

# 3. The Features of Modern Commerce

## *Objective*

At the end of this chapter, students should be able to explain the features of modern commerce, list and discuss the factors that delayed the emergence of modern commerce in West Africa.

### 3.1 Introduction

The picture of commerce painted in the last chapter is that of a primitive age, in spite of the isolated instances of trading activities and the ‘golden age’ of affluence reached by the royalties and nobilities. Basically, the totality of commercial activities then amounted to a situation whereby everybody provided for his own needs, otherwise known as a ‘self-sufficient’ economy, which was supported mostly by barter trade. The types of money and their mode of use were predominantly primitive. Such money was represented, among others, by cowries, manilla, bangles and cows. Specialization was minimal, and the method of production was crude. Use of machinery was almost unknown and division of labour as known today in our factories was non-existent. Instead of specialization or division of labour, it was vocational grouping into occupations, trades or crafts such as shoemaking, carpentry, tailoring, blacksmithery, etc.

We shall therefore, contrast this picture with that of commerce today.

### 3.2 Characteristics of Modern Commerce

- (i) **Use of money:** The inherent problems and failure of trade by barter ushered in the use of money. Money obviates most of the problems of barter, such as coincidence of wants, lack of wide acceptability, storage, and so on. Today, commerce subsists on a wide range of national currencies. Some examples are naira (Nigeria), cedis (Ghana), leone (Sierra Leone), dalasi (Gambia). In addition, there are currencies used not only within their own States, as in the case of the naira, but also among other nations in international trade and are, therefore, referred to as international currencies. Some examples are the American dollar (\$); the German Deutschmark (DM) and the British pound sterling (£). For tourists and businessmen travelling abroad, there is a widespread use of travellers’ cheques denoted in the currencies of the countries being visited.

Moreover, in well-developed commercial nations, the use of cheques, bank drafts, postal and money orders have come to minimize the use of cash and currency.

- (ii) **Changes in pattern of demand:** In modern commerce, there is a change in the direction, variety and quality of goods being demanded. Indeed, instead of the mere basic necessities of life like food, clothing and shelter, there is demand for a wide range of goods that would qualify as extreme luxuries not only in ancient times, but even at the beginning of this century. Examples are motor cars, helicopters, washing and sewing machines, furniture, radio, television sets, etc. Even today, where the demand centres mainly around the basic necessities of life, the quality of such goods and services surpasses that of the ancient times. Such is evident in delicacies (food) in most homes today, the ultra-modern styles of buildings and the modern fashionable dresses.
- (iii) **Variety and increase in production:** Production of goods and services is today varied and there has been an increase in direct response to the pattern of demand. The evidence of this is noticeable

today in the volume of goods and services obtainable in our markets, departmental stores and supermarkets. Therefore, production method has become highly mechanized and complex.

- (iv) **Specialization:** One of the most remarkable features of modern commerce is specialization. With the application of machinery to production processes, it is normal that specialization becomes the order of the day. The production processes of both goods and services have now become specialized. The ancillary services to trade, that altogether add up to commerce, have become specialised. These are banking, communication, warehousing, insurance, advertising, transportation and delivery.
- (v) **Division of labour:** This is a corollary to specialization. Once the production processes become specialized, it follows that each of the workers is charged with a small part of such processes. For instance, in the car assembly plant, all that a worker does is to operate the machine that hinges the left door to the car, while another worker operates the other machine for the right hand door. No longer does one person have to complete the full production processes of an article the way the traditional smith or tailor works.
- (vi) **Territorial or geographical specialization:** In modern commerce, division of labour is not only within states, it goes beyond the borders of a state. It is international specialization. Division of labour presupposes that the surplus production of one article can be sold in exchange for the goods and services that the other state does not produce. Like individuals with natural abilities and talents, therefore, countries with special endowments could specialize in the production of such goods and services while exporting their surpluses in exchange for their own needs. Some examples are Nigeria and Saudi Arabia specializing in the production of petroleum oil; Ghana and South Africa in gold; Britain in ship-building and insurance; Germany, France, and Japan in motor vehicles, etc.

The result is that international trade has been aptly described as an international division of labour. It makes life richer and enables man, everywhere, to enjoy a wider and more plentiful range of goods than otherwise would have been possible.

- (vii) **Interdependence among nations:** The effect of international specialization is interdependence among nations. The extent to which a country has to rely on other countries for some of her needs shows the extent to which that country has lost its economic and commercial independence. As a result, one great feature of modern commerce is a negation of the subsistence economy of the medieval times, whereby, everyman provides mostly all his needs by himself. Countries have become more interrelated and cooperative and, therefore, one country has been influenced by the happenings in the commercial life of another country. For instance, the workers of the Nigeria National Petroleum Corporation (NNPC) would have economic effects, not only in Nigeria but also on the economy of the U.S.A., Great Britain and all other consumers of Nigerian petroleum products.

In the same way, a slack economy in Nigeria resulting in a reduction in imports could create some unemployment in the British textile industry, the French motor car industry, the Japanese electronic industry, etc. In the 1980s in Nigeria, for example, some industries either closed down completely or reduced operations because of their financial inability to obtain imported raw materials from overseas suppliers. All this points to the interdependence among nations in economic and commercial spheres in the modern world.

- (viii) **The modernity of the ancillary services:** The ancillary services mentioned above are not only specialized, but have become modernized. For instance, the primitive methods of communication by means of smoke or fire, beating of drums, etc have given way to the use of the telephone and telex services, inland and air mailing systems, and most importantly by satellite television coverage which is live coverage of events between countries; advertisement is not only carried in newspapers but also on radio and television; the efficiency of banking operations has been facilitated by the use of computers. In short, the tempo of commerce today has become extremely complex and sophisticated.

### 3.3 Reasons why the Development of Commerce was Delayed in West Africa

Europe witnessed booming industrial and commercial activities as far back as the eighteenth and nineteenth centuries, whereas West Africa had to wait till the first quarter of the twentieth century (between 1900 and 1925) before it had her first taste of active industrial and commercial experience. Indeed, in West Africa, the wind of change that heralded commercial activities never approached a gale force until the end of, and immediately after the Second World War. The reasons for the late development are as follows:

- (i) **Lack of capital:** This was basic to the late development of commerce. The respective nations and governments of West Africa were lacking in capital that was necessary for the development of those services that were primary to the take-off of commerce.
- (ii) **Low national income:** Since there was scarcity of capital, the income per head was low and West Africans had little money to spare for the purchase of goods and services. Furthermore, in a situation where personal income was low, the government could not galvanize necessary capital through personal savings. In short, both the citizens and the government were engulfed in a ‘poverty trap’, and the development of commerce was ‘in a deep freezer’ through a vicious circle of poverty.
- (iii) **Lack of efficient transportation and communication system:** This was a logical sequence for a nation bereft of fund for development. The commonest of roads which were bush paths were not conducive to economic activities, while motor roads and rail tracks were few and far between. The communication system was archaic and unhelpful to commercial development.
- (iv) **Wide geographical spread of countries:** Countries were widely scattered about, and with underdeveloped transportation systems and outdated communication systems, contact among nations which was so vital to commerce was almost absent.
- (v) **Lack of social services:** As there were no adequate provisions for the promotion of education, professional skills such as insurance banking, advertising, etc that are basic aids to commerce, were unobtainable. In addition, there was gross inadequacy of medical services which meant that the physical health of the nations was not sound.
- (vi) **Multiplicities of local languages:** The diversity of cultures and languages with various local dialects, and the attendant prejudice, confounded the sense of good understanding, thus complicating the problems of mutual communication of ideas. These are not favourable to the development of commerce.
- (vii) **Racial tensions:** The advent of the white man to the subcontinent of West Africa had mixed blessings. While it brought technical and professional expertise so badly needed for commercial development, it also brought problems of racial segregation, culminating in mutual suspicion that often resulted in violence and bloodshed; all of which are disincentives to large-scale investments which should have ushered in an early commercial take-off.
- (viii) **Political instability:** Political agitations for constitutional changes, firebrand type of nationalistic aspirations aimed at white colonizers, disputes between tribal and political factions that erupted into sudden and sometimes violent changes of government meant that West Africa was designated an unsafe region for huge profitable investments. For instance, it is no coincidence that England, which was the first country to experience industrial revolution and enjoyed a complex, developed modern commercial system in the world for a long time, began with a stable political system.

### Summary

The characteristics of modern commerce can be summarised as follows:

- Use of money as represented by cash and cheques, etc.

- Change in demand as demonstrated in variety and quality of goods.
- Variety and volume of production.
- Specialization as shown in various production processes of goods and services.
- Division of labour as direct effect of specialization.
- International trade as indicated in geographical and territorial specialization which leads to better quality of living through exchange of goods.
- Interdependence of nations arising out of specialization.
- The advent of modern ancillary services – such as banking, advertising, etc.

Some of the reasons for delay of modern commerce in West Africa are:

- (a) Lack of capital;
- (b) Low national income;
- (c) Absence of goods roads and transport facilities;
- (d) Large size of West Africa or wide geographical spread of countries;
- (e) Diversity of local languages, ethnic differences;
- (f) Racial conflict between white colonialists and black Africans;
- (g) Political instability.

## **Revision Questions**

### **A. *Essay Questions***

1. Below are stated five important characteristics of modern commerce in any part of the world today, comment on any two of them.
  - (i) Use of money.
  - (ii) Regional specialization.
  - (iii) Change in effective demand pattern.
  - (iv) Division of labour.
2. Give eight reasons why the coming of modern commerce was late in West Africa.
3. What is meant by interdependence among nations in terms of international trade?
4. State the factors that could assist rapid development of commerce in West Africa.
5. State four features of a growing economy.

### **B. *Objective Questions***

1. One of this does not belong to the character of modern commerce
  - A. use of money
  - B. increase in production
  - C. preponderance of trade by barter
  - D. positive change in demand pattern
  - E. specialization
2. A feature of division of labour is
  - A. goods are exchanged for goods
  - B. workers are assigned a small part of production processes
  - C. production assigned to cost is on the increase
  - D. production volume is on decline
3. Modernity of the ancillary services means

- A. Communication is by means of “smoke and fire”
  - B. Communication is carried by radios, television and newspaper
  - C. Communication is carried by the town organs and the king agents
  - D. Restriction in community
4. The effect of international specialisation is
- A. interdependence among nations
  - B. self-sufficiency of nation states
  - C. an increase in subsistence economy
  - D. inward looking economic tendencies
5. Only one of these is correct
- A. African continent experienced industrial revolution before European continent
  - B. Prevalence of tse-tse flies and mosquitoes aided early economic boom in Africa
  - C. Low capital base was a bane of ancient African economic growth
  - D. Division of labour as known today was a feature of ancient commerce
6. Use of money is a feature of
- A. a growing economy
  - B. barter trade
  - C. international trade
  - D. complex economic activities
7. Interdependence of nations fosters
- A. cooperation
  - B. aggression
  - C. economic isolation
  - D. intervenes wars
8. Which of these is not among the factors that delay economic development
- A. multiplicity of local languages
  - B. political instability
  - C. racial tensions
  - D. a good capital base
9. One good feature found in increased pattern of demands is for
- A. fewer basic necessities of life
  - B. greater, varieties for good quality of product
  - C. barter trade
  - D. silent trade
10. Only one of these is a characteristic of self-sufficiency
- A. international trade
  - B. barter trade
  - C. varieties of demand and supply of goods
  - D. extensive money economy
  - E. large industrial capital base

## Project

Write a brief report on an ‘imagined’ break of political relationship between Nigeria and the USA.