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Does currency redenomination contribute to economic growth and development in African countries? All across the world, in various regions, many nations venture down the path of currency redenomination. This is an initiative that in some cases has been associated with significant positive change, by way of economic growth, and overall development of some countries.

When all the needed elements of economic developments are in place, currency redenomination could help explain the positive turnaround in a country that has endured difficult economic and financial conditions.

Contrastingly though, for a country whose affairs are already on the fritz, untimely redenomination could partly explain the further decline in the circumstances of such a country.

The process of currency redenomination has taken place in 55 countries over the last century, with many of those countries doing it multiple times through the decades. In that 55, African countries make up slightly over a quarter (15 countries accounting for approximately 27%). The process has yielded desired results for a few African countries in just one try (eg. Zambia, Ghana, Mozambique, etc.) whilst in others, there have been several unproductive attempts (eg. the Democratic Republic of the Congo, Zimbabwe, Guinea Bissau, etc.). In this research paper, I will be doing a comparative study between Ghana and Zimbabwe. The former has seen more development in its state and the latter, struggling to keep a sinking economy afloat. The research will examine key indicators for development and economic strength in the

above countries, analyzing the data from before and after currency redenomination takes place as well as what the implications are of the events that occur throughout the length of the process. These indicators, such as gross domestic product (GDP), human development index (HDI), unemployment rates, poverty levels, debt, inflation rates, and exchange rates, will provide a lens through which the two countries can be more holistically examined.

To start, it is best to get a clear understanding of what currency redenomination is. Redenomination, also known as rebasing, is when the currency of a nation is recalibrated and the old currency gives way to a new one. This phenomenon takes place when a country experiences extreme inflation, devaluation of their money, or the nation joins a currency union. In short, any occurrence that significantly affects the buying power of a nation's currency can be cause for rebasing.

In this study, I will be identifying what factors gave rise to currency rebasing in both Ghana and Zimbabwe. Upon identifying these factors, I will gather data for the various indicators of economic growth and development aforementioned, and use this data to assess whether the state of affairs improved or declined in the country. As currency redenomination is supposed to create economic stability, I will furthermore attempt to pinpoint or narrow down why in the case of Ghana, it worked, and for Zimbabwe, it failed repeatedly. At the end of it all, I will then be able to concretely determine if currency redenomination leads to economic growth and development in African countries, and why? Or if it's just completely ceremonial, and economic growth and development (or the lack of it) are as a result of something else.

Ghana, located off the west coast of Africa, is currently one of the continent's top ten richest economies in 2021. The country ranks eighth in the gross domestic product (\$74.3 billion), according to the International Monetary Fund. Ghana gained its independence in 1958. At this juncture, the country's currency was changed from the West African pound, shillings and pence to the Ghanaian pounds, shillings, and pence. This was the currency in use until 1965 when the country decided to leave the British colonial monetary system and birth its monetary system, giving rise to the Cedi notes and Pesewa coins as the official replacement tender. Since 1965 though, the worth of the Cedi has decreased drastically relative to international currencies like the US dollar.

Over the decades, coming into the 2000s, the value of the currency decreased so much that the government had to introduce larger notes and put these in circulation, resulting in a whole lot more money being spent to print and mint new notes. The introduction of higher denominations of notes (500 and 1000 notes) brought with it problems of security, portability, and higher transaction costs. It became riskier to transport money as people had to use big bags for larger amounts they needed from banks, for instance. This situation placed Ghanaians, especially traders and market women, at risk of theft, assault and other issues, resulting in a decline in the quality of life in the country. Given these difficulties, the government of Ghana in 2007, decided to redenominate its currency.

In the case of Zimbabwe, the factors surrounding its rebasing are a bit more complex than that of Ghana. Located in the southern region of Africa, the nation of Zimbabwe is one country whose currency has faced a lot of adversity and fluctuation since its inception. In 1965, the white

minority occupying Zimbabwe (known as Southern Rhodesia then) declared their sovereignty from the British government in a plot to avoid majority rule. They succeeded and the nation was henceforth called Rhodesia, using the Rhodesian dollar as its currency. After a period of 15-years of civil war, between the natives and the invaders, the country gained its official independence in 1980, with Robert Mugabe at the helm of leadership after winning a majority rule election. The country was then officially named Zimbabwe, introducing its Zimbabwean Dollar (ZWD). Since 1980, the Zimbabwean dollar drastically lost its value, falling from a position where it was more valuable than the US Dollar (1 ZWD was = US\$1.47 in 1980) to a devalued position in 2006 where a £1 (Great British pound) was equivalent to ZWD\$1,000,000 and, US\$1 was equivalent to ZWD 654,932 in 2006.

At that time, government officials declared that the country would utilize a new currency, promising the introduction of new banknotes and coins. By mid-2006 though, it was reassessed that the country could not successfully introduce a new currency if it had not first ensured its economy was more stable and less prone to economic shocks. The financial crisis that had arisen in the country was mostly due to high denominations of banknotes which had little or no real value in terms of purchasing power relative to international currencies. This devaluation of the local currency coupled with very poor governance and political corruption were critical catalysts for the redenomination.

Therefore, seeing as there was no way to obtain the stability needed to introduce a completely new currency, the government went ahead to do its first redenomination in August of 2006. The campaign which introduced this second Zimbabwean dollar was known as “Operation Sunrise”. During this operation, it is estimated that nearly 10 trillion old Zimbabwean dollars

were lost (accounting for nearly a quarter of the country's money supply) as a result of the government's inability to deal with the currency change. This was the first domino to fall in the country's catastrophic redenomination saga.

In the following years of 2007 & 2008, amidst a record-setting inflation rate, the government announced the release of a third Zimbabwean dollar. At this moment, the country was experiencing the second-highest rate of hyperinflation ever seen in history - about 79 billion percent in 2008, indicating a daily inflation rate of 98%. This essentially meant that during this period, the price of goods and services doubled almost every day. The country decided to redenominate its currency again as the notes in circulation had gone as high as 100 trillion notes. Things got increasingly worse though. The Zimbabwean dollar's value plummeted so much in the next year due to hyperinflation that in 2009, government officials pronounced its death.

This led to the country's third redenomination. A different sort though to the first two, as this one took many different foreign currencies and made them legal tender that could be used anywhere in the country. The foreign currencies that were popularized after the abandonment of the ZWD are the US Dollar, the South African Rand, Botswana Pula, Chinese yuan, Indian rupee, Australian dollar, pound sterling, and Japanese yen.

Upon examining the data obtained from the different economic indicators mentioned at the start of this paper (Gross Domestic Product, Inflation rates, Unemployment Rates, etc.), it is evident that currency redenomination certainly has a profound effect on the direction a country's economy moves. The data from the indicators will be able to help paint a clearer picture of what that effect is and whether it is welcomed or unwanted. For both countries, data was collected for

the years 2000, 2007, and 2019. These years were chosen because they give a good enough length to show the trends in the various sectors in both countries a few years before redenomination in 2000, the year of redenomination (the first one in the case of Zimbabwe) in 2007, and years after redenomination in 2019.

Table 1: A table showing GDP, HDI, Unemployment Rate, Poverty levels, Debt, and Inflation Rates in Ghana before redenomination, the year of redenomination, and the year after redenomination.

1		Ghana (Before Redenomination - 2000)	Ghana (Year of redenomination - 2007)	Ghana (After redenomination - 2019)
2	Gross Domestic Product	\$4.98Billion	\$24.83Billion	\$67.23Billion
3	Human Development Index	0.49	0.54	0.61
4	Unemployment Rate	10.36%	4.69%	4.12%
5	Poverty	84.50%	-	55.10%
6	Debt	\$6.7Billion	\$4.2Billion	\$26.9Billion
7	Inflation Rates	25.19%	10.73%	7.18%

Table 2: A table showing GDP, HDI, Unemployment Rate, Poverty levels, Debt, and Inflation Rates in Zimbabwe before redenomination, the year of redenomination, and the year after redenomination.

8		Zimbabwe (Before Redenomination - 2000)	Zimbabwe (Year of redenomination - 2007)	Zimbabwe (After redenomination - 2019)
9	Gross Domestic Product	\$6.69Billion	\$5.29Billion	\$16.9Billion
10	Human Development Index	0.43	0.42	0.57
11	Unemployment Rate	5.64%	4.57%	5.02%
12	Poverty	32.20%		38.30%
13	Debt	\$3.9Billion	\$5.8Billion	\$12.2Billion
14	Inflation Rates	55.87%	24411%	-

Information gleaned from the data is quite telling. In the case of Ghana, it can be seen how the country's state of affairs was in disarray in 2000. The level of poverty was monstrous as about 85% of the nation's population lived below \$5 a day. The quality of life measured by the human development index(HDI) was 0.49, indicative of the low quality of life in a country and the country generated very little in terms of its gross domestic product (GDP). This is quite similar for Zimbabwe as well which had a relatively higher GDP in 2000, but still a low one globally. This was repeated in poverty levels too as they had a significantly lesser number of citizens living below \$5 a day (32% of the population compared to Ghana's 85%). Zimbabweans as well had poor quality of life as their HDI was 0.43 and their unemployment rate was at 5.64%.

We start to see how currency redenomination plays a role in the country though, coming into the years both countries do it. In Zimbabwe, there is a general trend for most of the indicators in the country showing how things became worse. In 2007, Zimbabwe had a decline in its GDP from USD 6.69 Billion in 2000 to USD 5.29 Billion in 2007. HDI decreased from 0.43 to 0.42, debt incurred rose from USD 3.9Billion to USD 5.8 Billion. The most significant finding coming into 2007 is how the rate of inflation dramatically shot up from 56% to a whopping

24,411%. This aligns with previous findings as this was when the country entered its period of hyperinflation where in the next year of 2008, it saw an inflation rate of 79,000,000,000%.

The opposite trend occurs in Ghana though for its year of redenomination. We see a general upward trend showing the early onset of a developmental track that would later catapult the country into an African giant. From a GDP of USD 4.98 Billion, we see a great climb up to USD 24.83 Billion in just seven years. There is a considerable reduction in unemployment rates and inflation rates as well with both declining from 10.36% to 4.69% and 25.19% to 10.73% respectively.

Moving on to the years after redenomination, the data shows us even more clearly how different the paths the two countries take. Ghana continues to profoundly improve in nearly all regards. Its GDP almost triples by 2019, as it clocks at about USD 68 Billion and rises to one of the highest seen in an African country. The quality of life markedly improves too, as it gets to 0.61 on the HDI scale, up from 0.54. The nation also lessens its population living under USD 5 a day from 84.5% in 2000 to 55.1% in 2019. The only anomaly we see in the country's trend at this point is that after the debt incurred decreased going into the year of redenomination, it then tremendously went up to \$26.9 Billion by 2019. This seems to be because as the nation grew, it also increased its credibility and was afforded more loans to aid development.

The years after redenomination show an opposite trend in Zimbabwe. The data shows how much worse the economic situation gets and how little growth the country sees after the several failed redenomination attempts.

In comparing Ghana and Zimbabwe though, it would be remiss to use only the indicators above as the determinants of how the two countries end up. Currency redenomination plays a strong role along with other surrounding factors that contribute to its success or its failure. In the case of Ghana, the discovery and commodification of oil contributed greatly to the success of currency redenomination and overall growth that the country saw. The country had some small-scale oil operations but it wasn't until 2007 when oil was found in mass profitable quantities that the country started to see considerable contributions from it. Oil being such a lucrative commodity, along with cacao and gold production, in addition to the timing of currency denomination are just more factors that placed the country in a better position to succeed.

For Zimbabwe, it was rather a different case and there are a few other factors that made currency redenomination a catalyst for disaster instead of success. Before the country redenominated, it had been experiencing a lot of food shortages as it couldn't provide enough food. This happened because, after independence, President Mugabe took land from the whites in Zimbabwe but gave it over to natives that weren't too knowledgeable about farming. Consequently, food shortages began in subsequent years. In a similar period too, the country became ravaged by HIV/AIDS which added to the growing list of problems.

Zimbabwe was also involved in a second Congo War around 1998. Wars are very expensive and the decision to be a part of it contributed to the country's finances being depleted. To add to all this, the country faced economic sanctions from the US and EU in the starting years of the 2000s. These sanctions seemed to be the final straw to break the camel's back. These sanctions were imposed on the country as a deterrent for the president and the corruption he was spreading during his term.

President Mugabe had a very strong hold on power in Zimbabwe, the power he refused to let go of or let people challenge. As a result, there were many sanctions, from visa to financial ones, levied against the Mugabe government and its biggest companies and individuals. Therefore, with all this going on, it made undergoing currency redenomination a futile move as the odds stacked against were too prevalent.

In conclusion, currency redenomination is an initiative that offers some explanation of the shift in a country's economic growth and development. Whether that shift is positive or negative though, depends on several other factors beyond the redenomination of currency. Ghana experienced better economic outcomes after the redenomination of its currency while the reverse was the case for Zimbabwe.

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