expenditures declined steadily from 1960 to 1966 for both textiles (44% to 25%) and durables (100% to 50%). Domestic production was supplying an increasing share of consumption of these goods, although it was not so clear that permanent reductions in the level of imports resulted. Food imports, for example, exhibited no tendency to decline. Since these data included raw as well as processed foods, more detailed information would be necessary to make relevant inferences about the import-substitution effect of investment in food manufacturing. Output growth in the other industries mentioned, however, was "import-substituting" both in the sense of being associated with declining levels of imports and, especially, of providing an increasing share of domestic use.

The decline in the level and share of consumer imports was offset by corresponding increases in producers' equipment; materials for mining, industry and commerce; and producers' materials for construction (Table 6). The strong shift in the composition of imports away from final consumer goods and toward capital equipment and material inputs indicates that import-substituting industrialization in Ghana was biased in favor of consumer goods industries. This view is supported by the declining ratio of imports to consumption expenditures in the 1960's (Table 5) and by the absence of capital goods production. Although the structure of manufacturing output shifted from consumer goods to intermediates (Table 4), it is not clear that any significant replacement of imported inputs by domestic materials

TABLE 6
 LEVEL AND SHARE OF IMPORT GROUPS 1959
 AND 1966

	LEVEL (\$ million)		SHARE IN TOTAL (%)	
	<u>1959</u>	<u>1966</u>	<u>1959</u>	<u>1966</u>
Consumers' goods:	159	109	50	31
Raw and semi-finished materials:				
Food, drink and tobacco:	17	18	5	5
Agricultural production:	8	8	3	2
Mining, industry & commerce:	19	38	6	11
Construction:	38	56	12	16
Producers' equipment:	59	107	19	31

Source: Appendix, Table E.

occurred (see footnote, page 8). John Sheahan finds a similar pattern in Colombia of industrial investment biased toward substitution for imported consumer goods.¹⁸ Sheahan concludes that this bias inhibited growth because it tended "to increase dependence on imported supplies and equipment, and then to use up so much foreign exchange for current production that adequate imports of capital goods became impossible." This precisely describes the situation in Ghana in 1967, when imports for investment were curtailed in order to import enough raw materials to operate industries at 50% of one-shift capacity.¹⁹ John Power and Gordon Winston warn that protection associated with import-substitution in consumer goods industries may discourage investment in intermediate and capital goods and hence may inhibit continued growth.²⁰ Henry Bruton points out a further danger of concentration on relatively "easy" import-substitution in simple consumer goods: nothing guarantees that these industries are appropriate for domestic production, in the sense that the costs of protecting them will be offset by rising productivity.²¹ These comments suggest some of the risks inherent in the changes in patterns of investment, industrial production, and imports

18. John Sheahan, "Imports, Investment and Growth: Colombian Experience Since 1950," Williams College Center for Development Economics, Research Memorandum No. 4 .

19. See above, pp. 5-6.

20. John Power, "Import Substitution as an Industrialization Strategy"; Gordon Winston, "A Preliminary Survey of Import Substitution"; Williams College C.D.E.

21. Henry Bruton, "Import Substitution and Productivity Growth," Williams College C.D.E., Research Memorandum No. 13.

observed in Ghana during 1960-66. The remainder of the paper examines in detail the processes by which policies and decisions relevant to those changes were made, and then analyzes the consequences and the implications for future policy.

INVESTMENT DECISIONS

Nkrumah's concept of socialism led him to emphasize direct governmental controls rather than rely on markets and prices. Central government expenditures rose sharply in 1960 and 1961 after only moderate rises in the middle and late 1950's. The unfavorable attitude of Nkrumah's government toward private investment was reflected in the decline from 80% in 1962 to 71% in 1966 in the private sector's share in the value of manufactured output, though this does not fully indicate the government's domination of major new investment.²² Just as tariff policy was of minor importance in influencing imports compared to import licensing controls (to be discussed in the succeeding section), tax policy and market incentives played a less significant role compared to direct government investments in influencing the pattern of industrial growth.

The Industrial Development Corporation (IDC) was the main instrument of government investment policy from 1951 to 1961. It was generally unsuccessful in promoting economically viable projects. Tony Killick characterized its major difficulties by: "inadequate prior investigation; unsuitable or erratic supplies of local raw materials; a deficiency of capital; inadequate personnel and poor management."²³ IDC firms became removed from the normal economic pressures of the market:

22. As described above, pp. 6-7. The unfavorability of the atmosphere for private investment, especially by Ghanaians, was confirmed by Ghanaian officials and businessmen, and even stated in the Economic Survey 1965.

23. Birmingham, et al, pp. 290-293.

. . . neither the selection of the projects nor of the men to manage them can be said to have been based on strictly economic criteria. Operating personnel were then confronted with problems for which they had no experience and which at times were insolvable....

More important, these companies were not obliged to operate on a sound commercial basis -- the IDC was standing by with more Government funds. 24

The lack of competitive pressures implied by government support, plus flat-fee (rather than conditional or commission) contracts with foreign management firms, continue to weaken incentives to raise productivity in State-owned industries.²⁵

The IDC firms had poor records of performance and profits. Several firms went into liquidation, and only four of fifteen firms operating in 1957 and 1958 showed profits.²⁶ Losses resulted from "inadequate demand for their products" and their "inability to compete with alternative makes of the same product, whether imported or locally produced."²⁷ Private profitability is not necessarily the appropriate criterion for making investment decisions when external benefits and costs (such as employment effects or interactions with other industries) are relevant, or when prices do not reflect opportunity costs (as is often the case with wages in less developed countries). Indeed, it may

24. Porter International Company, The National Investment Bank of Ghana (Washington, D.C., 1962), p. 19.

25. The State textile and fibre bag firms are two examples, as described in Shilling and Steel, "Case Studies in Import-Substitution in Ghana: Textiles and Fibre Bags," Williams College C.D.E.

26. Net losses in these years totalled N¢ 491,000 and N¢ 343,000, respectively, on direct IDC investments of N¢ 2,574,000. Since the IDC held only 50-85% of four of the companies, total investment was actually about N¢ 2.8 million. As of June 30,

be appropriate for the government to carry out investments which are socially but not privately profitable, especially if it is unable to implement incentives and taxes which establish the proper signals to private investors. The Ghana government, however, did little to adjust private incentives in the 1950's, and the IDC did not make allowance for price adjustments and social costs and benefits (except perhaps employment) in making its investment decisions.

The experience of the IDC indicated the lack of adequate personnel, procedures and incentives for making and carrying out investment decisions on the basis of sound economic criteria, reflecting true opportunity costs, even before the acceleration of government investment in industry during the early 1960's. Ghana was already exceeding its technical and physical capacity for Government investment under its first Plan in the early 1950's:

The Government tried to complete the Plan in five years, and at all times had more than enough money to do so, but was unable to do so. At the beginning, the physical limitation was the capacity of the building industry.... The result . . . is that projects cost twice as much as they should, contractors make enormous profits, works are badly designed or badly built, and everything takes much longer to achieve than was expected.... Considering how much was wasted by overloading the building industry, one can say without hesitation that the country would have made more progress if it had spent less and had had better economic policies. 28

26. (cont.) 1958, cumulated losses on IDC capital of N¢ 6.7 million amounted to N¢ 1.3 million (N¢ 243,000 on current expenses and N¢ 1,069,000 on depreciation). (Ghana IDC, Report and Accounts, 1957-58, pp. 32, 33.)

Opportunities for "enormous profits" and self-interested decisions increased after 1959 as the Government attempted to extend its control of the economy and society. It undertook large capital expenditures and pushed for rapid industrialization, as described above. Lacking sufficient trained personnel and technicians to administer these policies efficiently, Ghana had to rely more and more on the foreign contractors and suppliers themselves to provide the feasibility studies, advice, and skilled personnel, as well as the machinery and equipment for carrying out investments. Investment decisions came to be made more on the basis of the existence of a foreign supplier willing to suggest and carry out a project than on the basis of coordinated planning. Since high profits were readily available on building the plant and supplying the machinery alone, contractors often had little interest in the economic viability and efficient operation of the industry. The same is true of government officials responsible for approving projects, who sometimes were more concerned with their private political and financial interests than with the best economic interests of Ghana.

Corruption became widespread under Nkrumah's regime, and has been documented incessantly in the Ghanaian press and by the many commissions appointed by the National Liberation Council (NLC) to inquire into various malpractices. The relevant point

27. Birmingham, et al, p. 290.

28. V. A. Lewis, "On Assessing a Development Plan," The Economic Bulletin (Ghana Economic Society), June-July, 1959, pp. 4-5, quoted in Douglas A. Scott, p. 45.

is that personal and political favor, rather than competitive bidding and market incentives, gained major influence over investment decisions.²⁹ The Government did indeed establish incentives through its policies of spending to promote industrialization, but they were the wrong ones. High government spending led to balance-of-payments difficulties and the imposition in 1961 of import controls and tariffs, which aimed at discouraging "non-essential" consumer goods in particular. Prices of these goods rose rapidly, opening up large profit opportunities for domestic producers, as well as for those able to import them. Since investment decisions (public and private) were based on unadjusted market prices, these distorted prices (as well as political desires to stock stores with "made in Ghana" goods) biased investment toward domestic production to replace restricted consumer goods.³⁰ This pattern is precisely that

29. One example is the \$170 million worth of contracts won by a single supplier in just three years, 1963-65 (Financial Times, May 3, 1967, p. 7). He won Nkrumah's favor with a cocoa-processing plant and proceeded to sell him: a large interlocking industrial food processing complex; food and grain storage bins; rock quarries; plants for processing diamonds, sugar, chemicals and wood; and a revolving tower/restaurant for the Ghana International Trade Fair. Even if all these projects had been "worthwhile" in some sense, and if Ghana had the capacity to carry them out (several are unfinished), it is questionable that one person would be the most efficient supplier of such a wide variety of investments. And again, the point is that efficiency and careful study of viability were not the significant determinants of investment decisions.

30. A typical example -- textiles -- is examined in Shilling and Steel, "Case Studies in Import-Substitution." Operations which are clearly profitable using domestic market prices for final products and imported materials become questionable when evaluated entirely at world prices (or using domestically-

warned against by Power and Winston (p. 12). There is a simultaneous interaction in that the government's decision to raise the level of spending for industrialization induced balance-of-payments problems and subsequent import-control policies which in turn influenced the pattern of industrialization and opened up opportunities for quick personal profits. A casual examination of government investments during the 1960's readily turns up many cases which make one wonder whether any attempt was made at all to analyze the economic feasibility of projects.³¹

It would be unfair to imply, however, that Ghanaian officials were not aware of the appropriate economic criteria. Nkrumah stated that:

30. (cont.) produced inputs). Although consumer-goods import-substitution industries (especially beverages and tobacco) have been "successful" in terms of profits, no attempt has been made to adjust for protection and price distortion to evaluate their true social profitability and their actual costs of net foreign exchange savings.

31. For example: a shoe factory designed to produce out-of-date shoes which Ghanaians refuse to purchase; a brick and tile factory which cannot use the available local clay and whose product is very little in demand; a steel mill based on a domestic supply of scrap iron which is insufficient to permit anything resembling an "efficient" level of operation; partially completed storage bins with little to put in them; a boatyard which imports machinery, materials and personnel to produce pleasure craft (and fishing boats) which find little market in Ghana; and a modern honey farm whose 250,000 imported bees either swarmed back to their home hives in the U.K. or were unable to survive under conditions to which Ghana's stronger native bees had adapted.

Our rate of development will be governed by the surpluses that will be made available out of heightened productivity, which includes, besides the greater output from labour and increased agricultural yields, the more efficient employment of investment and the resulting increased productivity. 32

The significant problems were (and remain): (1) lack of information and trained manpower to carry out the appropriate analysis; (2) prices (of foreign exchange, import-restricted consumer goods, labor, and capital) which do not reflect opportunity costs, distorted partly through policies designed to support government investment and its consequences; and (3) strong incentives (e.g., prestige, political goals, personal rewards) to make decisions on non-economic grounds.

In addition to creating an atmosphere unfavorable economically^{to} sound investment decisions, Ghana's emphasis on rapid industrialization in the early 1960's led to excess industrial capacity, increased dependence on imports, and limited freedom of action. These trends corroborate the patterns foreseen by Power and found in Colombia by Sheahan. Most import-substituting investment was in consumption goods industries, and a number of those attempts which were made to establish production of intermediate goods were misguided at best (e.g., the brick and tile factory and the steel mill). Consequently, domestically produced inputs were not available for most industries, and output and employment came to depend heavily on Ghana's ability to import

the necessary raw materials and spare parts. This dependence became increasingly evident during the 1960's as firms had to cut back or curtail production for lack of spare parts and raw materials. Limited availability of foreign exchange appears to have severely constrained the growth of industrial output in 1964-5 and led to high rates of unemployment and underutilization of capacity. The consistently high ratio of applications for import licenses for parts and material inputs to the amount of foreign exchange available supports the hypothesis that production was restricted by the supply of specific inputs rather than by final demand.³³ The industrial structure which evolved in Ghana during the 1960's requires such a high proportion of imported inputs (lacking domestically-produced substitutes), that it has become unable simultaneously to maintain industrial production at the one-shift level and to import the capital necessary to maintain continued investment and growth in industry.³⁴

³³. That is, marginal revenue exceeded marginal costs at existing prices and exchange rate. Devaluation in July, 1967, soaked up a good deal of the excess demand. Domestic prices generally failed to rise proportionate to the rise in cost of imported materials, and utilization of import licenses (in production, if not in stockpiling) apparently has declined.

It should be noted that the ratio of license requests to exchange available is high partly because of the well-known procedure of inflating your request because you know the other party will deflate it. This traditional game is played in license allocation as well as in marketplace bargaining.

³⁴. As apparent in its decision to suspend all new investment and to concentrate on importing the spare parts and raw materials necessary to bring industry to full one-shift capacity (pp. 5-6).

Ghana must now make careful choices in allocating imports among existing unused capacity, expansion of exchange-saving plant, and new investments to create an industrial structure more consistent with sustained growth.³⁵

³⁵. An example of how such an analysis might be carried out is given in Shilling and Steel, "Case Studies...." Whereas textile printing appears to be highly efficient in Ghana and saves foreign exchange at relatively little cost in terms of domestic resources, the intermediate spinning and weaving stages are dubious foreign exchange savers. The government hence should consider increasing licenses to import enough greycloth to utilize full printing capacity (or, even better, remove all restrictions on greycloth) and machinery to expand it (e.g., driers which would speed the process), while cutting back on imports of raw cotton and of equipment to complete the greycloth-producing factory. Although this factory, in combination with domestic production and ginning of cotton, might well save foreign exchange, the question is whether these resources could save or earn more foreign exchange if used in another industry. The type of calculations (and information) needed are well presented in Michael Bruno, "The Optimal Selection of Export-Promoting and Import-Substituting Projects," in Planning the External Sector (United Nations Document ST/TAO/Ser.C/91).

IMPORT LICENSING SYSTEM

The introduction of import licensing was a policy response to the consequences of rising government expenditures after 1959. In the early 1950's, Ghana accumulated large foreign exchange reserves by running budget surpluses and by retaining almost half of cocoa earnings through the Cocoa Marketing Board.³⁶ The government began running current account deficits in 1956/57, financed out of accumulated reserves. The drain on reserves was initially held down during a period of restraint and "consolidation" from 1957-59. Rising deficits after 1959 were financed by sharp reductions in reserves and by supplier credits (especially as reserves dwindled). The government failed to restrain demand either by moderating its expenditure increases or by raising taxes accordingly, and Ghana quickly experienced inflation and a spill-over of demand into sharp increases in all categories of imports from 1958 to 1961 (Table 7). Total foreign exchange assets were halved in 1961, from \$416 million to \$206 million, and the government attempted to regain control over its foreign exchange position by instituting foreign exchange controls and import licensing.

Ghana's balance of payments was clearly in short-run disequilibrium, and drastic measures were called for. The appropriateness of devaluation as an alternative depends partly on whether or not Ghana was in a long-run external disequilibrium

³⁶. Birmingham, et al., p. 318.

TABLE 7
 IMPORTS AND OVERSEAS ASSETS 1957-62
 (\$ million)

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
IMPORTS OF:						
Consumer goods:	154	129	159	181	196	159
Material inputs:	37	37	45	47	59	51
Producer durables:	63	58	97	118	127	101
TOTAL FOREIGN EXCHANGE ASSETS:	480	507	475	416	206	203

Source: Appendix, Tables E and I.

position.³⁷ If the expenditures which led to the deficits would soon become productive enough to pay off the debts incurred, temporary import surcharges (in addition to duties already collected) could have been levied to restrain demand. A large share of Ghana's public investments, however, were in social, educational and economic "overhead" with no immediate pay-off, while its industrial investments were disappointingly unproductive. Its export earnings showed no signs of rising to match the rapid growth in demand for foreign exchange. By the end of 1965 Ghana had accumulated \$853 million worth of supplier credits, two-thirds of it yet to be paid.³⁸ This debt was coming due at the rate of almost \$100 million per annum in 1966-68 (before rescheduling), as against export earnings which have been steady around \$300 million. By 1966 it had become unable to meet its foreign obligations, and was saved from default only by a moratorium on payments, special credit from the IMF, and a rescheduling of its debt. Ghana does not appear to have been in external equilibrium defined over any relevant time period since 1960. Therefore, devaluation might well have been an appropriate measure in 1961. But would devaluation have enabled Ghana to continue its development policy without imposing restrictions on trade? Government expenditures continued to rise from 1960 to 1965. Although revenues finally were increased significantly

37. Douglas A. Scott discusses in detail the relationship between internal and external disequilibria in Ghana (Chapters IV and V of his Ph.D. thesis). He also concludes that Ghana was indeed in external disequilibrium after 1959, for the reasons given.

38. Ghana. The Budget, 1966-67, p. 21.

in 1953/54, the government deficit and total demand were not reduced enough to prevent inflation from becoming increasingly severe from 1962 to 1966. Under these conditions of unrestrained demand and rising prices, as well as an industrial structure heavily dependent on imported inputs, it is likely that devaluation alone would not have been sufficient to restore equilibrium.³⁹ For devaluation to be successful in restoring external equilibrium, supplementary policies would have to have been pursued: (1) restraint of demand, to prevent spill-over into import demand; (2) redirection of investment toward intermediate and capital goods industries, so that limited foreign exchange and inability to substitute for these goods would not lead to underutilization of capacity or curtailed investment. Restraint of government spending was incompatible with Nkrumah's desires to extend socialistic public control of the economy and society. Import duties and domestic taxes were in fact imposed and raised from 1961-66, but were not high enough (at least until 1963/64) to restrain import demand to the levels imposed by licensing or to prevent continuing inflation. Since direct personal income taxation would have been very difficult to administer, inflation actually served as an effective means of reducing real income and of aiding the desired transfer of resources from private to

³⁹. If inflation and low productivity from investments continue so that additional devaluations become necessary and expected, there is a risk of creating a self-defeating devaluation-inflation cycle. See John Sheahan, "Imports, Investment and Growth," for this kind of a model.

public hands. The government was not willing to restrain demand through either fiscal or monetary measures⁴⁰ because of domestic, economic and political goals.

Ghana met the balance of payments disequilibrium in 1961 by turning to import licensing as a system which would give the government direct control over both imports and industry (since inputs and capital equipment came almost exclusively from imports). Nkrumah's political views were much more favorable to direct public control rather than devaluation or a system of taxes, surcharges and incentives to influence private decisions in desired directions. Import controls offered a relatively simple and direct means of carrying out several related policies simultaneously: (1) reduction in the level of imports; (2) specific restriction of luxury imports; (3) protection for domestically-produced import-substitutes; (4) transfer of investment and production from private to public control; (5) restriction of the economic power of politically threatening Ghanaian businessmen and traders; and (6) increased trade with socialist countries. Import licensing quickly came to dominate many phases of Ghana's economy.

⁴⁰. The money supply was allowed to expand by 17.5% in 1960, and 8.7% in 1961 (Economic Survey 1966, p. 115).

The operation of the licensing system:

As the licensing system has evolved by 1967, the Ministry of Trade is responsible for dividing the foreign exchange available (estimated by the Bank of Ghana) among general categories⁴¹ and between the private and public sectors. The Ministry of Industries then makes specific allocations to private firms, while the State Enterprises Secretariat handles the State and Joint State/Private companies. Priority and maximum license amounts depend on a firm's ranking as: A-export-oriented; B-import-substituting; C-services; or D-others.⁴²

Licenses were initially issued on a yearly basis, then half-yearly. At present, capital goods are on a yearly basis, raw materials half-yearly, and food quarterly. The Ministry of Trade publishes notices requesting applications for specific goods, and it processes about 400 applications each half-year period. If requests exceed the available supply of foreign exchange (as they invariably do), top priority firms and goods are processed first, bottom priorities eliminated, and the remaining applications deflated. A 1% charge is payable on the value of the license, whether or not it is utilized.

The Ministry's practice of deflating requests more or

41. Food, pharmaceuticals, consumer goods, manufacturing, construction, transportation, fuel and lubricants, mining and quarrying, agriculture (including fisheries and timber), and miscellaneous government imports (e.g., military goods).

42. Before 1966 these gradings were based on past performance, size of business, employment, and ability to obtain credit, as well as the official's personal judgment.

less proportionately is well-known; most officials believe there is a corresponding inflation of requests. The main criterion for judging how much a particular firm should receive is the amount it received in the past -- usually two years previous, since data for the preceding year are not compiled by the time allocations are being made for the next year. Attempts are being made to improve feedback of information on utilization of licenses, but the re-evaluation process remains slow. In some cases, tax information is checked to determine whether a firm actually uses the goods it imports, or sells them to others.

Import licensing was introduced because the demand for foreign exchange at the official rate exceeded the supply made available through export earnings, aid, and credit. Licensing is a system designed to maintain this situation, not correct it, by rationing the foreign exchange rather than raising its price. Even though tariffs were raised to as high as 100% on many "non-essential and domestically-produced consumer goods, sharp reductions in the value of licenses issued for them led to price rises above the c.i.f. price (at the official rate) plus tariff.⁴³

Firms could not produce without imported raw materials and spare parts, and were generally willing to pay higher than official prices if necessary in order to obtain them. Most firms became

⁴³. See Shilling and Steel, "Case Studies...." for an example. The State-owned textile firm would not be competitive with imports even under 100% tariffs and after 30% devaluation. It is essentially protected by licensing, and government-"controlled" prices (a lower limit for actual market prices outside major stores) are set to enable it to stay in business. These prices provide a highly profitable umbrella for the more efficient and competitive (with imports) joint State/Private textile printing firm.

their own importers, rather than relying on wholesale importers, to avoid paying such extra costs. Firms or traders who could not obtain licenses had to buy illegally from others or bribe officials if they were to remain in business. The "scarcity prices" resulting from the import rationing system created wide opportunities for monopoly gains, windfall profits, and bribery.

Corruption quickly became the essential lubricant of the licensing machinery:

- (i) licences to Government Departments and State enterprises . . . were granted in the normal way;
- (ii) licences were granted upon personal contacts made with the Minister;
- (iii) all others had to pay bribe between 5 per cent and 10 per cent of the value of the licence to be granted before licences were issued to them. 44

The ranking of a firm (A,B,C,D), actually depended heavily on the discretion of government officials.⁴⁵ Obviously, there were large profits to be made. The import licensing system meant that these gains went to private importers rather than to the government (as they would have, had regulation been implemented through higher import taxes) or to exporters (who would have been the gainers from devaluation). Licensing created incentives

44. Ghana, Summary of the Report of the Commission of Enquiry into Irregularities and Malpractices in the Grant of Import Licences (Accra, 1967), p. 5 (the Olennu Commission).

45. The report of the Olennu Commission contains many examples of firms whose ranking rose (thereby permitting a larger maximum license) because an official had a personal interest in it or because a payment was made; others who lost favor or failed to pay enough had their rankings lowered.

to bribe and to sell on the black market, not to make decisions according to economic efficiency. Attempts have been made to clean out this corruption since the overthrow of Nkrumah in February, 1966, but since present decisions are largely based on allocation made in the past, the effects of earlier malpractices tend to be perpetuated even though the corruption itself has been largely eliminated.

The effects of the licensing system:

Import licensing was initially successful in reducing the level of Ghana's imports (Table 8). This success was qualified, however, by its inability to prevent a 30% increase in the value of imports in 1965. This sudden rise was attributable primarily to political pressures to build ostentatious structures⁴⁶ and to stock Accra's stores with impressive luxury goods for the 1965 Conference of the Organization for African Unity. One problem with a system of direct control -- import licensing, as opposed to devaluation or import surcharges -- is that it is subject to direct political interference which may not be consistent with the economic objectives.

Consumer goods bore the brunt of the reductions under licensing, although machinery and equipment also fell sharply

⁴⁶. Most notably the infamous "Job 600," a 12-story \$20 million tower of luxury suites for visiting dignitaries. It was so specialized for this use (e.g., 7-foot high windows to prevent assassinations) that Ghana has been unable to use it since the five days of the Conference, and it was built so hastily that it began cracking and sinking into the ground by the middle of 1967.

TABLE 8

LEVEL AND COMPOSITION OF IMPORTS 1960-66
(\$ million)

	<u>1960</u>	<u>(Share)</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Total imports:	363	(100%)	400	327	365
Consumer non-durables:	150	(41%)	165	138	121
Consumer durables:	31	(9%)	33	21	23
Intermediate materials:	47	(13%)	59	51	60
Producer durables:	118	(32%)	127	101	141
Fuels & lubricants:	17	(5%)	17	18	20

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>(Share)</u>
Total imports:	341	448	351	(100%)
Consumer non-durables:	100	129	95	(27%)
Consumer durables:	14	25	14	(4%)
Intermediate materials:	58	72	65	(18%)
Producer durables:	149	204	163	(47%)
Fuels & lubricants:	20	18	15	(4%)

Source: Appendix, Table E.

Note: Import licensing was introduced in December, 1961.

in 1962. The shift in the composition of imports away from consumer goods⁴⁷ had several sources: (a) a policy of reducing "non-essential" imports; (b) increasing domestic production of consumer goods; (c) protection for these industries; and (d) input and capital requirements for these industries (which had to be imported since little was produced domestically). Import licensing was the primary instrument for policies (a) and (c), and accelerated the trend toward a higher percentage of intermediate and producer goods imports associated with (b) and (d).

Licensing was not entirely successful in implementing the policy of excluding luxury items in favor of goods deemed necessary for health and nutrition. By 1965 staple foods such as milk, rice and sugar had to be rationed through queues. The Olennu Commission Report cited examples of licenses being granted for luxury goods at the same time as denials were given to imports of foods classified as "essentials." Licensing was apt to lead to imbalances both because it opened opportunities for corruptive influences and because even the best-intentioned officials lacked the extensive information necessary to predict demand, domestic production levels, and foreign exchange availability.

Import licensing played a major role in protecting import-substitution industries. When the government felt that a domestic industry could produce enough goods of acceptable quality to satisfy the domestic market, it refused to issue import licenses for the product (e.g., beer, soft drinks, cigarettes). It also

⁴⁷. See pp. 12-13 above.

limited imports to ensure a share of the market to domestic firms which could not compete with imports at world prices. The resulting price rises not only gave windfall profits to importers (rather than to exporters or the government), they created divergences between prices and opportunity costs which distorted incentives to future investors.⁴⁸ In particular, investment incentives were biased toward consumer goods, which were the most severely restricted. Furthermore, these rises in consumer goods prices reduced real private income. Thus licensing was, indirectly, an instrument for forcing the saving needed for public investment.

Licensing also was used directly to transfer resources from private to public hands. Private businessmen found it much more difficult than managers of State firms to obtain licenses for imports of the capital goods necessary for investment or of material inputs for production, regardless of the relative productivity of the import in the private vs. the public sector. If there had been domestic industries producing capital goods and inputs, private firms would have been able to compete for them against State enterprises. On the presumption that more efficient firms would be able to make higher bids for the inputs, there would have been a greater probability of resources being allocated in accordance with productivity than under the system

⁴⁸. An individual or the government might invest further in a protected industry based on its profitability at these raised domestic prices, whereas the same amount of goods might have been obtainable with fewer resources if they were devoted to production for export and the goods were imported. Again,

of direct control through licensing.⁴⁹ Instead, licensing was used for the political purpose of restricting the power of Ghanaian businessmen -- a class potentially threatening to Nkrumah's ability to consolidate power.

Nkrumah's desire to increase trade with the centrally planned economies was implemented through licenses valid on bilateral accounts rather than in convertible currencies. Ghana's trade with the U.S.S.R., China and Eastern European countries shifted from 5.4% of the total value of imports and 4.7% of exports in 1961 to 26.3% and 21.3% respectively in 1965.⁵⁰ Ghana did not come off especially well in these bilateral agreements, which were partly another attempt to conserve convertible foreign exchange. Ghana initially (1962 and 1963) exported more to the centrally planned economies than it imported from them,⁵¹ putting it in the anomalous position of granting them interest-free loans. Ghana may have lost purchasing power through these agreements, to the extent that it paid higher than world prices (or received lower value for its exports than it could have earned on world markets). When it requested particularly desirable items, such as capital goods, from its bilateral partners, it sometimes met demands for payment in convertible currency rather than in trade pact commodities. It was forced

⁴⁹. (cont.) there is a chain of interactions: government investment decisions lead to protection through import licensing (and tariffs), which distorts price signals to private (and public) investment decisions-makers. The bias in Ghana toward investment in consumer goods industries confirms the fears of Power and Winston (see p. 12).

to accept many "non-essential" goods, such as jams, wines, and even canned pineapples. The capital goods which it did get were not always suitable.⁵²

Investment decisions, import licensing, and growth:

Growth of Ghana's gross national product and industrial output slowed after licensing was introduced, to practically nil in 1965. This decline was largely attributable to investment decisions which were not compatible with sustained growth,⁵³ and it would be unfair to place too much blame on licensing simply because it was a major instrument for effecting those decisions. Ghana's experience suggests, however, that direct controls such as licensing can compound the problems which brought them into existence. Ghana's balance-of-payments crisis in 1961 arose from poor planning as to the level, structure, and productivity of public investment. Licensing made it possible for the government to continue implementing such decisions by restricting the sphere of the private sector. Licensing distorted the incentives normally provided through the market and

49. Except, of course, for divergences between prices and opportunity costs -- especially prices of goods which had risen due to protection through import licensing. The cumulation of distortions opens up the "second-best" possibility of correctly-made partial decisions being wrong in a general equilibrium framework.

50. Ghana, Economic Surveys.

51. Based on trade pact agreement valuation.

52. A shoe factory built by Czechoslovakians used 40-year-old machinery designed to produce heavy, outdated boots which the style-conscious Ghanaians refused to buy.

53. See above, pp. 12-13 and 20-22.

government economic policies by rendering tariff and tax considerations⁵⁴ of secondary importance, especially compared to the importance of personal favor and payment. The effectiveness of licensing was further weakened by attempting to use it to implement many policies, political and economic, making it very difficult to make decisions consistent either with different goals or with long-run general welfare.

⁵⁴. Tax incentives for investment were established by the Pioneer Industries and Companies Act, 1959, and the subsequent Capital Investments Act, 1963. But the tax exemptions, special capital allowances, and other concessions permitted by these Acts were not systematically utilized until after the 1966 coup.

PRESENT AND FUTURE POLICIES

The National Liberation Council, in power since the overthrow of Nkrumah in February, 1966, has taken several steps away from direct controls toward more reliance on market mechanisms. It initially declared a moratorium on its international payments, which were seriously in arrears, and then negotiated reschedulings of its debts.⁵⁵ It checked the increasingly serious inflation through restrictive fiscal and monetary policies (primarily the reduction of government investment spending) and by reorganizing import licensing to be more responsive to major imbalances in supply and demand (especially for food, the major source of inflation). It began making more use of the tax incentives authorized by the Capital Investments Act to attract foreign investors. It recognized the dangers of inefficient and non-competitive operation associated with government control of enterprise by trying to sell a number of State firms to private investors, and to establish joint State/private ownership of others.⁵⁶ It should, however, establish more incentives for Ghanaian businessmen to develop badly needed managerial skills in large-scale enterprise, rather than the small businesses to which they had previously been confined.

55.

Its accumulated debts will now continue to restrict the availability of foreign exchange over the next decade or more.

In July, 1967, the NLC devalued the cedi by 43%

This move represented an attempt to promote exports and domestic agriculture, the major sufferers from the emphasis on import-substituting industrialization under Nkrumah, as well as to reduce the overvaluation of Ghana's currency. It is difficult to assess as yet whether this devaluation was sufficiently large. It did "soak up" enough demand to prevent importers and industries from raising domestic prices high enough to absorb the losses imposed by higher import prices.⁵⁷ But it was not large enough to permit removal of both import licensing and tariffs, although a number of duties were removed or reduced and essential food and health items and spare parts were placed on open general license. Licensing remains responsible, however, for protecting many domestic industries by prohibiting or restricting imports of their products, as well as of luxury items. Ghana should next attempt to eliminate these direct controls by raising tariffs on them to prohibitive levels, if deemed necessary, and allowing imports if people are willing to pay the price. Equivalent domestic taxes should also be imposed to prevent biasing investment toward these consumer goods. The Government would gain both through increased

⁵⁶. One case illustrates the extent of waste in some of Ghana's public investments. The pharmaceuticals factory went to a foreign firm for only a quarter of its listed capital value. Although the agreement later fell through because of public outcry over this disparity, the Government claimed that Ghana was not in a position to demand more.

⁵⁷. The government's efforts to restrain demand thus were important to the success of devaluation then would not have been successful. On the other hand, import licensing failed to

revenues⁵⁸ and through reduced costs of administering import licensing. Similarly, the Government should move toward open general licenses for intermediate goods and capital, with duties imposed on goods going to industries which do not merit protection.⁵⁹

It is essential that Ghana evaluate the efficiency and appropriateness of its industries, both to determine which should be protected (because of external benefits or increasing returns over time) and to guide current allocations of imported inputs and capital. Ghana's present policy of suspending investment in order to concentrate on utilizing industrial capacity does not necessarily bring about the most productive use of resources. The domestic cost of saving foreign exchange by using the existing capacity of one of Ghana's less inspired investments (e.g., the steel mill) may well exceed that by expanding capacity in an industry or process more competitive with imports (e.g., textile printing). Shilling and Steel's "Two Case Studies..." demonstrate how such calculations can be made, using Ghana's textile and fibre bag industries as examples. In order to promote sustained economic growth, the government should take into account all alternatives -- promotion of exports; increased

57. (cont.) solve the problems, and may well have left Ghana in a worse position in 1966 than a series of devaluations without controls would have.

58. This would also help offset the loss in revenues caused by the shift in the composition of imports from high-duty consumer goods to low-duty capital and intermediate goods.

59. The tariffs would be equivalent to selective devaluation.

agricultural production to replace food imports; increasing utilization of industrial capacity; new investment to produce capital, materials or final goods -- and then move toward a system of prices, tariffs, taxes and incentives which will guide private and public decision-makers to the appropriate decision without direct controls.

APPENDIX: TABLES

Note: Ghana has had three currencies in the 1960's: the Ghanaian pound (£G1 = \$2.8); the cedi (¢1 = \$1.167); and the new cedi (N¢1 = \$1.4 until devaluation in July, 1967, when N¢1 = \$0.98). Most figures in the following tables are given in U.S. dollars to facilitate comparisons between industrial production and import figures. No data are for the post-devaluation period.

TABLE A

VALUE AND SHARE OF GROSS OUTPUT IN CURRENT PRICES FOR MANUFACTURING
 ACTIVITIES BY MAIN GROUPS 1958-59, 1962-66 (\$ million; %)

	<u>1958</u> ^{1/}	<u>1959</u> ^{1/}	<u>1962</u> ^{2/}	<u>1963</u> ^{2/}	<u>1964</u> ^{2/}	<u>1965</u> ^{2/}	<u>1966</u> ^{2/}
1. Food manufacturing industries except beverage industries: (%):	4.0 (7.8)	4.6 (7.5)	5.9 (5.9)	6.1 (4.7)	6.6 (4.4)	13.5 (8.0)	15.1 (7.6)
2. Beverage industries: (%):			14.4 (14.4)	19.4 (14.9)	20.0 (13.3)	24.8 (14.8)	30.1 (15.1)
3. Tobacco manufactures: (%):	16.2 (31.2)	18.5 (30.3)	17.8 (17.8)	20.4 (15.6)	23.0 (15.4)	25.3 (15.0)	28.7 (14.4)
4. Manufacture of textiles: (%):			0.5 (0.5)	2.4 (1.9)	3.6 (2.4)	5.6 (3.3)	9.8 (4.9)
5. Footwear, other wearing apparel, and made-up textiles goods: (%):	0.4 (0.8)	0.7 (1.2)	2.4 (2.4)	4.7 (3.6)	6.1 (4.1)	8.2 (4.9)	9.9 (5.0)
6. Wood and cork (except furniture), sawmills, planing and other wood mills: (%):	20.5 (39.6)	22.2 (36.4)	28.6 (28.6)	28.2 (21.7)	30.2 (20.2)	32.7 (19.4)	31.8 (16.0)
7. Furniture and fixtures: (%):	0.7 (1.3)	1.0 (1.7)	3.5 (3.5)	3.9 (3.0)	4.9 (3.2)	4.3 (2.5)	4.1 (2.0)
8. Paper and paper products: (%):	----- -----	----- -----	0.3 (0.3)	1.2 (0.9)	1.4 (0.9)	2.0 (1.2)	3.9 (2.0)

TABLE A (Con'd.)

	<u>1958</u> ^{1/}	<u>1959</u> ^{1/}	<u>1962</u> ^{2/}	<u>1963</u> ^{2/}	<u>1964</u> ^{2/}	<u>1965</u> ^{2/}	<u>1966</u> ^{2/}
2. Printing, publishing and allied industries: (%):	3.2 (6.2)	2.5 (4.1)	3.4 (3.4)	5.7 (4.4)	4.4 (2.9)	4.7 (2.8)	7.6 (3.8)
0. Leather, leather and fur products: (%):	0.5 (1.0)	0.8 (1.2)	0.8 (0.8)	0.6 (0.5)	0.6 (0.4)	0.6 (0.3)	0.6 (0.3)
1. Rubber products: (%):			0.8 (0.8)	0.7 (0.6)	2.0 (1.3)	2.8 (1.7)	2.1 (1.1)
2. Chemicals and chemical products: (%):	1.1 (2.0)	2.8 (4.6)	7.9 (7.9)	14.1 (10.8)	18.9 (12.6)	16.0 (9.5)	23.1 (11.6)
3. Petroleum products and coal: (%):	----- -----	----- -----	0.0 (0.0)	2.9 (2.2)	6.9 (4.6)	7.2 (4.3)	7.3 (3.7)
4. Non-metallic mineral products: (%):	0.6 (1.1)	0.9 (1.4)	1.3 (1.3)	1.8 (1.4)	1.5 (1.0)	2.0 (1.2)	4.2 (2.1)
5. Basic metal industries: (%):	----- -----	----- -----	0.7 (0.7)	0.8 (0.6)	1.0 (0.7)	2.1 (1.2)	1.2 (0.6)
6. Metal products (except machinery and transport equipment): (%):	0.5 (0.9)	1.1 (1.8)	8.0 (8.0)	10.0 (7.7)	10.9 (7.3)	8.5 (5.0)	10.8 (5.4)
7. Transport equipment: (%):	4.1 (8.0)	5.3 (8.8)	3.0 (3.0)	5.9 (4.6)	5.4 (3.6)	5.9 (3.5)	6.7 (3.4)

TABLE A (Con'd.)

	<u>1958</u> ^{1/}	<u>1959</u> ^{1/}	<u>1962</u> ^{2/}	<u>1963</u> ^{2/}	<u>1964</u> ^{2/}	<u>1965</u> ^{2/}	<u>1966</u> ^{2/}
8. Miscellaneous manufacturing industries: (%):	0.0 (0.0)	0.7 (1.1)	0.6 (0.6)	1.4 (1.1)	2.5 (1.7)	2.2 (1.3)	1.9 (0.9)
TOTAL: <u>b/</u>	51.7	61.0	99.9	130.3	149.8	168.2	198.8
(%): <u>b/</u>	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

a/ "Manufacturing" does not include mining, quarrying, construction or power.

b/ Details may fail to add to totals because of rounding.

SOURCE:

1/ Sales: Ghana, Industrial Statistics 1958 and 1959, p. 15.

2/ Gross output: Ghana, Economic Survey 1966, p. 68, No figures available for 1960-61.

TABLE 2
 INDICES OF GROSS OUTPUT AND VALUE ADDED
 IN MANUFACTURING, GROSS NATIONAL PRODUCT,
 AND PRICES

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
INDICES FOR MANUFACTURING IN FIXED PRICES (1962 = 100):						
Gross Output:	n.a.	100.0	123.0	132.7	133.7	150.3
Annual growth rate (%):			23.0	7.9	0.8	12.3
Value Added:	n.a.	100.0	120.3	126.2	134.0	156.3
Annual growth rate (%):			20.3	5.4	5.7	17.1
WHOLESALE PRICE INDEX FOR MANUFACTURED ARTICLES (1961 = 100):						
	n.a.	n.a.	115.2	118.8	129.2	138.4
INDEX OF GROSS NATIONAL PRODUCT IN FIXED PRICES (1960 = 100):						
	103.2	108.7	111.6	114.7	115.5	117.3
Annual growth rate %:	3.2	5.3	2.7	2.7	0.7	1.6
IMPLICIT GNP PRICE INDEX (1960 = 100):						
	103.3	105.5	114.1	124.0	145.5	160.4

Source: Ghana, Economic Survey 1966.

TABLE C

VALUE ADDED IN MANUFACTURING: SHARE IN GROSS
DOMESTIC PRODUCT AND TOTAL INDUSTRIAL OUTPUT

1958-1966 (\$ million)

	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
VALUE ADDED IN MANUFACTURING:					
Current prices:	28.5	33.4	n.a.	n.a.	57.4
1962 prices:					57.4
GROSS DOMESTIC PRODUCT:					
Current prices:	1092	1246	1338	1431	1532
1960 prices:	n.a.	1245	1338	1386	1453
SHARE OF MANUFACTURING VALUE ADDED IN GROSS DOMESTIC PRODUCT (Current prices; %):					
	2.6	2.7			3.7
SHARE OF MANUFACTURING IN GROSS INDUSTRIAL OUTPUT (Current prices; %):					
	42.7	47.9			58.3
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	
VALUE ADDED IN MANUFACTURING:					
Current prices:	73.6	82.7	97.3	119.1	
1962 prices:	69.0	72.8	76.9	90.1	
GROSS DOMESTIC PRODUCT:					
Current prices:	1691	1900	2251	2510	
1960 prices:	1504	1536	1557	1574	
SHARE OF MANUFACTURING VALUE ADDED IN GROSS DOMESTIC PRODUCT (Current prices; %):					
	4.3	4.4	4.3	4.7	
SHARE OF MANUFACTURING IN GROSS INDUSTRIAL OUTPUT (Current prices; %):					
	63.7	66.6	62.1	68.2	

Source: Ghana, Industrial Statistics 1958 & 1959; Economic Survey 1966.
n.a. = not available.

N.B. Although the procedures and questionnaires used in the 1958-59 Industrial Survey are not inconsistent with those used since 1962, some minor changes were made, and coverage probably became more complete.

TABLE D
 VALUE AND SHARE OF GROSS MANUFACTURING
 OUTPUT IN CURRENT PRICES BY TYPE OF
 OWNERSHIP 1962-1965 (\$ million; %)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
STATE OWNED: (%):	11.8 (11.8)	18.6 (14.3)	20.9 (13.9)	29.0 (17.2)	38.7 (19.5)
JOINT STATE/PRIVATE: (%):	7.1 (7.1)	9.6 (7.4)	10.9 (7.3)	16.8 (10.0)	21.0 (10.6)
CO-OPERATIVE: (%):	0.1 (0.1)	0.4 (0.3)	0.9 (0.6)	0.4 (0.2)	0.5 (0.3)
PRIVATE: (%):	80.9 (80.9)	101.7 (78.1)	117.2 (78.2)	122.0 (72.5)	138.5 (69.7)
TOTAL: (%):	99.9 (100.0)	130.3 (100.0)	149.8 (100.0)	168.2 (100.0)	198.8 (100.0)

TABLE E

IMPORTS BY END-USE: VALUE AND SHARE BY DETAILED CLASSIFICATION

IN CURRENT PRICES, 1954-1966 (\$ million; %)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
CONSUMERS' GOODS: (%) :	110.9 (55.7)	140.8 (57.2)	134.8 (54.1)	153.9 (56.9)	129.1 (54.5)	159.3 (50.3)	181.3 (50.0)	196.1 (49.0)	158.6 (48.5)	149.9 (39.4)	114.2 (33.5)	153.8 (34.3)	108.7 (31.0)
NON-DURABLE: (%) :	92.0 (46.2)	116.4 (47.3)	109.4 (43.9)	128.5 (47.5)	106.4 (44.9)	133.4 (42.1)	150.2 (41.4)	164.8 (41.2)	138.0 (41.6)	120.9 (33.1)	100.3 (29.5)	128.8 (28.7)	95.2 (27.2)
11. Food: (%) :	20.4 (10.3)	26.0 (10.6)	26.1 (10.5)	33.4 (12.3)	28.7 (12.1)	37.2 (11.8)	41.1 (11.3)	51.1 (12.8)	45.3 (13.9)	36.1 (9.9)	38.8 (11.4)	35.2 (7.9)	40.8 (11.6)
12. Drink: (%) :	5.8 (2.9)	7.1 (2.9)	7.0 (2.8)	6.3 (2.3)	5.9 (2.5)	6.9 (2.2)	7.5 (2.1)	6.5 (1.6)	1.7 (0.5)	1.3 (0.3)	0.4 (0.1)	1.1 (0.2)	0.6 (0.2)
13. Tobacco: (%) :	4.4 (2.2)	5.3 (2.2)	4.9 (2.0)	4.7 (1.7)	4.6 (1.9)	5.1 (1.6)	3.1 (0.9)	3.3 (0.8)	2.0 (0.6)	2.1 (0.6)	1.6 (0.5)	2.1 (0.5)	2.0 (0.6)
14. Textiles: (%) :	44.1 (22.2)	56.4 (22.9)	48.6 (19.5)	57.7 (21.3)	42.2 (17.8)	53.1 (16.8)	60.7 (16.7)	66.5 (16.6)	54.1 (16.6)	48.2 (13.2)	37.8 (11.1)	55.8 (12.4)	29.5 (8.4)
15. Footwear: (%) :	2.3 (1.1)	2.7 (1.1)	3.0 (1.2)	3.7 (1.4)	2.6 (1.1)	4.4 (1.4)	6.2 (1.7)	7.6 (1.9)	3.8 (1.2)	4.7 (1.3)	2.8 (0.8)	5.6 (1.2)	2.3 (0.7)
16. Others: (%) :	14.9 (7.5)	18.9 (7.7)	19.7 (7.9)	22.7 (8.4)	22.4 (9.5)	26.7 (8.4)	31.6 (8.7)	29.8 (7.4)	28.8 (8.8)	28.7 (7.8)	18.9 (5.6)	29.0 (6.5)	20.0 (5.7)
DURABLE: (%) :	18.9 (9.5)	24.3 (9.9)	25.4 (10.2)	25.4 (9.4)	22.7 (9.6)	25.9 (8.2)	31.1 (8.6)	33.0 (8.2)	20.6 (6.3)	23.0 (6.3)	13. (4.1)	25.0 (5.5)	13.5 (3.8)
21. Private road vehicles: (%) :	6.0 (3.0)	8.0 (3.2)	8.9 (3.6)	9.2 (3.4)	7.9 (3.3)	9.6 (3.0)	12.7 (3.5)	11.7 (2.9)	7.2 (2.2)	8.8 (2.4)	4.4 (1.3)	7.6 (1.7)	7.3 (2.1)
22. Others: (%) :	12.9 (6.5)	16.3 (6.6)	16.5 (6.6)	16.2 (6.0)	14.8 (6.3)	16.4 (5.2)	18.5 (5.1)	21.3 (5.3)	13.4 (4.1)	14.2 (3.9)	9.5 (2.8)	17.4 (3.8)	6.2 (1.7)

TABLE E (Con'd.)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
PRODUCERS' GOODS: (%):	76.7 (38.6)	92.2 (37.5)	101.7 (40.9)	100.1 (37.0)	92.2 (38.9)	141.9 (44.8)	165.1 (45.5)	185.4 (46.4)	152.1 (46.5)	201.0 (55.1)	206.7 (60.7)	276.2 (61.6)	227.7 (64.9)
RAW SEMI-FINISHED MATERIALS: (%):	25.7 (12.9)	29.1 (11.8)	32.9 (13.2)	37.3 (13.8)	37.3 (15.7)	44.7 (14.1)	47.4 (13.1)	58.7 (14.8)	51.0 (15.7)	59.7 (16.4)	57.6 (16.9)	71.9 (16.1)	64.6 (18.4)
41+44. Food, drink, tobacco: (%):	11.8 (5.9)	12.1 (4.9)	14.3 (5.8)	16.6 (6.1)	13.8 (5.8)	17.3 (5.5)	18.8 (5.2)	23.8 (6.0)	18.5 (5.7)	18.1 (5.0)	21.6 (6.3)	18.6 (4.2)	18.0 (5.1)
42. Agriculture production: (%):	3.1 (1.6)	2.8 (1.1)	5.2 (2.1)	5.4 (2.0)	5.2 (2.2)	8.2 (2.6)	7.5 (2.1)	8.6 (2.2)	8.4 (2.6)	8.5 (2.3)	3.7 (1.1)	7.3 (1.6)	8.1 (2.3)
43. Mining, industry and commerce: (%):	10.8 (5.4)	14.2 (5.8)	13.4 (5.4)	15.3 (5.7)	15.1 (6.4)	19.2 (6.1)	21.1 (5.8)	26.3 (6.6)	24.1 (7.4)	33.1 (9.1)	32.3 (9.5)	46.0 (10.3)	38.4 (11.0)
DURABLE PRODUCER GOODS: (%):	51.0 (25.6)	63.2 (25.7)	68.8 (27.6)	62.8 (23.2)	58.1 (24.5)	97.1 (30.7)	117.8 (32.4)	126.7 (31.7)	101.1 (30.8)	141.3 (38.7)	149.1 (43.8)	204.3 (45.6)	163.1 (46.5)
5. Producers' materials (for construction): (%):	22.9 (11.5)	30.5 (12.4)	31.1 (12.5)	27.8 (10.3)	25.2 (10.6)	37.7 (11.9)	39.2 (10.8)	51.8 (13.0)	41.3 (12.6)	51.0 (14.0)	58.2 (17.1)	69.1 (15.4)	55.9 (15.9)
6+7. Producers' equipment: (%):	28.1 (14.1)	32.7 (13.3)	37.7 (15.1)	35.0 (12.9)	32.9 (13.9)	59.4 (18.8)	78.5 (21.6)	74.9 (18.7)	59.8 (18.2)	90.3 (24.7)	90.9 (26.7)	135.3 (30.2)	107.3 (30.6)
FUELS AND LUBRICANTS: (%):	11.4 (5.7)	13.1 (5.3)	12.5 (5.0)	16.7 (6.2)	15.6 (6.6)	15.3 (4.8)	16.5 (4.5)	16.8 (4.2)	18.3 (5.6)	20.2 (5.5)	19.6 (5.7)	18.0 (4.0)	14.5 (4.1)
TOTAL: (%):	198.9 (100.0)	246.1 (100.0)	249.0 (100.0)	270.7 (100.0)	236.9 (100.0)	316.5 (100.0)	362.9 (100.0)	399.9 (100.0)	326.9 (100.0)	365.1 (100.0)	340.5 (100.0)	448.1 (100.0)	350.9 (100.0)

* Details may fail to add to totals because of rounding.

SOURCE: Ghana, 1961 Statistical Year Book; Economic Surveys.

TABLE E (Con'd.)

	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
PRODUCERS' GOODS: (%):	76.7 (38.6)	92.2 (37.5)	101.7 (40.9)	100.1 (37.0)	92.2 (38.9)	141.9 (44.8)	165.1 (45.5)	185.4 (46.4)	152.1 (46.5)	201.0 (55.1)	206.7 (60.7)	276.2 (61.6)	227.7 (64.9)
1. RAW SEMI-FINISHED MATERIALS: (%):	25.7 (12.9)	29.1 (11.8)	32.9 (13.2)	37.3 (13.8)	37.3 (15.7)	44.7 (14.1)	47.4 (13.1)	58.7 (14.8)	51.0 (15.7)	59.7 (16.4)	57.6 (16.9)	71.9 (16.1)	64.6 (18.4)
41+44. Food, drink, tobacco: (%):	11.8 (5.9)	12.1 (4.9)	14.3 (5.8)	16.6 (6.1)	13.8 (5.8)	17.3 (5.5)	18.8 (5.2)	23.8 (6.0)	18.5 (5.7)	18.1 (5.0)	21.6 (6.3)	18.6 (4.2)	18.0 (5.1)
42. Agriculture production: (%):	3.1 (1.6)	2.8 (1.1)	5.2 (2.1)	5.4 (2.0)	5.2 (2.2)	8.2 (2.6)	7.5 (2.1)	8.6 (2.2)	8.4 (2.6)	8.5 (2.3)	3.7 (1.1)	7.3 (1.6)	8.1 (2.3)
43. Mining, industry and commerce: (%):	10.8 (5.4)	14.2 (5.8)	13.4 (5.4)	15.3 (5.7)	15.1 (6.4)	19.2 (6.1)	21.1 (5.8)	26.3 (6.6)	24.1 (7.4)	33.1 (9.1)	32.3 (9.5)	46.0 (10.3)	38.4 (11.0)
DURABLE PRODUCER GOODS: (%):	51.0 (25.6)	63.2 (25.7)	68.8 (27.6)	62.8 (23.2)	58.1 (24.5)	97.1 (30.7)	117.8 (32.4)	126.7 (31.7)	101.1 (30.8)	141.3 (38.7)	149.1 (43.8)	204.3 (45.6)	163.1 (46.5)
5. Producers' materials (for construction): (%):	22.9 (11.5)	30.5 (12.4)	31.1 (12.5)	27.8 (10.3)	25.2 (10.6)	37.7 (11.9)	39.2 (10.8)	51.8 (13.0)	41.3 (12.6)	51.0 (14.0)	58.2 (17.1)	69.1 (15.4)	55.9 (15.9)
6+7. Producers' equipment: (%):	28.1 (14.1)	32.7 (13.3)	37.7 (15.1)	35.0 (12.9)	32.9 (13.9)	59.4 (18.8)	78.5 (21.6)	74.9 (18.7)	59.8 (18.2)	90.3 (24.7)	90.9 (26.7)	135.3 (30.2)	107.3 (30.6)
FUELS AND LUBRICANTS: (%):	11.4 (5.7)	13.1 (5.3)	12.5 (5.0)	16.7 (6.2)	15.6 (6.6)	15.3 (4.8)	16.5 (4.5)	16.8 (4.2)	18.3 (5.6)	20.2 (5.5)	19.6 (5.7)	18.0 (4.0)	14.5 (4.1)
TOTAL: (%):	198.9 (100.0)	246.1 (100.0)	249.0 (100.0)	270.7 (100.0)	236.9 (100.0)	316.5 (100.0)	362.9 (100.0)	399.9 (100.0)	326.9 (100.0)	365.1 (100.0)	340.5 (100.0)	448.1 (100.0)	350.9 (100.0)

* Details may fail to add to totals because of rounding.

TABLE F
 IMPORTS AS A SHARE OF CONSUMPTION
 EXPENDITURES, 1955, 1960-66
 (\$ million; %)

<u>FOOD</u>	<u>1955</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>
Imports:	26.0	41.1	51.1	45.3
Consumption:	350	459	543	601
Local:	316	403	473	528
Imported:	36	56	70	73
Imported share: ¹	10%	12%	13%	12%
% Imports:	7%	9%	9%	8%
 <u>BEVERAGES AND TOBACCO</u>				
Imports:	12.4	10.6	9.8	3.7
Consumption:	39	49	59	56
% Imports:	32%	22%	17%	7%
 <u>CLOTHING AND OTHER TEXTILES</u>				
Imports: (textiles & footwear)	59.1	66.9	74.1	57.9
Consumption:	123	160	188	160
& Imports:	48%	44%	39%	36%
 <u>DURABLE GOODS</u>				
Imports:	24.3	31.1	33.0	20.6
Consumption:	28	31	39	31
% Imports:	87%	100%	85%	66%

TABLE F
(cont.)

<u>FOOD</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
Imports:	36.1	38.8	35.2	40.8
Consumption:	697	811	1065	1243
Local:	633	738	1002	1169
Imported:	64	73	63	74
Imported share: ¹	9%	9%	6%	6%
% Imports:	5%	5%	3%	3%
 <u>BEVERAGES AND TOBACCO</u>				
Imports:	3.4	2.0	3.2	2.6
Consumption:	64	62	56	74
% Imports:	5%	3%	6%	4%
 <u>CLOTHING AND OTHER TEXTILES</u>				
Imports:	52.9	40.6	61.4	31.8
(textiles & footwear)				
Consumption:	148	132	210	127
% Imports:	36%	31%	29%	25%
 <u>DURABLE GOODS</u>				
Imports:	23.0	13.9	25.0	13.5
Consumption:	36	22	45	27
% Imports:	64%	63%	56%	50%

Source: Import values: Table E;
Consumption expenditures: Ghana, Economic Survey, 1966,
p. 17.

1. "Imported share" is the proportion of imports as reported in the consumption statistics.
"% Imports" represents imports reported by end-use as a percentage of the value given for consumption.

Note: The figure "% imports" should not be interpreted as the exact proportion of consumption expenditures spent on foreign goods, since there is no presumption that all goods under an "imports by end-use" category in a particular year were purchased for consumption in that year. The discrepancy between the consumption expenditure figures for imports and the end-use figures indicates that the latter do not represent the exact level of consumer expenditures on imports, though they appear to reflect trends accurately.

TABLE G

GROSS DOMESTIC CAPITAL FORMATION AND GENERAL

GOVERNMENT CAPITAL EXPENDITURE
(current prices, NØ million)

	Average <u>1950-55</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
GROSS DOMESTIC CAPITAL FORMATION (GDCF) (NØm)	52.4	110	154	194	210
Machinery and other equipment: (M&E) (NØm)		16	28	38	30
	Average <u>1950-55</u>	<u>1958/59</u>	<u>59/60</u>	<u>60/61</u>	<u>61/62</u>
CENTRAL GOVERNMENT CAPITAL EXPENDITURES:					
Economic Services: (NØm)		29.0	30.2	44.2	53.6
% GDCF: ¹	9.4 17.8	22.0	17.3	22.1	29.5
Mineral resources, manufacturing and construction (NØm):		3.8	4.8	7.6	18.8
% total government capital expenditure:		6.2	7.1	8.6	20.1
% GDCF: ¹		2.9	2.8	3.8	10.3
% M&E: ^{1,2}		17.3	14.5	22.4	67.1

TABLE G (cont.)

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	
GROSS DOMESTIC CAPITAL FORMATION (GDCF) (NØm)	194	218	232	271	246	
Machinery and other equipment: (M&E) (NØm)	26	44	36	59	49	
	<u>61/62</u> ⁴	<u>62/63</u>	<u>63/64</u>	<u>63/64</u> ⁴	<u>1965</u>	<u>1966</u>
CENTRAL GOVERNMENT CAPITAL EXPENDITURES:						
Economic Services: (NØm)	74.6	61.0	57.4	81.8	83.0	38.4
% GDCF: ¹	30.7	29.1	25.1	28.6	30.6	15.6
Mineral resources, manufacturing and construction (NØm):	26.6	10.2	19.8	28.4	26.3	20.7
% total government capital expenditure:	21.3	9.6	19.7	20.1	18.5	32.0
% GDCF: ¹	10.9	4.9	8.7	9.9	9.7	8.4
% M&E: ^{1,2}	77.1	25.8	52.1	60.4	44.6	42.2

Source: Ghana, Economic Surveys, 1955, p. 14; 1961 p. 107; 1963 p. 133; 1966 pp. 13, 107.

1. A weighted average of GDCF or M&E is taken to give a correspondence to the fiscal year figures of the government capital expenditures. Thus, the divisor for GDCF for 1958/59 = $132 = \frac{1}{2}(110 + 154)$.
2. This measure is useful only as an indicator of trends, since the government capital expenditure figure for mineral resources, etc., includes items not in M&E.
3. Total government capital formation, all services, multiplied by a correction factor of $\frac{1}{2}$ (the approximate average share of economic services in total capital expenditures in 1959-62; the proportion was certainly no higher than this in the early 1950's). From 1951 to the end of 1955, only 8% (or NØ 10 million) of actual Development Programme expenditures had gone to economic services to agriculture, industry and trade, and only 3% (or NØ 4 million) specifically to commerce and industry.
4. Covers 15 months.

TABLE H
CENTRAL GOVERNMENT REVENUE AND EXPENDITURE
1950-51 to 1966

<u>Year</u>	<u>Revenue</u> ₦'000	<u>Index</u>	<u>Expenditure</u> ₦'000	<u>Index</u>	<u>Surplus (+) or</u> <u>Deficit (-)</u> ₦'000
1950-51	41,703	100.0	34,329	100.0	+7,374
1951-52	77,664	186.2	45,925	133.8	+31,739
1952-53	84,058	201.6	75,234	219.1	+8,834
1953-54	96,326	231.0	91,749	267.3	+4,577
1954-55	160,401	384.6	90,198	262.7	+70,203
1955-56	104,946	251.7	95,440	278.0	+9,506
1955-56 ¹	128,000	306.9	127,401	371.1	+599
1956-57	98,831	237.0	110,496	321.9	-11,665
1957-58	119,662	286.9	105,149	306.3	+14,513
1958-59	133,241	319.5	123,911	360.9	+9,330
1959-60	140,273	336.4	152,177	443.3	-11,904
1960-61	166,455	399.1	215,493	627.7	-49,038
1961-62	150,026	359.7	228,625	666.0	-78,599
1961-62 ¹	194,198	465.7	299,935	873.7	-105,737
1962-63	165,011	395.7	265,400	773.1	-100,389
1963-64	245,037	587.6	288,362	840.0	-43,325
1963-64 ¹	293,379	703.5	377,434	1,098.5	-84,055
1965	283,978	680.9	361,551	1,053.2	-77,573
1966	230,375	553.4	268,377	781.8	-37,502

Source: Economic Survey 1965, p. 101.

1. Covers a period of 15 months

TABLE I
GHANA'S TOTAL FOREIGN EXCHANGE ASSETS
1950-1964 (\$ million)

<u>End of period</u>	<u>Total overseas assets*</u> <u>(\$ million)</u>
1950	317.5
1951	375.2
1952	406.3
1953	448.6
1954	552.4
1955	582.4
1956	531.5
1957	480.1
1958	507.4
1959	474.9
1960	416.2
1961	206.3
1962	202.8
1963	121.7
1964	117.4

* Includes Treasury, Bank of Ghana, Cocoa Marketing Board, Banking Institutions, Local Authorities, Higher Educational and Other Official and Private Institutions.

Source: Birmingham, et al, p. 319;
Bank of Ghana, Report (30th June, 1965).

Note: Figures for 1965 and 1966 are not included because definitional changes render them inconsistent with these data extending back to 1950.