

A History of Money and Banking in Barbados: 1627 -1973

(Eric Armstrong, University of the West Indies Press, 2010)

A Review by Anton Belgrave

In “A History of Money in Barbados 1627-1973” Eric Armstrong attempts to tell the story of money in Barbados over a period of almost 350 years, spanning from Barbados’ settlement to the establishment of the Central Bank of Barbados. The book succeeds in this regard as it provides a detailed examination of the ebb and flow of the various monetary arrangements over that period and discusses some of the attendant complications of the changing monetary arrangements.

Armstrong began by outlining the experiences of Barbados’ early coin-based currency system from 1627 to the 1800s. The dominant theme of this first chapter was the use of non-UK coins as a means of exchange and the shortage of currency throughout the 16th and 17th centuries. The author contended that the source of the problem was two-fold: colonists were generally not wealthy and would inevitably be indebted to English merchants; and, at least in the early days of settlement, royal policy discouraged the export of “coyne and bullion” to the territories. In this environment, many transactions – including fines – were settled by barter using the main exports of the day, firstly cotton, and then sugar.

Within the colonies, legislation was passed at various times during the 17th century that encouraged the importation of gold and silver into the island and regulated the exchange rates of the multiple currencies. These attempts to control coinage led to Queen Anne’s proclamation of 1707 that established exchange rates for the myriad currencies in circulation. Efforts aimed at regulating the exchange rate were not wholly successful and, as the author noted, appeared to have spurred a degree of capital flight from the island leading to a further general shortage of coinage.

To address the issues of the coin shortage, the Barbados Assembly attempted to mandate a system of paper credits that would have been accessed by persons who held real estate on the island, amounting to a quarter of the value of their estate. However, this Act was disallowed by the Privy Council following opposition by British merchants and the Royal African Company.

Chapter 2 continued the exploration of the shortage of coins in Barbados and the West Indies. One attempt to address this problem – the importation of copper coins in 1819 – ended in failure as those coins were not well accepted in the West Indies, especially Jamaica.

The proclamations of 1825 and 1828 specified new rates of exchange of British silver coins for Spanish, Mexican, Colombian and Portuguese coins. This was of particular relevance since the coins used by the early settlers were mainly Spanish coins that were assigned

sterling equivalent values. Surplus capacity at the British Mint around 1825 allowed the British government to introduce and promote British silver coins as the circulatory medium in all of its colonies. However, the scarcity of coins, especially in smaller denomination, became especially acute during the mid-1830s in Barbados. The author presented evidence that despite official support, the 1825 proclamation was a failure. Nine years after its introduction, the British Shilling was totally unknown inside of Barbados, most of the lower class did not recognise it, and regarded it as a foreign coin.

Based on the report of the Committee of the Privy Council for Coin, the 1825 exchange rates were revoked in 1838 and new rates fixed against both gold doubloons and (silver) dollars. With the vexing issue of different units of account even for government accounts, the British government in 1848 attempted to consolidate the unit of account of the colonies with that of the UK.

For this reviewer, Armstrong's third chapter was the most exciting of the book as it detailed the advent of the banking system in the West Indies. The author highlighted a number of regulations implemented at that time which are still relevant today. Banknotes, for example, were required to be cashed on demand into specie (coins) and the Treasury insisted on the publication of periodic returns of assets and liabilities. However, the bulk of this chapter focused on the creation and evolution of the Colonial Bank: the institution which dominated banking in Barbados until the entry of Canadian banks in the late nineteenth century. Interestingly, under its original charter, the Colonial Bank (later renamed Barclays Bank) could not lend money on the security of lands, houses or ships or deal in merchandise of any kind and was to be wound up after twenty years.

This chapter also provided a narrative on the creation of the ill-fated West Indian Bank. This indigenous bank, formed by royal charter in 1840, was fatally flawed from inception as it was unable to raise the required paid-up capital of two million pounds. With limited capital, the true vulnerability of the West Indian Bank was exposed in 1847 when reports that its silver reserves were drained triggered a debilitating bank run. The similarities between the failure of the West Indian Bank outlined by Armstrong and the collapse of a number of contemporary commercial banks were striking. Many of the same structural weaknesses responsible for the recent banking crises were common: large exposures to highly indebted individuals, and self-dealings by bank staff. The exposure of a number of local planters to a failed Liverpool finance house was also identified as a contributor to the demise of the West Indian Bank.

Chapter 4 looked at trends in the use of metallic currency between 1850 and 1947. This chapter highlighted a number of issues, including the 1860 replacement of copper coins with bronze coins due to their unpopularity, the policy of the British government with respect to coin circulation, arguments relating to the sharing of seigniorage and the application of a 40 shilling limit on the legal tender of British silver.

Up until the end of the 19th century, Barclays Bank enjoyed a virtual monopoly on banking services in the British West Indies. This was broken by the entry of well-capitalized Royal Bank of Canada and Canadian Imperial Bank of Commerce. Attempting to defend its

dominance of the market the Colonial Bank tried to use its political influence to disallow note issuance by the Canadian entrants but ultimately this effort failed.

The regulation of the issuance of private bank notes was one of the central monetary concerns of the early 20th century and consequently, the Barbados legislature passed the Bank Note Act in 1911 to regulate private note issuance. As early as 1900, an *ad hoc* committee recommended the introduction of government currency notes. This proposal was not implemented at that time but following a slew of subsequent proposals, a 1937 Government Currency Note Act was passed. Official policy supported the supplanting of bank issued currency notes with government issued notes and as a result private bank notes issuance started to contract from around 1942. The final chapter of the book provides an insightful examination of the efforts aimed at a unified West Indian currency and the subsequent splintering of this effort. From as early as 1900, an *ad hoc* interdepartmental committee of the Colonial Office and Treasury had recommended that if British West Indian governments issued bank notes, arrangements should be made that would allow these notes to be legal tender throughout the British West Indies. In other words, the proposal for a common, regional currency had been mooted over 100 years ago.

However, there was little initial enthusiasm in the early 1900s for the common regional currency as evidenced by the limited results achieved after a succession of meetings held throughout the 1920s. The idea appears to have gained some momentum in the following decade so that by 1947, during a conference in Montego Bay, Jamaica, British West Indian governments endorsed the idea of a uniform currency throughout the region. As such, the Board of Commissioners of Currency, British Caribbean (BCCB) territories began operation on November 28, 1950 and assumed responsibility for the note circulation of the currency boards of Barbados, British Guiana and Trinidad in August of the following year. Jamaica did not become a member of the currency board but eventually a framework was devised whereby Jamaica's currency was accepted as legal tender in the other territories and vice versa.

Over the next decade, the BCCB framework began to unravel. The demise of the short-lived regional Federation in 1962, coupled with Trinidad's and British Guiana's desire to establish independent central banks and issue their own currencies signaled the death knell of the regional currency. In 1966 arrangements were made to cease notes issuance and in 1967 the BCCB was dissolved.

The remaining territories, including Barbados, established the East Caribbean Currency Authority (ECCA) in 1965. While not explicitly stated by the author, it appears that the sterling devaluation in 1967 spurred the newly independent Government of Barbados to establish the Central Bank of Barbados, resulting in Barbados' 1974 withdrawal from the ECCA.

Armstrong's efforts at detailing the history of money in Barbados are to be commended, since the body of work he has assembled is richly detailed and casts light on a little-known aspect of the Barbadian economy.

Yet its very compactness is in itself a potential source of improvement. Some areas that this reviewer felt could have been further developed concern the underlying economic theory behind some of these monetary shifts. For example, the disappearance of good coinage for bad in the early chapters of the book would appear to have been an example of the well-known Gresham's Law that could have been explored in more detail.

Similarly, the post-emancipation monetization of the economy, as the apprentices and newly-freed blacks were paid for their services, as well as the economic effects of the replacement of private banknotes with government notes in the 1920s are all areas that would have merited further examination. In essence, the book does not examine the consequences of choices as it could have. Nevertheless, anyone interested in economic history should find this book quite a useful primer and I suspect it will become one of the key reference texts for future students of Barbados' economic history.