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CONTENTS

ARTICLES *Page*

West African Currency Board Earnings and the Distribution of its Income, 1912-1945

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Hitherto, a plethora of historical literature has concentrated on .he West African Currency Board, its evolution, its currency arrangement and operation. Without doubt, economic historians are yet to pay close attention to how the board shared its annual profits between the four British colonial governments from its inception in 1912 to its dissolution in the 1960s. This paper is therefore a reflection of recent research efforts at examining another important dimension of currency syndrome in West Africa. Its objective is therefore confined to the evolution of financial relationship among the colonies concerned through the medium of the currency board of which these colonies were shareholders. Attempts are made to explain the procedures of annual disbursements by the board, the criteria adopted for distribution of profits, the factors responsible for variations in the annual distributions and the mediatory roles of the Secretary of State whenever the board's disbursements were protested by the colonies.

The inception of British colonialism in West Africa urshered in common military, agricultural, monetary and communications systems for Nigeria, Ghana, Sierra Leone and Gambia These organisations were controlled by certain policy-making bodies in London, hence there were the West African Frontier Force, the West African Currency Board, the West African Cocoa Research Institute and the West African Airways Corporation.

By 1900, the four colonial governors in the British West Africa jointly requested the Colonial Office to make arrangements for apportioning part of the seignorage profits accruing to the Imperial Treasury from the issue of silver coins, to the revenue of the colonies. Perhaps the most vocal of all the colonial governors was Sir Harry McCallum of Lagos who, inter alia said:

> . . . As these coins are the same in weight and finesse as when the market price of silver was 60 pence per ounce, it does not require

> any close calculation to see what a large annual profit is being derived by Her Majesty's Mint by their manufacturing this silver for local absorption when the market price stands at 28 pence. I respectfully claim on behalf of this colony that we should at least be allowed to participate in this profit."[1]

This comment was provoked by an uninterrupted trend in the currency distribution in West Africa by the British Mint and the increasing profits accruing to the Imperial Treasury. In fact there was no immediate positive response to the appeal of the colonial governors even after Sir David Barbour's Committee had been appointed to recommend a solution to the problem.2 Worse still, the Committee's report later remained a closely guarded secret and this kept the governors in the dark as regards the outcome of their petition. The unpleasant passivity of the Colonial Office in interfering on behalf of the colonies gave the Imperial Treasury an untrammelled opportunity to increase its imports of British silver into West Africa from 1900 to 1911 with corresponding increases in its annual profits.

However, with more persistent protests from the colonial governors, the Colonial Office was prevailed upon to appoint the Emmott Committee to consider the desirability of introducing into West Africa a special coinage common to all the British colonies. The Colonial Office strongly supported the colonies in their demand for a percentage share of the profits accruing to the Imperial Treasury, which between 1900 and 1910 had amounted to about two million pounds. It thereby advocated a special currency arrangement for West Africa to enable the colonial governments to appropriate the profits on currency business.[3]

Consequently therefore, the Emmott Committee in its reports and recommendations supported the introduction of a distinctive local currency based upon a reserve of gold and securities held in London by a currency board charged with the responsibility of supplying coins and notes and managing the currency reserves. The committee further charged that the currency board, when established, should be based in London, while its representatives were the West African territories of Nigeria, Ghana, Sierra Leone and Gambia. It concluded by stipulating that the currency board should rely on the reserves and credit of the governments of these West African territories for the discharge of its obligations.

These favourable recommendations led to the establishment of the West African Currency Board in 1912 for the importation and distribution of British Currency in West Africa. It was also expected to invest its funds in sterling securities of the government of any part of the British dominions and pay with the approval of the Colonial Secretary any sum which it deemed proper out of its income as a contribution to the revenue of the governments in the currency area.[4] Hence the focus of this paper is the commercial operation of the board and the distribution of its income among the constituent territories from 1912 to 1945.

For the purpose of elucidation, it is pertinent to examine some of the determinants or factors that always accounted for annual variations in the profits released by the board for distribution. Any distribution of profits was often determined by certain conditions affecting the performance of the West African currency. For example, harvest seasons always induced increased demand for currency, which in turn increased the velocity of currency circulation. On the contrary, widespread hoarding of coins and seasonal draughts often led to the redemption of currency and reduction in the reserves of the board which could limit the profits to be shared by the colonies.

Another determinant was the prevailing nominal value of the investments held by the Board on account of the silver coinage and the mean market price of such investments. Thus when only a small amount of additional currency was sold during any trade seasona and the Board was called upon to meet further sterling payments in London against redundant currency deposited by the banks in West Africa, there could be distribution of a small proportion of profits.[5]

But distribution could bc prompted when reserves were more than sufficient for the convertibility of the silver currency and the note issue. When this happened, the Board then paid a percentage of the surplus income in aid of the West African governments.[6] In case the Board was unwilling to do so to the benefit of the colonies, the Secretary of State could intervene and determine the proportionate distributions although in collaboration with the board's experts.

Up till 1920, proportionate distribution was based on the figures representing the addition to the silver coinage circulation in each colony as reflected by the Customs statistics.[7] This in effect meant variations in the figures used in accordance with the rate of the currency circulation in each colony.

Any depletion of the Board's investments in the capital market often discourage recommendation of any distribution of profits. But any slight improvement in the market situation could induce a reconsideration of the matter in compliance with the persistent pressure from the colonial governors.

In 1923, a new criterion for proportionate distribution which had nothing to do with the capital market situation, was introduced. This was distribution in accordance with the value of trade exports and imports of each colony. It must be stressed that this method favoured Nigeria which was the largest market and aroused arguments and criticisms from the other colonies.[8] Lastly distribution could be adversely affected when the board's contributions to Investment Reserve Accounts significantly reduced the amount available for sharing as happened in 1936/37.

These reasons formed part of the explanations given by the board to the colonial governors when its authority in declaring smaller sums for distribution was questioned. At times the Secretary of State had to intervene by appealing to the colonial governors to keep calm until he succeeded in reversing the policy of the board. In other words, the Secretary of State could persuade the board to distribute surplus income regardless of the reasons given to the contrary by the board although this was seldom done behind the scene.

The board operated within a financial year of its own which began on 1st July and ended on 30th June of the following year. Distribution of profits was done initially twice within the financial year i.e. January/February and June/July. Every year therefore the colonial governments were anxious to know from the board in London, what bulk sum would be made available for distribution in West Africa. This anxiety was often caused by the unpredictability of the financial position of the board itself. Indeed, early information was very important to enable the colonial governments incorporate their share of profits into their annual estimates.

At times under financial strains, the Colonial Treasurer would inform the Colonial Governor who would in turn find out from the Currency Officer, the possibility of any distribution during the year. The Currency Officer was often in direct communication with the Crown Agents and the Currency Board. At the same time, after due considerations had been given to the observations of the Currency

Officer, especially when such observations were negative, the Colonial Governor could write direct to the Secretary of State for the Colonies to find out from the board any possibility of distribution during the board's financial year. Indeed the annual distribution was often the subject of correspondence in all the colonies between the government officials at the departmental level and between the governors of British West Africa, the Crown Agents and the Colonial Office.

Response to the colonial administration's enquiries could be directly communicated by the board at times after the necessary clearance had been made with the Secretary of State. Whenever colonial shares out of the grant were made, the board transmitted the cheques of the respective colonies to the Crown Agents to credit them to the accounts of the respective colonies with them in London. Thereafter, the Crown Agents would write to the Colonial Office, the Colonial Currency Officers and the colonial governors accordingly. Usually, the last recipient of a copy of the letter was the colonial treasurer. Such sums of money already credited to the colonial accounts in the custody of the Crown Agents, enabled the colonial governments to purchase stores or supplies in Britain for government projects without procuring foreign exchange through the bureaucratic bottlenecks.

The First World War and Currency Trade 1914-1918

Just as the currency board was about to go into large scale operation, the global war started. Because of the difficulties encountered in providing for its infrastructure and administrative personnel, the board continued to rely on the services of the British Bank for West Africa at Lagos, Accra, Freetown and Bathurst.[9] Thus the business of receiving, storing, shipping and then issuin the silver coinage in exchange for sterling coins or drafts on London, was discharged by the B.B.W.A. as an agent of the board.

The global war ushered in trade slump in West Africa consequent upon Britain's severance of trade with Germany. Dangerous enemy action on the high seas led to a reduction in the number of ships sailing to West Africa. In short, war conditions caused an acute shortage of silver coinage in spite of the crying need for paper money up to 1915. War conditions also caused a heavy fall in West African commodity exports. Produce prices slumped terribly and discouraged peasant production of export crops. Even when the board had large amounts of coins, there was no zeal to distribute them to the four colonies. The board was then in a precarious situation as a result of the poor circulation and demand for coins in West Africa. By 1914, £530,000 worth of silver coins was repatriated to England despite the war-time rise in freight rates.[10]

The financial position of the board was further aggravated by the need to pay the necessary commission to the BBWA for freight insurance, porterage, specie boxes, bags, labels, seals, and extra storage facilities. At the four currency centres in West Africa, the bank was also paid commission for counting, sorting, storing and when necessary, shipment of redundant coins to England.

By 1915, prices of export crops had recovered and more coins were thrown into circulation. The motivating factor for this new trend was a rise in demand for cocoa in the Gold Coast and groundnut in Nigeria. These two crops attracted soaring prices during the harvest seasons, hence the widespread need for coins. In order to meet the local demand for coins therefore, repatriation of redundant coins was instantly suspended although at the same time supply of more coins was ordered in London.[11] A lot of ships now resumed their services in West Africa and thereby enabled the board to issue and distribute £257,000 in U.K. notes.

By mid 1916 and mid 1917 the Board had supplied £1,500,000 worth of coins to West Africa. From 1913 to 1917 therefore a total of £3,900,000 had been shipped and distributed to West Africa since the inception of the board although within the four years about £800,000 worth of sterling silver had been withdrawn and sent to England. Continuous demand for more coins stemmed from the groundnut boom in Northern Nigeria and the Gambia from 1917 to 1918. About £1,350,000 worth of new silver coins was paid out. In spite of the war conditions and the fluctuations in the commercial activities of the board, by 1920 it had accumulated a reserve fund of £9,000,000. By January, of the same year it was able to distribute a first 'dividend' of £100,000 to the four colonial governments out of the interest from its reserve investments. By July 1920, a further sum of £100,000 was released for distribution by the board.[12]

The allocation of £200,000 to the four colonies was based on the figures representing the addition to the silver coinage circulation in each colony from 1912 up to the 31st December 1919 as shown by the Customs Statistics together with the figures representing the notes circulation in each colony at the end of 1919. Thus, according to the formula for the first distribution of £200,000, Nigeria, Ghana, Sierra Leone and Gambia respectively received £96,000, £78,000, £11,000, and £15,000. These sums were automatically credited to the accounts of the colonial governments with the Crown Agents in London.[13]

It must however be stressed that mounting pressures from the constituent colonies compelled the board to declare its profits for distribution since its inception. Hitherto, the colonies had been kept in the dark about its fortunes and losses. Since 1916, the colonial governments had been anxiously expecting the board to declare some profits for distribution. The latter was always in the habit of replying "when the Board are satisfied and shall have satisfied the Secretary of State that their reserves are more than sufficient to ensure the convertibility of the silver currency and the notes issue, the Board may pay over the whole or any part of the surplus amount in aid of the revenues of the West African governments in such proportions as may be hereafter determined."[14]

By June 1919, nothing had been heard from the Board. The Colonial Secretary, Accra in a letter to the Board's Secretary desired to know whether the Board could furnish him with information as to when such a distribution of surplus reserves would be expected in regard to the board's promise and report of 1916. As expected, a spate of enquiries from other colonies prompted the Secretary of State to find out from the board what proportion of its profit would be divided between the colonies. It was then that the board revealed to the Secretary of State that the first distribution of surplus reserves would be made in 1920.

A temporary trade recession in 1921 occasioned the board's fear of low distribution. Indeed, only £100,000 was distributed because the board was compelled to dispose of £4 million out of its investments for meeting the payment of telegraphic transfers from West Africa to London.[15] By February 1922, its investments had been further depleted. It was in the process pestered by the government of Nigeria which demanded an urgent reply from the board's secretary in connection with Nigeria's proposed share of profits during her financial year which ended 31st March 1923.

In its negative reply, the board confessed its poor financial situation which it attributed to a horrible fall in the mean market prices of its investments and the sale of a negligible proportion of its additional currency during the current trade season in West Africa. So there was no way whereby the board could have surplus funds over its investments for distribution moreso when it anticipated frequent demands to meet further sterling payments in London against redundant currency.

While the Nigerian colonial governor was smarting under this disgraceful disappointment, his counterpart from Sierra Leone sent a similar despatch to the Colonial Office in April 1923 in order to know what proportion of the board's profit would accrue to his colony now under financial stress. The governor was very much critical of the board's previous report and its claim of poor financial situation which was attributed to heavy payments made for the repatriation of redundant coins.[16] The board was thereby informed that the new alloy coin was already firmly established and that the notes circulation had reached a normal level in West Africa. He argued that a steady income from investments on these two accounts was therefore expected to keep the board on an even keel. The Sierra Leonean treasurer was even convinced that the investments of the board had apparently appreciated and was of the opinion that the balance of the note guarantee fund exceeded the notes circulation by some £400,000. The governor also complained against his colony's small share of £10,630 in January 1923 as a result of the new criterion introduced by the board for allocating profits to the colonies.[17]

The governor of Sierra Leone also wanted the board to consider the peculiar condition of his colony which could recommend it for better treatment in the distribution of profits. His despatch revealed that a considerable number of ships bound for England regularly discarded their West African currency at Freetown and this phenomenon enabled the Banks in Sierra Leone to replenish their stocks without necessarily buying from the Currency Board. This meant that Sierra Leone should enjoy the credit for absorbing a lot of surplus currency which otherwise should have been thrown back into circulation in Nigeria and the Gold Coast and thereby reduce the purchases of new currency in those colonies.[18]

The board accepted these heartwarming complaints and representations from Sierra Leone and promised to increase her next share of the profits on account of its peculiar position. Henceforth, it intended to use a new formula for profit distribution, which would be based on the annual value of trade exports and imports of each colony. This criterion was subject to review after five years according to a new directive from the board.

Meanwhile the colonial authority in Nigeria, having got wind of the new criterion, set out to calculate what amount Nigeria and the Gold Coast would have received in 1923 on the basis of the old allocation formula. This investigation was prompted by a secret report that by July of the same year Nigeria would probably receive £72,600 out of £150,000 on the basis of the new criterion. Again, the Nigerian treasurer was convinced that with her high valued exports in the form of gold, the Gold Coast was not improbably scoring at the expense of Nigeria. In his opinion it probably took more currency to finance the cotton crop in Nigeria than it did to finance the working of the gold properties, although he did not doubt the fact that the value of the gold exports was much larger.[19] Probably to prevent the Gold Coast from scoring better distribution, he preferred the retention of the old basis of distribution.

True to expectation, by July 1923, the board's financial position improved tremendously. The nominal value of its investment was approximately £7,500,000 which more than covered the face value of the West African Currency in circulation. The investment produced an income of about £360,000 per annum, hence its decision to distribute £150,000 in July 1923 and another £150,000 in January 1924.[20]

The figures upon which the distribution of profits was based were for the trade imports and exports of the colonies for 1921 which were as follows:[21]

Distributions

1921 Imports and Exports		*July 1923*	*January 1924*
Nigeria	£18,490,617	£72,600	£79,070
Gold Coast	14,603,521	57,325	54,300
Sierra Leone	3,394,756	13,325	10,630
Gambia	1,717,883	6,750	6,000
		£150,000	£150,000

On the basis of this new calculation, Nigeria received approcimately one half of the total amount available which was what Nigeria habitually got before. In the following year the board released another £300,000 for distribution owing to its continuous realisation of profits over currency circulation in West Africa. While Nigeria and the Gambia received the same share as was given in 1923 the Gold Coast and Sierra Leone were better off with a surplus of £1,000 each, owing to higher figures of import and export trade which they recorded in 1923. However, Nigeria's trade figures in 1924 were so exceptionally high that out of £300,000 released for distribution in 1926 (£150,000 in January and £150,000 in July 1926) Nigeria shared £164,950, which was 54.9%[22] of the distributable pool: other colonies received a little less than what they shared in 1923.

It was not always possible for the board to use current trade figures for each colony because of the long delay encountered by the various colonial departments in compiling their trade statistics for the year. Rather than wait for these figures, the board chose those for the two previous years which were already certified and approved by the colonial office, hence the distribution of the board's income in 1926 among the colonies was based on the available trade figures for 1924.

The period from June 1926 to July 1930 was one of steady boom for the board in its transactions in West Africa and investments in the world market. The boom enabled the board to realise over £600,000 as income from all sources at the end of each financial year. Despite this delightful revelation, the colonies did not receive this amount for distribution simply because the board decided to establish a depreciation fund into which a proportion of its annual income was to be paid in anticipation of any fall in the market values of its securities.[23] Thus this fund was to enable the board to liquidate any liabilities that arose from market instability. The decision to limit the amount for distribution to £400,000 was duly approved by the Colonial Office. The colonies therefore received £400,000 yearly from 1927 to 1928 and as usual distribution was based on trade figures for the two previous years. Yet, further encouraging improvement in the board's transactions and realisation of higher incomes, enabled the colonies to share £450,000 annually from 1929 to 1930.[24]

The yearly share per each colony from 1927 to 1930 was tabulated as follows:

Country	*1927*	*1928*	*1929*	*1930*
	£	£	£	£
Nigeria	229,760	219,154	230,145	239,297
Gold Coast	134,928	145,376	179,869	172,481
Sierra Leone	25,882	23,480	25,041	24,347
Gambia	9,430	11,630	14,945	13,875
Trade Figures: used	1925	1926	1927	1928

The board carefully avoided the temptation of releasing £500,000 for distribution in 1930. It was compelled to reduce the amount by £50,000 owing to some reasons. Since the end of the buying produce season throughout West Africa, the board made a heavy redemption of currency to the extent that its available liquid assets by July 1930 were insufficient to meet the whole of the sterling payments required to be made in London. Rather than sell its securities to finance such payments, the board negotiated for a loan of £1,350,000 on favourable terms.[25] However there was hope for the gradual repayment of the loan provided the board received payments for fresh currency issued for trade purposes in West Africa during the next produce buying season. In case the much expected payments failed, such a loan represented a heavy liability for which provision must be made. Since the total nominal value of the board's investments remained at over £13,500,000,[26] it was decided that an appropriate portion of the board's annual income must be earmarked as security for the loans, hence the reduction of £50,000 in the amount released to the colonies in 1930.

The board, in anticipation of the adverse effect of depression, quickly warned the colonies that subsequent proportions of annual income for distribution would be £400,000 or less annually. The issue of redemption was strongly capitalised upon in the sense that if its position became worse, a recourse to the sale of securities would be the next solution and such a sale would reduce the annual income of the board as well as the nominal value of its investments.

World Trade Depression 1930-32

During the depression years, world markets for primary commodities crumbled just as business activities in the industrial countries became paralysed. In British West Africa total exports were reduced by 50% in money value and 40% in volume. Imports also dropped by 59% in value and 41% in quantity.[27] There was a general disappointment during the annual trade and harvest seasons both for the board, the producers of cash crops and European traders. Currency circulation fell from £15 million at mid 1928 to £9.5 million at mid 1931 and £8 million at mid 1932. The banks in West Africa were also badly affected because annual falls in their dividends were caused by progressive reductions in the prices of their shares in the stock market.[28] The currency board also in the throes of depression, had to prepare its survival kit.

By July 1931, the board was compelled to realise over £3,500,000 of its investments out of £13,828,487. Without the sale of its assets, the investments would have yielded approximately £650,000 a year but now that the investment was reduced to £10,214,047 only £495,000 a year was realised as income.[29] Thus in the light of the impact of the depressed market, the board reduced its yearly amount for distribution to £300,000. As usual the balance was devoted to the currency reserve fund, salaries, allowances and Crown Agents' fees. The percentage shares of the colonies were as follows–according to the 1930 trade figures: Nigeria 54.8%, Gold Coast 37.2%, S. Leone 5.3% and Gambia 2.7%. Although only £200,000 was distributed in 1932, it did not mean that the sum was a reflection of gloomy market for the board. Indeed, the board realised a credit balance of £245,000 after allowance had been made for distribution to the colonies.[30] What mattered most for the body was the progressive financing of the Investment Reserve Account and depreciation fund in order to minimise the sale of its securities to cover payment for currency circulation in West Africa.

Documentary evidence strongly demonstrated that the depression years were not as bad as the board had anticipated. Indeed, a relatively bright market situation disproved the negative anticipation of the board and the colonies themselves were not hoodwinked by its popularised flight of fancy. For example, in 1932 its assets showed an increase. The mean market value of its investments was £9,573,220 compared with the total currency circulation of £9,064,037.[31] So instead of depreciation, there was an appreciation of £103,400 which swelled the amount in the Investment Reserve Account from £309,927 to £413,327.[32] Again this account was increased by £79,000 the following year because business transactions yielded steady profits which altogether enabled the board to release only £300,000 for distribution among the colonies.

Hitherto, there was no argument or protest in regard to the method of distribution or the accounting system of the board. Furthermore, the satisfactory trading position of the board vis-a-vis the encouraging performance of the currency in circulation in West Africa, could have allowed the distribution of annual profits ranging from £250,000 to £300,000. Disappointingly, however, larger proportions of the profits were earmarked for the Currency Reserve Fund, which in turn depleted profits for distribution from £300,000 in 1933 to £250,000 in 1934, and 1935 and £200,000 in 1936.[33] Even when the post-depression years were characterised by a general economic rehabilitation and economic boom, the board in a state of perplexity drew a cloak over this reality. By 1937 it managed to release a mere pittance of £100,000 for distribution as against the sum of £139,671 transferred to the Currency Reserve Fund in addition to the appropriation of £250,500 to the same account.[34] This trend in the annual distribution of profits was not reversed till the Second World War started in 1939.

The Impact of the Second World War 1939-1945

The inception of the global war ushered in a period of financial stringency for the colonial administrations. In fact correspondences from the colonial office and the Currency Board to the colonial governors indicated an indisputable impossibility of distributing the board's profit throughout the war. The Secretary of State in 1940 had to warn the governors that distribution of profits, if at all, should be done solely with reference to the position of the board's funds and without reference to the financial position of any of the colonial governments.[35] Sequel to what feedback he had received from the board, he reiterated that the impossibility of predicting the course of West African trade during the war and the course of investment prices in the event of unforeseen developments, was a strong factor that prevented him from recommending and approving any distribution from the funds of the board.

Yet, financial stringency continued to handicap the activities of the colonial governments. The prevailing circumstances under which they thrived compelled them to make substantial drafts on their reserves which in 1940-1941 were in the process of depletion far below what was regarded in normal times, as a safe margin. To the governors therefore, any expectation of maximum possible assistance from the board would not only give them a great relief, but would also put a stop to the continuous drain on the reserves of the colonies. It was on account of this predicament that Sir Bourdillon of Nigeria despatched an impassioned letter to the Colonial Office on behalf of all the colonies.[36] Rather than suggest some lee ways by which they could be rescued out of their plight, the colonial office sent back a catalogue of reasons which incapacitated the board from distributing its profits. The reasons included the loss incurred by the board amounting to £21,224 in providing new security edge coins; a depreciation on investments amounting to £726,134 which was charged to the Currency Reserve Fund; the general international atmosphere and the on-going war which hampered any reliable forecast of trade profits and the premonition that should any amount be released for distribution, the board's cash resources would instantly be depleted.[37]

It is clear that none of the reasons referred to the poor performance of the currency in West Africa. Indeed there was an encouraging annual increase in currency circulation during the war according to the testimony of the British Bank for West Africa which worked for the currency board on payment of £4,000 yearly. There was no total stoppage of West African trade either, except that the British Ministry of Food initially took over the purchase of essential export crops until 1942 when the West African Produce Control Board was formed and charged with the duties of purchasing the main export crops, fixing their prices and marketing them.[38] This new central control of produce marketing however entailed less credit to finance exports and imports, moreso when supplies of European goods were restricted. Nevertheless, the use of West Africa as military and naval base attracted many military personnel, soldiers and administrative staff. These personnel caused a rise in prices as their demand for essential commodities increased. The need to cater for their material welfare induced more income and hence more currency supply. Thus there was a phenomenal increase in currency circulation in West Africa from over eleven million in 1939 to almost thirty million in 1945.[39] This clear testimony confirmed beyond any reasonable doubt that the business of the currency board still remained lucrative in West Africa.

Notwithstanding the petitions of the colonies asking for distribution of profits, the board deliberately withheld its trade turnover in 1938/39 and 1939/40. However, its continued nonchallance in acceeding to the requests of the colonies provoked virulent attacks on its trading and accounting policies which were unilaterally introduced and implemented without any regard to the wishes and aspirations of the constituent territories. The financial secretary, Nigeria was the first to attack the Currency Reserve Fund early in 1940.[40] Apart from condemning the arbitrary manner in which some amounts were allocated in the annual account, he argued in clear terms that the fund should be reduced by the intrinsic value of alloy cons issued. He also attacked the Investment Reserve Account but suggested that it should be constituted as an Investment Depreciation Account. He could not understand, why for the past years, it had been impossible to reconcile a charge of nearly £750,000 against the Currency Reserve Fund while the Investment Reserve Account remained untouched at a figure of nearly £900,000.[41] He therefore regarded the incidence of charge of depreciation as immaterial since originally, the board had retained a margin at 10% of its earnings in a definite fund to be drawn upon to meet depreciation of investments and replenish them when the need arose.

He therefore recommended the creation of a General Reserve Fund which would help to stabilise distribution and from which to meet extraordinary expenditure on account of depreciation. In his opinion the reserve could be built up gradually by annual appropriations from the board's income so that eventually appropriations to reserve and depreciation could be based on a long term review and not on the vicissitudes of each particular year. It could be deduced from this proposal that after providing for necessary appropriations including the ordinary overhead charges, the balance should be available for distribution between the colonies. If this new system was tried, the current practice of the board would no longer be open to criticism; indeed neither would it tend to obscure the true picture by giving a misleading impression to the shareholders. It was with cold reluctance that the board admitted its errors after the prolonged deliberations of the staff of the colonial office with the Secretary of State. In fact, it was in 1944 that the board changed its accounting procedure in conjunction with the representations of the colonial administrations.

In the light of these protests and criticisms, therefore, the board continued to release about £100,000 annually for distribution from 1941 to 1943 and £250,000 from 1944 till the end of the war. The Nigerian share of the distribution since 1912 represented 51.2% of the total distributed.[42] As at the 30th June 1945, the face value of the currency in circulation (£29,431,500) was more than covered by the investments of the board valued at £29,507,735. The board also had a reserve of nearly £4 million represented by cash on deposit in hand and at Bankers.[43]

On realising this astounding success of the board, the accountant-general of Nigeria remarked that "the board pursued a rigid and conservative policy which was unjustified."[44] According to the latest account published, the net profit of the board for the year 1944/45 was £676,998 after meeting expenses including the cost of currency manufactured that year. Of this surplus, only £250,000 was distributed to West African governments. It was also discovered that the board's annual income from investments was of the order of £750,000[45] contrary to the earlier pessimistic tone of the board's report on the market situations during the war.

The accountant-general of Nigeria was so much disturbed and enraged by the foregoing revelations that he advised the Chief Secretary to the Nigerian government that the attention of the Secretary of State should be called to an inequitable distribution of the board's income during the last ten years, resulting from the limited sum made available yearly. In his own view, retrospective adjustments must be made in favour of Nigeria. The same argument was raised in other colonies. It was even suggested that since the revenue of the board was derived from the operation of its currency in West African territories, the colonial governments should receive a more generous share of its profits. Even as shareholders the colonial governments should be fully informed as to the board's changing policies and reasons for them. The total amount distributed by the board from 1912 to 30th June 1945 was:[46]

Yet colonial officials continued to raise questions regarding the board's investment and distribution policy. By September 1946, the financial secretary in Nigeria was busy making contacts with his other

Nigeria	–	£2,944,224	51.2%
Gold Coast	–	2,253,499	39.2%
Sierra Leone	–	382,445	6.7%
Gambia	–	169,838	2.9%
		£5,750,000	100.0%

counterparts in British West Africa in a collective determination to write on the problems of the board and forward some thought-provoking recommendations to the Secretary of State. Reference was made to the published schedule of the board's investments, including its liabilities in respect of the currency in circulation. They wondered why the board had no investments in the West African colonies in the light of the high rate of income yield which could be secured.[47]

At the second meeting of the Currency Board's Council in 1946 therefore, it was agreed that provision should be made for the investment of up to 20% of the Currency Board's assets in local loans to the governments of Nigeria, the Gold Coast and Sierra Leone in order to counteract possible slump tendencies.[48] Furthermore, the Secretary of State approved the purchase of stock in Colonial Loans by the board, in respect of the Statutory Sinking Funds relating to those loans which were undertaken by the Crown Agents. This decision therefore reversed the longstanding provisions of Section 11 of the Board's Regulations which since 1912 stipulated that the sterling reserve assets of the board should be invested in short-term liquid assets including British Treasury Bills in long term securities of the British or colonial governments, other than those of the governments of the currency area.[49] Consequently, since its inception, the board has continuously invested its sterling reserve assets in the bonds and stocks of countries like New Zealand, Australia, Jamaica, Southern Rhodesia, Ceylon and Sudan. A good number of British corporations and industrial establishments also attracted the board's investments valued at over several million pounds sterling.[50]

The foregoing has demonstrated that the board's earnings derived largely from dividends on its investments, interest paid on its bank deposits, premiums on currency issues, transfer charges and treasury Bills discounts. Only a negligible proportion of the aggregate earnings of the board was distributed to the constituent territories yearly. By June 30th 1945, the board had contributed over £5 million from its earnings to the revenue accounts of the governments of the four territories.[51] The board incurred expenses on its major operations which included currency manufacture, shipping and insurance charges. Furthermore, payments were made for services rendered by the local government officials (who served as currency officers) and the British banks that served as currency agents.

There is no doubt that the investment policy of the board discriminated against the economic development of the currency area. The sterling earnings which should have been made available for purchasing imports of goods and services were tied up in the reserves of the Currency Board. Indeed, the reserves which were invested in foreign securities represented a forced loan by the currency area to the United Kingdom since the colonial governments could not make either monetary or investment decisions. According to colonial design all the colonies were to repatriate their supluses to the United Kingdom in exchange for interest bearing sterling securities rather than invest such surpluses in colonial development projects. It was no wonder then that, owing to these inadequacies the British colonies, on their attainment of independence between 1957 and 1963 abolished the currency board in turn. In its place, central banks were established and the assets and liabilities of the board were shared among them. The demise of the board also put an end to the circulation of common currency in West Africa as each independent nation now introduced its own currency.

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Footnotes

1. Newlyn W.R. and D.C. Rowan, *Money and Banking in British Colonial Africa* (London: Oxford University Press, 1954) p.27.

2. Okefie Uzoaga, W. *Money and Banking in Nigeria,* Enugu, Fourth Dimension Publishers, 1981, p.30.

3. *Ibid.* p.32.

4. For the details of Emmott Committee's recommendations see Great Britain: Minutes of Evidence: Departmental Committee Appointed to inquire into matters affecting the Currency of the British West African Colonies and Protectorates, Col. 6427, London, His Majesty's Stationery Office 1912 pp. 40-41 also quoted by Okefie Uzoaga, W. on pages 32 and 33.

5. CSO 26/1. File No. 01529 Vol. I, West African Currency Board's letter to the Secretary of State 12-8-31 National Archives, Ibadan (N.A.I.).

6. CSO 26/1 File No. 01529 Vol. I West African Currency Board Despatch No. 78 of 6-1-34 to the Secretary of State, Colonial Office, N.A.I. Clause 21 of the Board's Regulations, dated 11th July, 1924 gave a new directive on the managementof reserves.

7. CSO 26/1 File No. 01529 Vol. I, Currency Board's Despatch No. 78 of 25th May 1923 to S. of S. Colonial Office, *N.A.I.*

9. Richard Fry, *Bankers in West Africa,* London, 1976 p.6.

10. *Ibid.* p. 77.

11. *Ibid.* p. 79.

12. *Ibid.* p. 100.

13. CSO 26/1 File No. 01529 Vol. I, Letter No. 78 from Currency Board's Secretary to Colonial Office, 23rd October 1919 *N.A.I.*

14. CSO 26/1 File No. 01529 Vol. I No. 4681/M.P. 5656/19 of 6th June 1919 Colonial Office Secretary to Currency Board's Secretary regarding the enquiries of the colonial governments *N.A.I.*

15. CSO 26/1 File N. 01529 Vol. I, Enclosure to Despatch No. 296 of 15th February 1921 and the Board's letter of 7th February 1921 to the Colonial Office *N.A.I.*

16. CSO 26/1 File No. 01529 Vol. I Extract from a despatch from the Governor of Sierra Leone to the Secretary of State, No. 189 dated 17th April 1923.

17. *Ibid.*

18. *Ibid.*

19. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. No. 78 of 25th May 1923 to the Colonial Office *N.A.I.*

20. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. No. 78 of 23rd June 1923 and No. 78 of 21st Nov. 1923 to Colonial Office *N.A.I.*

21. *Ibid.*

22. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. No. 78, 15th Jan. 1926 and 7th July 1926, to the Colonial Office *N.A.I.*

23. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. of 16th Dec. 1926; 20th June 1928, and 24th Jan. 1929 to the Colonial Office. *N.A.I.*

24. CSO 26/1 File No. 01529, Vol. I Currency Board's Desp. 21st Jan. 1930 and 23rd July 1930 to the Colonial Office N.A.I.

25. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. 5th July 1930

25. CSO 26/1 File No. 01529 Vol. I Currency Board's Desp. 5th July 1930 to Colonial Office *N.A.I.*

26. *Ibid.*

27. Richard Fry *op. cit.,* p. 135.

28. *Ibid.*

29. CSO 26/1 File No. 01529 Vol. I Currency Board's letter of 5th May 1931 to Colonial Office *N.A.I.*

30. CSO 26/1, File No. 01529 Vol. II, Currency Board's letter of 12th Aug. 1932 to Colonial Office *N.A.I*

32. *Ibid.*

33. CSO 26/1, File No. 01529 Vol. II Currency Board's Financial Reports to Colonial Office 1933-1936, *N.A.I.*

34. CSO 26/1, File No. 01529, Vol. II Currency Board's Annual Report, 30th June 1937 to the Colonial Office *N.A.I.*

35. CSO 26/1, File No. 01529 Vol. III Nigeria No. 22 from Colonial Office to Sir Bernard Bourdillon of Nigeria *N.A.I.*

36. CSO 26/1. File No. 01529, Vol. III, 33511/1/39 Colonial Office to Currency Board, 21st Nov. 1939 regarding the substance of Bourdillon's despatch No. 1132 of 31st October 1939 *N.A.I.*

37. *Ibid.*

38. Richard Fry, *op. cit.*, p. 152.

39. Ida Greaves, Colonial Research Studies No. 10, *Colonial Monetary Conditions*, London 1970, p. 69.

40. CSO 26/1, File No. 01529 Vol. III Memorandum from Financial Secretary Nigeria to Colonial Office 29th March 1940. *N.A.I.*

41. *Ibid.*

42. CSO 26/1, File No. 01529, Vol. III Ref No. 17/CB/124 of 3rd Aug. 1946 from the Treasury Lagos to Chief Secretary, Lagos, Nigeria *N.A.I.*

43. *Ibid.*

4 A *Ibid.*

45. *Ibid.*

46. *Ibid.*

47. CSO 26/1, File No. 01529 Vol. III M.P. 09817/375 of 25th September 1946 Nigeria Currency Officer, G.F.T. Colby to Chief Secretary West African Council, Accra *N.A.I.*

48. *Ibid.* Extract from 45862/32 Currency Board to Colonial Office.

49. Okefie Uzoaga, W. p. 39.

50. CSO 26/1, File No. 01529 Vol. II Statement of Investment held by the West African Currency Board on 31st Dec. 1936 *N.A.I.*

51. CSO 26/1. File No. 01529 Vol. III Ref. No. 17/CB/124 of 3rd Aug. 1946 from Treasury, Lagos to Chief Secretary, Lagos Nigeria *N.A.I.*