

The Great Shilling Swindle: the Circulation of Money and the East African Rupee Crises in Kenya and Uganda (1905-1923).

[long abstract for pre-circulation only]

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From 1919 to 1921, the East Africa Protectorate and Uganda were affected by a currency crises known as the “East African Rupee crises”. The currency instability of the post-war period had various causes. One was the stagnation in trade and the subsequent decrease in the international price of East African export commodities. As an example, between 1919 and 1922 the price for Kenya's coffee and sisal fell by 50 per cent.¹ The most important reason, however, was the dramatic appreciation of the Indian rupee against the sterling. Prior to the war, the exchange rate of the rupee against the sterling had been maintained by the government at 1s 4d. Owing to the post-war increase in the price of silver, however, at the end of 1919 the rupee reached the value of 2s 4d and later it further appreciated to 2s 9d.² British settlers in Kenya were significantly affected by this currency instability. As they exported coffee and sisal mainly to Great Britain, their earnings were in pound sterling and their capital was stored in British currency. But in Kenya they had to pay wages and debts in rupees, and therefore their returns were drastically diminished.³ Indian traders, on the contrary, dealt in sterling only as buyers, whereas they stored their capital in rupees. The new value of the rupee, therefore, strengthened their position in East Africa.⁴

¹ P.P. Ndege, "Foreign Trade in Kenya, 1895-1963", In W. Ochieng, R. Maxon (eds), *An Economic History of Kenya* (Nairobi, 1992), p. 232.

² "Currency and exchange in East Africa", The National Archives, London [hereafter TNA] CO 533/230.

³ R. Maxon, R. Maxon, "The Kenya Currency Crisis, 1919-21 and the Imperial Dilemma", *The Journal of Imperial and Commonwealth History*, 17, 3, 1989, p. 324.

⁴ W. Mwangi, "Of Coins and Conquest: the East African Currency Board, the Rupee Crisis and the Problem of Colonialism in the East African Protectorate", *Comparative Studies in Society and History*, 43, 4, 2011, p. 764.

The rupee crisis is one of the best studied episodes in the monetary history of East Africa.⁵ Robert Maxon was the first to analyse its history, highlighting the influence of the Kenya administration, and particularly of Governor Northey, in the evolution of imperial currency and exchange policies. In his analysis he focused on the conflicting claims and interests of the colonial governments of Kenya and Uganda, the white settlers in Kenya, and the British banks operating in East Africa. Maxon shows how the currency policy was shaped according to the interests of the white settlers and was largely influenced by the local colonial governments. He argues that the dependencies played a significant role in the evolution of imperial policies.⁶ More recently, Wambui Mwangi interpreted the currency changes of the early 1920s as a mirror to look at racial hierarchies in Kenya. She focuses on the connection between the use of the rupee and the position of the Indian community in the Kenyan society. She analyses the process that led to the creation of the East African Currency Board in 1919 and shapes her argument around two main lines of inquiry: the connection between currency circulation and political identity and the interaction between currency circulation and the colonial practices of space.⁷ She interprets the rupee crisis both as a conflict over the nature of colonial prerogatives, and as the result of the articulation of diverse geographies of currency circulation to the conceptual unity of the colonial state, space and rule.⁸

Both Maxon and Mwangi mention Africans as bearing the effects of the crises as consumers, producers and labourers, but actually the consequences that the various currency changes had on Africans living in Kenya and Uganda remains largely unexplored. Africans were almost totally excluded from the public space where currency issues were debated, like the Parliament in London and the colonial government offices in East Africa. Indians and white settlers made their voices heard through petitions and letters, or during the Question Time in the Parliament.⁹ The voice of Africans was instead largely silenced, and could be heard only when someone else spoke for them in the official arena. Missionaries in East Africa, in particular, considered themselves as the voice for voiceless Africans, as intermediaries between Africans and the colonial state. Anthony Clayton and Donald Savage have highlighted the role played by the missionaries in the protests against the increase in African taxation in the early 1920s, whereas Opolot Okia has recently focused on the role of missionaries, and especially William Oldham, in the opposition to forced labour in Kenya.¹⁰

⁵ That still remains largely unexplored.

⁶ R. Maxon, "The Kenya Currency Crisis, 1919-21 and the Imperial Dilemma", *The Journal of Imperial and Commonwealth History*, 17, 3, 1989, pp. 323-48.

⁷ W. Mwangi, "Of Coins and Conquest: the East African Currency Board, the Rupee Crisis and the Problem of Colonialism in the East African Protectorate", *Comparative Studies in Society and History*, 43, 4, 2011, pp. 763-87.

⁸ Mwangi, "Of Coins", p. 764; Maxon, "The Kenya Currency Crisis", p. 342.

⁹ See "Minute on East African Currency", 16 June 1921, by G H Baxter; India Office Record, British Library, London [hereafter IOR] L/F/7/505

¹⁰ Anthony Clayton and Donal D. Savage, *Government and Labour in Kenya 1895-1963*, London: Frank Cass, 1974, pp. 113-14; Opolot Okia, *Communal Labor in Colonial Kenya*, New York: Palgrave Macmillan 2012, pp. 70; 93.

During the East African rupee crises, the missionaries raised their voice in 1921. After the change from the East African Florin (fl) to the East African Shilling (sh), the EACB decided that 1, 5 and 10 cent coins would be marked down from cents of a florin to cents of a shilling “without notice or compensation”.¹¹ In other words, instead of being the cents of a rupee (or of a florin) worth 2sh, they were to become cents of a shilling, worth 1sh, their value being cut by half.¹² The decision to mark down cents was arrived at for various reasons. Practically, it was a time in which minting millions of new coins was impossible, given that the new shilling, needed by settlers and traders, had to be first minted and put into circulation.¹³ As there were no coins wherewith the old ones could be redeemed, this was seen as the only way to preserve the decimal system in the East African dependencies.¹⁴ It was calculated that the loss for every African family would have been a minor loss, of about 2 sh per family, a “lesser evil” when compared to the costs of minting millions of new cents.¹⁵ Africans had to bear the costs of the new currency change. Strong protests came from missionary and humanitarian groups for the disastrous effects caused by what the Director of the Public Works Department, William McGregor Ross, termed “the great shilling swindle”. Petitions were sent to East African authorities and to the Parliament in London in order to stop the introduction of the new provision.¹⁶

In periods of crises, what is mundane often comes to light and with the currency crises it became clear that the Indian rupee was the currency of the Indian community, the East African shilling was the most convenient currency for settlers, whereas cents had become, since their introduction in 1906, the currency used by Africans.¹⁷ As Eliot wrote,

“[...] many natives do have considerable holdings in cents; in addition to collections for tax and rent purposes, the whole small trade of the country in the bazaars and in their own markets is in cents. Most daily payments are made in cents and most of the cotton is purchased in cents.”¹⁸

Why Africans had mainly cents? Certainly, cents were small denomination currencies that could more easily circulate than the rupee in places where incomes and prices were low, like the East African protectorates. However, what emerges from the sources is that certain cent denominations circulated freely both in Kenya and Uganda, whereas others were almost totally rejected. One- cents, in particular,

¹¹ "Report of the Committee appointed on 10th February in accordance with Motion of Legislative Council", Nairobi, 1921, TNA CO 533/257.

¹² TNA CO 533 258; R.M. Maxon, "The Colonial Financial System", op. cit., p. 253; Northey to CO, 19/2/1921 Telegram, TNA CO 533 256; Churchill to Northey, Telegram 21/2/1921, CO 533 256; East African Currency, 14/3/1921, TNA CO 533/257.

¹³ Minutes, 2/6/1921, Lieut. Col. Guinness,, IOR L/f/7/505.

¹⁴ Currency Officer to Treasury Nairobi, Nairobi, 2/6/1921.

¹⁵ Maxon, "The Rupee Crises", p. 339. These calculations could not, however, be accurate; first of all, statistics on the population were very rough and were generally underestimates. Secondly, cents were not clearly evenly distributed among the African families living in the protectorate.

¹⁶ William MacGregor Ross, *Kenya from within: a short Political History*, London: Allen and Unwin, 1927, p. 199-216.

¹⁷ K. Pallaver, "The African Native has no Pocket". Monetary Practices and Currency Transitions in Early Colonial Uganda", *International Journal of African Historical Studies*, 48, 3, 2015.

¹⁸ Eliot to Secretary of State for the Colonies, Telegram of 17/10/1921, TNA CO 536 114.

were the coins that circulated more easily. The Committee created to investigate into currency matters during the crisis, underlined that “the bulk of the 10 cent, 5 cent and particularly 1 cent coins is held by the natives, and used for exchange amongst themselves at native markets, etc.”¹⁹ In the framework of a monetary system that for the colonial power was formed by all-purpose denominations, it became clear that certain cent dominations were preferred in local trade.

This paper reconstructs the major currency changes occurred in Kenya and Uganda from 1905 - when the Indian rupee and its fractional coins, the cents, became the official currency of both Uganda and Kenya - to the early 1920s and explores the ways in which trade patterns and practises, as well as particular ways of reckoning, shaped the use of colonial currencies. It looks at the ways in which money circulated at the local level in order to understand why some cent denominations were used and others were rejected. Cents were the subsidiary coins of the Indian rupee, but they seemed to perform different roles: the rupee was used in certain kind of transactions, especially in the monetary relationships with the colonial government, whereas cents were used in local small transactions. This situation was the result of the currency developments of the early colonial period that resulted into a sort of disconnection between the currency circuits in which rupees and cents circulated, and that emerged during the East African Rupee Crises. Monetary practices at the local level reflected broader imperial policies as well as patterns of economic change on the ground. Understanding the ways in which different currency denominations circulated can provide data on the development of the early colonial economy and of the labour force. The circulation of cents, for example, is an indication of the growing importance of small producers and traders in the new colonial economy, as well as of the expansion of the casual and female labour force.²⁰ The paper argues that despite the creation of a monetary system formed by all-purpose denominations, the ways in which rupees and different cent denominations were used and circulated created different orders of value, connected to each other by different currencies.

Both Mwangi and Maxon see the rupee crises as an illuminating event whose analysis can be a historical lens through which look at power relations and social hierarchies in East Africa. This paper builds on their works and adds another, more local, perspective, looking at the currency used by African labourers, producers and consumers: cents. The paper uses colonial sources from both the National Archives in London, that provide information on general imperial currency policies, and from the

¹⁹ "Report of the Committee appointed on 10th February in accordance with Motion of Legislative Council", Nairobi, 1921, TNA CO 533/257.

²⁰ K. Pallaver, "Paying in Cents, Paying in Rupees: Colonial Currencies, Labour Relations and the Payment of Wages in Kenya (1890-1920)", in K. Hofmeester and P. de Zwart (eds.), *Colonialism, Institutional Change and Shifts in Global Labour Relations*, Amsterdam: University of Amsterdam Press, *forthcoming*.

Kenya National Archives, that provide a more on-the-ground perspective.²¹ At the same time it complements the analysis with missionary sources, in order to grasp the perspective of the missionaries protesting against the “shilling swindle”.

²¹ Robert Maxon bases his analysis on colonial reports from the National Archives in London and the India Office Record; Wambui Mwangi, instead, uses only evidence from the Kenya National Archives.