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John M. Carland

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Bureaucrats and Imperial Finance: The Colonial Office, the Treasury and the West African Currency Board 1911 - 1914

JOHN M. CARLAND

INTRODUCTION

Fear and envy created the West African Currency Board (WACB). The British Treasury feared that if British silver coinage in British West Africa* (40 per cent of the total coinage issued between 1901-10) should suddenly have to be repatriated, it might seriously affect the economic and financial health of the United Kingdom. The Colonial Office envied the substantial seignorage profits the Treasury made by minting silver coins. The creation of the WACB put an end to this fear and envy. The Currency Board was instituted in 1912

...to provide for and to control the supply of currency to the British West African Colonies and Protectorates, to ensure that the currency is maintained in satisfactory condition, and generally to watch over the interests of the dependencies in question so far as currency is concerned.¹

Initially the Board was authorized to borrow money on the open market or from the West African colonial governments so that sufficient capital could be raised to begin the Board's operations. Then the Board either bought or sold the new West African currency at a fixed rate of exchange (1:1) against sterling in London. The West African currency was backed by sterling funds and the funds themselves were invested primarily in Treasury bills and Government bonds. When West African pounds were offered for exchange in West Africa, payments in sterling were made from these funds. "The chief function of the Board," writes Andreas Prindl, "was to ensure the immediate exchange of West African currency for pounds sterling or of pounds sterling for West African pounds as required." On all transactions a small commission was charged. The WACB had two additional sources of revenue — from investments in the government mentioned above, and from seignorage profits. A free and automatic convertibility of West African currency into sterling was the result of the Board's operations. Although the system was not perfect it did provide "a guarantee of stability in the monetary system and a protection against an inflationary over-issue" because every issue of British West African currency was backed by sterling. This convertibility, stability, and protection proved a great boon to British merchants and colonial financial administrators in British West Africa. Prindl, who has studied the operation of the Board from beginning to end, concludes that

* The Gambia, Sierra Leone, Gold Coast and Southern and Northern Nigeria

1. "Memorandum Defining the Constitution, Duties, and Powers of the West African Currency Board," prepared by Denman Baynes, 2 December 1912, attached to Crown Agents to Colonial Office (CO), 15 November 1912, CO 554 7, 36170.

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The West African Currency Board was so successful in its efforts to maintain a stable and convertible currency, that similar boards using it as their model were created in British East Africa, Central Africa, the West Indies and Malaya.²

The two institutions most closely associated with the formation and early years of the Board (1911-14) were the Colonial Office and the Treasury. Their association took the form of a bureaucratic struggle for control of the Board. The outcome of this conflict would have important consequences for British West Africa. The Treasury wished to run the WACB's affairs with an eye to international demands on British sterling; the Colonial Office meant to run it in response to the specific needs of the British West African colonies. The Colonial Office believed that because it controlled the region it should control the currency. By 1914 the Colonial Office had achieved this goal.

This paper describes how and why the Colonial Office defeated the Treasury's efforts to take over the WACB. The information used comes primarily from the Colonial Office and Treasury records at the Public Record Office in London. Very few scholars have bothered to use the Treasury papers when researching imperial financial institutions and colonial public finance. There is a very simple reason for this. The Treasury papers are poorly indexed and difficult to use. Judging from his footnotes, Anthony Hopkins, in his admirable pioneering article on the origins of the WACB, relied solely on Colonial Office records and published documents. Hopkins did not use Treasury records and therefore only got half the story. This naturally distorted his conclusions. His research led him to believe that "on the occasions when these two departments did make contact, the Treasury view nearly always prevailed."³ However, a thorough study of Colonial Office and Treasury records concerning the WACB from 1911 to 1914 leads to the opposite conclusion: it was the Colonial Office that prevailed. The Colonial Office and Treasury interaction is detailed here regarding 1) the mechanics by which the Board was created and put into operation in 1911-12; 2) the repatriation of British silver from British West Africa during 1912-13; and 3) the controversy in 1914 concerning Treasury representation on the Board. In each case, differences were settled decisively in the Colonial Office's favor.

The results of this study prove that assumptions concerning Treasury control over colonial policy are much more historical myth than reality. As a matter of fact, the Colonial Office was central to the process of colonial policy formation and implementation and the Treasury, when it was involved, acted to maintain financial order and decorum in the implementation of that policy. That relationship between the Treasury and the Colonial Office fluctuated between phases of agreement and cooperation, and periods in which the Colonial Office, regardless of the Treasury, formed its own goals and acted alone to implement them. In the period 1911-14, regarding the WACB, the Colonial Office was working, successfully, on its own.

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2. Andreas R. Prindl, "The West African Currency Board: An Analysis of a Colonial Monetary Board", (Ph.D. thesis, University of Kentucky, 1964), pp. 18-20. Prindl used published documents only in his study. He did not examine the Colonial Office or Treasury records at the Public Record Office.
 3. Anthony Hopkins, "The Creation of a Colonial Monetary System: The Origins of the West African Currency Board", *African Historical Studies*, III (1970), p. 129.

CREATING THE WEST AFRICAN CURRENCY BOARD, 1911-12

Discussion in the years 1900-1910 had convinced both the Colonial Office and the Treasury that something must be done to deal with the increasingly unstable situation regarding British silver coinage in British West Africa. In early November 1911 two senior Colonial Office officials — Sir John Anderson, the Permanent Under Secretary, and Sir George Fiddes, the Assistant Under Secretary in charge of West African business — decided that the situation required an official investigation. With the approval of the Secretary of State a committee of enquiry was proposed to consider the “possibility of introducing our own coinage and a note issue for the West African colonies and Protectorates.” When drawn up the committee was composed of Lord Emmott, the Parliamentary Under Secretary at the Colonial Office; Mr. Moore, President of the Liverpool Chamber of Commerce; Mr. L. Couper, General Manager of the Bank of British West Africa; Mr. C.A. Birtwhistle, Commercial Intelligence Officer of the Government of Southern Nigeria; Sydney Armitage-Smith, Treasury representative; Mr. Abrahams, special expert in colonial currency from the India Office, and Mr. A.E. Collins, Colonial Office representative. John Anderson, a Junior Clerk at the Colonial Office acted as committee secretary. When asked to chair the Committee, Lord Emmott was enthusiastic if not encouraging: “I am quite ignorant about the details of this matter; but I am quite ready to render any assistance I can.”⁴

The Committee’s terms of reference were:

To enquire and report as to the desirability of introducing into West Africa a special silver coinage common to the five British West African Administrations, to take the place of the Imperial British silver now generally current, and, further, as to the desirability of establishing a joint issue of currency notes in the same territories; also to consider and advise what measures should be taken, in the event of a special coinage not being adopted for the better regulation of the existing currency.⁵

When the Treasury saw the proposal it was positively interested. The Treasury had also been anxious to act on the currency situation in British West Africa but did not feel it could act unilaterally. The Colonial Office’s initiative was therefore welcomed and Treasury clerk Sydney Armitage-Smith wrote

The Treasury has deprecated the continuance of a system under which a silver token currency of the United Kingdom should be legal tender without limit in a dependency with a constantly increasing trade under conditions which virtually prohibit the introduction into the dependency of the gold coin which is concurrent legal tender without limit.

Armitage-Smith went on to point out that there was “danger of great practical inconvenience” because a West African trade depression could create a surplus of “unnaturally bloated token currency” which would find its way back to England. Armitage-Smith and his immediate superior, Principal Clerk John Bradbury, agreed

4. Minutes by Fiddes, 4 November 1911, Sir John Anderson, 4 November 1911, Emmott, 6 November 1911, and Harcourt, 6 November 1911, on Crown Agents to CO, 24 October 1911, CO 520 109 34333.

5. CO to Treasury 11 November 1911, T 1. 11673. 20232. 20853 Part 2.

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that the committee of enquiry was a good idea. They did not perceive the need to take a strong line at the time but if a special silver currency were adopted they would propose some limit on the annual quantity of British silver displaced.⁶ But the point here is that the Treasury welcomed the Colonial Office proposal. The only Treasury contribution was the suggestion that the terms of reference be changed by striking out the section beginning “also to consider” and substituting for it the following:

and to advise upon the measures necessary for the regulation of the special coinage if introduced or for the better regulation of the existing currency in the event of the special coinage not being adopted.⁷

The Colonial Office accepted this suggestion and shortly thereafter, the West African Currency Committee — also known as the Committee of Enquiry — began operation.

Early in 1912, the Committee secretary, John Anderson, prepared a memorandum for committee witnesses. Anderson admitted that the Colonial Office obviously would like to secure the silver profits but “the first duty of the Government,” he wrote, “is to see that a currency is provided, established on a sound basis, which will meet all reasonable requirements of trade.” Anderson’s memorandum is worth examining because it clearly established the Colonial Office’s perspective and concerns:

West Africa is in the midst of a process of rapid development upon which it entered only a few years ago. So far, the balance of trade has always been favourable and fresh supplies of coins have constantly been required. It is doubtful whether there has once been even a temporary contraction of the currency since the present phase of development began. It would however be taking altogether too sanguine a view of the future to assume such a satisfactory state of things as a permanent condition. Sooner or later a state of equilibrium will be reached, and it will then be necessary to face the possibility of a succession of years when the balance of trade will be adverse and when there will be a demand for the withdrawal of funds from West Africa. It will be necessary for the Committee to consider what the position of the West African trader and of the West African Governments in such circumstances would be. If the trader and these funds were represented, as at present, by sterling silver, his position might be a serious one. As is well known, the value of token coin is maintained in the United Kingdom solely by a careful regulation of the supply. No person has the right to take a quantity of silver to the Mint or the Bank of England or to any other authority and demand the equivalent in gold, while, as a consequence of the statutory limit on tender, to place a large amount of silver in general circulation at short notice would be a matter of considerable difficulty. It is possible that (in the absence of a legal obligation on the Treasury to redeem their subsidiary silver coin in gold) a critical situation might in this manner arise which would cause grave inconvenience to the West African Communities if suitable precautions had not been taken in advance.⁸

6. Minutes by Armitage-Smith, 18 November 1911, and Bradbury, 21 November 1911, *ibid.*

7. This quotation is from Treasury to CO, 22 November 1911, copy attached to CO to Treasury, 11 November 1911, *ibid.*

8. “West African Currency Committee,” memorandum prepared by John Anderson, 9 January 1912, attached to L. Couper to CO, 28 November 1911, CO 554/5/38447.

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The Committee met and heard witnesses throughout the first half of 1912 and submitted its report in June. There was unanimous agreement on three major and several minor recommendations. First, a common West African silver currency should be established against which a reserve — partly in gold and partly in securities — should be held in England. Thus British silver would no longer be issued at par in West Africa against payment in England. A premium would be charged for converting sterling to West African currency or vice-versa. Obviously, until the West African currency was minted and introduced, British silver would continue to circulate in West Africa. Second, a separate note issue should be established in all British West African colonies (except The Gambia) against which a reserve equivalent to the notes' face value would be kept — three-quarters in silver locally and one quarter in securities, probably in England. Third, a currency board should be established, under the supervision of the Secretary of State for the Colonies, to control the coinage and note issue. In addition, the Treasury was asked to repatriate British silver at a rate of £100,000 a year, or more if possible.⁹ It was this last, minor recommendation, which was to become a major source of contention between the Colonial Office and Treasury over the next two years.

Denman Baynes, a Junior Clerk in the Colonial Office who had replaced John Anderson as Committee Secretary, proposed that the Committee should obtain the Secretary of State's approval of their recommendations, and then send them to the Treasury and the West African governors for their reactions. Furthermore, the Treasury should be asked to prepare drafts of Orders in Council to effect the recommendations. There seemed to be no great hurry to issue notes — first a currency board had to be set up and the new silver minted and launched. Anderson, Fiddes, and Harcourt, having discussed this, decided that Fiddes would serve as Chairman of the proposed West African Currency Board. William Mercer of the Crown Agents (a former Department Head of the West African, by 1911 Niger, Department at the Colonial Office) and L. Couper of the Bank of British West Africa were asked to accept the other two seats on the Board, and Denman Baynes was appointed Secretary. At this stage in the development of the WACB, Harcourt noted that it was especially important to get Treasury cooperation, warning "I can see many things at which the Treasury will shy — especially the profits of the coinage being lost to them."¹⁰ Interestingly enough, it is from this point on that the Colonial Office began to distance itself from the Treasury with the unspoken determination to shape the Currency Board into a totally Colonial Office controlled institution. As we shall see, this was Fiddes' resolve more than anyone else's.

On 29 August the Colonial Office sent the Committee Report to the Treasury. The Treasury replied shortly thereafter, agreeing with the Committee's recommendations.¹¹ The Treasury then began the task of drafting Orders in Council under the

9. See "Report of West African Currency Committee," 5 June 1912, registered at Colonial Office, 15 July 1912, CO 554/9/22124.
10. *Ibid.*, Minutes by Baynes, 19 July 1912, Sir John Anderson, 16 and 18 August 1912, and Harcourt, 23 August 1912.
11. Treasury approval of the recommendations can be seen in its draft, Treasury to CO, sent to the CO on 9 September 1912. The draft is attached to CO to Treasury, 29 August 1912, T 1/11673/20232, 17665/ Part 2.

impression that these would be necessary to implement the recommendations. In fact, the Colonial Office chose a different method of formally establishing the Currency Board. On 22 October, without any reference to Treasury participation, Fiddes told Baynes that the Permanent Under Secretary wished them "to get on with the constitution of the Board." Baynes was instructed to draft operating instructions.¹² The West African Currency Board had already been established when Baynes completed his work: the instructions turned out to be the functional equivalent of a constitution and were titled "Memorandum Defining the Constitution, Duties, and Powers of the West African Currency Board." The Board considered the memorandum, and deemed it "sufficient" for present purposes, realizing that of course the regulations could "be supplemented hereafter if experience shows that this is desirable." The regulations were approved by Harcourt on 6 December 1912.¹³ These regulations stood the test of time, until 1949 when they were modified, and continued in use until the Board's end in 1962.¹⁴ The Colonial Office had drawn up a constitution and established the West African Currency Board without Treasury advice or consent.

Why did the Colonial Office go ahead on its own? There is no explanation in the minutes but it would seem that the Colonial Office staff realized that Treasury participation in the formation of the Board would mean Treasury participation in the functioning of the Board and was determined to prevent this. This is very likely, especially as George Fiddes, the Currency Board Chairman and main Colonial Office spokesman, was a strong opponent of Treasury involvement in colonial affairs. Fiddes had scored first in the Civil Service Examination of 1881 and had become a toughminded civil servant with a definite sense of territorial imperative. He did not stand in awe of the Treasury and, as we shall see, acted more than once to protect the Colonial Office's interest against what he saw as attempted Treasury encroachment.

Meanwhile, the Treasury remained in ignorance of these developments until they were accomplished facts. Fiddes, in a semi-official letter, coolly informed Treasury clerk Basil Blackett in early December 1912 that the Colonial Office no longer needed Orders in Council and was convinced that the Currency Board should be the creation of the Secretary of State for the Colonies. Any necessary legislation could be passed by the colonial legislatures, which were under Colonial Office control. Fiddes wound up his letter with the following:

I may add for your information that the Board as contemplated by the Secretary of State has already held three meetings and is about to hold a fourth; and I am fairly confident that my colleagues on it would share my view that we could not hope to deal with the business successfully under...your Order in Council.¹⁵

12. Minute by Fiddes, 22 October 1912, on Colonial Office, 22 October 1912, CO 554/9/36021.

13. Harcourt's formal appointment of the members of the Board, dated 21 November 1912, and Bayne's "Memorandum Defining the Constitution, Duties, and Powers of the West African Currency Board," dated 2 December 1912, are to be found on the file of Crown Agents, (W.H. Mercer) to CO, 15 November 1912, CO 554/7/36170. Also see Fiddes' minute of 4 December 1912 and Harcourt's approval of the Board's constitution, dated 8 December 1912, also on this file.

14. Prindl, "The West African Currency Board", p. 182.

15. *Ibid.*, Fiddes to Blackett, 2 December 1912, attached to CO to Treasury, 29 November 1912.

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The Treasury was nonplussed. Treasury clerks had been hard at work preparing Orders in Council to establish the Currency Board. Eager and willing to participate, they were now being told they wouldn't be allowed to play. Senior Clerk Malcolm Ramsay called Fiddes' letter "a bombshell." Sydney Armitage-Smith was indignant: "I have never heard of a single instance of a Board being set up, and its powers defined, other wise than by a formal instrument of Order in Council or local ordinance." Armitage-Smith was opposed to the use of local ordinances and so felt that the Treasury should insist on an Order in Council. He declared "we cannot let the Colonial Office take complete control of such an important experiment as this." However, Armitage-Smith seemed unable to translate his feelings into action. After all, he could not insist that the Colonial Office do as the Treasury wished: the Treasury had no leverage — it had no representative on the Board and it had no authority over the British West African colonies. This very impotence made the situation more infuriating. The Chancellor of the Exchequer could complain to the Cabinet, but this was a last resort and carried no guarantee of success. Ramsay complained instead to his colleagues that

the regulation of currency seems to be emphatically a matter to be provided for under legislation and not for departmental minute: the C.O., if they proceed as proposed, will in my opinion lay up a store of trouble.¹⁶

Nevertheless, despite this prediction, the Board, operating under the Colonial Office constitution, did very nicely over the years.

THE REPATRIATION OF BRITISH SILVER, 1912-14

The primary goal of the WACB was to replace British silver in West Africa with specially issued West African coinage. This had to be done at a measured pace. If British silver was withdrawn from West Africa too quickly, the Treasury might refuse to accept it, because of the economic effect such a sudden influx might have. On the other hand, if British silver was replaced too slowly, the Colonial Office would be unable to control West African currency or reap the profits which would accrue from such control. This section describes how the Colonial Office and the WACB, over the objections of the Treasury and the Royal Mint, organized the withdrawal and replacement of British silver in West Africa. Their tenacity and assertiveness forced the Treasury not only to repatriate £100,000 a year but an additional £234,000 as well.

In its report the Committee of Enquiry had expressed the hope that the Treasury would accept at least £100,000 of British silver each year from British West Africa.¹⁷ The Colonial Office supported this and all the recommendations of the Committee,

16. Minutes by Armitage-Smith, 3 December 1912, and Ramsay, 3 December 1912, on CO to Treasury, 29 November 1912, T 1 11673 20232 24027 Part 2.

17. "Departmental Committee appointed to inquire into matters affecting the Currency of the British West African Colonies and Protectorates; Report, with Despatch from the Secretary of State." *Parliamentary Papers*, 1912-13, vol. XLVIII (Cd. 6426), pp. 647-72.

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and in late August 1912 had sent the Report to the Treasury.¹⁸ Thus informed that the Colonial Office had endorsed the Committee's recommendations, the Treasury responded on 9 September 1912 that it also concurred.¹⁹ It is important to note this concurrence because several months later the Treasury seems to have forgotten it. Nevertheless, on the basis of the letter of 9 September, the WACB began making preparations to repatriate British silver and to manufacture the new West African silver coins.

In late October the Treasury suddenly seemed to have had second thoughts. It requested comments from the Royal Mint and asked for advice on the Currency Committee's recommendations. In writing to the Mint the Treasury made no mention of its 9 September letter and the agreement with the Colonial Office concerning the amount to be repatriated. The Mint took its time in replying. On 17 April 1913, noting that the net issue of silver coin in the United Kingdom during 1908-1912 totalled £2,340,181 and the net issue to British West Africa for the same period was £3,116,594, the Mint told the Treasury

The above figures taken together appear to the Master of the Mint to suggest the necessity of great caution alike as regards the issue of the new coinage now current, for in view of the admitted preference of the natives for bright coins it would appear that large issues of the new coinage might lead to the repatriation of Imperial silver to an extent which in view of the foregoing figures as to issues in recent years would be a source of embarrassment at home.²⁰

On the basis of this advice the Treasury sent an important letter to the Colonial Office. That letter, dated 10 May 1913, noted the Currency Committee's recommendation and, as if the letter of 9 September 1912 had never existed, announced:

In all the circumstances My Lords do not think that this is an opportune moment for settling the precise rate at which sterling silver can be withdrawn from West Africa.... Therefore they feel bound to ask the Secretary of State that the issues of the new coinage shall, pending further experience — be restricted to the lowest possible point, and that the conclusion of a definite arrangement as to the repatriation of the existing currency shall be deferred until the position is somewhat clearer.²¹

When this letter arrived in the Colonial Office the permanent officials were shocked. Fiddes, as Assistant Under Secretary for West African business and as Chairman of the WACB, was doubly shocked. He dramatically declared that the Treasury letter represented "an attempted breach of faith."²² Always inclined toward confrontation, he immediately sent a memorandum, as head of the Currency Board, to the Secretary of State. In the memorandum Fiddes insisted that the Treasury in its 9

18. See minutes of Emmott, 21 June 1912, Baynes, 19 July 1912, Sir John Anderson, 16 August 1912, and Harcourt, 23 August 1912, on Colonial Office, 5 June 1912, registered 15 July 1912, CO 554/9/22124.

19. CO to Treasury, 29 August 1912, T 1/11673/20232/17665/ Part 2, and see *ibid.*, Treasury to CO, 9 September 1912, draft attached to CO to Treasury, 29 August 1912.

20. Royal Mint to Treasury, 17 April 1913, T 1/11673/20232/8213/ Part 2.

21. Treasury to CO, 10 May 1913, CO 554/13/16001.

22. *Ibid.*, Minute by Fiddes, 17 May 1913.

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September letter had agreed specifically to repatriate £100,000 a year. He went on to point out that the Currency Board had been operating for eight months on the assumption that an agreement existed, and concluded with grim predictions of what might occur if the Treasury did not abide by that agreement.

Fiddes' memorandum and all the relevant correspondence and minutes were sent to Harcourt along with a private letter from Fiddes elaborating on the situation. In this letter, he wrote that the Treasury must either honor the agreement or give Fiddes, as head of the WACB, a "free hand" to repatriate and coin as much as he wished. Fiddes preferred, of course, an orderly withdrawal of silver and the reassurance that the Board would receive through having an agreement with the Treasury. He suggested that the Treasury was "amazingly stupid" not to see that the agreement would give the Treasury control over the pace of repatriation, a control which they would not otherwise possess. The letter ended with Fiddes writing

I don't want to urge you to do more than you would otherwise be inclined to do; but from what you said to me I think you will be prepared to go to considerable length in resisting the Treasury attitude; and I think you will agree that the honor of H.M.G. is involved in keeping faith with the Board, the W.A. Governments, and the important section of the public in London and the North engaged in the W.A. trade.²³

Harcourt agreed totally and the matter was sufficiently important for him to send the Currency Board memorandum to the Chancellor of the Exchequer along with a private, semi-official letter. The Currency Board memorandum represents the Colonial Office's and the WACB's view of the situation and is worth quoting at length.

The Currency Board are vitally concerned in the maintenance of the agreement concluded with the Treasury. They have had placed upon them the heavy liability of giving gold in London not only for new coin on the Coast [i.e. British West Africa] but also for any quantity of the enormous stock of British silver now in West Africa. They count on the annual acceptance of at least £100,000 of silver by the Treasury at face value as a partial insurance against this liability. If the agreement were repudiated they would be seriously prejudiced, and if a set-back in trade occurred they would be compelled suddenly to throw into circulation in this country large amounts of British silver on the best terms obtainable. It will be observed that £100,000 represents an extremely small fraction of the stock of silver coin now on the Coast, and that on the figures given in the Treasury letter [£7,528,735] it would take 75 years to repatriate the whole amount in such installments. It is of course certain that a considerable portion will disappear from circulation; but even making allowance for this, repatriation must be a very protracted operation. It is of special importance to the Board that, during the present year, when they are without funds and are borrowing money at a heavy

23. CO, Harcourt Papers, CO 6/1, Fiddes to Harcourt, 17 May 1913. Fiddes had a close relationship with Harcourt. In sending the file to Harcourt he enclosed his private letter in which he explained "I want you to be fully acquainted with the position. I can't very well put all this on to the minute papers: that is my apology for worrying you with this long letter. As usual we bring our trouble to the S. of S."

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rate of interest in order to inaugurate the new system, the Treasury should accept at least £100,000 of United Kingdom coin at face value.²⁴

Harcourt's letter, which included several phrases from Fiddes' private letter, argued that the Treasury must keep its word. Specifically, Harcourt wanted assurance on two vital points: 1) that the Treasury would adhere to the £100,000 agreement, and 2) that the Royal Mint would comply with requests by the Board for new African coinage, or if this were not possible, warn the Board in advance so that it could use a private mint. He closed the letter, saying with smooth assurance,

I feel sure that when you have examined the question for yourself you will admit the correctness of my view, and will see that the course proposed by the Treasury could not honorably be adopted. I am anxious not to multiply occasions of dispute between the Colonial Office and the Treasury; and if you will tell your people that you have accepted my view I will see that my official reply is framed with as much regard for their feeling as possible.²⁵

The Chancellor, David Lloyd George, replied two days later. Rather querulous, it was not the sort of letter one might have expected from Lloyd George.

I cannot accept the responsibility of giving a decision [on Harcourt's insistence on assurances] without the sanction of the Cabinet. As you know, I was very alarmed to find that an arrangement which affected the Revenue to the extent of hundreds of thousands of pounds had been made during the holiday season between permanent officials without reference to the heads of the Department. When questions involving a few thousands a year of fresh expenditure are considered, a Cabinet Committee always sits upon them; but here was a question which involved hundreds of thousands a year and there was no reference to the Cabinet and the Prime Minister was neither consulted nor informed about it. I feel strongly that any further responsibility must be taken by the Cabinet as a whole.²⁶

Lloyd George agreed to meet with Harcourt and let him argue the Colonial Office's case, but was still convinced that the matter had to go to the Cabinet.²⁷

At a conference on 3 June Harcourt and Fiddes presented the Colonial Office's case. Representing the Treasury were Lloyd George; Charles Masterman, Financial Secretary of the Treasury; Sir Robert Chalmers, Joint Permanent Secretary, and Malcolm Ramsay, Senior Clerk. Sir Thomas Elliott, Deputy Master of the Mint, also attended as special adviser to the Treasury. Harcourt took the initiative, first reading aloud Fiddes' fierce memorandum. He then produced the published Parliamentary Paper showing that the Treasury had accepted all the Committee of Enquiry's recommendations, including the proposal to repatriate £100,000 annually from British West Africa. Harcourt reminded those present that when the Parliamentary Papers were published, the Treasury had not objected. Therefore, the agreement was public

24. "Memorandum" prepared by the West African Currency Board, attached to file on CO to Treasury, 6 June 1913, T 1/11672/20232/11992 Part I. This was actually sent to the Treasury on 21 May 1913 attached to a semi-official note of Harcourt's to Lloyd George.

25. *Ibid.*, Secretary of State Harcourt to Chancellor of the Exchequer Lloyd George, 20 May 1913, attached to file on CO to Treasury, 6 June 1913.

26. *Ibid.*, Lloyd George to Harcourt (Private and Confidential), 22 May 1913.

27. *Ibid.*, Treasury clerk O.E. Niemeyer to Butler, 28 May 1913.

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knowledge and the Treasury should acknowledge it. In the face of this evidence, Lloyd George had to accept that a binding arrangement had been made; therefore it made little sense to take the question to the Cabinet. It was a total rout of the Treasury and Lord Emmott's remark to Harcourt -- "My respectful congratulations" -- was entirely appropriate.²⁸ This second Colonial Office victory also contradicts Hopkins' assertions that in Treasury-Colonial Office conflicts the Treasury always prevailed.

When Fiddes began making arrangements with the Treasury to implement the repatriation of the first £100,000, another incident occurred which illustrates the nature of Colonial Office-Treasury conflict over the WACB. In late 1913, the Royal Mint informed the Currency Board that despite its agreement the previous May it would be unable to fill their order for West African silver coin. It had orders from the British government which took priority over colonial needs. As a result, the Board was caught with a serious shortage of West African silver and had to find and ship, on short notice and at considerable expense, large amounts of British silver. To add insult to injury, the Mint received the seignorage profits on the British silver shipped out to West Africa, profits which should have gone, the Colonial Office thought, to the WACB. When the crisis was over, Fiddes demanded that the Treasury absorb the loss incurred and be responsible for repatriating the British silver sent out in lieu of the West African coins the Mint had been unable to provide. He insisted that this repatriation be above and beyond the £100,000 agreement.²⁹

The Treasury waited over three months before replying to Fiddes and when they did, the response was, to say the least, unsatisfactory. While regretting the Mint's failure to produce the promised West African currency, the Treasury nonetheless supported the Mint's contention that its first obligation was to manufacture British coins. If this obligation prevented the Mint from providing the Currency Board with West African silver coin it was unfortunate, but the Mint could not be held contractually liable for interruptions in the provision of colonial coin. Fiddes was outraged, and said so. As an explanation, he exclaimed,

The reply is preposterous; and indeed the whole business is to my mind so discreditable that my greatest difficulty is to understand how honourable men can bring themselves to take up such a position.

Fiddes' outrage did not prevent him from realizing, however, that it would be best to resolve the conflict without resort to official correspondence. He proposed that the Colonial Office send a note to the Treasury, to which it could react informally. Fiddes, of course, was sure the Treasury would eventually back down. This would be easier for the Treasury if it did not have to do so in official correspondence. He drafted an informal note to the Treasury which included these strong words:

28. Minutes by Fiddes, 4 June 1913, and Emmott, 4 June 1913, on Treasury to CO, 10 May 1913, CO 554/13, 16001. See also, for further details, CO to Treasury, 6 June 1913, T 1/11672/20232-11992-Part 1 and, attached to this file, a copy of Treasury to CO, 15 July 1913.

29. Fiddes to Ramsay, 15 November 1913, attached to file on CO to Treasury, 6 June 1913, T 1/11672/20232-11992-Part 1.

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When, as in the present case, an order has been given, and accepted by the Mint, with Treasury approval and without any reservation, when the dates of delivery have been agreed upon, and when the requisite silver has been supplied to the Mint for the purpose, Mr. Harcourt considers that it is impossible to contend, with justice, that an agreement has not been made, or that failure to deliver the coin does not constitute a breach of agreement.

The Colonial Office reminded the Treasury that when the Mint failed to fulfill its obligation the Currency Board, instead of rushing to fill the breach, might easily have stood aside and let matters take their course — casting all responsibility on the Mint. But this would have meant a dislocation of West African trade arrangements and strong protests from the chambers of commerce in London, Liverpool and Manchester. Such a situation would not have been good for the Treasury, the Mint, or the government in general. The Colonial Office went on to point out that the WACB had fortunately taken a broader view of its responsibilities and at considerable cost to the Board made up the West African shortage by diverting British coin from England. The Board did this in the expectation of returning the coin when it had served its temporary purpose and, to this end, the Board had been negotiating with the Bank of England for repatriation on usual commercial terms. The Bank had seemed willing until the Mint intervened, urging the Bank to refuse the coins on any terms. Fiddes described the situation as follows:

The Mint by their breach of agreement forced the Currency Board to withdraw temporarily a supply of British coins [from Great Britain]; The Mint have stepped in to supply the void thus created by minting British silver to their own profit; They now wish to retain their profit permanently by compelling the Board to keep the silver indefinitely on the Coast [of West Africa].

The Colonial Office claimed that “such a procedure would be below the standard which should govern the actions of His Majesty’s Government” and insisted that it could not be party to this. Two acceptable alternatives existed: the Treasury could persuade the Mint to withdraw its instructions to the Bank of England, or the Treasury could simply direct the Mint to accept from West Africa the silver in question, approximately £234,000. In addition, for the future, the Currency Board must be allowed to obtain silver coined at private mints whenever necessary.³⁰

In the face of such strong feeling, the Treasury, against its better judgement, backed down. As the matter was being handled semi-officially, the Treasury response, dated 5 March, came from Edwin Montagu, Financial Secretary to the Treasury, and began “Dear Lulu” (Harcourt’s nickname). Montagu believed that in the abstract the Colonial Office argument was not very convincing, but having said this, he went on in a more congenial vein:

I am not only a Treasury official, but I am also a colleague of yours, and if I may say so, an admiring colleague. It does not matter so much to me how the thing arose, the position I am asked to deal with is the position as it exists. You, a member of the Government of which I am also a member, are responsible for good administration of West Africa. It would be wrong of me not to strain every power I

30. Treasury to CO, 28 February 1914, CO 554/20/7652. See Fiddes’ minute of 3 March 1914 and his draft letter to the Treasury, dated 3 March 1914, attached to this file.

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possess to assist you in getting rid of from West Africa coins you do not want. We cannot let the West African suffer....

Therefore, for political and imperial, not financial or administrative reasons, the Treasury gave in and allowed the Currency Board to repatriate the additional £234,000 over the next several months. "You have thus got," Montagu conceded, "everything you want in the present crisis — leave as you wish to repatriate your money; and our acquiescence in the suggestion you, yourself, made that you should not get your coins minted any more at the Mint..."³¹

Harcourt refused to accept the Treasury's analysis of how and why the crisis occurred but naturally accepted the offer to repatriate the £234,000. Since no one wished to wash their dirty laundry in public, Harcourt, in a letter drafted by Fiddes, suggested to Montagu that the Colonial Office simply acknowledge the original Treasury letter of 28 February that had sparked the issue and accept the Treasury offer resulting from the informal correspondence since. Magnanimous in defeat, Chancellor of the Exchequer Lloyd George concluded that "it would in my opinion have been wrong from a political point of view, however right from a Treasury point of view, to leave you or West Africa in an uncomfortable position in this matter."³² In turn, the Colonial Office graciously acknowledged the Treasury's acquiescence.³³

THE TREASURY'S ATTEMPT TO PLACE A REPRESENTATIVE ON THE WEST AFRICAN CURRENCY BOARD, 1914

While the Colonial Office and the Treasury dug in over repatriation, they unearthed another bone of contention. When Montagu wrote Harcourt, agreeing to the repatriation of the additional £234,000, he raised the question of a Treasury representative on the WACB. The Currency Board had been in operation for over a year and the Treasury seemed to have been satisfied. At any rate, the Treasury records contain no indication of dissatisfaction. When the repatriation crisis occurred the Treasury felt the Colonial Office had handled the situation badly and became convinced that the Currency Board needed a Treasury representative to keep it out of trouble. In the attempt to place one of its men on the Board, the Treasury lost out again. The story of how this happened adds to the evidence that the Treasury had no control over the policy and actions of the Colonial Office.

When Montagu wrote to Harcourt he suggested that the Treasury

should be allowed to nominate to the West African Currency Board a Treasury representative. I am certain that this would lead to greater harmony of work, and I can for the life of me find no possible argument against it: on the contrary, the West African Currency Board is concerned with large operations in the movement

31. *Ibid.*, Montagu to Harcourt, 5 March 1914, attached to file in Treasury to CO, 28 February 1914.

32. *Ibid.* See Fiddes' minute, 14 March 1914. Attached to this file also are the two letters quoted above — Harcourt to Montagu, 9 March 1914, and Lloyd George to Harcourt, 13 March 1914.

33. CO to Treasury, 14 March 1914, T 1/11672/20232/5741.

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of coin which affects our own Budget, our Estimates, the Silver Market, and above all, the value of the circulating medium in this country.

Then, just in case Harcourt could not be persuaded by reasons of policy, Montagu switched grounds, playing on Harcourt's presumed loyalty, through his father, Sir William Harcourt, to the older tenets of Gladstonian Liberalism.

Conjure up [he wrote] the traditions in which you were educated, and in the light of which you administer, and I am certain that you will see that it is an anomaly which ought to be remedied, that the Treasury should not be represented on the Board.³⁴

Montagu may have been "certain" this would work, but he should not have been. His appeal gained little for the Treasury. Permanent Under Secretary Sir John Anderson minuted, "it is impossible to imagine any way in which a Treasury representative on the Board would be helpful, but there are many ways in which he might be obstructive." Fiddes drafted the letter which flatly rejected the Treasury's proposal. The Colonial Office argued that the factors the Treasury considered relevant were not operative in British West Africa.

Under the arrangements now settled between us, the friction between the Mint and the Board should be impossible in future, as there will be no point of contact between them other than the fixed and practically automatic repatriation of not more than £100,000 per annum. The effect of that on future Budgets and Estimates will be a known quantity. There will be no prospect of future movements of coin from this country and the coinage operations of the board in the last twelve months (which were as great as they are likely to be at any time hereafter) had absolutely no effect on the silver market.

The Secretary of State ended this letter with the hope that Montagu would not put forward officially a proposal "to which I should have to oppose a firm negative."³⁵ Clearly Harcourt and the Colonial Office were immune to any argument based on the notion that the Colonial Office should subordinate its policy to the Treasury for what were essentially reasons of state. Harcourt seemed equally immune to any appeal to sentiment, or loyalty to his father's Gladstonian liberalism, and with Fiddes at his side, seemed unlikely to waver.

Where did all this leave the Treasury? Their last resort was to call in the Chancellor of the Exchequer and the Cabinet. Therefore, on 13 March, Chancellor of the Exchequer Lloyd George wrote, semi-officially, to Harcourt, that

no reasonable person can possibly regard as satisfactory the position of a Currency Board which, among its other activities, controls and directs the exportation and repatriation of British silver to one of our colonies, and yet has no representative of the Treasury upon it.

He was sorry that Harcourt had not adopted Montagu's suggestion for remedying this "very obvious defect," and threatened to take the matter to the Cabinet.³⁶

34. Montagu to Harcourt, 5 March 1914, attached to file in Treasury to CO, 28 February 1914, CO 554/20/7652.

35. *Ibid.*, Minute by Sir John Anderson, 7 March 1914. Fiddes' draft was sent out as a semi-official letter, under Harcourt's signature, on 9 March 1914.

36. *Ibid.*, Lloyd George to Harcourt, 13 March 1914, attached to file in Treasury to CO, 28 February 1914.

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However Harcourt and his officials were confident enough to call the Chancellor's bluff. Sir John Anderson felt the Chancellor's proposal was so indefensible that "the real trouble is that there is so little to be said for it that it is difficult to answer it." Fiddes, abandoning his usual suggestion that the Treasury officials were dishonorable, now proposed that under the regime of Joint Permanent Secretary Sir John Bradbury the Treasury was collectively going insane.³⁷ Fiddes then proceeded to draft, for Harcourt's consideration, an aggressive and outraged response which went as follows:

The [Treasury] proposal opens up a serious question of policy amounting to a revolution in our constitutional practice. It is a well-established principle that Treasury interference with Colonial Administration is limited to those places whose finances are under Treasury control as being in receipt of grants in aid. This is not the case in West Africa. Your proposal would be bitterly resented.³⁸

But after everyone at the Colonial Office read this wonderful letter, it was decided that it would be wiser not to send it to the Treasury, even though it expressed Colonial Office opinion. After all, the question of Treasury representation had not yet been officially raised.

Meanwhile Lloyd George and his Treasury officials were preparing a memorandum to be held in readiness and sent to the Cabinet when and if necessary. Except for stating that it had always been the Treasury's intention to put a representative on the Board the memorandum said nothing new. It reviewed the recent silver repatriation crisis, arguing that it could have been avoided if there had been a Treasury representative on the Board.³⁹ In late May when Lloyd George decided to present the question to the Cabinet, "no opportunity for raising the question...occurred."⁴⁰ The Treasury then decided to write and give the Colonial Office another chance. The letter they sent to the Colonial Office never received serious consideration. Fiddes suggested that the Colonial Office should just say that

the S. of S. does not know any reason which would justify such an innovation, while he is aware of a number of objections to it, and that he therefore regrets that he is unable to accept the suggestion.⁴¹

The Permanent Under Secretary, using Fiddes' words almost exactly, rejected the Treasury request on 11 June 1914. The Treasury could do nothing but pout and complain, as Montagu did, that "the Colonial Office are behaving very badly."⁴²

There was an epilogue, however, in which the matter was officially and finally

37. *Ibid.*, Minutes by Sir John Anderson, 14 March 1914, and Fiddes, 31 March 1914, in Lloyd George to Harcourt, 13 March 1914.

38. See *ibid.*, draft of CO to Treasury, dated March 1914.

39. "West African Currency Board," by David Lloyd George, 24 March 1914, attached to file in CO to Treasury, 11 June 1914, T 1 11672 20232 12144 Part 1.

40. See minute by Ramsay, 22 May 1922, on why Lloyd George had not presented his memorandum to the Cabinet, in CO to Treasury, 14 March 1914, T 1 11672 20232 5741 / Part 1.

41. Minute by Fiddes, 8 June 1914, in Treasury to CO, 28 May 1914, CO 554 20 19607.

42. Minute by Montagu, 11 June 1914, in CO to Treasury, 11 June 1914, T 1 11672 20232 121441.

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brought to an end. The Treasury tried to reopen the matter in December 1914 but Treasury clerks were told that it wasn't a subject to be discussed in war time. In 1920 Warren Fisher at the Treasury brought the matter up in private correspondence. This irritated Fiddes, who had succeeded Anderson as Permanent Under Secretary.⁴³ Fiddes firmly rejected these overtures and stopped the correspondence; the Treasury was intriguing and should not be encouraged. In a private note to a sympathetic member of Parliament in July 1921 he said

The attempt [by the Treasury to put a representative on the WACB] failed owing to the strong attitude taken by my predecessor and by Harcourt.... I am sick and tired of this unending intrigue....⁴⁴

Fiddes was being unduly modest about his own contributions. For better or for worse his sense of honour (and outrage at the Treasury's lack of it) and his great ability in bureaucratic infighting made him indispensable in forming and articulating the Colonial Office - WACB position, and in turning back Treasury attempts to encroach on that position.

CONCLUSION

This paper has examined the situations that most exercised the Treasury and Colonial Office concerning the West African Currency Board between 1911 and 1914. The bureaucratic conflicts began before the WACB was created and continued through the first two years of its existence. In the first situation, in 1911-1912, the Colonial Office and Treasury had worked together to create the Committee of Enquiry and had cooperated while it was in operation. But once the Committee's report was in and its recommendations agreed upon, the Colonial Office began independent action. It successfully excluded the Treasury from participation in appointing members to the Board and in writing its constitution. Clearly the Colonial Office was beginning as it intended to go on: the WACB was a Colonial Office creation and would be run by the Colonial Office. However, the WACB was also a financial institution, so it was not surprising that it took the Treasury several years to realize that the Colonial Office intended to remain in sole control. The fact that the Treasury couldn't believe what was happening slowed their reaction time. Clearly the formation of the WACB is not an instance where the Treasury prevailed. In the matter of repatriation and the Treasury's attempt to place a representative on the Board it was the same: the Colonial Office challenged the Treasury and the Colonial Office prevailed. At no time did the Treasury dominate the proceedings or refuse Colonial Office requests. This being the case, can we see in the Treasury's actions the Treasury beast of myth and legend? Did the Treasury impose its policy on an unwilling, or even willing Colonial Office? Indeed, did Treasury control over colonial policy exist? Was it a fact of administrative life with which the Colonial Office had to deal? The answer to all of these questions is a firm "no." The Colonial Office seized and kept the initiative. It controlled the situation and established the context of discussion. What we see is a placating Treasury, unwilling to

43. See *ibid.*, minutes from 1920 attached to CO to Treasury, 11 June 1914.

44. See Fiddes' comments on Fisher's letters and Fiddes' own letter to E.F.L. Wood, M.P., 30 July 1921, attached to Treasury to CO, 28 February 1914, CO 554/20/7652.

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make a decision without reference to higher authority, and ultimately, because no other alternative existed, watching the Colonial Office go its own way.

In each situation discussed the Treasury tried and failed to influence and control colonial policy. After each failure the Treasury resumed cooperation but was in fact simply following the Colonial Office's lead. The consequences were clear. Imperial financial policy in West Africa would be originated and implemented by the West African Currency Board, and that Board would be directed by the Colonial Office, without reference to the Treasury. Whatever the intricacy of the relationship between the Colonial Office and the Treasury, one point should be emphasized: there was no Treasury control over colonial policy in the case of the WACB.

Why was this so? More specifically — why did the Treasury try to influence the WACB? Why did the Colonial Office resist this effort? Why did the Treasury fail? And finally, why did the Colonial Office succeed? The Treasury was the chief financial department of Britain and the Empire. Naturally enough Treasury officials thought that the Treasury should control all government financial institutions, domestic and imperial. Furthermore, they understandably believed themselves to be the only department able to appreciate the overall financial picture of the Empire, and therefore the only department qualified to act in the financial interests of Great Britain and the Empire. Thus it is not surprising that they assumed they would have some control over and influence on the WACB. At the same time, the Colonial Office was the department charged specifically with overseeing the growth of the colonial empire. Colonial Office officials had a keen understanding of conditions and experience in overseeing the administration of the colonies. This knowledge and experience uniquely fitted them to control and direct colonial development. Therefore it is also not surprising that they assumed that such institutions as the Currency Board should be theirs to create and control.

More particularly, the Colonial Office feared that the Treasury, once in control of the Board, might sacrifice the interests of the Board to protect the interests of British financial institutions. In fact, this fear was confirmed when the Treasury supported the Mint's refusal to fulfill its promise to manufacture West African silver for the Currency Board because it (the Mint) was coining British silver. On an entirely different level the Colonial Office resisted the Treasury out of a sense of territorial imperative: the affairs of the Colonial Empire were the affairs of the Colonial Office and permanent officials there would brook no interference. One can speculate that in the final analysis the Treasury failed to dominate the WACB because it instinctively recognized the Colonial Office's unspoken claim of territoriality: that is, once the Colonial Office had made it clear that it would resist Treasury intrusions, the Treasury could only retreat.

The fact that the Colonial Office and not the Treasury was able to gain and maintain control of the WACB is important. The Colonial Office was ideally suited to concentrate the Currency Board's resources on West African purposes. The Board's income and profits — from silver conversion commissions, from interest earned on investing the money taken in when British silver was converted to West African silver, and from the seignorage rights — were used specifically to aid West African colonies.⁴⁵

45. Prindl, "Colonial Monetary System," pp. 17-20.

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This money was constituted as a reserve fund for emergencies, as in the 1930s when the Great Depression caused a substantial contraction of trade throughout British West Africa. In addition, it was used to help finance budget deficits and for development projects. This was done for the first time in 1920, when £200,000 was distributed. By the end of the colonial era, over £35,000,000 had been disbursed to Nigeria, Gold Coast, Sierra Leone, and The Gambia.⁴⁶ It is doubtful if the Treasury would have been as attentive or as generous to West African needs had it controlled the West African Currency Board.

46. *Ibid.*, pp. 23-9.