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## Article (Accepted version)
## (Refereed)

**Original citation:**
Gardner, Leigh (2015) *The curious incident of the franc in the Gambia: exchange rate instability and imperial monetary systems in the 1920s.* Financial History Review, 22 (03). pp. 291-314. ISSN 0968-5650

DOI: 10.1017/S0968565015000232

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Available in LSE Research Online: January 2016

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# The Curious Incident of the Franc in the Gambia:
# Exchange Rate Instability and Imperial Monetary Systems in the 1920s[1]

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Key words: Colonialism, exchange rates, West Africa
JEL classification: N27, N17, N47

Abstract: In 1922, British colonial Gambia demonetized the French five-franc coin, which had been legal tender at a fixed rate in the colony since 1843. Until World War I, this rate was close to the international rate under the gold standard. When the franc began to depreciate in 1918, however, a gap emerged between the Gambian rate and the international rate, prompting a rapid influx of the coins. The demonetization cost the colonial administration over a year's revenue, affecting the later development of the colony. The 1920s have long been a fruitful period of the study of monetary history owing to the instability of exchange rates during and after the war. This paper extends the study of this period to examine the impact of these changes on dependent colonies in West Africa, highlighting the importance of local compromises and particularities in colonial monetary systems.

[1] I would like to thank Toyomu Masaki for providing me with French trade data on exports of silver coins to Senegal. I would also like to thank Max Bolt, Cathy Boone, Stephen Broadberry, Katie Eagleton, Ellen Feingold, Sophie Mew, Karin Pallaver, attendees of the February 2013 HEDG workshop and the December 2014 HIZOF seminar, the editor and an anonymous referee for comments on the paper. Credit for the title goes to Deborah Oxley. All remaining errors are my own.

I

'Is there any point to which you would wish to draw my attention?'

'To the curious incident of the dog in the night-time'

'The dog did nothing in the night-time.'

'That was the curious incident', remarked Sherlock Holmes.

-Arthur Conan Doyle, *Silver Blaze* (1892)

In January 1922, the colonial administration of the Gambia demonetized French five-franc coins throughout the territory. The coins had been legal tender in the Gambia at the rate of 3s 10½d since 1843. Outside government transactions, the usual local rate was four shillings. The coins had continued to circulate at that rate within the Gambia, despite the depreciation of the franc on international markets since World War I. The colonial government in Bathurst resisted calls by banks, traders and the Colonial Office to demonetize the coin, even as costs mounted. In the end, the cost of the demonetization was more than a year's revenue for the small territory. The delay undermined the financial stability that the colonial administration had built over the preceding decades and affected its development thereafter.

The demonetization of the franc features in most histories of the Gambia as 'an interesting incident in the financial history' of the territory (Southorn 1952, p. 204). Gray (1940, p. 487) fixes it in the context of World War I, writing that 'like other countries the Gambia has been affected by many of the aftermaths of the war. One of these, which was more or less peculiar to the Gambia, but which none the less affected the country very seriously, was due to the depreciation of the franc'. Others emphasize the considerable financial cost of the demonetization (Gailey 1964, pp.

167-9; Hughes and Perfect 2006, p. 36). The most recent treatment of the Gambia's economic history explains the delay in demonetizing the franc as the outcome of debates between different interest groups, including the British government, the colonial administration and members of the local commercial sector (Swindell and Jeng 2001, pp. 191-2).

Outside histories of the Gambia, there are references to the use of the five-franc coin in the territory, but the 1922 crisis has been largely forgotten. Hopkins' *Economic History of West Africa* discusses the region's changing monetary systems over the nineteenth and twentieth centuries and notes that 'francs were widely used in the groundnut trade as early as the 1850s' but does not mention the later crisis.[1] The demonetization, however, raises wider questions about the development of colonial currency systems in West Africa. First, why did the Gambia retain as legal tender a foreign coin even after efforts to standardize the colonial monetary systems of British and French Africa? Second, why did the Gambian administration delay demonetizing the five-franc coin? More broadly, how did changes in the international monetary system influence African economies?

This paper provides a new account of the crisis, placing it within the context of the changing international monetary regimes and the evolution of colonial financial policies during the nineteenth and twentieth centuries. Increasing trade with Europe and the expansion of colonial rule accompanied major changes in West African currency systems. One such change was an influx of European and American coins. Of these, the five-franc coin, became the most important currency of the growing groundnut trade of the Senegambian region, which included the Gambia river and its surrounding hinterlands. The coin, made of silver, was first produced under the bime-

tallic regime in use in France and other European countries through most of the nineteenth century. When France adopted the gold standard in the 1870s, the coin – though still made of silver - became a token backed by French gold reserves but retained its nominal value and rate of exchange of four shillings. Its silver content also gave it an intrinsic value that varied with the price of silver bullion. Restrictions were placed on its production in the 1870s after imports of the coin into Latin Union countries increased and it ceased to be minted in 1878 (Gallarotti 1993, p. 16). However, demand for the coins continued in West Africa and an increasing number accumulated in the region.

At the same time, the Scramble for Africa left the British government with a narrow slice of territory along the Gambia River. The river, a valuable asset because it was navigable far into the interior, had long been the meeting point for trading networks stretching from the Atlantic Coast and forest zones to the Sahara (Barry 1998). The region's role as an entrepôt continued under British rule. To support the cost of administering Britain's smallest West African territory, the colonial treasury relied on revenue linked to the movement of people and goods across the long and largely unenforced border. This dependence prompted colonial officials to lobby for the continued circulation of French currency within the Gambia, even following efforts to ensure convertibility in the currency of British West Africa as a whole, as colonial officials believed that demonetizing the five-franc coin would disrupt the trade. Relatively stable rates of exchange between the pound and the franc under the gold standard allowed this equilibrium to persist, highlighting important links between the gold standard, expanding trade and colonialism during the pre-war period.

With the collapse of the gold standard during World War I, however, monetary arrangements in the Gambia had to be reconsidered. The origins of the crisis, and the colonial administration's hesitation in addressing it, sheds light on the challenges of building a colonial currency system which balanced local interests against efforts to reduce transaction costs in imperial trade. Previous proposals to demonetize the franc were abandoned on the grounds that the local circumstances of the Gambia made such a policy impractical.

Map 1 The Gambia in West Africa
Source: Author using Magic Maps template.

The next section will provide a brief history of what this paper is calling the curious incident of the franc in the Gambia. The third section will explore the origins of the crisis in the development of a colonial political economy dependent on smuggling and migration from Senegal. The fourth section explores reasons why the Gambian administration fought to keep the pre-war exchange rate and offers some tentative implications of the incident for the history of imperial monetary systems. Section 5 concludes.

## II

The foundations of the Gambia's currency crisis were laid in 1843, when the local sterling value of the five-franc coin was fixed at 3s 10½d by the order-in-council establishing the colony's administration.[2] This point marked the beginning of a crucial

period of change in both the political and monetary landscape of the region. Extensions of European political authority into the interior continued through the rest of the century, ultimately creating the boundaries of colonial Africa. At the same time, currency systems in the regions were changing rapidly. An older system of assortment bargaining in which baskets of goods were valued according to imaginary units of account such as iron bars had begun to decline in the eighteenth century (Curtin 1975, pp. 247-64). After that, Webb (1999) describes the region as divided into overlapping currency zones, each of which was dominated by a particular currency or set of currencies. These included both indigenous products such as salt or millet as well as imported goods like cowrie shells and brass manilas on the lower Guinea coast and Indian 'guinee' cloth along the Senegal River trade routes. These were joined from the eighteenth century by silver coins, introduced with particular success along the Gambia River but less so along the Senegal River. In the latter areas, silver coins were accepted only for their bullion value and often melted into jewelry.

Where these zones overlapped, exchange rates between these various currencies were often a great source of uncertainty for European merchants and colonial administrators. For the colonial government, the fixing of a sterling value of the five franc coin was part of an early effort to regulate the system in place for official transactions of the colonial state (particularly the payment of taxes) and for British traders establishing themselves on the West African coast (Helleiner 2002). Such efforts increased as colonial authority extended into the interior.

A further motivation was the impact of changing global exchange rates and bullion prices on the currencies in circulation in West Africa, which created arbitrage opportunities for European and African merchants. In the 1870s, for example, shifts

in the gold-silver price ratio prompted an influx of silver dollars into the Gold Coast and Lagos. According to the colonial secretary in Lagos, the import of silver dollars was due to the 'depreciation of silver in the European markets, which has enabled merchants to purchase them at prices sufficiently low to yield a profit in the colony after paying expenses'.[3] Colonial officials complained that they had few uses for the coins locally and could not ship them back to Britain except at a loss. As a result, Spanish and American dollars were demonetized in all four British West African territories in 1880.

However, policies diverged with regard to French currency, which was demonetized in Nigeria and the Gold Coast but not Sierra Leone and the Gambia. In 1880 the Treasury recommended that a different regimes be adopted for the latter two colonies owing to their extensive trade with French territory. A memorandum sent to the Colonial Office claimed that the Treasury have 'long been anxious to substitute a sound currency system, based upon a single standard, either gold or silver, according to the habits and convenience of the people, in those colonies where a double standard' had previously prevailed. They argued that while the Gold Coast was clearly suited to a gold standard, 'the case of Sierra Leone and the Gambia appears to be more like that of Mauritius, where the double standard was replaced by a single silver standard, as best adapted to the wants of the country, whose trade is chiefly with the silver using countries'.[4]

Though the Colonial Office disagreed with the Treasury's assessment, there remained arguments for a separate policy in the Gambia and Sierra Leone. In 1900, the report of the Barbour Committee noted that

> the circumstances of the Gambia and Sierra Leone are peculiar. A large amount of the money spent in these colonies is earned in the interior in French territory, where payments are made only in five-franc pieces. These coins are carried by native traders into the Gambia and Sierra Leone in order to purchase imported articles, and it has been urged that the demonetization of the five-franc piece would deter natives from coming down to these British colonies for this purpose.

Such arguments convinced the British government that, for the time being, the five-franc coin should remain legal tender in Sierra Leone and the Gambia even though it had been demonetized in the rest of British West Africa.

Efforts to standardize the currency of British colonies in the region went a step further in 1912 with the establishment of the West African Currency Board (WACB). The Board introduced a new currency, the West African pound, in the four West African colonies the following year. It was issued at fixed parity in exchange for sterling, and backed by sterling reserves (Hopkins 1970). The establishment of a separate currency for British West Africa had been under discussion since the late nineteenth century owing to the rapid increase in the circulation of British silver shilling coins. The silver shilling, like the five-franc coin, was a silver coin which acted as a token coin under Britain's gold standard system. It was not backed by gold but rather its value was managed through the balancing of supply and demand in Britain. As the numbers of such coins shipped to West Africa increased (see fig. 1), there were concerns in London that a crisis in West Africa could prompt the shipment home of large numbers of these coins, destabilizing their value in Britain.

Fig. 1 Imports of token silver shilling coins into British West Africa

Source: West Africa Currency Commission (1912)

The replacement of the silver shilling with the WACB currency (first coinage and then paper money), along with the managed shipment of silver shillings back to Britain, addressed this problem. It also allowed West African territories to share the seigniorage revenue from the issue of currency in the colonies (Hopkins 1970).

At the same time, the number of silver coins in circulation in Senegal was also increasing. French colonial authorities reintroduced silver coins into Senegal in the late nineteenth century (Webb 1999). From the 1880s until just after the war, net Senegalese imports of silver coins from France increased (see Fig 2). These were largely linked to the groundnut trade; French traders could purchase groundnuts at lower cost if they paid with five franc coins than with cloth currencies or other goods because they had to pay import duties on the latter (Masaki 2015).

Fig. 2 Net Imports of silver coins from France to Senegal

Source: Masaki (2015). Unfortunately, the trade statistics do not allow us to distinguish between 5-franc coins and other silver coins.

How many of these coins crossed the border into British territory? This is difficult to say with certainty. However, anecdotal evidence points to considerable inflows which shaped the colonial monetary system in the Gambia as well as, to a more limited degree, Sierra Leone. In both, the five-franc coin continued to circulate as legal tender. Its retention was a concession to local interests. Several of the witnesses

giving evidence to the 1912 commission of enquiry which preceded the creation of the WACB suggested that the Gambia should be left out of any scheme for the introduction of a new currency for British West Africa because of its connection to French West Africa. Sir George Denton, the Governor of the Gambia argued that the Gambia should be left to make its own policy because the colony was 'so intimately connected with French commerce that it is a very important thing to have a coin in circulation that will pass freely between the natives on both sides of the boundary'.[5] Similar conditions existed in Sierra Leone, although to a lesser extent. Freetown had previously served as a trading hub for Africans from French Guinea. However, the former acting governor of the colony, Major Matthew Nathan, testified before the Barbour Committee that the development of the port at Conakry had altered patterns of trade and fewer traders from Guinea passed through Sierra Leone.[6] By 1912, the colonial secretary of Sierra Leone claimed in his statement to the West African Currency Commission that the average circulation of five-franc coins there was around £5,000 or £6,000.[7]

In contrast to Freetown, African traders from a wide radius continued to come to Bathurst in the Gambia for the purchase of imported goods. Thomas Estwick Pierce, collector of customs in the Gambia, stated in his testimony to the Barbour Committee that traders 'come from the southern Soudan, and from Bida in caravans that take three months, and bring in bags full of dollars that they have derived from the French, and spend it in Gambia'.[8] In 1916, the colonial administration in its annual report stated that the French give-franc piece 'is very largely used in native trade because of the facility of exchange with the inhabitants of adjoining French territory. The report further estimated that 'probably from 50 to 70 per cent of payments in trade with natives of the Protectorate is made in the five franc piece' (Gambia 1917,

p. 6). Its local value of four shillings reflected a custom (which continued through the colonial period) to 'reckon in terms of four-shilling units in the market places of the country. Such units are known as "dalasies" or "dirhems" in the two vernacular languages, Mandinka and Wolloff repectively' (Gambia Currency Board 1967, p. 9).

Figure 3 gives the value of five-franc coins in British pence according to three metrics from the beginning of the pre-war gold standard period around 1880 through 1930. The first shows the flat rate fixed in the Gambia in 1843, up to 1922. The second gives the value according to the fluctuating international exchange rate which remained relatively stable until World War I, playing an important role in the expansion of trade in the late nineteenth and early twentieth centuries (Mitchener and Weidenmier 2008). In the third, the market price of silver per gram is used to calculate the market value of the silver bullion from which the coin was made. The periods in which the lines diverged provided potential opportunities for arbitrage.

Under the pre-war gold standard, the international exchange rate between the pound and the franc remained stable at a rate very close to the fixed rate set in the Gambia. During this period, the bullion value of the coins was lower than their nominal value. Minor opportunities for arbitrage still existed: in 1899, Pierce testified the colonial administration in the Gambia made a small annual profit on shipping five-franc coins back to Britain where their value was slightly higher than in the Gambia.[9]

With the outbreak World War I, however, the gold standard was abandoned in favour of a paper standard owing to the financial demands of the war effort (Eichengreen 1996, pp. 46-7). At that point, the international exchange rate began to deviate from its pre-war level. Depreciation of the franc against the pound meant the pence value of the five-franc coin fell to 43 pence. After a short return to close to its pre-war

value in 1918, it fell again to 20 pence in 1920 when the French government was unable to follow Britain back onto the gold standard (Bordo and Hautcoeur 2007).

Fig. 3 Values of five-franc coin in British pence, 1880-1930

Source: Global Financial Data; Gambia (1922); P. Lindert, 'Silver in Britain', on gpih.ucdavis.edu.

When the pre-war stability in the pound-franc exchange rate started to crumble, it prompted difficulties in the Gambia and Sierra Leone. As early as 1915, Leslie Couper, director of the Bank of British West Africa, wrote to the Colonial Office about the position of the five-franc coin in the two territories. 'In each of these colonies the legal tender rate of the 5-franc piece is 3/10½, although the actual sterling value of the coin, based on the present London-Paris exchange rate, is now 3/5½d. This condition of affairs is obviously unsatisfactory and opens the door to losses to the governments of these colonies'.[10] The risk of loss was partly due to the possibility that people in the colonies could profit from the difference in exchange rates. In July 1916 a Colonial Office official noted in relation to Sierra Leone that 'owing to the recent course of exchange it actually pays to import the pieces; get a draft on London (directly or indirectly) from the Bank for these pieces at the 3/10 rate (the actual rate varying lately from 3/5½ to 3/6½); with the proceeds import French pieces; thus ad infinitum'.[11] As exchange rates continued to shift during the year, the colonial government in Sierra Leone corresponded with the Colonial Office about the appropriate course of action. Options proposed including revising the official rate, banning imports of the coin, and demonetizing the coin. In the end, the import of five-franc coins

was banned in October of that year.[12] Within this discussion, the subject of the Gambia was deliberately sidelined because, as one official from the Colonial Office put it, ‘conditions are so different in Sierra Leone and the Gambia’ that different policies might be called for in the respective territories.[13] However, the debates of 1916 foreshadowed bigger problems to come, in which the Gambia couldn’t be ignored.

After the war ended, it was not long before the effects of the disparity between the official and market exchange rates began to be observed throughout the territory. The Provincial Annual Reports from the Gambia for 1920 noted with some alarm both the disappearance of WACB coins and notes from circulation as well as an increase of five-franc coins. Captain Leese of the Kombo and Foni Province observed in his report that ‘practically the only coin to be seen is the five-franc piece of France and other nations’ and suggested that this influx was due to trading firms and individuals profiting from the difference in exchange rates. ‘Natives from bordering countries brought in a certain amount which they exchanged; with the five franc piece valued at four shillings in the Protectorate the temptation to secure six or seven for a pound note or twenty shillings in British coinage was too great to be resisted’. Commissioners in other provinces made similar observations.[14] These activities did not escape the notice of the Colonial Office a – minute of November 1921 noted that ‘the withdrawal of alloy coin shows that someone is alive to the profit of taking alloy coins to Senegal, changing them for 5/- francs and smuggling the five-franc pieces back to Bathurst for exchange into alloy coins again’.[15] It was also reported that ‘merchants are purchasing money orders for remittances to Freetown on so considerable a scale as to involve this government in heavy loss… Money orders for £12,000, practically the whole of which have been paid in five franc pieces, have been issued during

the last three and a half months as against a total of £7418 for the whole of last year'. This meant that the colonial administration in the Gambia would have to liquidate deposits in England to reimburse the Sierra Leone government.[16]

The coin was finally demonetized by a proclamation of 6 January 1922, announced in the Gazette on 15 January. The Gazette announced that the coins, 'commonly known in the Colony and the Protectorate as "Dollars" will, up to and including the 31st January, 1922, be exchanged by the Government for the sterling equivalent of 3s 10½d each'. A special office of the Treasury was opened at the old Tide Surveyor's office in Bathurst. Exchange depots were also opened at 17 stations spread through the interior provinces. Finally, the colonial accountant was authorized to issue drafts on the Treasury at Bathurst in exchange for coins handed to him on the government yacht, the Mansa Kila Ba, as he travelled up and down the Gambia River. Over the following weeks, £407,950 in British West African currency was paid out in return for more than two million five-franc coins handed in to the various offices (Gambia 1923, p. 3).

The demonetization of the five-franc coin was extremely costly for the colonial government. The only value it could realize from five-franc pieces in its possession, whether already in government accounts or acquired during January, was either by exchanging them for British currency at the international rate of 1s 11d or by shipping them to London to be melted down as bullion. They chose the latter strategy as at that point the bullion value was higher than the nominal value (see fig. 3). To do this the colonial government borrowed £187,893 7s 11d from the West African Currency Board to cover the loss. The loan was issued at 4 per cent interest and repaid over the next decade, with a total expenditure of nearly £230,000. In addition to this

were the costs of the demonetization exercise itself, which amounted to £7237 1s 3d in 1922. To put these costs in perspective, they should be compared with total annual public revenue in this period of just over £200,000. Following the demonetization came a 'complete recasting of the estimates', in which planned infrastructure investments were 'abandoned temporarily'. This included the provision of electric light in Bathurst and improvements to the government wharf.[17] Repayments of the loan absorbed nearly ten per cent of expenditure over the next decade.[18] The opportunity cost was particularly painful in the 1920s, when colonial development works still depended largely on local funds. In other colonies, the late 1920s saw considerable improvements in infrastructure and administration (Gardner 2012, pp. 130-33). In the Gambia, such progress was slow. In short, the demonetization dealt a severe blow to the Gambia's financial position. How and why did this crisis emerge? The next two sections position the origins of the currency crisis in the context of colonial expansion and the financial structure of the British Empire.

## III

The immediate political context for the 1843 order-in-council which established the 3s 10½d rate was the creation of a separate administration for the coastal colony of the Gambia, which previously had been ruled from Freetown, Sierra Leone. This section will examine the creation and administration of the Gambia, illustrating a central irony of colonial rule in the region, one consequence of which was the 'curious incident': maintaining nominal political authority over territory within particular boundaries often required implicitly supporting smuggling and migration from beyond them. Colonial Gambia, in other words, came to follow the same policies of post-

independence 'warehouse states', which have adopted official economic strategies 'based on liberal import regimes and the transiting of good to their more protectonist neighbours' (Meagher 2003, p. 59).

Barry (1998, p. 221) dates the colonial partition of Senegambia to 1889, when the Anglo-French convention on the boundaries between French and British territories was signed. The agreement established British hegemony over a 10 kilometer-wide band on either side of the Gambia River from the coast to Yarbatendu. The French also agreed to limit their activities within 170 km of the Gambia River. This agreement came at the end of a long span of European competition for access to lucrative Senegambian trading networks. Proximity to Europe meant that it was one of the first parts of the region to engage in direct trade with Europeans and became the focus of early European competition for access to trade with West Africa. Initially, this competition focused on fortified coastal outposts established during the slave trade era. Such outposts, like the one on St Mary's Island which became Bathurst in the Gambia, were later repurposed to serve the needs of the abolition movement.

The rise of cash crop production during this period provided an economic motive for further intervention in the interior (Klein 1972, pp. 424). The gum trade had initially brought French trading interest into the region (Webb 1985). By the middle of the nineteenth century, however, the gum trade had been eclipsed by groundnut exports, production of which had accelerated rapidly following their first cultivation in the 1830s (see Fig. 4). Like palm oil, groundnut oil was increasingly in demand in Europe, where industrialization increased the demand for oils and fats to be used as industrial lubricants and in consumer goods like soap (Bowman 1987, p. 89; Brooks 1975, p. 29). Until World War I, Senegambian groundnuts, including those shipped

from British ports, were exported primarily to France and French firms were dominant in the trade (Bowman 1997, p. 127).

Fig. 4 Groundnut exports from the Gambia
Source: Brooks (1975, p. 4).

In the process of partition, the European powers needed to deal not only with one another but also with indigenous states which were themselves in a long period of intense economic and political upheaval. Klein (1972: 419) describes the religious wars which engulfed the region from the seventeenth through the late nineteenth centuries as linked to four key factors in the region's history: 1) abolition of the slave trade and the weakening of institutions which depended on it; 2) the rise of the export trades in gum and peanuts which created new economic interests among producers; 3) the region's integration into European spheres of influence, and; 4) long-standing tensions within Senegambian societies. Intervention in these conflicts, particularly by the French, made conquest, as Klein puts it 'inevitable' because it placed African states in direct opposition to European forces with an increasing advantage in coercive power.

That the Gambia would remain British was not necessarily inevitable during the final decades of the nineteenth century. The French were dominant in northern Senegambia, and at several points negotiations for an exchange of territory between Britain and France, in which the French would acquire the Gambia while Britain would receive territory along the Ivory Coast (Barry 1998). However, negotiations were undermined by wider uncertainties about the future of French colonial tariff policies. Just as the exchange of territory was being negotiated, pressure was growing in

France for increasingly protectionist tariff policy, and the colonial tariffs of Senegal were under review. Alive to the possibility of differential tariffs, the British government insisted on a high price in terms of territory in exchange for the Gambia, and negotiations ultimately collapsed (Newbury 1971, pp. 228-30). Barry (1998: 220) also argues that trade policy, along with wider British ambitions in the Niger Bend, played an important role in defeating any proposed exchange, noting that 'certain French traders with major interests in the Gambia sabotaged the exchange agreement because they wanted to continue profiting from customs and tax breaks given to them by the British colony'.

The importance of proposed French tariff increases in shaping the negotiations for territorial exchange suggests, according to Newbury, that 'fear of exclusion from regional markets as a motive for territorial expansion' should not be dismissed (Newbury 1971, p. 254). In this case what the British government retained was not just access to the narrow band of riverbank, but to the wider Senegambian commercial network. The long land border around the Gambia was (and remains) costly to enforce, and from the beginning the Gambian colonial administration depended for its fiscal solvency on the illicit movement of goods and people across it.

As in other West African colonies, state revenue in the Gambia came primarily from trade taxes (see figure 5). An export tax on groundnuts, introduced in 1863, became, along with import tariffs, the most important revenue source in the colony.

Fig. 5 Sources of Revenue in the Gambia, 1870-1913 (1913 £)

Source: Gambia (1870-1914), deflated using (Feinstein 1976, Table 61).

These sources of revenue relied on the loose enforcement of border controls, for two reasons. The first was that groundnut production relied on migrant labour. Across sub-Saharan Africa, labour shortages were an important obstacle to increasing export production (Austin 2008, pp. 597-8). In the Gambia, the demand for labour during the groundnut planting and harvest season was filled by migrant labourers known as 'strange farmers'. According to the colony's annual report from 1919, strange farmers 'came from east, north, and south – sometimes long distances – from French and Portuguese territory'. In exchange for clearing and planting a plot of land, they received food, housing and a portion of the proceeds from the sale of the groundnuts (Gambia 1920, p. 8). Strange farmers had been part of the Gambian groundnut trade since its beginnings in the early nineteenth century, following an older tradition of migrants working temporarily for trading caravans in order to earn funds for bride wealth or consumer goods (Swindell 1980, p. 93). The number of strange farmers coming into the Gambia during the colonial period was considerable. Gamble (1949, p. 73) observed that 'over the past 34 years, their number in the Protectorate has averaged about 14,000 per year, varying from 2,500 in 1942 to 32,000 in 1915. As the local adult male population is round about 77,000 the strangers make up quite a high proportion of the farming population'.

Strange farmers contributed to the revenue primarily through the production of groundnuts exported from the territory, on which tax was levied. Gamble (1949, pp. 74-5), argues that 'there are other factors which affect the total exports …, but the number of strange farmers is clearly the dominant factor'. They also contributed through the purchase of imported goods which were taxed, though at lower rates than

in French territory. These they would take back across the border with them, generally avoiding the notice of French customs officials.

Smuggling occurred in both directions and it was another source of groundnut exports. Most of the research on smuggling between Senegal and the Gambia has focused on the post-independence period, when it has been a major source of tension between the two countries. In 1975, a World Bank report noted that the cross-border trade from Senegal to the Gambia ‘appears to consist mostly of groundnuts produced in Senegal’. It estimated that around 20,000 tons of groundnuts exports from the Gambia had originally come from Senegal (World Bank 1975, p. 6).

Several important constituencies gained from this trade. One was comprised of traders – from both The Gambia and Senegal – who could earn substantial incomes through re-exports to Senegal. A second was the Gambian state, which collected revenue tariffs on both goods smuggled into Senegal, and Senegalese groundnuts exported from the Gambia. Conversely, the Senegalese government suffered severe losses to its customs revenue from the smuggling of consumer goods from the Gambia – Boone (1994, p. 464) estimates the loss to the Senegalese government as 405 billion CFA francs in 1969, and probably triple that in the 1970s. One reason for such large-scale smuggling was differences in trade policies which raised the price of consumer goods in Senegal.

However, there is considerable evidence to suggest that smuggling was rife during the colonial period as well. Reginald Jarrett (1949, p. 650), a former colonial official, noted in the 1940s that ‘it has generally been assumed that the export from the Gambia has been produced one-third by native farmers, one-third by strange farmers, and one-third in adjacent French territory’. Migrants bringing groundnuts

over the border would also use the proceeds from their sales to purchase imported goods in the Gambia. Imports into the British colony were often cheaper than the same goods in Senegal, particularly as the French colonial tariff regime became more protectionist in the inter-war period (Boone 1992, p. 32). In a study of contemporary smuggling between Senegal and the Gambia, Golub and Mbaye (2009, p. 598) note that ‘by the 1920s, The Gambia was a regional hub for trade in foodstuffs, textiles and footwear’.

Cross-border trade was widespread and well known to colonial officials on both sides of the boundary. French authorities made effort to curb groundnut smuggling, allocating a million francs in the 1925 budget for the construction of a railway through Casamance in order to ‘avoid the export of groundnuts from this region through English Gambia’.[19] Groundnuts were also Senegal’s most important export, and smuggling represented a major loss to the French treasury.[20] This loss was sufficient that, at the height of the Great Depression in 1935, when government spending was being cut, the French colonial government increased its expenditure on customs and border enforcement. New posts were created along the Gambia-Senegal border to allow for the ‘closer repression of fraud’ in the area.[21]

The strategy adopted by the Gambian colonial administration was not very different from historical patterns of rule by African states – both colonial and pre-colonial. By focusing on the control of access to international trade through Bathurst, it fit the ‘gatekeeper state’ model described by Cooper (2002, pp. 156-61). Breckenridge (2014, pp. 5-6) notes that studies of the colonial state ‘show that typically the state in Africa was built to control trade – it began at the harbor, expanded to form the colonial city, followed the line of rail and relied heavily on revenues from the export

of a single commodity'. The difference here is that the Gambia made efforts to capture the trade of neighbouring territories as well through the adoption of more open trade policy. In this it echoed similar efforts by pre-colonial states to attract traders away from rival states (see, e.g., Lovejoy and Richardson 2004).

## IV

The Gambia's financial structure, outlined in the previous section, provides the key to understanding why the demonetization of the five-franc coin was delayed for several years despite the rising costs of maintaining the pre-war exchange rate. This section will offer several complementary explanations for the delay, which link to broader issues in the financial and monetary organization of the British Empire as a whole. First, the Gambian monetary crisis illustrates the decentralized nature of power in the British imperial system. The Colonial Office in London had pressed for demonetization since the war years, but local administrations were allowed to delay. Second, it illustrated the potential for conflicts in particular local circumstances between two of the key pillars of colonial financial policy: fiscal balance and currency convertibility. The Gambian administration delayed demonetizing the franc largely because they believed it threatened the colony's most important sources of revenue. Third, it reflects the often limited knowledge about African economies which informed colonial policies. In this case, misapprehensions about the ways in ways in which African markets connected to international markets occasionally steered colonial officials away from earlier demonetization.

Some accounts of the demonetization have laid the blame for the crisis at the feet of the imperial government. For example, Gailey (1964, pp. 167-8) writes that

'the decision to continue the five-franc piece in circulation long after other countries had followed the prevailing world rate was not one that the Gambia government, let alone the Gambian people, could make. This was a decision which had been made by Treasury officials of Great Britain'. As a result, he describes the demonetization as 'the most glaring example of the indifferent financial attitude of the British government concerning the needs of the Gambia'.

The suggestion that the Gambian administration was ordered to continue using the fixed rate is not well supported by the archival evidence. In fact, the crisis provides a good illustration of the dangers of decentralized rule in the British Empire. From 1916, the Colonial Office was in favour of demonetization, with the Colonial Secretary stating with regard to Sierra Leone in 1916 that 'there is really no reason why a foreign silver coin should have legal tender status'.[22] While there was some anxiety during the war about whether demonetization would 'offend our allies', it was pointed out that the French levied a duty of 25 per cent on imports of British token silver coins.[23] For their part, the Treasury were in favour of prohibiting imports of the coin and demonetizing so long as the latter did not require large-scale minting of silver coin to replace the five-franc coin during the war.[24]

In contrast, the colonial administration 'protested energetically' against proposals for demonetization.[25] The colonial administration of the Gambia responded to Colonial Office queries on the subject with reassurances that the fixed rate was not causing problems and that any attempt to demonetize the coin would damage trade. The Governor wrote to the Secretary of State in June 1916 stating that 'no difficulty appears to have arisen up to the time of writing, as far at any rate as the government is concerned' and that 'if the legal tender status of the five-franc piece were to be done

away with, its trade value would presumably begin and continue to fluctuate, and I can conceive a great deal of trouble resulting in the Protectorate, unless a fixed substitute were provided in its place'.[26] The Governor was basing his recommendation on a report by the Receiver General a month earlier, which argued that 'it would be inadvisable to alter the local value and would create distrust and dissatisfaction amongst the inhabitants of the Protectorate and might act detrimentally on the groundnut trade'.[27]

In the end, the Colonial Office did not compel either Sierra Leone or the Gambia to demonetize the coin during the war. It was decided in the case of Sierra Leone, with the agreement of the Governor, that imports of five-franc pieces should be prohibited, and that in both Sierra Leone and the Gambia 'the question of demonetizing them could then be considered after the war when the franc has recovered its value'.[28] Colonial Office staff were not alone in believing that there would be return to pre-war rates after the war was over; rather, this was a generally held view across the British establishment. The Interim Report of the Cunliffe Committee, published in 1918, stressed the importance of a return to gold at pre-war parities as soon as the war ended and found 'there was no difference of opinion among the witnesses who appeared before us as to the vital importance' of restoring the pre-war system.[29] France and Italy had similar aims (Eichengreen and Temin 2000, p. 190).

The post-war trade boom did nothing initially to dampen these hopes. After the more dramatic depreciation of the franc began in 1918, increasing commodity prices to some degree masked its local impact. As Flood wrote in a later minute on the crisis, 'In 1919 and 1920 trade was booming and the difficulty was to keep enough coin in circulation to finance operation'. Rising silver prices meant that 'a

five-franc piece became worth about 5/- as bullion'.[30] Figure 2 shows that if the five-franc coin had been demonetized in 1920, the cost would have been minimal because of the high value of silver bullion. However, many observers both in Britain and in the colonies interpreted the boom in 1919/20 as a signal that pre-war conditions were likely to resume. In Britain, high levels of demand for the products of industries like the cotton industry led to extensive recapitalization in anticipation of continued growth (Broadberry 1997, p. 250). In response, both producers and colonial administrators planned investments in expanding export production (Gardner 2012, pp. 60-71).

When the boom collapsed, coins returned to banks and pressure to demonetize resumed. The Gambia again protested that to do so would disrupt trade. At a meeting in Downing Street on the 23rd of November, 1921, to which several colonial officials on leave from the Gambia were invited, one of them, B. A. Finn, argued that the immediate demonetization of the five-franc coin 'might lead to the natives refusing to grow any nuts'.[31] In reference to pressure from the Gambian governor to delay the demonetization, a minute by J. Flood of the Colonial Office noted, 'we didn't like it but he was so anxious that we gave in'.[32]

This would come as no surprise to students of the imperial monetary system over the long run. From the beginning of imperial expansion, the metropolitan government had struggled to enforce a consistent monetary policy in distant territories. Local economic interests which differed from those of the imperial government had often motivated colonial governments to steer their own course in setting exchange rates with foreign currencies. Increasing transaction costs driven by local exchange rate differences prompted complaints to the British government, which made occa-

sional attempts to impose a single standard across the empire. In his comprehensive history of British imperial monetary policy, Chalmers (1893, pp. 3-37) notes that the period up to 1704 was characterized in part by the competitive overvaluation of Spanish dollars by individual colonies attempting to attract the coins. Legislation passed in 1705 to stop this practice was largely ignored. An attempt in 1825 to make the new token silver shilling the circulating medium of the British Empire also failed owing to differences in the local needs of far-flung colonies. The solution found during the nineteenth century was the creation of currency areas in which the need for convertibility with sterling was balanced against local particularities. In his survey of developments since Chalmers, Clauson (1944) divides the empire into four groups: the sterling group, the rupee group, the ex-silver group and the U.S. Dollar group. Each of these also contained several sub-groups.

With the establishment of the WACB, British West Africa had become part of Clauson's sterling group. However, the continued legal tender status of the five-franc coin suggests that local interests could still press successfully for exceptions to imperial rules. Chalmers (1893, p. 29) noted that even proponents of a single imperial currency were aware of the need for local differences: 'it is true that certain foreign coins were allowed also to be legally current, such as the dollar and the doubloon; but it was only by way of compromise that these non-sterling coins were allowed to circulate concurrently with sterling'.

Such compromises were in part linked to the potential for conflict between the desire for convertibility and the reduction of transaction costs, on the one hand, and the pressure for colonial administrations to be financially self-sufficient, on the other. The principle of financial self-sufficiency for individual colonial administrations was

a response to British taxpayers who were increasingly unwilling to devote British resources to the development of distant colonies. Colonies which asked for financial aid from Britain were subsequently forced to submit budgets for auditing, losing much of their local autonomy (Gardner 2012, pp. 3-26). A key reason for the Gambian administration's resistance to proposals for demonetization was the belief that demonetizing would hinder the import and export trades which generated the bulk of the colony's tax revenue. It estimated, in other words, that the cost in terms of decreased groundnut production and more limited trade with Senegal would be larger than the cost of the demonetization.

This miscalculation of the relative cost of the demonetization was based partly on incorrect understandings by colonial officials about African demand for particular currencies and the patterns of their circulation. It was assumptions about the African preference for five-franc coins in the groundnut trade that drove fears that demonetizing would hinder export production and cross-border trade. It also motivated plans for the timing of the demonetization. Governor Armitage initially believed that the cost of the demonetization could be reduced by demonetizing at the during the harvest season, 'by waiting till the coins got well into circulation again and hoping they would get back into French territory'. The Gambia was perhaps unfortunate in that the leadership of the colony changed in the midst of the crisis. Governor Armitage, formerly Chief Commissioner of the Northern Territories of the Gold Coast, was newly arrived in October 1920. Armitage had no previous experience in the Gambia and his proposals for resolving the crisis often put him at odds with district officers of longer local experience, who argued that strange farmers were more likely to exchange the cash they were paid for groundnuts for consumer goods in the Gambia before return-

ing to Senegal (Swindell and Jeng 2001, 191). After the Gambian government had finally agreed to the demonetization, Flood of the Colonial Office wrote 'apparently the Gambia have now woke up to the fact that coins will trickle in from all quarters and the local people suggest demonetization now, and that Govt should take over all the coins. This is rather what we think but we have been swayed by the argument that the natives want "dollars".[33]

In the end, the 1922 demonetization succeeded in eliminating the exchange rate disparity but not the local circulation of French currency in the Gambia. The Provincial Commissioners report from the Upper River province from 1922 noted that 'it is still very necessary for the firms to have French paper money to buy groundnuts with. The Senegal natives ask before selling their nuts if they can be paid in French money, if not, they pass on to a firm that can. A lot of goods are bought with French paper by the natives coming over from Senegal'.[34] In the late 1960s, it was reported to the Bank of England that 'CFA francs, of course, are not legal tender in the Gambia. Nevertheless, they circulate freely more or less throughout the country'.[35] As in earlier periods, officials allowed French currency to circulate, as Chalmers put it, 'by way of compromise'.

V

The inter-war period in general, and the 1920s in particular, has long been a fruitful period for the study of monetary history owing to the instability of exchange rates during the interregnum between the classical gold standard of the pre-war period and the fragile gold-exchange standard adopted in the second half of the decade. Eichengreen (1990, pp. 1-2) argues that the 'interwar period provides an exceptionally rich

menu of international monetary experience'. Turmoil in the international monetary system began with the abandonment of the gold standard during World War I and was followed by, as Eichengreen describes it, 'a period of floating exchange rates the like of which the industrial economies have experienced neither before or since. Between 1921 and 1925 the major currencies floated against one another in the virtual absence of central bank intervention.'

Often forgotten in the study of such movements are their impacts on the dependent colonies of the European powers. The Gambia was not the only place where floating exchange rates caused difficulties in the years following World War I. Where there were differences between the currency in circulation and the currency in which major international obligations were denominated, fluctuating exchange rates created uncertainty. In independent Liberia, for example, British and WACB currency had formed the primary medium of exchange and store of value since the nineteenth century, following the depreciation of the unbacked Liberian dollar. The Liberian government had begun collecting taxes and other payments in sterling from the late nineteenth century to service its sterling-denominated debts. From 1912, however, Liberia's sovereign debt was denominated in dollars, though taxes were still collected in sterling. When sterling depreciated against the dollar in the 1930s, it became increasingly difficult for the Liberian government to service its debts (Gardner 2014, p. 1105). In East Africa, early trade links with India had initially placed the region in the rupee group, but when the rupee appreciated against the pound it created difficulties for settlers trying to service rupee-denominated debts with earnings in pounds. A new currency, the East African shilling, was introduced in 1921, moving East Africa into the sterling group (Maxon 1989). Studying these episodes yields, as Eichengreen de-

scribed for Europe, 'an exceptionally rich menu' of monetary experience in African countries. And yet this period has not featured widely in research on African monetary systems, which has focused instead on the introduction of new currencies at the beginning of colonial rule or after independence (Guyer 1995; Hopkins 1970; Ofonagoro 1979; Saul 2004; Schenk 1997; Uche 1996, 1997).

This paper set out to answer three questions about the 'curious incident' of the franc in the Gambia. First, why did the Gambia retain as legal tender a foreign coin even after efforts to standardize the colonial monetary systems of British and French Africa? The answer can be found in the Gambia's role as an early 'warehouse state' as well as the views of colonial administrators about African economic behavior. The Gambia depended on illicit movements of goods and produce across the long land border with French Senegal. Colonial administrators believed that maintaining the five-franc coin at a fixed rate was crucial to these trades continuing. This also helps explain why the Gambia delayed demonetizing the coin, despite pressure from the Colonial Office. Delay was also linked to widespread beliefs in both Britain and the Gambia that there would be a return to the pre-war status quo.

Before the war, stable exchange rates under the gold standard allowed local anomalies like the continued circulation of the five-franc coin to persist. It was only when these rates became unstable that such local idiosyncrasies came to the attention of the Colonial Office in London. As the WACB (1923, p. 3) observed with regard to the five-franc coin, 'so long as the French exchange remained at or about 25 or 26 francs to the pound sterling, no difficulty arose with regard to these coins, but the fall in the French exchange had the effect of giving them a local value which was consid-

erably above their actual worth, and offered a dangerous inducement to import the coins'.

The third question posed by the introduction asked how changes in the international monetary system influenced African economies. This cannot be answered by the study of a single event. However, the Gambian crisis does suggest a need for further research on African monetary systems during the turbulent inter-war period and their connections to the international monetary regime. In their study of the impact of imperial monetary unions on trade, Mitchener and Weidenmeier (2008, 1828-9) argue that 'future research will need to examine the institutional variation within and across colonies' to understand the economic impact of colonial currency unions. A better understanding of crises like the 'curious incident' may help direct such future study.

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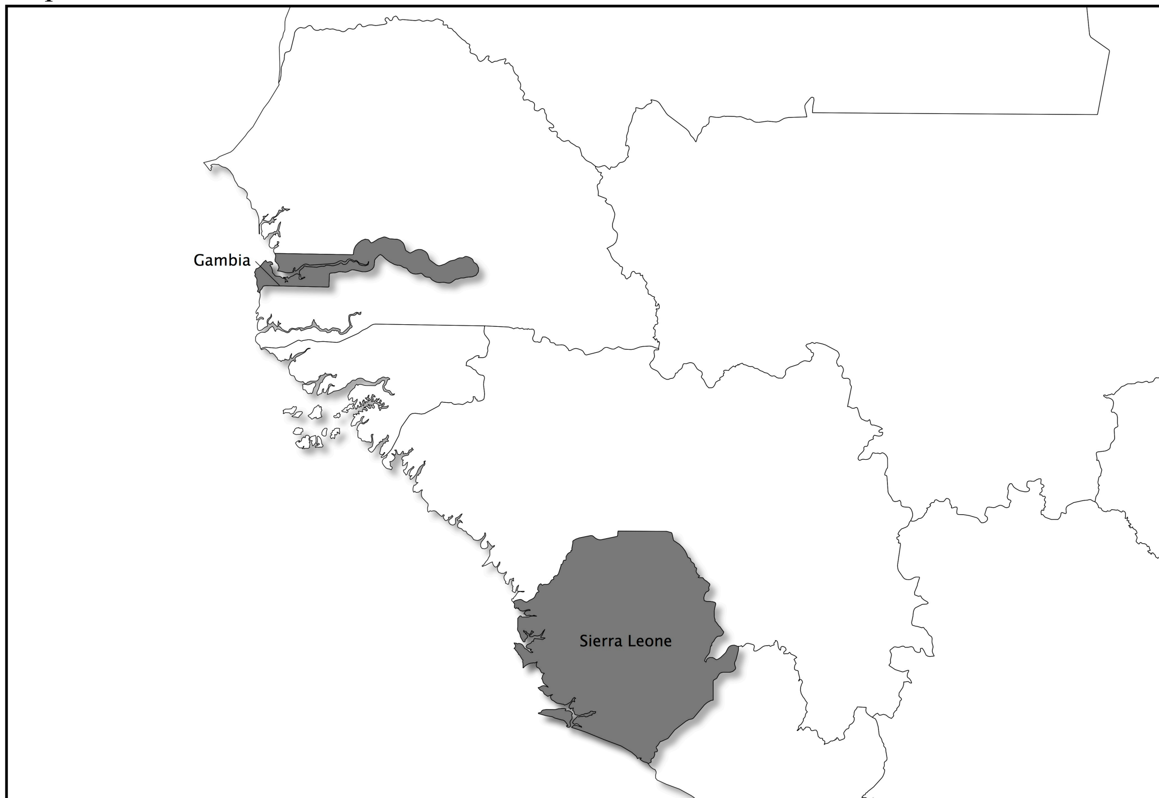
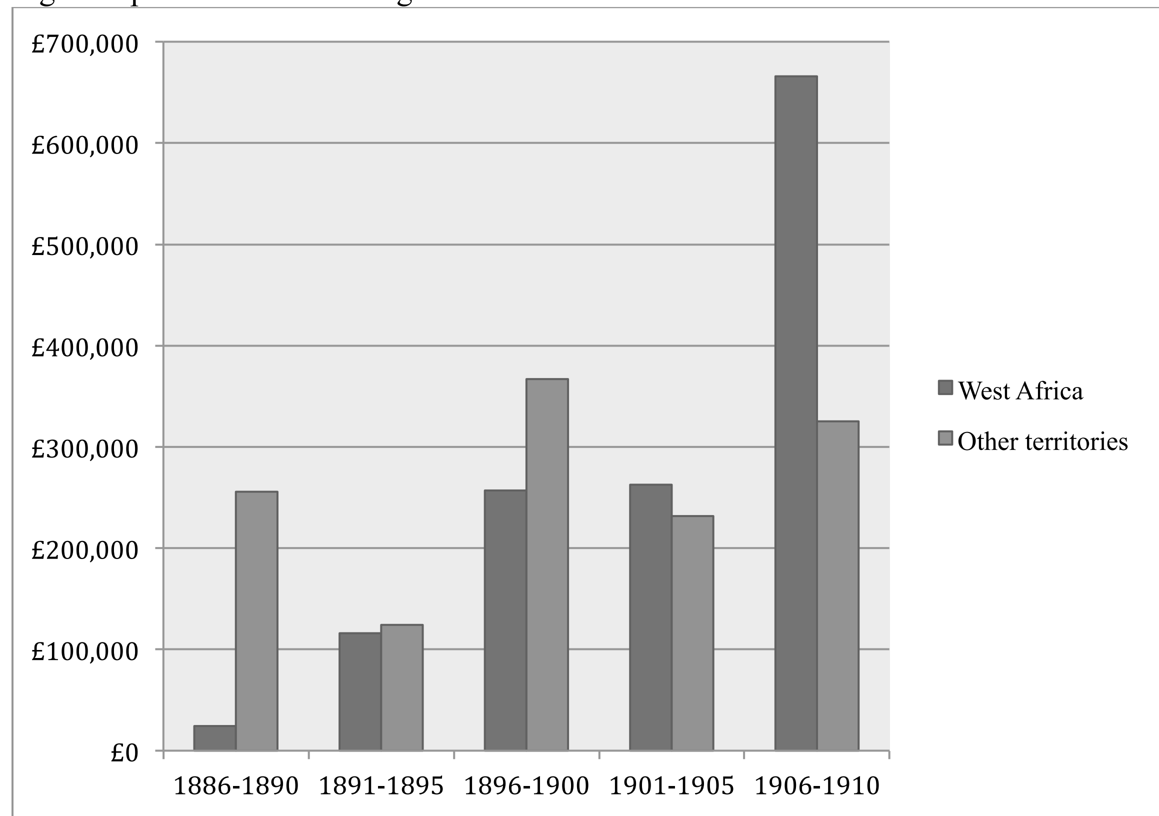
Figures

Map 1 The Gambia in West Africa



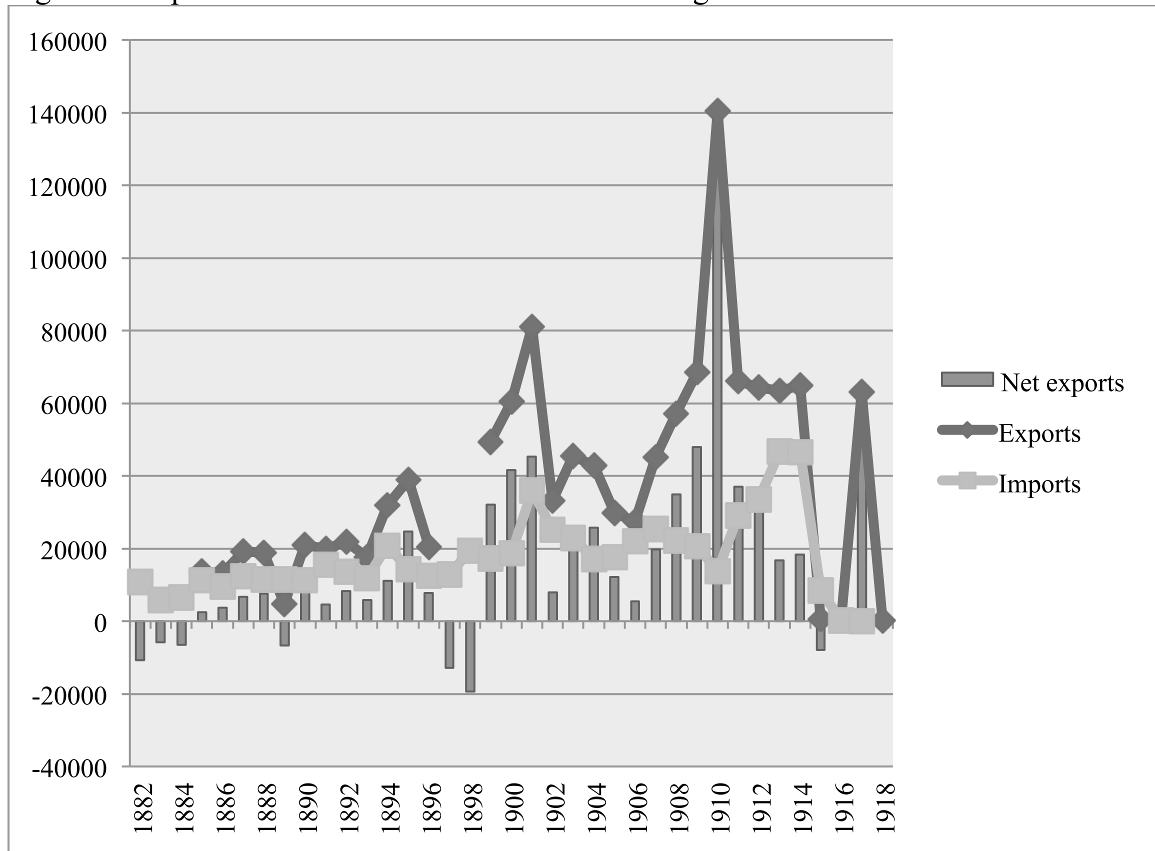

Source: Author using MagicMaps

Fig. 1 Imports of silver shilling coins into British West Africa



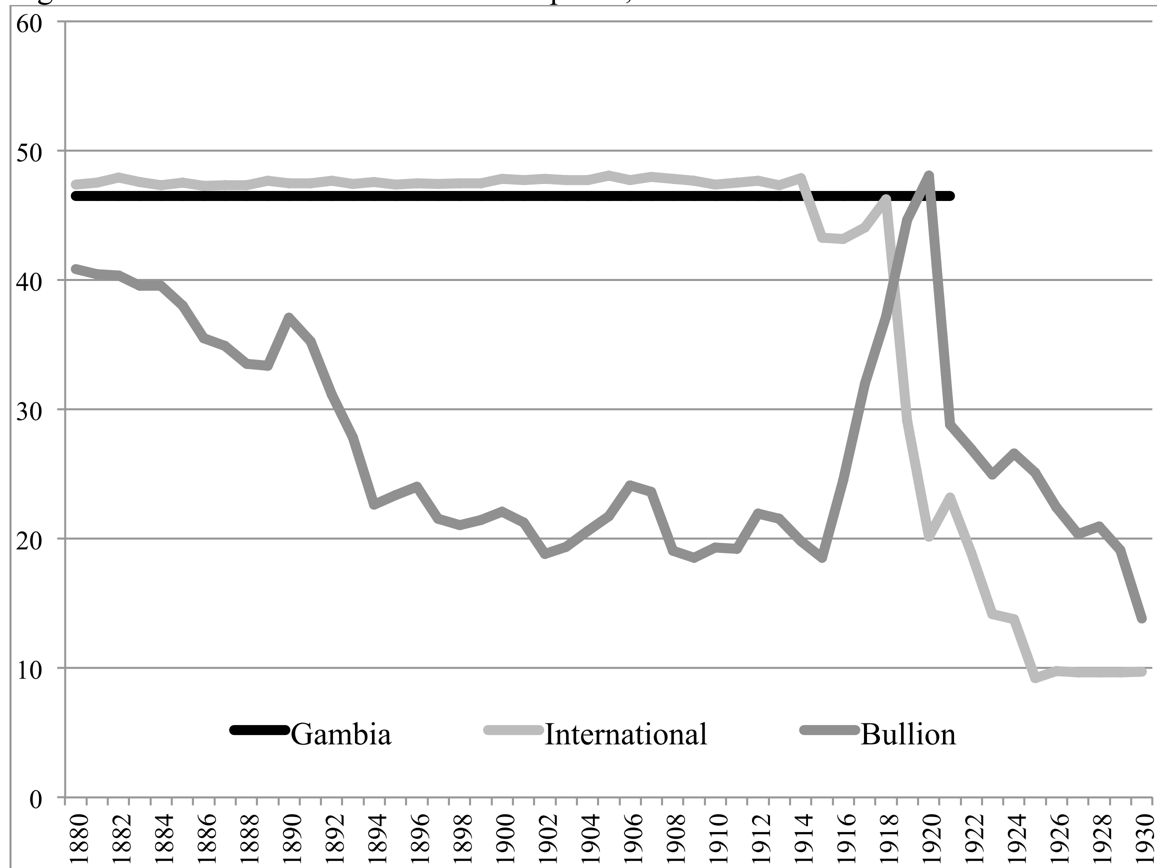

Source: West Africa Currency Commission (1912)

Fig 2 Net imports of silver coins from France to Senegal



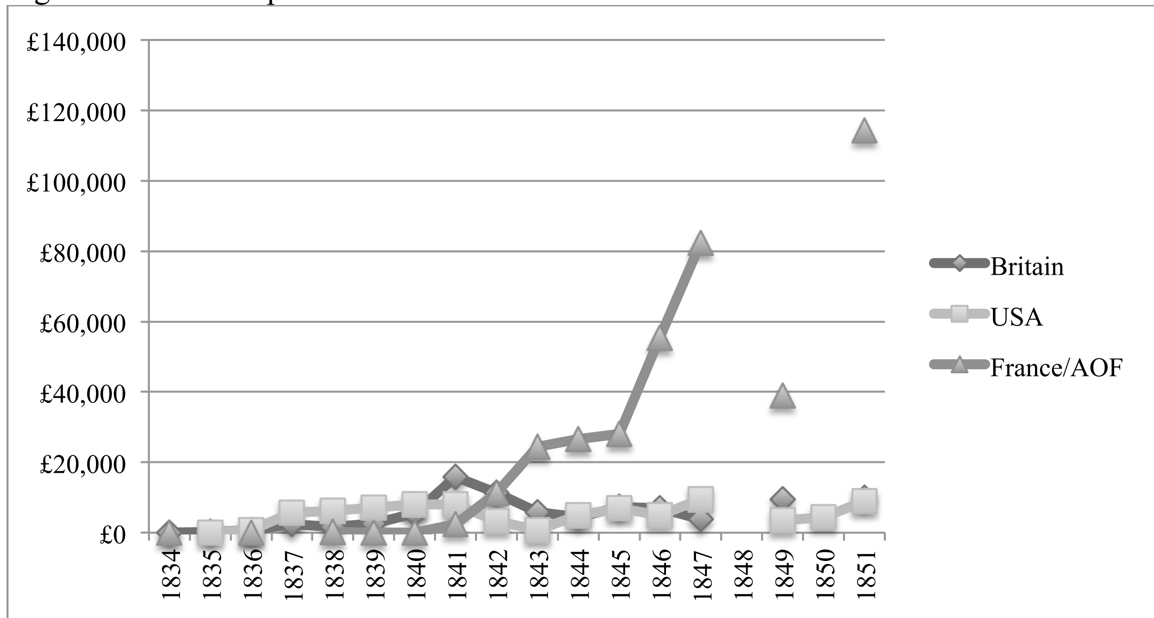

Source: Masaki (2015)

Fig. 3 Values of five-franc coin in British pence, 1880-1930



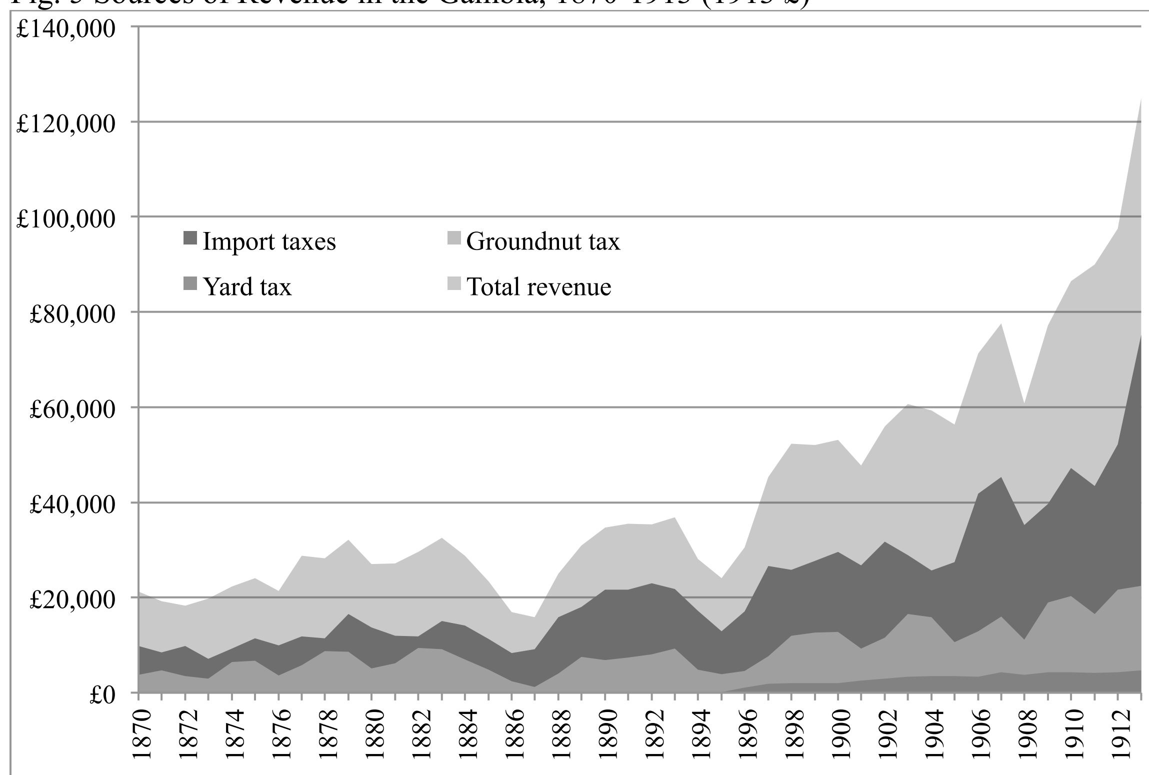

Source: Global Financial Data; Gambia, *Annual Report 1922*; P. Lindert, 'Silver in Britain', on gpih.ucdavis.edu.

Fig. 4 Groundnut exports from the Gambia




Source: Brooks (1975, p. 4).

Fig. 5 Sources of Revenue in the Gambia, 1870-1913 (1913 £)




Source: Gambia (1870-1914), deflated using (Feinstein 1976, Table 61).

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[4] Treasury to Colonial Office, 19 May 1880, in TNA T1/12875.

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[6] Testimony of Matthew Nathan, 7 November 1899, Barbour Committee Report and Evidence, in TNA CO 879/62

[7] West African Currency Committee (1912, p. 22).

[8] Testimony of Thomas Pierce, 7 November 1899, Barbour Committee Report and Evidence, in TNA CO 879/62. In the Gambia, five-franc coins were often referred to as 'dollars'.

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[20] Parliament (1913, p. 11).

[21] AOF (1935, lxx).

[22] CO Minute of 4 July, 1916, in TNA CO 267/571.

[23] Minute to H. J. Read, 15 April 2016, in TNA CO 87/204; H. J. Read to Treasury, 25 July 1916, in TNA 267/571.

[24] Treasury to Colonial Office, 15 September 1916, in TNA CO 267/573.

[25] Account of the crisis by J. Flood, 13 December 1921, in TNA CO 87/214.

[26] Governor to Secretary of State, 19 June 1916, in TNA CO 87/202.

[27] Receiver General to Colonial Secretary, Gambia, 18 May 1916, in TNA CO 87/202.

[28] CO Minute, 6 July 1916, in TNA CO 87/202.

[29] Cunliffe Committee (1918, 5); Eichengreen and Flandreau (1997).

[30] Minute by J. Flood, 13 December 1921, in CO 87/214.

[31] Minute by J. Flood, 23 November 1921, in TNA CO 87/214.

[32] CO Minute by J. Flood, 17 November 1921, in TNA CO 87/214.

[33] Minute by J. Flood, 8 December 1921, in TNA CO 87/214

[34] Provincial Commissioner's Report for the Upper River Province, 1922, in TNA CO 89/15.

[35] J. B. Loynes, 'Visit to West Africa: January/February 1969', 11 March 1969, in Bank of England 8A218/1.