The Theory of Catallactics: It's Misapplication in Monetary Policy of Developing Economies and Consequences

Emmanuel Tweneboah Senzu

- Frederic Bastiat Institute Africa (Think Tank): Center for Financial Economics, Policy Research and Banking Law – Bo, Sierra Leone. (www.fbiresearchedu.org)
- West Africa Monetary Institute- Accra, Ghana.
- Njala University, School of Social Science and Law- Bo, Sierra Leone

Email: Tsenzu@fbiresearchedu.org

ABSTRACT

It is generally believed, in our lack of in-depth understanding of the contemporary operating functioning of the economic market, largely in developing and under developed countries, to establish an accurate theoretical functioning as monetary economists, to guide the approach of effective policy design, is affecting the progressive development, resulting in its inability to address desired economic growth per its legal mandate as a complimentary to fiscal policy, in its delivery as a Central Bank. As well, become an institutional guiding path for other related financial institutions to play their active role in the financial system. The study thereby seeks to objectively establish the major phenomenon to be considered as factors to enhance monetary policy instrument design, and application in such a fragile economic system.

Keywords: monetary economics, monetary policy, fiscal policy, macroeconomics, development theory

Jel Classification: E2, E5, E24, E26, E52, E58

1. BACKGROUND & INTRODUCTION

It is theoretically argued that the monetary policy transmission mechanism, is the "channels" through which the monetary policy actions by the Central Bank, impact the general economic activities and price in particular (Kuttner and Mosser 2002; Ireland, 2006). The study thereby posits, monetary policies drawn-out of a careless use of imaginary construction out of the direct and indirect exchange activities of the market, result to a policy application, which is strange to the realities of the market activities, as a result create a fallacious economic predictive indicators towards the future decision making of the market, hence, frustrate strategic employment of capital and labour by Enterprise owners to the development of such economies, when factors of fiscal policy is assumed to remain constant. Walsh (2017) submit, a time-consistent policy is the one in which, the planned response to new information remains the optimal response, once the new information arrives. Therefore monetary policy, time inconsistency requires the need to examine the incentives and constraints faced by a Central Bank, while acknowledging that policy impact often depends upon public's expectations. The theory of monetary policy transmission mechanism defines seven major channels that are observed to be effective for an economy to experience policy-effects, which are;

i. Interest rate
ii. Credit / Bank Lending
iii. Exchange Rate
iv. Asset Prices
v. Expectations
vi. Confidence
vii. Risk-Taking

With this, Blanchard (2003), focusing on interest rate as a major channel for policy transmission mechanism comparable to the others, asserted that monetary policy can have large and long lasting effects on real interest rates with its implications on economic activities; during a conference paper presentation in honour of James Tobin at MIT School, and went ahead to state, there is large theoretical and empirical based literature that supports interest rate, inflation and innovation in money activities towards economic growth, which to him, their econometric result were unconvincing. And finally suggested as monetarist, it requires a stretch of an extra mile in the direction of rethinking of fiscal policy, to enable a structured redesign of monetary policy to play the role as automatic stabilizer. He made this argument in context of a developed economy like USA, which he further submitted that most of their instituted fiscal policy for economic growth is suffering from schizophrenia, hence, the difficulty to observe the complimentary impact of the applied monetary policy. Audert (2017), submit on the subject of interest rate by predicating that, money expansion tends to increase real income, which results in the raise of inflation and lower real interest rate. However, not everyone is equally affected by these changes, while some agents' benefits disproportionately, and conversely, some lose in relative terms, and concluded that the unexpected inflation revalues nominal balance sheets, with nominal creditors losing and nominal debtors gaining. Continuing with channels for monetary policy transmission mechanism, Morris & Sellon Jr. (1995), arguing on Bank Credit or lending as another channel, they indicated, the perception that bank lending plays a special role in the transmission mechanism is not a new idea, it has been part of monetary debate for over forty (40) years, and concluded by their study that monetary policy does not operate through a special credit channel. On records Bernanke and Blinder (1988) assert, "Credit view" as a new line of research has explored how credit market imperfections may not only create a credit channel for

money policy, but also may cause disruptions in credit availability, as a source of fluctuations in economic activity. Acknowledging how Asset and its pricing act as a channel in monetary policy transmission (Bernanke & Blinder, 1992; Romer & Romer, 1990) indicated that Banks alter their assets and liability during periods of monetary restraint, which was supported by stylized facts on bank portfolio behaviour. Mishkim (2001), further complemented this argument on the relevancy of asset pricing on monetary policy transmission effects as an influence in investment and consumption decisions, but rather disagreed to the circumstance whereby certain assets pricing are made as sole targets of monetary policy. Smets & Wouters (1999), presented evidence of the role of exchange rate in monetary transmission mechanism in a relatively open economy by estimating an identified VAR model using a quarterly data series of Germany over the post-Bretton Woods era, and established that the effects of a policy shocks on the exchange rate accelerates the pass-through of policy into prices, which leads to a different response in the various components of GDP.

The concern that 'Confidence' is equally as a strong channel in monetary policy transmission effects, which has suffered varied opinion debate on both sides of the scholarly bench, was currently sealed by the submitted argument of Bondt (2015), justifying with empirical evidence about the confidence of borrowers as well as of lenders being an important channel through which monetary policy measures traditionally; using short-term interest rate and Euro-system balance sheet, which the findings depict a strong correlation to economic growth. As expectation is classified as a known policy transmission mechanism, Walsh (2017), posits that, to predict how policy affects the economy, one needs to quickly go to the drawing board to understand, how expectations will be responded by the market or appreciate the market response rate. Angeloni et al (2009) observed, Central Banking no longer is what is used to be. Until 2007,

Central Banks worldwide followed a well-established paradigm, composed of three fundamental elements as (i) Single focus (ii) Independent (iii) Sort of assignment. Which the 'Single focus' tenet stipulate that, monetary policy should aim solely at maintaining price stability. The second tenet, which is 'Independent', requires the central bank not to be influenced in their decisions by governments, businesses, trade unions or others. The last tenet themed as 'Sort of Assignment', define the Central Bank not to be distracted by concerns from other policy domains. Appreciating the various arguments on both the strength and weakness of the Central Bank and it's functioning on policy wise of contemporary times, which in the formulation of the Barro and Gordon model (1983b), argued out that, the Central Bank's objective is to maximize the expected value of the economy's natural rate of output. As a result, this very paper thereby calls for a reasonable probing of the developing economy, which mostly lacks a realistic design of a fiscal policy that responds effectively to endogenous economic market dynamics. Taken a cue from Blanchard's assertion, which indicates the necessity to re-examine the definition and scope of monetary policy to embrace contemporary challenges of economic growth and development, it will further be reasonable to interrogate the historic foundation of monetary policy, which argumentatively, could be expressed as, all actions of government, central banks and other public authorities whose direct actions to the economy influence the quality of money and bank credit. The above narration, thereby, embraces policies relating to such things as choice of the nation's monetary standard; determination of the value of the monetary unit in terms of metal or foreign currencies; determination of the types and amounts of the government's own monetary issues; establishment of a central banking system and determination of its powers and rules for its operation; and policies concerning the establishment, regulation of commercial banks and other related financial institutions. Delving deeper into the element of monetary policy, it will be

observed that, “Like all economic policies, monetary policy has three interrelated elements, which are;

i. Selection of objectives

ii. Implementation

iii. Implicit theory of the relationships between actions and effects.

All these three elements, present problems of choice, and are continuing subjects of controversy. Even though the paper acknowledges the large body of literature that argue in favour of incentives and constraint Central Banks faces, when setting their policy instrument, Kydland and Prescott (1977) asserted, the issue of Central Bank credibility and the ability to pre-commit to policies, committing in advance to take specific policy actions, the Central Banks as an Institution does realize they are faced with the incentives and constraint to act in ways that are inconsistent with their earlier plans and announcements. Furthermore, considering the exact problem, which the paper seeks to address, it has become intellectually appropriate to briefly diagnose the evolution of monetary policy and its related objectives. Monetary policy, in the modern sense, is a deliberate and continuous management of the money supply to promote selected social and economic objectives, which is largely a product of the twentieth century, especially the decades since World War (I). In the earlier period, when most countries were on either gold or a bimetallic standard, the primary and overriding objective of monetary policy was to maintain and redeem the ability of the nation’s money in the primary metal as in Gold (in most cases), both domestically and internationally. A decline of the nation’s metallic reserves to dangerously low level, or any other threat to redeem ability, became a signal for monetary and credit restriction, to avoid whatever might be its other economic effects. When redeem ability seemed secured, monetary policy was used to promote other objectives—to deal with panics, crises, and other credit stringencies and

even, to expand money somewhat when businesses were depressed. But such interventions were sporadic rather than continuous, and its purposes were limited rather than ambitious. The international gold standard of the pre-1914 period was not purely automatic, but it was managed only marginally. Many forces have contributed to the change and growth of monetary policy since the World War (I). One set of forces includes the breakdown of the international gold standard and other changes and crises in monetary system's—inflation during and following World War (I) and the long period of suspension of gold redeem ability in most countries, the change and insecure nature of the gold and gold exchange standards re-established in the 1920s, the renewed breakdown of gold standards during the great depression of the 1930s, and world-wide inflation during and following World War (II). All these had profound effects on attitudes toward monetary policy. Most countries had too little gold and those that had too much shifted to the view that, the state of their gold reserves was no longer an adequate guide to policy and that new objectives and guides should be developed. Monetary actions became increasingly less sporadic, limited, more continuous and ambitious in scope. The goal of this paper, is to stress on the extent of standard deviation of the originally intended theoretical proposition of the monetary policy for every economy, especially with much emphasis on developing economy using the continent of Africa as a study focus, through the services of its Central Banks and attempt to re-introduce an appropriate model, as a consideration for policy formulation guide, in the aspect of money supply, inflation rate, interest rate targeting, to ensure price stability, general trust in currency, and achieve the below indicators as its original theoretical priority;

i. Economic growth and Stability

ii. Lower Unemployment

iii. Maintain predictable Exchange rate, nominally

The paper study of the phenomenon and theoretical design will narrow the argument on the first two thematics, which are economic growth and stability, and the lowering of unemployment, observed to be more of a challenge in accuracy of theoretical-application towards macroeconomic management of contemporary times, in fragile economies.

2. THEORETICALS AND EMPIRICAL OBSERVATION

Poole (1993) "The notion that Central Banks can provide a low-cost, over-the-counter 'aspire-in' that will alleviate almost any ill that society faces is no longer credible." The submission of this paper is to empirically justify the causing factors, resulting in policy incredibility, especially in developing economies and alternative solutions to resolve it. (Meltzer 1993, p.233) emphasize on "the role of judgment and discretion in the conduct of monetary policy". Which complements the argument of this paper on the call for the Central Banks to be more innovative in dispensing its monetary policy, taken into consideration its jurisdictional territory of operation. This will address the gap between the monetary policy and its impact on economic development. This requires analyzing factors beyond the conventional theoretical template adopted as a modern system by the Central Banks in Africa for policy development, and being critical in the investigation of the market phenomenon, to construct an applied theoretical formulae relevant to developing economy in the construct of its monetary policy, paving the pathway in making the good use of majority of its labour force, not ignoring the facts that majority of the active labour force in such economies are found in the informal and semi-formal sectors, as well as, having a literary malfunctioning of its micro economy, and finally most of such economies lack structures that has effective appraisal mechanism of labour efficiency in relation to productive capacity of a given economy. Thereby promoting a defunct system, which is engineered towards the [State] as an organ, being the highest recruiter of human resource, with most of the [State] enterprises are very slow to meet modern

technological advancement and innovation of the twenty-first century, as well as the responsive time of market competition. The reality is, most of the [State] Enterprises and their status of performance in response to recruitment, suggest a limited capacity for high-level demand of advanced employable skills. The consequence is, the new channeling-out graduates, are becoming redundant. It is observed that the modern global ecology of innovation and technological advancement highly favours the private sector that has the prowess and capital resource to drive development at the speed level of the market competitive demand, with government narrowing its focus in regulation and policy credibility. A contrarily stance to the above submission of any fragile economic system, causes real economic retrogression and in most instances create stag- inflation as a consequence to fiscal extravagance of government, due to complimentary productivity lag.

Furthermore, observing a trend of government of developing economies, lacks of sufficient capacity to raise domestic funds to support a lot of infrastructural, technological and innovational desires for social interest, which in most circumstances government forceful ability to drive domestic infrastructural funding, results in the Central Bank QE's activity in responding to negative spillover effects, which on most cases excessive budget deficits financing leads to unhealthy, as well as unstable financial economy. The scope of theory and literature review of this paper, is examined under the below subtitles, to establish the grounds for further theorization under a posteriori case studies in a strict context of Africa ecosystem.

i. Market phenomenon

ii. Scarcity and value

iii. Empirical observation of policy effects and employment

2.1 Market Phenomenon

"There have never been any doubts and uncertainties about the scope of economic science. Ever since, intellectuals, have been eager for a systematic study of economics or political economy, all have agreed that, it is the task of this branch of knowledge, to investigate the market phenomena" Mises (1920|1973). To define the market phenomena, simple equations below could be derived, which is expected to guide the realistic application of monetary policy to its targeted market, and achieve the intended result drawn out from the monetary policy objective in the perspective of Lugwig Von Mises.

$$\Phi = (\mho + \varphi) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.(1)$$

$$\varphi = (\mathcal{M} + \mathcal{E}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.(2)$$

Derivation:

$$\Phi = (\mho + \mathcal{M} + \mathcal{E}) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.(3)$$

Φ----------Market Phenomenon

$\mho$---------- Market Exchange

φ---------- Catallactics

$\mathcal{M}$----------Money Price

$\mathcal{E}$----------Economic Calculations

The following are critical questions that arise, when analyzing the equations established above:

[i.] Is the dynamics of 'market exchange' in the context of developing and underdeveloped economy well understood for accuracy in monetary policy instrument and application?

[ii] The premise, upon which the economic calculation is designed, in the context of economic market forecasting in developing and underdeveloped countries, accurate?

[iii] The structural operating mechanism of the market phenomenon in Africa, understood by its Central Banks to guide monetary policy applications?

The paper hereby argue that the above three hypothetical questions, if not accurately investigated to address the dynamics of the ecosystem with shallow financial market, leading to the derivation of (Eq.3) above, it will definitely result in the default objectives of monetary policy application to the market operating mechanism, which the paper advanced in it posits to be the major contributing factors towards the failures encountered by economic development project initiatives, instituted by the World Bank and its allies for Africa, as well as other failures in scientific predictions in political economic development in Africa over the past two-to-three decades. Experience of today and historic fact vindicate these assertions according to (Ayittey, 2002), are the causes of failure of World Bank policies in Africa. The paper in it theoretical examination demands that the term 'Value' on goods and nominal unit, need to be critically examined to lay an accurate foundation of the theoretical deductions of this study, not ignoring the fact that, the theory governing the term 'Value' has created complex definitions in very complicated circumstances, historically, within the Taxonomy of Economics. But will adopt one of its varied definitions, very unanimous to the spirit and content of this paper. Which is [Value] is an intrinsic quality inherent in things and not merely the expression of various people's eagerness to acquire those things (Mises, 1920); therefore, the definition of Value according to Mises could be classified as;

[a] Intrinsic quality in things

[b] People's eagerness to acquire them

Theoretically, expression [a] and [b], trigger and engineer a successful market exchange mechanism. Which was submitted by Lugwig Von Mises as the priority of every action man to acquire 'material' and 'ideal' things. I thereby postulate per the evidences of this study that, for

any monetary policy to gain credibility in application, the basis of its enactment should be deeply rooted in the endogenous exchange market by finding out, what 'Value' drives the momentum exchange within the 'Cultural-Psyche' of the market. Hogan (2006) argue in response to people's eagerness to acquire things, he asserted, 'Means-Value' is object or action, while 'Ends-Value' is the feeling associated with the means value. Anthony (1987) deeply elucidates the 'Value'-argument by submitting that, we want or seek certain things or conditions in life (Means-Value) because of the State we think, they will give us (Ends-Value). This exposes, the uniqueness of every fiscal exchange market behaviourial action, because beyond the intrinsic quality contained in a material as a desire for possession, whether in a form of currency note for medium of exchange, Gold bar or valuable commodity driven items, the momentum drive of any exchange in a given economic market, operate within the perimeter of the "cultural-psyche" of that market. Thereby, a theoretical understanding of the 'Cultural-psyche' of any endogenous market, is a relevant tool guide for monetary policy instrument development. I therefore define [Cultural Psyche of a Market] as the traditional thinking or behaviour of the market, which drives the desire of people to demand a particular goods or services at any given period of time. It must be noted that when a 'cultural-psyche' of a market is imaginary constructed, devoid of practical experience of the market realities, the aftermath of the policy application works contrary to expected result and effects, and this as a posteriori deduction, has contributed largely, to a technical displacement of most policy applications and its related instrument in fragile economies, creating a consequence whereby majority of its labour force are disconnected to relate meaningfully to the dynamics of the market exchange, hence, resulting into a Sisyphean-economic-complex as market phenomenon, and in most cases a causal-effects in economic growth retrogression.

⸸ Cultural-Psyche, is 'employed' as a term to represent a natural way of economic interactions of a market' uphold as standards within a groups of people at a specific time period to satisfy their daily needs and wants.

2.2 'Scarcity' and 'Value' of Goods & Services

Acting and thinking man, is the product of a universe of Scarcity, in which whatever wellbeing can be attained, is the price of toil and trouble of conduct, popularly called Economics (Mises, 1920). Scarcity becoming a major challenge of man to address, which demands a compulsory knowledge of economics to minimize the effect and impact on his welfare and development. This never relates any of my submitted arguments herein to Karl Marx's school of thought, Marx New World Encyclopedia (1948), which believes that scarcity could forever be eradicated by the abolition of private property. In my perspective, such an intellectual opinion is radically ambitious and does not hold a solution to the problem under debate. Rather argue that, for 'scarcity' as a problem to be turned into opportunity in any market phenomenon, the current market relationship law, governing "Scarcity effects" and "Value-of-Demand" in goods and services as directly proportional in macroeconomic theory, thereby guiding policy instructions of the monetary market, requires an innovative re-construction of such market model, using a unique factorial index to invoke a behavioral change to this kind of 'market interactive relation'. Therefore, the below econometric formulae, seek to establish and propose a model as an approach to circumvent the negative impact of 'scarcity effects' into a profitable economic calculation, towards any operative market. Current market behaviour towards 'Valuable-goods-in-demand' is directly proportional to 'Scarcity effects', in the presumption that the Consumer demand aggregate of a given market is greater than the production aggregate of choices of goods of that same market, thereby, the result is a consequence of rise in price, as factor of inflation, in addition to high unemployment rate, leads to retrogression in economic growth.

All things being equal, it is expected that;

$$\dot{S}_t^{n+1} \ \alpha \ \dot{V}_t^{n+1} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \text{Eq. (x1)}$$

While;

$\dot{S}$…… Scarcity Effects

$\dot{V}$…… Value -of-Demand

The above model as Eq(x1), is the current existing theory, governing the relation of 'scarcity effects' and 'Value-of- demand' of the market within the assumptive economic conditions raised above. In the orthodoxy study applications 'scarcity effects' is an economic problem, which becomes an underlying principle guiding policy formulations and applications, however, with the foundational argument of this paper, it does propose a circumvention of this orthodoxy 'problematic model' of scarcity, thereby presenting a new functionary theory to turn 'scarcity effect' as economic-development-opportunity cum reduction of unemployment, in a condition that modern technological advancement, factor in labour recruitment to become the central-developmental system-unit, with 'Scarcity effect' operating an inversely proportional to 'Value-of-Demand', through a unique input of factorial index specified in the subsequent equation model as defined by Equation [4x] below.

All things being equal, it is expected, the market under a factorial index force, will be governed by the below model instead of the formal relationship law of market interactions;

$$\dot{V}_t^{n+1} \ \alpha \ \left(\frac{1}{\dot{S}_t^{n+1}}\right) \text{.....Eq. (x2)}$$

$$\dot{L_t}^{n+1} = \left[\ \dot{O_t}^{n+1} \times \ \dot{W_t}^{n+1}\right] \text{.....Eq. (x3)}$$

$$\dot{V}_t^{n+1} = \dot{K}[\dot{L}_t^{n+1}\left(\frac{1}{\dot{S}_t^{n+1}}\right) + \left(\dot{P}_t\right)]$$.....Eq. (x4)

$\dot{L}$……..Labour function of the fiscal space

$\dot{K}$…….Accessibility to low cost of nominal capital

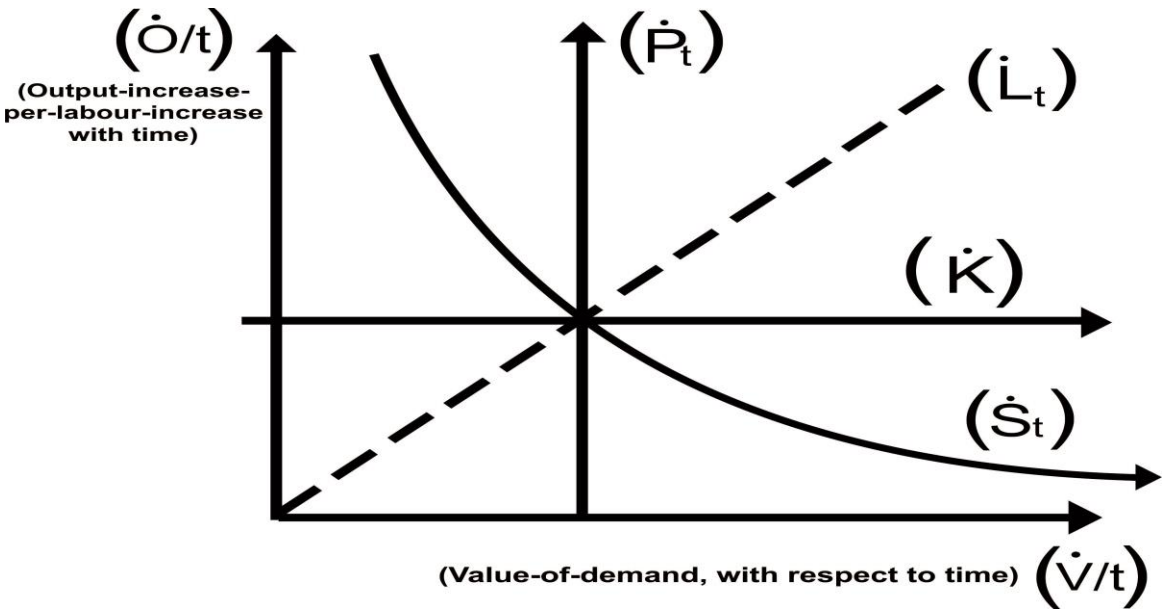
$\dot{P}$…….Price Stability of the Market

Ȯ……..Production Increase-per-labour increase

$\dot{W}$……. Labour wages

This theoretical model further argue that, any monetary policy instruments, which ignores efficiency of labour computation into the economic calculation, especially within fragile economies, having over 70% of the informal and semi-formal sector, being largely the contributive factor to the economic production, will suffer from real economic growth. Secondly, ignoring to take a critical look into the accessibility of low cost of capital for production as a credits advancement to the informal and semi-formal sector of the market, counting on a designed model that recognizes and incorporates the activities of such sectors mechanism into the main stream market ecosystem, will always have effect on the Central Bank policy credibility, as in forecasting to the future of its market in its operational jurisdiction, and possibly, will present a challenge to the authenticity of its currency value sustaining through price stabilization of the open market.

FX.1
Converting Scarcity effects to markets-opportunity in production output against value-demand effects



Panel of monetary policy instrument model to engineer realistic economic development in fragile economy
Source: Senzu, 2018.

The model, strictly emphasizes on a critical look into the word 'Efficiency-of-labour' as the equation employs. When a fragile economy turns to measure efficiency-of-labour based on any kind of College training and certificate solely, for the 'employment' of capital to productivity of market computation, without a stratification of its market system to acknowledge the kind of College education required at any given moment of time for its domestic labour market, and appropriate corresponding qualifications thereof, result in exposing such economy to the curve of developmental retrogression. The retrogression of development emerges at a point when there is a disconnection existing between a potential full utilization of labour in an economy towards a growing curve of a 'Value-of –demand'. Secondly, the creation of human resource capital by the Universities of developing and underdeveloped countries, lacking the characteristics to relate resourcefully to the unique challenges of such economies due to lack of deep understanding of

the “Cultural-psyche” of such endogenous market system, thereby promote an advancement of labour-redundancy-ecosystem, which is observed to be an equal contributor to economic growth retrogression.

2.3 Empirical Observation

The paper goes further, beyond theoretical deduction to establish empirical justification, on how most of the monetary policy in the developing economy has lost credibility, but operating as a kind of orthodoxy services in convention, by which the Central Bank quarterly, some mid-year, engages the media on policy press release as a formality, but industries players and investors hardly rely on such reports for valuable decisions and market actions as a guide of economic activities and investment. Some selected African countries were subjected into an experimental study focus of this paper and those countries were South Africa, Egypt, Kenya, Cameroon and Ghana with the assumption that, their monetary policy has some level of consistency in terms of it press release approach within the continent of Africa. The method of empirical examination adopted was the Case Study approach, which Best & Kaln (1998), asserted, Case study probes deeply and analyzes interactions between factors that explain present status or influence the change in growth. Thus, data can be gathered in this regard through interviews or observations of the researcher. Feldman (1996) states, in contrast to a survey in which many people are studied, he argued that, case study is an in-depth study, intensive investigation of individual or small groups of people. The paper adopted a method of relying on selected professionals who fall within the Social Science and Business community directly in conformity to Dudoviskiy (2016), who pose that, the use of a case-study approach, aim to analyze specific market within the boundaries of specific environment, situations or organization. A total of hundred (100) professionals were engaged in the five listed countries, selected as the population sample size,

taken a keen interest in the submission of (Fink and Kosecott, 1998), who argued, the size of a population from which the sample of a particular size is drawn has virtually no impact on how well a sample describe a population because the appropriate sample size is influenced by the purpose in conducting the research. The empirical findings from the field of study, which the detail dataset is placed at the appendix section of this paper, suggested that, an estimate of 36% of the Investment community were of the view that, the policy impact of the Central Bank in their various chosen countries were seen as insignificant to their daily activities as against the 64% who reason contrarily to such opinion, but rather believed the fiscal space of government actions in the management of the economy was what really matters. The Private Enterprise owners in the same sample space were equally engaged and 8% had some level of confidence in monetary policy, while 92% indicated that the news effects of monetary policy holds negative to their daily business engagement in the open market. Finally, the Consumer circle of the same sample space was also engaged and 94% indicated lack of recognition of any effects of the Central Banks policy actions in their routine consumption. Surprisely, these findings seems to concur with the works of Kovaven (2011) as a project under IMF, which posits that the Ghana macroeconomic performance, that is monetary policy transmission and interest rate channel, never works in the Ghanaian economy and further argued that, such dysfunction of policy effect is likely caused by shallow financial market. The generally sentiment as ensued from the empirical study, places a balance weight on monetary policy actions of the developing economy, hardly having any significant effects on the status of its employment, the business market and even the consumer circle, than how the people could feel the authoritative presence of fiscal policy impacts of government. Furthermore, no correlation of monetary policy and realistic stimulation of economic growth was observed that could be empirically justified. There was no

direct correlation of monetary policy and stabilization of the price relating to the exchange rate of currency without fiscal policy being an interface. Even though countries randomly selected for this particular study, denied the author to an extensive governmental primary data for security reasons, it was successful in obtaining such records in Ghana for analytics and interpretational purpose, as elaborated below;

Table S1.
Data of production approach measurement to GDP of the Economy of Ghana (2010-2014) in GhȻ millions

Details	2010	2011	2012	2013	2014
AGRICULTURE	12,909.6	14,154.8	16,668.0	20,232.0	23,278.0
Crops	9,421.6	10,649.9	12,525.0	15,742.0	18,144.0
o.w. Cocoa	1,391.6	1,995.7	1,869.0	1,981.0	2,409.0
Livestock	873.0	1,003.8	1,162.0	1,223.0	1,318.0
Forestry and Logging	1,614.2	1,549.2	1,880.0	2,019.0	2,537.0
Fishing	1,000.8	951.9	1,102.0	1,249.0	1,279.0
INDUSTRY	8,294.5	14,274.4	20,438.0	25,113.0	28,767.0
Mining and Quarrying	1,012.7	4,689.9	6,961.0	8,503.0	8,640.0
o.w. Crude Oil	177.5	3,746.3	5,649.0	7,441.0	7,793.0
Manufacturing	2,941.5	3,842.5	4,263.0	4,800.0	5,342.0
Electricity	266.0	279.7	332.0	393.0	443.0
Water and Sewerage	368.3	467.4	511.0	568.0	576.0
Construction	3,706.0	4,994.9	8,370.0	10,848.0	13,766.0
SERVICES	22,183.6	27,422.7	35,837.0	44,964.0	56,248.0
Trade; Repair of Vehicles	2,701.0	3,282.3	4,060.0	5,222.0	6,085.0
Hotels and Restaurants	2,592.8	3,007.4	3,517.0	5,256.0	6,099.0
Transport and Storage	4,578.4	5,996.9	8,041.0	10,149.0	13,351.0
Information and Communication	831.1	988.9	1,590.0	1,572.0	2,441.0
Financial and Insurance activities	2,239.9	2,465.9	3,452.0	5,885.0	9,115.0
Real Estate, Professional, Administrative & Support Service activities	1,944.8	2,590.6	3,502.0	3,485.0	3,894.0
Public Administration & Defence; Social Security	3,023.6	3,896.8	4,952.0	5,305.0	5,843.0
Education	1,876.9	2,306.6	3,101.0	3,248.0	3,883.0
Health and Social Work	673.6	728.5	921.0	956.0	1,091.0
Community, Social & Personal Service Activities	1,721.5	2,158.7	2,701.0	3,886.0	4,445.0
FISIM (Financial Intermediation Services Indirectly Measured)***	1,511.6	1,457.7	2,317.0	2,919.0	4,354.0
GROSS DOMESTIC PRODUCT at_basic_prices	41,876.1	54,394.2	70,627.0	87,390.0	103,939.0
Net indirect Taxes	4,166.0	5,422.1	4,689.0	6,026.0	9,404.0

GROSS DOMESTIC PRODUCT in_purchasers'_value	46,042.1	59,816.3	75,315.0	93,416.0	113,343.0

Source: Senzu (2015), assisted primary data from Ghana Statistical Service from 2010 to 2014
Actual contribution of the major and sub sectors to GDP (Gh¢ Million) in Ghana

Table S2.
Data of highly contributive sectors to GDP growth of Ghana's economy (2012-2014) in Ghc₵ millions

Highly contributing sectors to GDP growth	Actual Contribution in 2012 in Ghc(Million)	2012 Contribution in %	Actual Contribution in 2013 in Ghc(Million)	2013 Contribution in %	Actual Contribution in 2014 in Ghc(Million)	2014 contribution in %
Agriculture	16,668	10.70%	20,232	10.49%	23,278	10.07%
Service	35,837	23.01%	44,964	23.30%	56,248	24.33%
Industry	20,438	13.12%	25,113	13.01%	28,767	12.43%
Other minor sector combined	82,778	53.16%	102,650	53.20%	122,848	53.15%
GDP	155,721	*100%	192,959	*100%	231,141	*100%

Senzu (2015). Actual contribution of highly contributing sectors to GDP growth in Ghana

Table S3.
Data of highly contributive sectors that engaged high labour force from the economic market of Ghana (2012-2014)

Highly Contributing Sectors to GDP growth	Labour engaged from 2012 to 2014	Percentage of Labour engaged
Agriculture	59,893	0.73%
Services	2,708,796	33.12%
Industry	3,383,206	41.36%
Informal Sector	2,027,880	24.79%
Total	8,179,775	*100%

Senzu (2015). The labour force engaged by highly contributing sectors to GDP growth in Ghana

Table S4.
The GDP-growth status of Ghana's Economy from (2010-2014)

GDP growth rates

Year	GDP at current market prices	GDP at constant 2006 prices
2010	25.8	7.9
2011	29.9	14.0
2012	25.9	9.3
2013	24.0	7.3
2014	21.3	4.0

GSS (2015). GDP growth rates

With the assumption that GDP growth reflect the development status of an economy, in ceteris paribus, then Table S4 above in consensus with S1, S2 and S3 deduce that, there was a steady rise in "Service" in Ghana's economy from 2012 to 2014, with a percentage of 23.01% in 2012 to 24.33% in 2014 as an estimate of 1.32 percentage rise in contribution to GDP growth, while Industry and Agriculture were in a decline state. Industry as at 2012 was contributing 13.12% to GDP growth and by 2014 has declined to 12.43%, as an estimate of 0.69 percentage fall. Agriculture as at 2012 was contributing 10.70% and at the end of 2014 had declined to 10.07%, as an estimate of 0.63% percentage fall. In a comparative study to the state of GDP growth in the same period that is 2012 to 2014 from the Table S4, there was a percentage decline of 4.6, which validates the argument of this paper, that state, any sector of the economy performing very high in GDP contribution with no direct linkage to the 'cultural-psyche' of the economic market, could not affect its GDP growth positively and sustainably. Which in this circumstance, the rise of the service sector in the detriment of the Agriculture sector performance and its related industrial impact to the Ghana's economy, affected the sustainable macroeconomic growth. In respect to the data of Table S3, it establishes that, from 2012 to 2014, Service sector performance engaged about 33.12% of labour force, while the declining Agriculture and Industrial Sector

engaged 0.73% and 41.36% of Labour force respectively within the same period. This equally agrees to the foundational argument of this paper, which state that, a highly contributing sector that fails to engage high rate of labour force through technology and innovation in the context of the developing structure of the economy will fail to cause sustainable growth in GDP. Service sector was in a steady rise, while Agricultural and Industrial sector were in a steady decline, yet industry employed about 8.24% labour force higher than the service sector. This confirms, to some extent the argumentative basis of the paper on a fragile economic management that places a premium focus on a sector that relate less to its labour market, as against other competing sectors that has strong positive correlation effect to the labour market, create a negative impact on the entire developmental process of the economy, which substantiates the evidential findings of the consequence of a monetary policy instrument, which does undermine relevant sectors activities linked to a sustainable GDP growth of an economy, loses the capacity to reduce unemployment challenge of the market.

3. CONCLUSION

The paper in its conclusion predicate that, it is very relevant for Central Banks of the developing economies to have a quality understanding of the 'Cultural-psyche' of the Economic market within it operational jurisdiction and appreciate its behaviourial patterns in link to the various sectors and its contribution to the GDP-growth of the economy, to guide in a sound scientific construction of it policy and related instruments, the only means to project the Central Banks as a respectable institutions in the business of fragile economic development, devoid from a status assume to be a ceremonial institutions in the shadow of political control of the fiscal space of the economy. The paper finally submits succinctly that, on a premise of goods and services utility in

any developing economy ‘scarcity effect’, which imposes an economic challenge of aggregates demand and price hikes of the market, requires an effective model application defined in [Eq.x4] to serve as a policy application guide, in other to facilitate quality high rate of employment, which has significant effects on increase-to- out-put of production in the economy, if only, the following conditions of the market are observed, which are Low inflation, price stability and low cost of capital accessibility to Enterprise owners in a form of credits lending, in other to steer-up skill employment as a critical central unit of the technological advancement and innovation. This recommended policies in coordination, will promotes increase of quality production in all the chosen sectors of the economy, thereby trigger sustainable GDP growth of the country, when, the policy indicators stated above are instituted to coordinate accurately and interacts efficiently within the market ecosystem from the micro-structure cascading upward in favour macroeconomic structural modelling infavour of sustainable growth.

ACKNOWLEDGMENTS

The author hereby acknowledges all the anonymous hands who offered technical and professional supports from the various chosen countries, in which, without their sincere efforts, the success of this work to some extent would have been curtailed, yet requested their names to be re-held for relevant reasons. I am sincerely grateful.

APPENDIX

[Question forming the basis of Survey study]:

Does the normal quarterly or mid-year Central Bank policy press release news affect your daily activities? The response is categorized either [Positive] = P or [Negative] = N; for the grid table coding.

[SS↓] Represent sub-sample size used for the study

[TSS↓] Represent sub-total sample size used for the study

NB* > Where the responding rate did not tally with the sub-sample size indicates a non-respondents rate

Table GT-1
A Grid Table in a Ratio format of the Population respondents from the selected Countries.

Selected Countries / Sample Size (100)	**Investors Responding Rate** **ss↓ (5) / tss↓ (25)**		**Private Enterprise Owners Responding Rate** **ss↓ (5) / tss↓(25)**		**Consumers Responding Rate** **ss↓ (10) / tss↓ (50)**	
	P	**N**	**P**	**N**	**P**	**N**
South Africa	4	1	1	4	0	8
Egypt	3	2	1	4	0	9
Cameroon	0	4	0	5	0	10
Kenya	1	4	0	5	0	10
Ghana	1	4	0	5	0	10
TOTAL	**9**	**15**	**2**	**23**	**0**	**47**

E.T. Senzu, (2021) Field study survey reports

REFERENCE

1. Alessi, L. & Kerssenfischer, M. (2016), "The response of asset prices to monetary policy shocks: stronger than thought". ECB working paper 1967; September
2. Angeloni, I., Faia, E., & Duca, L. M. (2009|2011), "Money policy and Risk Taking". European Central Bank

3. Anthony, R. (1987), "Unlimited Power", New York; Fawcett.
4. Audert Adrien (2017), "Monetary policy and the redistribution channel". MIT Press, May
5. Barthalon, E. (2014), "Uncertainty, Expectations and Financial Instability: Reviving Allais's lost theory of Psychological Time." Columbia University Press, New York.
6. Barro, R. J., and D. B. Gordon (1983b) "Rules, Discretion and Reputation in a model of monetary policy". Journal of Monetary Economics 12(1): 101-121
7. Bernanke, B. S. & Belinder, S. A. (1988), "Credit, money and aggregate demand". American Economic Review, May, pp.435-39
8. Bernanke, B. S. & Belinder, S. A. (1992), "The federal funds rate and the channels of monetary transmission." American Economic Review, September, pp.901-21
9. Best, W. J. & Kahn, V. J. (1998), "Research in education (8th ed.)". Allyn & Bacon
10. Black, K. (2010), "Business statistics; contemporary decision making.(6th ed.)" John Wiley & Sons.
11. Blanchard, O. (2003), "Monetary policy & unemployment"; a conference paper in honour of James Tobin (*economics.mit.edu/files/731)*
12. Bondt de Gabe (2015), "Confidence and monetary policy transmission." ECB, May.
13. Dudovskiy, J. (2016), "Ultimate guide to write dissertation in Business" Retrieved from (https://research-methodology.net)
14. Feldman, C. D. (1996), "Managing careers in downsizing firms". John wiley & sons Inc.
15. Fink, A. & Kosecoff, J. (1998), "How to conduct survey; a step-by-step guide (2nd ed.)." Sage Publication, May 10th.
16. Frederic S. Mishkin (2001), "The transmission mechanism and the role of asset prices in monetary policy". NBER working paper No.8617
17. George B. N. A. (2002), "The failure of World Bank policies in Africa". *Testimony before the economic affairs subcommittee of the Senate foreign relations committee, US-congress, Washington DC.*
18. Ghana Statistical Service (2015). "Gross Domestic Product". Retrieved from www.statsghana.gov.gh
19. Hogan, K. (1996), "The Psychology of Persuasion". Peblican Publishing Company USA
20. Ireland, N. P. (2006), "The monetary transmission mechanism". National Bureau of Economic Research, Boston College

21. Kane E. (1985), "Doing your own research; Basic descriptive research in the social science and humanities". London, Marion Boyars.
22. Karl Marx- New World Encyclopaedia (1948), Retrieved from *www.newworldencyclopedia.org/entry/Karl_Marx* : London, Hamish Hamilton
23. Kovaven, A. (2011), "Monetary Policy Transmission in Ghana; Does the Interest rate channel work." IMF-Paper
24. Kuttner, K. & Mosser, C. P. (2002), "The monetary transmission mechanism; some answers and further questions". Econpaper, May, 15-26.
25. Kydland, F. E., and E. C. Prescott (1977), "Rules rather than discretion: the inconsistency of optimal plans". Journal of Political Economy 85(3):473-491
26. Ludwig, V. M. (1920 |1973), "Human Action; a treatise on economics". Mises Institute, Aubum, Alabama Published copyright 1998.
27. Meltzer, H. A. (1993), "Changing capital markets; implications for monetary policy". Federal Reserve Bank of Kansas City
28. Morris, S. C. & Sellon Jr., H. G. (1995), "Bank lending and monetary policy; evidence on a credit channel". *Second quarter economic review*. Federal Reserve Bank of Kansas City
29. Romer, C. D. & Romer, H. D. (1990), "New evidence on the monetary transmission mechanism". Brookings papers on economic activity, no.1,pp.149-213
30. Smets. F. & Wouters, R. (1999), "The exchange rate and the monetary transmission mechanism in Germany". De Economist, Vol.147, issue 4, pp.489-521
31. Walsh, E. C (2017), "Monetary theory and policy", (3rd ed.) ISBN: 978-0-262-01377-2, Massachusetts Institute of Technology Press.
32. William P. (1999), "The relevancy of a well-defined monetary policy rules that address market problems". Federal Reserve Bank of St.Louis, working paper.