CURRENCY NOTE

The Ghanaian cedi was introduced in 1965, replacing and phasing out the Ghanaian pound that had itself replaced British West African currency in 1958. The first (or Nkrumah) cedis were originally valued at eight shillings and fourpence. For ease of calculation, the New Cedi was introduced in 1967, valued at ten shillings, with two New Cedis being a pound. One New Cedi was one hundred pesewas, or ten pesewas to a shilling. Even into the 1970s, however, many people continued to think in terms of shillings and pounds.

From the time the Ghanaian cedi was introduced in 1965, the value of the cedi has fluctuated wildly. The volatility of the cedi has been on a scale that is only rarely seen in currency markets: during a forty year period the cedi's value against the US dollar ranged from one to more than ten thousand. This project's field research in Ghana spanned the years 1970 through 1991, and any reference to the costs of goods and services will make very little sense without annotation. Even with annotation, calculations of actual value are difficult because of the currency's volatility. In most instances where money is mentioned in the text, it is advised that readers merely interpret the significance or insignificance of the cited values from the context of Alhaji Ibrahim's discussion. This introductory note is offered for those readers who have the interest or a reason to calculate actual costs.

The ambiguity of prices is compounded by references to currencies and costs during the periods preceding independence, but the main ambiguity relates to the volatility of the Ghanaian cedi. Throughout the field research, Ghana suffered from a shortage of foreign exchange and an overvalued currency that was not accepted outside of Ghana. The government managed all foreign currency transactions and controlled all legitimate access to foreign currency, and a black market in currency developed to compensate for the government currency controls. The devaluation of the cedi proceeded slowly in official trading, radically in black market trading. Eventually, by the late 1980s, the cedi was gradually allowed to float to establish its value on world currency markets. Until then, for people using hard currency converted at the black market rate, prices and inflation were somewhat consistent with the world market, but because the government did not devalue the cedi, the actual value of the cedi, and by extension the actual cost of goods in hard currency, could only be known via the black market rate.

With regard to the high levels of both inflation and overvaluation, therefore, it is advisable to think about the cost of goods and services in hard currency terms such as dollars, and some of the annotations in the text will indicate the dollar equivalent of a cited value. Of course, the dollar itself has been subject to inflation. The following inflation factors indicate the turn-of-the-millennium value of one dollar relative to the time period of this book: 5 in 1968, 4.5 in 1970, 3.6 in 1974, 3 in 1977, 2.5 in 1979, to 1.50 in 1988. Since the millennium, cumulative dollar inflation has been about fifty percent over the first two decades of the twenty-first century.

For a rough calculation of cedi values, one can divide the black-market value of a dollar in cedis into the inflation factor, an easily available figure. For example, in 1974, a dollar bought 1.80 cedis, and a 1974 dollar was worth about $3.60 in 2001, so a 1974 cedi was worth about two 2001 dollars. By 1977, in 2001 terms, a cedi was worth less than seventy-five cents; by 1979, in 2001 terms, a cedi was worth about twenty cents.

Although originally pegged to the dollar, by 1971 the cedi was trading on the black market at 1.50 to the dollar. Major problems developed and continued during and after the regime of I.K. Acheampong that began in 1972. In 1974 a dollar bought 1.80 cedis; in 1976, 2.80 cedis; in 1977, when much of the research took place, a dollar bought 4.00 to 4.50 cedis; in 1978, 7-10 cedis; in 1979, while the research continued, the figure was 12-14 cedis. By 1981, a dollar bought 38-40 cedis; in 1982, 75 cedis; in 1983, 130 cedis; by 1988, the number had risen to 200 to 300. The devaluation accelerated: in 1996, a dollar bought 1600 cedis; in 2000, a dollar bought more than 5000 cedis; in early 2001, a dollar was about 7500 cedis; by the middle of the decade, the dollar was nearly 10,000 cedis.

In 2007, a new version of cedi was introduced that was valued at a rate of 10,000 of the previous cedi demonination. Gradually, this new cedi rose to roughly 1.50 to the dollar, and then to two to the dollar, to three, to four, and up. Some people still think about cedis in former terms, which would be around 15,000 to 20,000 of the cedis discussed in chapters posted in the early 2010s. To someone with knowledge of the turn-of-the-century cedi, the prices Alhaji Ibrahim gives will seem absurdly low, with things thirty years ago appearing to cost thousands of times less than current prices.

For rough figures during the main period of the research. the following currency exchange values can be applied to 1977 and 1978. 1977: US $1=1.55

Ghanaian cedis official rate, 4-5 cedis floating black market rate. 1978: US $1=2.75 cedis, official rate, approximately 7-10 cedis floating black market rate.

Regarding other currencies discussed in the mid-1970s, US $1 was approximately 3 Saudi riyals, and US $1 was approximately 200 CFA (French West African Francs). Also of note, under currency control regulations, during 1977 and 1978, Ghanaian currency exportation was limited to 20 cedis per person per trip.