ETHIOPIA OBSERVER

– PUBLISHED IN BRITAIN AND ETHIOPIA –

Editorial Office: P.O. Box 1896, Addis Ababa, Ethiopia (Tel. 45649)

British Circulation Secretary:
MISS FREDA HOLMANS,
57, CARTER LANE, LONDON, E.C.4, ENGLAND. Telephone: CITY 3147

Obtainable to order from all British agents, W. H. Smith and Sons' bookstalls, etc.
On sale in all bookshops and newsagents in Ethiopia

Former issues may be obtained from the British Circulation Secretary or
Menno Bookstore Addis Ababa

Price:

Eth. $3 (in Ethiopia)

65p (in Britain)

Subscription Rates: £3·00 per year post free, 12 Eth.$ or 6 U.S.$

Advertising Rates: £15 Sterling, or Eth. $100 per page, and *pro rata*

Obtainable in Great Britain from Messrs. Basil Blackwell, Broad Street, Oxford, and in the United States from Moore Cottrell or American News Co. Also from: Ethiopian World Federation, Inc., 221, West 134th Street, New York City 10030 U.S.A. Most back issues available

Cover Illustration:

The rock-hewn church of GUFTI GABRIEL: a column seen through an archway. See article in this issue.

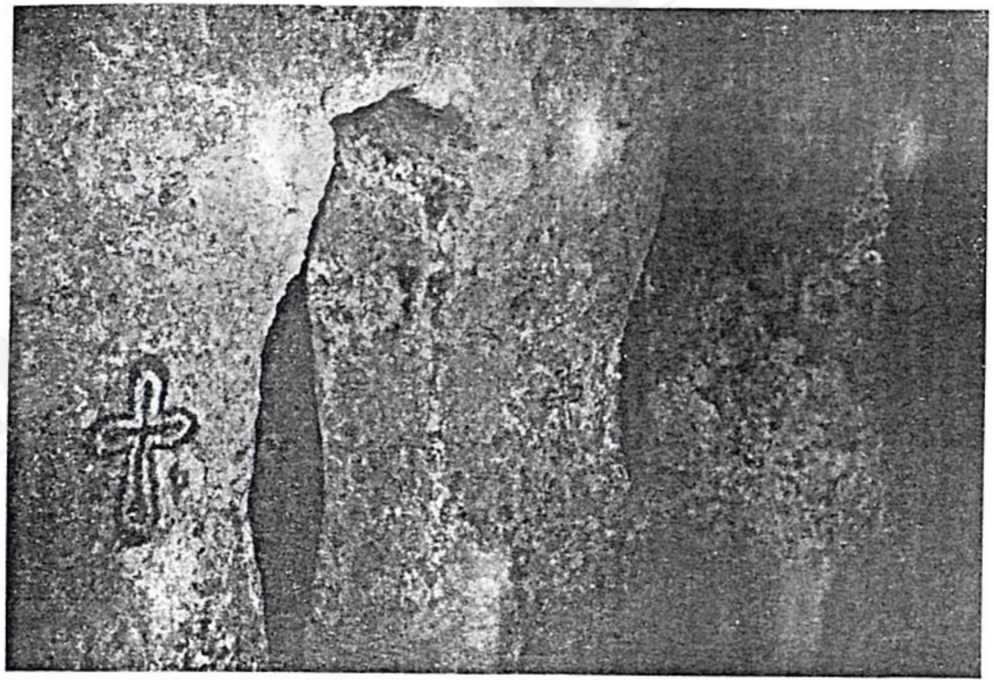
Photo: Viveca Halldin

ETHIOPIA OBSERVER

JOURNAL OF INDEPENDENT OPINION, ECONOMICS, HISTORY AND THE ARTS

Published in Ethiopia and Britain — Edited by Richard and Rita Pankhurst

Vol. XVI — 1974 — No. 4



The rock-hewn church of GUFTI GABRIEL: columns and arches. Note recently painted cross. *Photo: Viveca Halldin.*

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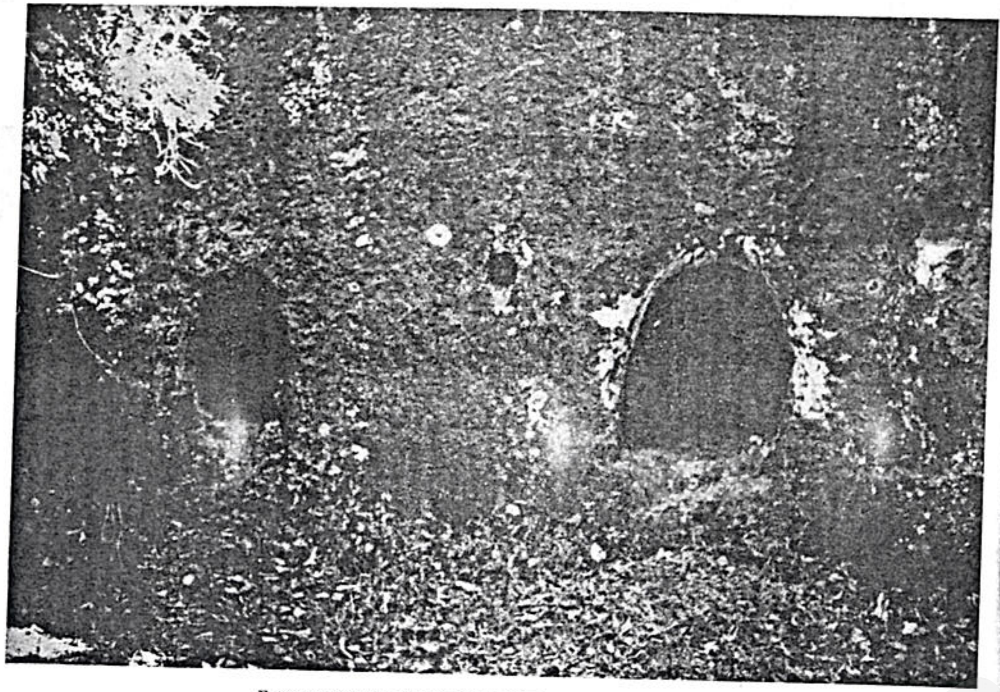


Entrances to GUFTI GABRIEL CHURCH. *Photo: Viveca Halldin.*

The Rock-hewn Church of Gufti Gabriel, South of Tulu Bolo

by Richard Pankhurst

Among the rock-hewn churches of Shoa which have never been reported or described is the disused church of Gufti Gabriel, some 5 kilometres south of the town of Tulo Bolo on the Addis Ababa – Ghion (Woliso) road. This interesting structure, which is situated near the foot of a spur of land overlooking the Boji stream, a tributary of the Mammo river, is some 10 minutes' walk downhill from the present-day church of Gufti Gabriel and forms part of a complex of antiquities to which reference has been made in previous articles.[1]

The structure assumed to have been the old Gufti Gabriel is said by popular tradition to have been a church, as would seem probable from its architectural features, and it is noteworthy that it is still used for housing the *tabot*, or "holy of holies", during the annual *Timkat*, or Epiphany, celebrations. The edifice was recently inspected by the present writer with Dahab Abraha, Tedros Araya, Rita, Alula and Helen Pankhurst and Viveca Halldin, who took the photographs here reproduced.

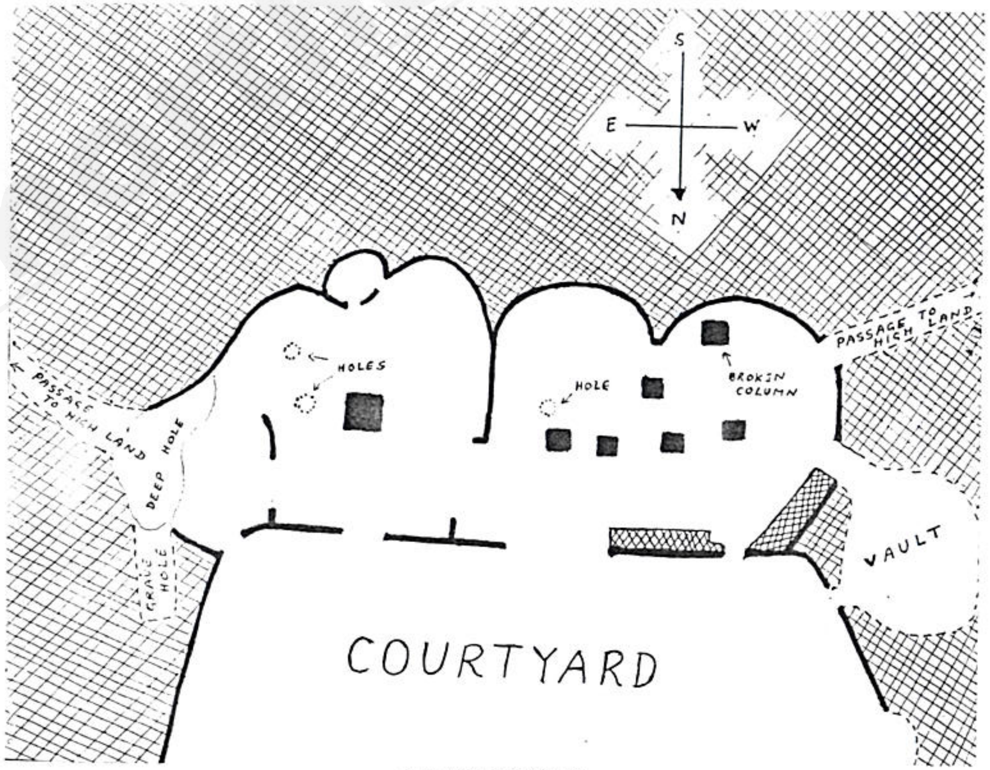
The structure of the assumed church is excavated out of the living rock, the front face of which has been exposed to produce a flat wall some 8 metres long by 3 metres high. This exposed rock, which faces almost due north, lies at the rear of a kind of recess or courtyard, the flanks of which are formed by the surrounding rock

and earth banks of the hillside, while the front is open, thus allowing easy access to the church. The latter is hidden from sight until one reaches this courtyard which incidentally is now largely overgrown with trees.

The church's exposed wall or front has two entrances, each about 1 metre high and half a metre to 1 metre wide, which are some 30 centimetres above ground level. There are in addition one large and three small windows, the latter set well above the level of the doors. In the western flank of the courtyard a couple of small caves have been excavated, each large enough to hold a crouching man, and there is also a narrow passageway which once led to the church's interior though legend claims that it was part of a tunnel leading all the way to Tulu Bolo hill (to be discussed below).

The interior of the church consists of six main areas with a ceiling about 2 metres high supported by several columns. One of these in the westernmost room has apparently recently collapsed, while two others each bear a brightly painted blue and red cross added not long ago.

The main entrance, which is about 1 metre wide and scarcely higher, leads to a central rectangular area 3 metres by 2, which is also lit by two square windows on either side of the door. To the left of this area there are a couple of small holes on either side of the door opening to the next room, apparently where some kind of curtain was once fixed. Several such holes may also be seen in other parts of the building. To the right another rectangular area $2\frac{1}{2}$ metres long by $1\frac{1}{2}$ metres in depth is flanked on either side of a large oval window by a bench cut in the stone which also runs along the short west wall. Two arches lead southwards into a larger and more rounded rear chamber 3 metres wide by 2 metres deep containing the aforementioned fallen column which was square in cross-section. Another column rises between the two arches and is carved in semi-relief right up to the ceiling. It is in this room, we were told, that the priests nowadays beat their drums during the *Timkat* services. To the rear of this chamber there is a steeply rising chimney-like passage which gives access to the high land above the church, while a narrow tunnel some



Plan of GUFTI GABRIEL

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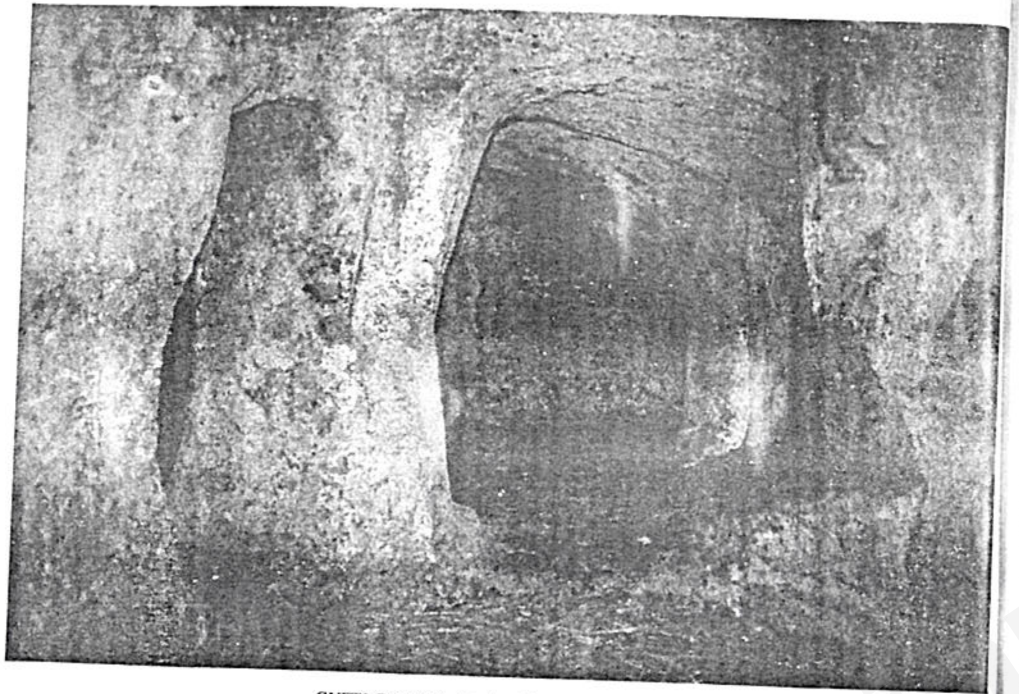

GUFTI GABRIEL: interior. *Photo: Viveca Halldin.*

6 metres long in the floor of this room leads horizontally forward into an external vault measuring perhaps 3 by 4 metres, which connects with the westerly side of the courtyard. To the east of the last mentioned internal chamber lies another of identical size which is linked to it as well as by three passages to the entrance area. In the floor there is a hole half a metre or so in diameter, probably cut for storage purposes.

Further east still lies a somewhat larger room about 4 metres by 4, in the centre of which there is a square pillar as well as another couple of circular holes in the floor half a metre or so in diameter, perhaps intended for storage. This room can be reached directly from the outside through a second entrance which is well carved on the inner side with an arch in semi-relief. To the west of this entrance a shelf has been incised into the wall. The rear wall of this room has been cut away to the west to form a shallow cave, while further to the east it has been made to protrude somewhat into the chamber; behind this protrusion there is a small cave perhaps 1½ metres deep, access to which is afforded by two small openings in the front and side. An opening further east in the main chamber leads to a final small room only about 2 metres by 2. A part of the floor has been excavated, apparently to house a deep grave which is over 1½ metres in depth and protrudes far under the floor, while a passageway immediately beyond it is closely similar to that in the westernmost chamber in that it leads up to the land above the church.

A couple of minutes' walk to the east lies a second structure which resembles the first in having been cut in a nearby stretch of the hillside at more or less the same level. The building which likewise faces north, is again excavated behind an exposed face of rock which forms the rear of an open-ended and now tree-covered courtyard giving access thereto. Three small caves have been excavated on the western wall of the courtyard.

The interior of this second excavation, which seems of superior workmanship to that further west, is smaller and less complex. It seems to have consisted of five interconnected squarish rooms, three of them in the main structure and two others in the flanking rock to the east and west. The rooms in the main structure comprise a large chamber, 4 metres wide and 3 metres deep, to the east, and two chambers to the west, which are situated in the front and rear respectively. Each is about 2 metres wide by 1½ metres deep. The western chamber and the front eastern chamber each have their own entrances as well as a connecting inner door, while the two eastern rooms are connected by a finely carved rectangular

Entrance wall to the second excavation at GUFTI GABRIEL: The author measuring in metres.

doorway. A further large chamber in the eastern flank which was once connected with the easterly front room in the central structure, has long since collapsed, but a small room in the western flank is still so connected to the adjacent, westerly room of the main building. The three central rooms and the courtyard in front, are now largely filled with earth which seems to have blown or been washed in, with the result that it is impossible to reach the original floor and thus to ascertain the former height of the rooms or to verify the local tradition that this was an edifice of two storeys, the lower being allegedly now covered with earth.

To the north of the above-mentioned antiquities lies Tulu Bolo hill, which is also of some historical interest. Consisting largely of red volcanic clinker, it is the site of a multitude of crudely excavated caves, some of which can be entered vertically and others horizontally. A number of these caverns were once interconnected though many of the passageways between them have long since been closed either by subsidence of the roof or the penetration of earth. The hill itself, which is in an imposing position overlooking a plain in all directions, was later the site of the camp of Emperor Menelik's Chief, Ras Gobena, who appears to have made it a stockaded fortress. Tulu Bolo, we may conclude, thus played a significant role in both the medieval and the early modern history of Ethiopia.

1 R. Pankhurst, "Caves in Ethiopian History, with a survey of Cave Sites in the Environs of Addis Ababa", *Ethiopia Observer* (1973), Vol. XVI, No. 1, pp. 15-35; idem, "A Cave Church at Kistana, South of the River Awash", idem, Vol. XVI, No. 3. See also R. Sauter, "Où en est notre connaissance des Églises Rupestress d'Ethiopie?", *Annales d'Ethiopie* (1963), V, 235-9?.

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The Rock Church of Tulu Lemen Near Adadi South of the Awash

by Richard Pankhurst

Another of the antiquities of Shoa which have thus far neither been reported nor described is situated at Tulu Lemen, only a kilometre or so east of the well-known rock church of Adadi Mariam[1] south of the Awash river, and a mere 10 minutes' walk south of the track between Adadi village and the Alem Gena-Butagira road.

The antiquity in question, which is now entirely disused, and indeed largely filled with earth, is of considerable interest, for its existence some 4 kilometres from the Kistana church, recently described by the present writer,[2] reveals that ecclesiastical building in the Adadi area was more extensive than was formerly supposed. One is indeed left with the impression that the whole of this region must once have been relatively well populated, presumably prior to the time of Ahmad Gragn.

The Tulu Lemen site comprises two main items of interest: a roughly rectangular mass of rock some 18 metres long by 15 wide, detached from the surrounding land on all sides, in a manner reminiscent of Adadi Mariam or for that matter the principal Lalibela churches, and a complex of interconnecting caves cut in the surrounding land to the west.

The main structure though essentially rectangular in shape is by no means perfectly so, for though the walls are more or less straight, not all the corners form right angles, and in the south-west the rock has been cut away [illegible] form two additional sides meeting at an internal angle, [illegible] by increasing the size of the surrounding courtyard. No windows or doors are visible on any side, though it is possible that apertures of some kind were situated in the lower part of the edifice and have been covered by earth which seems to have filled up much of the surrounding [illegible]. Evidence of one such opening can indeed be [illegible] ground level in the centre of the western wall, as well as on the northern wall where a strip of land about 1½ metres wide joins the surrounding hillside and may conceivably have provided a means of access. On the eastern side of the structure two caves have been excavated, one some 4 metres wide and shallow and the other a small grotto about 1 metre above ground level.

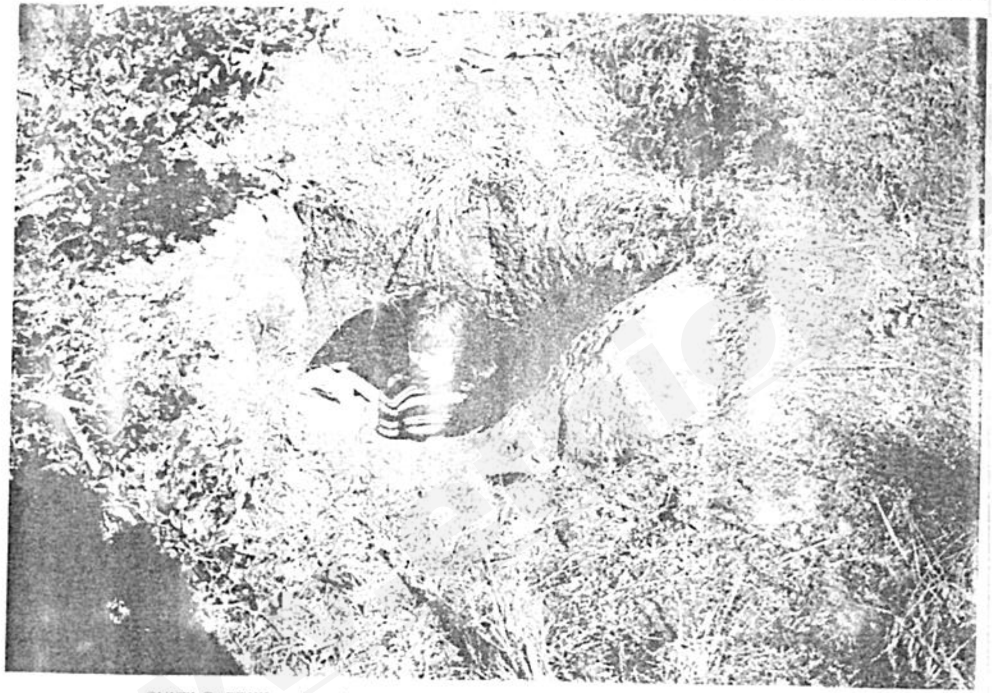
Further access to the interior may have been through a [illegible] shaft over 1 metre wide in the south-west [illegible] the first 2 metres of this hole are at present [illegible] being blocked with earth and stone [illegible] it impossible to tell where it may have led. [illegible] outer wall of the courtyard to the west of [illegible] there is an entrance to a four-chamber cave, the [illegible] becoming progressively larger, the largest measuring 3½ metres by 2½ metres at its widest points. The central chamber has two circular vertical passages [illegible] one of which has been skilfully blocked with [illegible] while the other has suffered from roof sub[illegible] westernmost cave there is a tunnel now [illegible] in the entrance cave seats [illegible] cut in the stone on either side of the door.

A second group of caves is reached through an entrance to the north-west of the central structure, and consists of two large interconnected grottos each about 7 metres long by 3 metres wide. Almost in every direction there are blocked tunnels or holes, one of which turns southwards and may have been linked with the aforementioned group of caves. Local tradition claims that one such passage leads all the way to Addi Mariam. Three small holes have been cut above the entrance to this cave, perhaps to serve as windows on ventilation holes, and there are two vertical shafts slight further south which probably once gave access to these grottos.

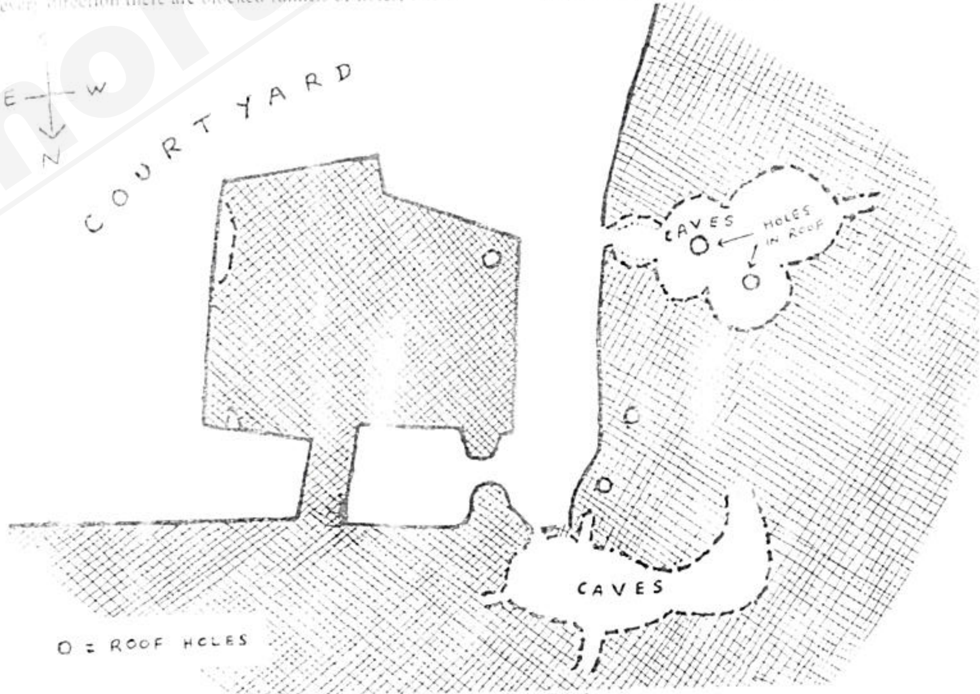
This interesting site, which was explored by the present writer with Viveca Haldin, Ingvar Carlen, Erik Forsse, Rita and Helen Pankhurst, clearly requires thorough investigation, including excavation.

Mention may conveniently be made at this point of another, but at first sight far less interesting, cave antiquity which lies a few minutes' walk below the church of Zena Marqos in the highlands south of Adadi, where we found a large crudely excavated grotto with two horizontal entrances at different levels as well as a vertical shaft in the roof giving access to a smaller chamber which, according to local report, was once used to house the *tabot* or "holy of holies" of Zena Marqos.

1 P. Merab, *Impressions d'Ethiopie* (Paris, 1921) [illegible]; P. Azaïs and R. Chambard, *Cinq années de recherches archéologiques en Ethiopie* (Paris, 1931), p. 166 and plates 48-9; Italy, Consociazione Turistica Italiana, *Guida dell' Africa Orientale Italiana* (Milano, 1938), p. 545; L. Findlay, *The Monolithic Churches of Lalibela in Ethiopia* (Cairo, 1943), pp. 20-1; D. R. Buxton, *The Christian Antiquities of Northern Ethiopia* (Oxford, 1949), p. 33.
2 R. Pankhurst, "A Cave Church at Kistana, South of the River Awash", *Ethiopia Observer* (1973), Vol. XVI No. 3.



GUFTI GABRIEL: exit to the western tunnel (Helen photographed for size). *Photo: Viveca Halldin.*



Plan of the excavation at Tulu Lemen

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Ethiopian Monetary History in the Phase of Post-war Reconstruction (1941-1945)

A Collation of Ethiopian, British and American Documents

by Richard Pankhurst

ADDIS ABABA 1974

CURRENCIES OF THE OCCUPATION PERIOD, 1936-41

After encountering considerable monetary problems in the late 19th and early 20th centuries, the Italian Government had introduced the lira currency of Metropolitan Italy into their East African colonies of Eritrea and Somalia, and later, in 1936, into occupied Ethiopia. Special lira notes for Italian East Africa were subsequently issued and circulated in the Italian empire side by side with those of metropolitan Italy. Lire, though widely accepted in Eritrea and Somalia, were far less successful in Ethiopia. They were widely used in the towns, particularly among the Italian community and other foreigners, as well as for governmental and semi-governmental transactions, but were extremely unpopular in the countryside. The Italians during their occupation of Ethiopia also attempted to banish the Maria Theresa dollar, or thaler, which had circulated in the area for over a century, but this remarkable old Austrian silver coin maintained its popularity throughout most of Italian East Africa. (See R. Pankhurst, "The Perpetuation of the Maria Theresa Dollar and Currency Problems in Italian-Occupied Ethiopia, 1936-1941", *Journal of Ethiopian Studies* (1970), Vol. VIII, No. 2, pp. 89-117.)

THE PERPETUATION OF THE LIRA, 1941-2

Mussolini's entry into the European war on June 10, 1940, was followed by the rapid and total disintegration of fascist power in East Africa which led to a loss of confidence in the lira, an Italian officer complaining in December that "the mistrust of natives was clearly shown by their refusal to accept our currency".[1]

Collapse of confidence in the lira caused the value of this money to fall sharply, for on September 1, 1939, immediately prior to the opening of World War II, the rate had stood at 83·65 lire to the pound sterling,[2] and at the beginning of 1941 the exchange as fixed in London was still no more than 100 lire to pound.[3] By the end of January 1941 the opening of the Allied assault on Italian North and East Africa had, however, caused the value of the lira to drop, according to Sir Philip Mitchell, the British Chief Political Officer for Enemy Occupied Territory, to only 400 to the pound.[4]

As the East African liberation campaign proceeded the value of Italian money continued to fall. By March 1941, the exchange, according to the Hon. F. Rodd (later Lord Rennell of Rodd), Controller of Finance and Accounts to Occupied Enemy Territory Administration, had dropped to 480.[5] In the following month, which witnessed the Allied occupation of Asmara and Addis Ababa, the lira, he reports, was "freely offered, particularly by non-Italians, and the highest level reached in most places was about 1,000 to £1".[6] There were, however, frequent fluctuations in the value of the lira throughout the first weeks of the British occupation. The British war correspondent, Richard Dimbleby, stated that in April exchanges were taking place at the "fantastic rate" of 495,[7] while Lieutenant-General Sir Alan Cunningham, the British General Officer Commanding, East Africa, telegraphed to the War Office, on June 3, that higher denomination notes were quoted in the bazaar at Asmara at 650, and at Mogadishu at 600 to 1,000 "according to news and size transaction".[8]

The attitude of the British forces of occupation towards the lira was influenced by the suddenness of Mussolini's long-anticipated entry into the European war, for which the British Government had made only minimal preparations, as well as by the unexpected speed of the Italian fascist collapse in East Africa which necessitated taking rapid control over a huge territory for which no plans had been made. Most of the basic monetary decisions for the areas already occupied or about to be occupied were in fact only taken after the opening of the campaign in January 1941. Rodd relates that in the "early weeks" of the year he "was called, together with a representative of the Bank of England, to an interdepartmental meeting held at the War Office to consider currency and financial matters in the Italian colonial territories. At the meeting," he recalls,

"such information as was available on the value of Italian currency in the black markets of Europe and the Levant was considered in the light of the probable

true value of the lira in terms of prices in Cyrenaica and Italian East Africa. Expert advice went to show that the lira could not be expected, having regard to known inflationary tendencies and practices in metropolitan Italy, to have a value of much more than between 350 and 400 lire = £1 sterling and possibly a figure of well over 400 would prove true".[9]

Sir Philip Mitchell, also writing of this period, notes that the lira's exchange at the end of January 1941 stood at 400 to the pound, and comments that if the British military authorities had purchased lire at that price they would have run "a grave risk of buying up all the bad money in the Eastern Mediterranean at the British tax-payer's expense". On February 6 he therefore informed Brigadiers M. S. Lush and B. Kennedy-Cooke,[10] the British officers responsible for Ethiopia and Eritrea respectively, "that they had authority to fix any rate of exchange they thought proper between 200 lire and the black-market rate of 400 lire.[11] Sir Philip also instructed them "to proclaim that lire were legal tender only for sums not exceeding 1,000 lire" and "to pay troops when they had to in captured lire, subject to these limitations". The object of these instructions, as he noted in his diary, was "to make lire like poker chips, valid only in the grounds of the casino", and he later commented. "It seemed a sound financial object to me at the time!"[12]

Official British policy towards Italian money in this period was summed up by E. Rowe-Dutton, the British Treasury official primarily concerned with monetary policy in the occupied territories, in a memorandum of March 3, 1941, in which he observed of the lira in East Africa that "the British occupation divorces it from all backing and renders it valueless, unless we choose to give existing lire notes value by acquiring them from holders in exchange for sterling or other good currency". Emphasising that he saw no advantage to his compatriots in following the latter course of action, he declared, "we have not, so far, captured any great store of lire from the Italian forces".[13] A few weeks later, on March 27, C. K. Bateman, a counsellor at the Foreign Office, drew up a minute on the future of the lira, in which he observed:

"I think I am right in saying that one of our objects is, as a war measure, to chase the Metropolitan Italian lira completely out of Africa".[14]

Rowe-Dutton seems to have agreed with this objective, for he observed on May 10, "Clearly, we ought not to re-valorise the lira in unlimited amounts, and, indeed, I should like to reduce its value to a minimum".[15]

The British military administration on the whole took a similar view, and, as Rodd stated in a subsequent report of October 27, stipulated that "the occupying authority would not accept Italian currency, save under special circumstances, for payments in forms other than coin and small notes".[16] Emphasising this latter point, he declared: "His Majesty's Government were not prepared to valorise Italian currency in occupied territories in any form that could possibly be avoided".[17] The result, he observes, was that: "In the main, the occupying authority will only accept higher denomination Italian notes for the payment of taxes (excluding customs) where such taxes are tendered in order to ensure continuity of payment".[18]

The reasons behind the decision not to permit any valorisation of the lira were later explained by the Controller of Finance and Accounts, Occupied Enemy Territory Administration (O.E.T.A.), who, writing in understatement, declared that:

"the problem was not simplified by the interchangeability of the Italian notes circulating in Africa with those in Italy itself, the known existence of a volume of indeterminate size of Italian notes in Egypt, the Levant and Arabia, and the possibility of exchange transactions being conducted by all sorts and conditions of men throughout the Levant, including the neutral territory of Turkey. Moreover the total volume of notes outstanding in the Italian colonies, though known to be considerable, was an entirely uncertain factor. The problem was to relate the currency or currencies which the troops would have and use when they entered enemy country with the local currency and at the same time to avoid at all cost standing behind or guaranteeing the Italian money in terms of any of the British military currencies".[19]

British policy, it should be reiterated, was drawn up on the spur of the moment, and this significantly circumscribed the course of action which could be pursued. Rodd, who makes much of this point, later noted that there was no time to create an *ad hoc* currency before operations began, as was done in anticipation of the invasion of Italy in 1943, and of France in June 1944",[20] or of using local, i.e. Italian, currency, for the British military authorities "possessed no stocks of lira notes and could not be certain of securing any at any early date".[21]

The British Government accordingly decided that "there could be no question" of assuming any responsibility for that currency. There seemed, on the other hand, no easy way of rapidly eliminating Italian money, so it was decided, Rodd concludes, that "the legal tender status of the Italian lira would be maintained for transactions between the European and African inhabitants of the country, but not between these and the occupying troops or authorities".[22]

The result of such thinking was that the British officer commanding Allied forces in Eritrea, Lieutenant-General Sir William Platt, issued a proclamation, on April 5, 1941, decreeing that the currencies of the occupation forces and the Maria Theresa dollar should both be "legal tender" in Eritrea, but that "nothing in the present article shall preclude the use of Italian currency between the inhabitants of the territory". On the same day the British military administrator of the territory, Kennedy-Cooke, fixed the exchange at 492 lire to the Egyptian pound, 480 to the British pound, 45 to the Maria Theresa dollar, and 10 to the Indian rupee.[23]

The significance of the above proclamation was emphasised by Rodd by his report of October 27, where he declared that the British administration "intentionally did not declare that Italian currency was no longer legal tender among the inhabitants of the country". Reiterating the reasons which had prompted this decision, he declares that the continued circulation of enemy money was permitted:

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"to avoid the undue hardship and confusion which would result from the cessation of legal tender status of a currency which had permeated Italian East Africa before it could be replaced by any or several of the currencies of the occupying authority. It was felt that considerable economy might be made in the use of any of our currencies if Italian currency could continue for a time at any rate to be used by Italians and Africans in the territories occupied. The maintenance of some sort of purchasing power for the lira was calculated to obviate having to make early cash relief payments, having regard to the fact that the Italian authorities had provided their personnel with money by giving them three months' salary in advance prior to abandoning their administration. To have abolished Italian currency as legal tender would almost inevitably have obliged us to exchange at any rate part of the Italian currency in circulation for our currencies or would have had the effect of depreciating Italian currency so rapidly as to have rendered it rapidly unusable, or both. Even if we wished to exchange Italian currency for our own currencies this would not have been possible since there was an insufficient supply of any of our currencies available for the purpose, nor did we at the time know what amounts of Italian currency might have to be accepted for exchange. Finally, to have effected an exchange of this nature would have involved His Majesty's Government in being left with quantities of Italian currency of which they could not have disposed".[24]

A significant feature of the British administration's acceptance of the lira was that it was based on the depressed rate of exchange resulting from the fascist collapse, and hence on a low level of prices which was naturally advantageous to the Allied forces of occupation. A British Indian officer writing of the first weeks of post-liberation Addis Ababa recalls that "the main street was thronged with money changers whose rate varied daily and according to the money presented. We had an amusing time", he adds, "seeing how best we could profit from the exchange; Indian money obtained by far the most favourable exchange into lire, which was the best currency to use, but East African coins and notes, and English sterling was also seen".[25] The British military administration was, however, reluctant to admit to the advantages accruing from a devalued lira. Lieutenant-General Cunningham, who informed the War Office on May 10, that the "depreciation of Italian currency" was "generally following expected course", claimed for example that the "policy pursued" had "enabled some sort of value to be maintained, thus mitigating hardships, and economising use our currencies", [26] but chose to avoid mention of the profitable exchanges obtained by his troops. Rodd likewise stated in a report of October 27 that the War Office had fixed the rate at 480 to the pound which was "convenient" in that it made the lira equal to one English half-penny, and "appeared to be workable. though the implied depreciation of the lira was perhaps somewhat higher than was necessary at desirable".[27] but subsequently in his book on *British Military Administration in Africa 1941-47* omitted any reference to the possible undervaluing of the lire, arguing instead that the rate had a "most satisfactory" effect in "the bazaar markets of Cairo and the Levant, where there had been some hoarding when Allied fortunes in the war were not very bright", and that the exchange was hence "a good piece of political and economic warfare".[28]

The exchange was, it may be argued, nevertheless pretty artificial, for as the British economist Paul Enzig informed the Foreign Office on March 13, parity in neutral markets would have worked out at only about 80 lire to the pound.[29] The Foreign Office was, however, uninterested in such calculations, an official minute of March 27 roundly declaring: "it seems absurd for Mr. Einsig to argue that because in neutral markets the parity of the lire is fixed at about 80, anything approaching that rate should be fixed in territories where the Italians have lost all influence". With brutal logic the minute added: "To talk of the native population obtaining more or less pounds for this or that is equally absurd, because had it not been for our occupation they would have got no pounds at all".[30]

Though refusing to give the lira any official status the British authorities found it necessary to make an exception in the case of coins and notes of small denomination, for the new administration was in no position to import any large quantity of small change. As Rodd afterwards argued "no other small currency" was "available in sufficient quantities", and there accordingly "did not appear to be any course open but to accept Italian coin and small denomination notes". Such money was to serve as small change for both the already existing Maria Theresa dollar and for such Allied currency as might be introduced by the occupation authorities.[31] Lieutenant-General Platt in his proclamation of April 5 for Eritrea accordingly decreed that Italian currency would be accepted by the administration "only in such denominations and amounts" as it should order,[32] and a notice was issued on the same day by Kennedy-Cooke, which laid down that the administration would only accept lire currency "in coin, or notes exceeding 10 lire denomination", though payments could also be made to the administration "for taxes, but not for customs dues, in Italian currency of any denomination". The commercial community was at the same time "advised not to accept lire for goods sold in Italian currency unless the currency tendered in payments is in notes not exceeding 10 lire in denomination or in coin which, as stated, is the only Italian currency which the British Authorities will accept except by special arrangement".[33]

Despite the administration's acceptance only of small denomination lira notes and coins, Italian currency of other denominations continued to circulate fairly widely among the public at large. On March 29, the British Commander-in-Chief in the Middle East, General Sir Archibald Wavell, had warned the War Office that "we must anticipate Lira currency becoming unusable in Ethiopia very soon",[34] but a couple of months later, on June 3, Cunningham reported that Italian money was "still circulating among populations though not accepted by us except in special circumstances and for small change".[35] A few weeks later, on June 21, the General Officer Commanding, East Africa, added that the lira was "circulating freely among Italians", and that he was "well satisfied" with its "restricted use".[36]

The retention of enemy money of any denomination or for any purpose was not easily agreed to by Emperor Haile Selassie and the Ethiopian Government who regarded it as an undesirable remembrance of the fascist occupation. The Ethiopian ruler was, however, in no position to resist the British view. After his return to Addis Ababa on May 5 he was subjected to strong pressure from Sir Philip Mitchell who had been instructed, according to an official note of June 19, to find a "possible understanding" with him on the basis of several "general lines", the first of which bluntly stated: "The Emperor and the Ethiopian authorities to agree to abide in all important matters, internal and external, touching the Government of the country, by the advice tendered to them by His Majesty's Government in the United Kingdom".[37]

The Emperor's freedom of action was thus strictly circumscribed. The Ethiopian ruler had no alternative but to acquiesce in British policy that the lira should be allowed to circulate among those of the population who wished to use it and that Italian coin and notes of low value should officially be accepted as small change. Rodd, recalling his negotiations on the question, stated on October 27 that "the Emperor displayed some reluctance to admitting for legal tender another currency than the Maria Theresa dollar, but after some discussions fell into line". Emphasising the extent of the Ethiopian sovereign's opposition to the lira he adds that "the main point of objection" was to "continuing the use of Italian currency in any form whatsoever", but that "since, however, there was no divisionary coin which he could use", the Emperor was "obliged, albeit reluctantly, to agree to Italian coin and small denomination notes being declared legal tender for all purposes and to be used as small change for the dollar".[38]

The circulation of Italian currency throughout this period was at times chaotic, in large measure because the official status given to coins and notes of small value caused such money to be hoarded, thus creating a chronic shortage of small change.

The scarcity of such currency was first reported by General Wavell as early as March 29, when he observed that "an expensive palliative to small change difficulties would be to admit exchangeability of Metropolitan 50 and 100 Lira Notes", but "presumed" that the War Office would "not favour this" nor would the Controller of Finance recommend it "at any rate until more information is gathered".[39] A few weeks later, on April 16 the General informed the War Office that the life of the 10 and 50 lire notes then in circulation was estimated at only "six months".[40] Cunningham also complained about the small change position, telegraphing on May 10, that such money was "becoming scarce" and that he therefore requested authority to accept 50 lira notes at his discretion "when necessary", but did "not think that this should prove expensive" as the quality of the paper ensured its "progressive disappearance" while experience had shown that "Italian small change does not in fact accumulate in our hands".[41] The British Government was at first reluctant to agree to such suggestions, Evelyn Baring, a senior official at the Foreign Office, observing on May 22, "No decision has yet been reached as to what lire notes of small denomination shall be allowed to circulate".[42] The War Office, however, later accepted the military authorities' suggestions for Eritrea,[43] but not for Ethiopia, and the military administrator of Eritrea accordingly permitted the use of notes up to the value of 50 lire as of July 1.[44]

Small change was for a time so scarce in the ex-colony that recourse was made to token money, but the British administration objected to this development. A notice was accordingly issued by Kennedy-Cooke on November 21, observing that it had come to his attention that notes, vouchers, certificates, tickets and the like were being "issued by unauthorised persons or institutions and freely circulated amongst the public in lieu of money", but that this was considered "liable to disturb economic and financial life" and was therefore "strictly prohibited".[45]

The magnitude of the small currency problem was also admitted by Rennell Rodd, who, though always anxious to paint a rosy picture of the currency situation for which he was responsible, could not help noting on October 27, that "the shortage of small change in Eritrea unfortunately led to some undesirable transactions between large and small denomination Italian currency".[46]

Notwithstanding such difficulties the value of the lira in the former Italian East African empire, as Rodd stated in a report of Octaber 27, soon settled "at an average level of around 550 to the £",[47] or 500 as he later put it in his book where he claims that "Italian purchasing power in the hands of the native and European inhabitants" did not "suffer greater loss" than that involved in the British administration's original decision to fix the rate at 480, a rate which he somewhat vaguely asserts was "not inconsistent with the true purchasing power of the currency at the time".[48]

Despite the relative stability of the lira there was much speculation in this currency, notably, Rodd asserts, in the two "free markets" in Addis Ababa. One of these centres, a street market in the town centre, was, he says, operated mainly by Ethiopians, but its daily turnover was "very small, probably not more than £20 made up of numerous small transactions". The "main exchange market" was in the Arab, Indian and Greek quarter where "on some days a very large turnover is done, particularly in high denomination notes. A supply came from Aden via Berbera, probably ultimately from the Yemen and possibly Egypt. The notes change hands several times on the journey on the basis of about 100 to the £1. At Berbera the rate is usually about 800 to the £1, and on reaching Addis they are exchanged at rates varying between 500 and 600 lira to the £1".[49]

A significant feature of this speculation was the constant fluctuation in the value of larger denomination notes. "The first tendency for large notes to fall to a discount on the official rate", Rodd observed, "was replaced in 1942, first in Ethiopia and then in Eritrea, by a tendency for them to rise to a premium owing to the demand for the larger unit by repatriates who were allowed to take any quantities they desired home to Italy". This permission, "of which repatriates availed themselves freely", had the effect, he declared, "of releaving the territories which they left of currency which was no longer needed". A similar development resulted from the British policy of interning Italians, who, Rodd states, "were also afforded the opportunity of depositing

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their lira currency with the Custodian of Enemy Property, a further device for decreasing the supply of payment media in the country".[50]

Such fluctuations, however, did not prevent the lira from maintaining the greater part of the value it had retained after its initial devaluation, as was emphasised in the would-be humorous remarks of Sam Brown, a British officer, who, writing in the British forces' publication, the *Ethiopian Star*, likened the Italian currency to a sick man who was beginning to recover. "After a serious illness, in which it sank as low as 580 to the East African Pound", he declared in October, 1941, "it has now begun to recuperate and has pulled back to 500, and even less, to the pound. The reason, I am told, is that the intellectual public of Addis Ababa has discovered that the Lira in Eritrea is pretty well stabilised at 492 as against the Egyptian Pound, and there has been illicit traffic between Asmara and Addis Ababa". Adding a jocular touch he observed that this trade might not yield "a Prime Minister's salary", but "has its profits, which will lead to severe penalties if discovered. People are advised to keep their Lire to their own home town".[51]

Half a year later, in April 1942, the good Brown reverted to the health of the lira, which, he said, "still maintains a certain amount of vitality", and he concluded:

"The rate of exchange has been improved recently in relation to sterling owing to the shortage of lire. Italian banks have shut and evacuees have taken large amounts of lire with them out of the country".[52]

CONTINUED USE OF THE MARIA THERESA DOLLAR, 1941-2.

Maria Theresa dollars were so universally popular in Italian East Africa in 1940 that the British, like the Italians at the time of their invasion of 1935-6 found it necessary, for the purpose of the liberation campaign, to have large numbers of these coins struck in London and Bombay from dyes already in the possession of the Royal Mint. No less than 3,766,391 were produced in London in 1940 and a further 2,062,000 in 1941, while production in Bombay for the same years ran at no less than 18,864,576 coins. By introducing this money fairly freely into Western Ethiopia and other parts of the Italian East African empire the British were instrumental not only in perpetuating, but also in giving revived circulation to the old Austrian coin which remained, as for many decades previously, the currency in greatest demand among the vast majority of the Ethiopian population.

On defeating the Italians the British, like their enemies, nevertheless became strong opponents of the thaler, the production of which they regarded as a waste of valuable silver and hence of hard currency. The British, like the Italians, therefore came to regard the old silver coin as an anachronism, and hoped to replace it by a more modern type of currency. The official British point of view was stated by Rowe-Dutton in a Treasury note of March 3, 1941, which observed that Maria Theresa dollars were "very expensive", and that, although it was not yet possible to stop issuing them, the General Officer Commanding, East Africa, had been instructed to "use any practicable economies".[53]

"The Foreign Office shared the Treasury's opposition to the thaler, a minute of March 27, observing: 'In Ethiopia we have been obliged to mint millions of M.T. dollars . . . but this costs money and the silver dollar will have to be replaced by some sort of paper currency sooner or later'."[54]

The British nevertheless accepted the principle that the thaler would have to be used in the immediate post-Liberation period. The British military authorities accordingly issued a notice on April 4, stating that this money was "legal tender in Ethiopia"[55] On the following day Lieutenant-General Platt issued a proclamation which decreed that this currency would likewise be "legal tender" in Eritrea,[56] while the British military administrator, Kennedy-Cooke, on the same day fixed the exchange at 45 lire to the thaler and 11 thalers to the Egyptian pound.[57]

The British military, were, however, from the outset under constant pressure to restrict their thaler expenditure. On March 29, General Wavell, telegraphed to the War Office that he and his colleagues "fully appreciated" the "desirability of economising" in the use of "M.T. dollars and coin generally", and that though estimates of thaler requirements were "not yet fully available", the 2,000,000 then being supplied to him monthly were "probably insufficient if used generally to pay all troops in Ethiopia as well as other current needs".[58] He believed there were, however, "signs of de-hoarding of Dollars in Ethiopia", and that the rate of nine Egyptian piastres to the thaler, which had by then been established, would be "helpful".[59]

Thaler stocks were scarce, but slowly increasing. On April 6, Lieutenant-General Cunningham informed the War Office that his supplies of this money were "not yet sufficient for all purposes" and were therefore being reserved for official business[60], but shortly afterwards, as Rodd recalls, a convoy of 50 lorries brought to Asmara £100,000 worth of dollars, "under strong escort and without incident",[61] while on June 3, the General Officer Commanding, East Africa, informed the War Office that "Chief paymasters have in sight between eight and 9,000,000 M.T. dollars but mainly stored around periphery".[62]

The importance of the thaler throughout this period lay in the fact that there was still great popular reluctance in Ethiopia to the circulation of any other currency. On April 24, Cunningham telegraphed that this money was "virtually" the "only currency acceptable in Addis Ababa markets and surrounding country",[63] while the War Office, realising that it was at least for the time being virtually irreplaceable, noted on May 23, that it would have to be used "throughout Ethiopia", though perhaps in conjunction with a new national currency which, as we shall see, was then under discussion.[64] The importance of the thaler was likewise recognised by an official of the Foreign Office, Paul Mason, who observed on June 19, that this currency was "allowed to circulate rather *sub rosa*,[65] though a few days later, Cunningham reported on June 21, that he was "well satisfied" with the "restricted use of M.T. dollars".[66]

Despite its popularity the thaler was, however, unsatisfactory from several points of view. In the first place its weight and bulk were a major cause of inconvenience, as was noted by Rodd who stated that

these coins weighed "approximately 1 ton for every £3,000 worth", and added:

"The accumulation of a reserve of Maria Theresa dollars in Ethiopia was a serious question . . . An immediate reserve of 1,000,000 dollars sent to Addis Ababa from Khartoum by way of Asmara required a military convoy from Asmara to Addis Ababa (1,000 kilometres) of 26 military lorries with an escort of two officers, forty-seven men and two machineguns".[67]

In the second place the absence of divisional currency for the thaler was a further source of inconvenience, and one of the reasons as we have seen, for perpetuation of Italian small change as well as for the use of other low-denomination currency to be discussed in a later section.

The principal objection to the thaler, however, lay in the fact that it was made of silver, and therefore both expensive to produce and subject to serious fluctuation in value as a result of changes in the world price of that metal.

The case for eliminating the thaler was first discussed by the War Office in telegram to Cunningham as early as April 18, which declared this money "expensive, unsuitable for external trade and undesirable because its value varies with the price of silver".[68] The question of abolishing the thaler was later the subject of conversations, in June, between Sir Philip Mitchell, and officials of the British Treasury. At these talks, which preceded Mitchell's negotiations with the Emperor, it was recognised that this money, large quantities of which were known to be in the country, was still the most popular in Ethiopia, but it was decided that the British would do no more than allow the circulation of the coins already there. Mason in a report of June 11, states that it was agreed:

"that the M.T. dollar would continue to be used in Ethiopia, large deposits of this coinage were now being dug up which the natives had secreted so that there would be a considerable amount available. The natives of course attached more importance to using M.T. dollars than anything else: but it is not intended to more than acquiesce in their using stocks already there".[69]

The British military administration was meanwhile taking vigorous action, to be discussed in later pages, to replace the thaler by East African and other Allied currency, but, well aware of the popular preference for the Austrian currency, also took steps, as Rodd notes, to build up a reserve of 4,000,000 at Asmara, and a small reserve at Harar.[70] The British authorities were, however, so successful in their efforts to economise on thaler expenditure that by the summer of 1941 they found it possible to terminate import of this money, as a result of which Cunningham requested the War Office on August 13, to "suspend all further shipment of M.T. dollars from India".[71]

Plans were meanwhile being laid with a view to eliminating the thaler. On December 6, 1941, the General Officer Commanding, East Africa, Lieutenant-General Sir William Platt, proposed that as part of his plans for introducing East African currency into Eritrea the circulation of thalers in the colony should be terminated[72] but the War Office telegraphed back, on December 16, that "M.T. dollars should remain legal tender as long as they were the principal currency employed in Ethiopia". Reluctant thus to overrule the military authorities on the spot the telegram nevertheless added a contradictory clause which declared, "provided, however, that you are satisfied that withdrawal of legal status of M.T. dollars will not cause you difficulties we are content for you to proceed as you propose".[73]

Early in the following year the British military administrator, Kennedy-Cooke, accordingly issued a notice, on March 23, 1942, stating that Maria Theresa dollars would "cease to be legal tender" in the colony as of May 1.[74] On the eve of the coming into force of this notice he signed an exchange control proclamation, on April 30, providing for the compulsory sale to the administration of all foreign currency in the territory and prohibiting all unauthorised dealings in such money,[75] and on the same day he issued a notice, subsequently reaffirmed on May 12, by his successor, Brigadier S. Longrigg, declaring the Maria Theresa dollar a foreign currency for the purposes of the proclamation, and specifying that it would be purchased for 1·875 East African shillings less a commission of ½ per cent.[76]

In Ethiopia, however, the old Austrian coin continued to circulate as before.

THE INTRODUCTION OF BRITISH-CONTROLLED CURRENCIES, 1941-2

The liberation campaign, spear-headed as it was by British armies from the Anglo-Egyptian, Sudan and Kenya Colony, resulted almost automatically in the introduction into former Italian East Africa of the money used in those two territories. The monetary situation thus created in the aftermath of the campaign was described by Rodd who noted in his report of October 27, 1941, that the problem was "complicated from the very outset by the fact that Egyptian currency was used in the Sudan, which was the base of operations for Lieutenant-General Sir William Platt's troops against Northern Eritrea, while Kenya, with East African currency in use, was the base of operations for Lieutenant-General Sir Alan Cunningham's troops advancing into Italian Somaliland. Neither in the Sudan (or Egypt) nor in Kenya", he adds, "were stocks of any other local currency available; having regard to the rapidity of the advance into enemy territory of both forces it would not have been practicable to arrange for the supply to them of any other currency. The conclusion was therefore reached and so reported to London, that these two forces were being paid, and must continue to be paid, in the currencies to which they were accustomed, at any rate until further notice which necessarily involved declaring these to be legal tender".[77]

The use of Indian troops and the return of the British to their Somaliland Protectorate led shortly afterwards to the reintroduction of yet a third British controlled currency, viz. Indian money, which had already circulated there prior to the Italian occupation.

The coming of Allied troops thus resulted in the appearance of three types of foreign currency besides the lira. Sterling as used in Britain was, it should be noted, not employed to any significant extent, for its export from the home country was, as Rowe-Dutton noted on March 3, 1941, expressly prohibited, while the idea of using pounds overprinted for use in the occupied territories

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raised "strong", and apparently decisive, opposition from the Bank of England.[78]

The British position was explained pretty clearly by the War Office which telegraphed to Cunningham, the General Officer Commanding, East Africa, on April 18, to declare: "It is not our duty to provide O.E.T. with better currency than we find there. We must in any case meet considerable expenses and are reluctant not to save what we can on supply of currency". On the possibility then being canvassed of a special Sterling currency for the occupied territories the telegram declared: "while new sterling issue would involve only small immediate expense potential liability would be large and it would complicate currency position still further". As to the alternative proposal of employing a Sterling silver coin which had been suggested by the British authorities in the Sudan the telegram added:

"If Sudan Government desire to press application for sterling silver coin, it should be made through usual channel but would have small chance of success".[79]

Rejection of Sterling was reinforced a couple of months later when the War Office telegraphed the General Officer Commanding, East Africa, on June 29, to declare:

"O.E.T. and Ethiopia will not (repeat not) be included in the sterling area but they must have relations with places in the area".[80]

Any idea of the use of Sterling was thus abandoned in favour of that of the three occupation currencies which will now be examined in turn.

(i) EGYPTIAN CURRENCY, 1941-2

The advance of Allied troops from the Sudan was accompanied, as we have seen, by the introduction into Eritrea of Egyptian currency, consisting of pounds and piastres, which had circulated in the Sudan, and soon gained temporary currency in the ex-Italian colony.[81]

The possibility of making use of Egyptian currency in the occupied territories of East Africa was first discussed by Rowe-Dutton on March 3, 1941, when he expressed himself on the whole unfavourable to the idea. The main case against such a policy, he declared, was that to obtain Egyptian currency it would be necessary to "pay out sterling to Egypt", while on abandoning the territory or territories the administration would be obliged to leave the currency behind, thus making "a gift thereof to our successors", or, at least, creating "problems of redemption". He also ruled out the possibility of overprinting Egyptian notes for use in the occupied territories on the grounds that it would "present special problems". Turning specifically to Ethiopia he conceded that there was a need for a currency "which shall be parallel to the M.T. dollar and not merely 'small change' – for which all sorts of coins already there will no doubt serve", but concluded that Egyptian currency was not as "suitable" as Indian, for Egyptian pounds, he claimed, were "not well known in Ethiopia".[82]

The speed of the Allied advance in East Africa, the impossibility of introducing a special occupation currency, and the difficulty of procuring sufficient supplies of any kind of money, nevertheless induced the British military authorities to make far more use of Egyptian currency than the Treasury had at first intended. On March 29, General Wavell recognised the desirability of employing Egyptian as well as Indian and East African currencies in the occupied territories, but noted that the "desirability of economising" in their use, as well as of Maria Theresa dollars and "coin generally", was "nevertheless fully appreciated".[83]

The validity of Egyptian currency in Ethiopia was shortly afterwards officially proclaimed by a British notice of April 4, and in Eritrea, on April 5, by Lieutenant-General Platt.[84] With a view to diffusing this money in the latter territory the British military administrator, Brigadier Kennedy-Cooke, issued a notice on the same day stating that "in order to facilitate trade" his administration would exchange into Egyptian currency and vice versa sums up to 1,000 lire in coins and notes not exceeding 10 lire for "merchants, shopkeepers and other persons engaged in regular trade", but warned that these facilities "if abused" might be "withdrawn without notice".[85] Platt's decree stated that political officers would also exchange Egyptian currency for Maria Theresa dollars, at the rate of 11 dollars to the Egyptian pound, but "not vice versa", and on the same day Kennedy-Cooke specified that the value of the Egyptian pound was fixed at 11 Maria Theresa dollars or 492 lire.[86]

The British Government, though accepting the monetary convenience of thus making use of Egyptian currency, was politically reluctant to do so on any considerable scale, for Egypt, though under British occupation was nominally independent, and relations between the two countries were acutely strained. The War Office accordingly telegraphed to Cunningham, the General Officer Commanding, East Africa, on April 18, warning him that "existing currencies" were "expensive . . . and in short supply", and that the use of Egyptian currency meant "shortage of small change" and had "possible political drawbacks".[87] A few weeks later Rowe-Dutton of the Treasury frankly noted, on May 10, that "nobody wants to bring in the Egyptian £", and a week or so later, on May 23, the War Office telegraphed to Cunningham to inform him that "we think rupees should be used in preference to Egyptian currency as political drawbacks are less and small change easier to provide".[89]

The introduction of Egyptian currency into Eritrea was limited furthermore by its scarcity in both Egypt and the Sudan. On May 6, Cunningham reported that the Sudan Government's "inability" to release Egyptian small change had created an "acute shortage" of this money in the ex-Italian colony,[90] and on June 3, that with the advent of increasing numbers of Allied troops in Egypt the currency situation there could be expected to "become harder to get". "In any case", he added, he would "like to use" East African currency "in place" of Egyptian if supplies of the former were available.[91] Later, on June 21, he again complained of "difficulties" in the supply of Egyptian money.

Shortage of other currency, and above all of East African money, the one most favoured by the British military administration, nevertheless obliged the British authorities to make increasing use of Egyptian currency. This trend was reinforced by the fact that the British military preferred Egyptian to Indian currency to which, as we shall see, they held an even stronger aversion. A request was therefore made to the British-Controlled National Bank of Egypt to release a supply of five and 10 piastre notes for use in Eritrea. This money was duly issued, Cunningham reporting on July 7, that the piastres in question were expected to be "sufficient" to cover requirements in Eritrea for "the next six months", and that he had therefore given instructions to continue using Egyptian notes in the ex-colony where they were "rapidly establishing themselves".[93]

The British military administration had, however, no desire to establish Egyptian currency on a more than temporary basis as is clear from Cunningham's above-mentioned telegram of July 7, which stated that the main justification for issuing such money was to "economise East African notes", and, revealing his own predeliction for the latter, he added: "it would be relatively simple to change over to East African later on if it proves desirable".[94]

Little more than three months later the British military administration decided that the time had come to dispense with Egyptian money, and the War Office speedily agreed to this in principle. On November 27, it accordingly telegraphed to General Wavell to report:

"East Africa instructed by cable to replace Egyptian currency by East African currency in Eritrea as soon as sufficient of the latter is in hand . . . As from date which will be notified . . . you should arrange exchange into East African currency of Egyptian currency in possession of troops proceeding from Middle East to Occupied Territories".[95]

A week or so later, on December 6, Platt reported to the War Office on the arrangements being made for the "change-over". The first step, he explained, was to be an "announcement that as from commencement date East African currency is to be currency in use in Eritrea and that Egyptian currency is to be handed in for exchange and will cease to be legal tender in Eritrea on a future date of which notice will be given . . . As from commencement date all official payments by Army Administrators, etc. will be made in East African and facilities for exchange of Egyptian into East African made as widespread as possible. Proclamation will be made enabling debtors in Egyptian currency to pay in East African at official rate".

The second step was to take place when the bulk of the Egyptian currency, estimated at £350,000, had been withdrawn whereupon notice would be given that the currency would cease to be legal tender.[96]

The War Office gave its approval to this plan on December 16.[97] Steps for the elimination of Egyptian currency were therefore taken early in the new year. On January 10, 1942, the British military administrator, Kennedy-Cooke, issued a proclamation stating that "where any agreement whether expressed or implied" had been made "for the discharge of any liability in Egyptian currency" such liability might "at the option of the person liable and notwithstanding any such agreement, be discharged in British East African currency at the rates in force when such liability was discharged".[98] Four days later, on January 14, the administration issued a notice which declared that "all Egyptian currency in circulation in Eritrea will be withdrawn", that "from a date to be declared in due course, Egyptian currency will cease to be legal tender in Eritrea", and that commencing on January 15, the administration would accept Egyptian currency and tender British East African currency in exchange at specially designated offices in 10 towns of Eritrea, namely Asmara, Massawa, Keren, Agordat, Adi Ugri, Adi Caieh, Decamare, Tessenie, Nacfa and Barentu. "All residents of Eritrea in possession of Egyptian currency", the notice added, "must exchange it for East African currency at one of the offices mentioned above. While ample time for exchange will be given, it is desired to complete redemption as early as possible". Exchanges were to be effected at the rate of 97½ piastres to the East African pound.[99]

A few months later, on March 23, Kennedy-Cooke issued a further notice stating that Egyptian currency would cease to be legal tender as of May 1,[100] and to complete the change-over a final proclamation, of April 11, specified that as of the change-over date all financial transactions unless otherwise speculated had to be effected in East African currency.[101]

The result of the above proclamation and notices was that Eritrea was transferred from an Egyptian to an East African currency basis. The change-over, Rodd claims, "was completed without difficulties" by May 1, up to which date £300,000 Egyptian was recalled as against a previous estimated disbursement of £700,000 Egyptian. The balance, he believed, had "probably seeped out mainly into the Sudan in exchange for goods or remained in hoard".[102]

(ii) EAST AFRICAN CURRENCY, 1941-2.

The advance of British troops from Kenya in 1941 resulted in the introduction of East African currency first into Italian Somaliland and later into other parts of the former Italian East African empire where the use of this money was actively encouraged by the British military administration who made it the subject of much special pleading.

Initially the British Government had not envisaged any widespread use of East African currency in the occupied territories, for information available in London suggested that its introduction was far from practicable. Rowe-Dutton argued against this money on March 3, 1941, declaring, "Kenya currency is not suitable, except to a limited degree in Somaliland. Anyhow there is a shortage of subsidiary coin".[103]

The local British military administration, many of whose officials had ties with British territories in East Africa, on the other hand, took a different view, and on March 27, General Wavell informed the War Office that only a small quantity of Italian lire had been captured as booty, as a result of which, he said, "we are continuing to use East African currency as supplies are apparently sufficient for Italian Somaliland".[104]

The War Office, which, as we shall see, then favoured the idea of introducing a new type of lire specially issued for occupied territories, was, however, critical of any extensive use of East African currency, in large measure because the East African Currency Board, the organisation in London responsible for the issue of that currency, felt that their money was in too short supply to be widely used. There were moreover fears that the extensive use of the currency in the occupied territories might give the impression that they were being annexed to the British Empire, and thus have undesirable political

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implications. The War Office therefore telegraphed to General Wavell, on March 28, declaring, "E.A. Currency Board have not (repeat not) sufficient reserves in notes or coin except for Italian Somaliland and fresh minting difficult". Turning to the possible political inconvenience of any considerable use of this currency the telegram added:

"We must proceed on assumption that our occupation may be only temporary and avoid both commitments difficult to terminate later and bad propaganda effect meanwhile of a sterling issue with its implications that OET is already regarded as annexed to the Empire".[105]

The British military administration, which by and large saw no objection to incorporating the occupied territories in the British Empire, now came out in opposition to the proposed new lira, and at the same time began to canvass the idea of employing East African currency. On March 29, Wavell urged the case against a new lira, and, expressing his opposition also to Indian money, declared that "supplies of East African currency are now stated to be sufficient to obviate use of Rupees in Italian Somaliland". Reiterating his dislike of the proposed new lira, he added that "all there would definitely prefer to continue use of Egyptian, Indian and East African currencies", though the "desirability" of economising on their use was "nevertheless fully appreciated".[106]

In the spring of 1941 the British Government envisaged the use of East African currency only in Italian Somaliland, but since it was not certain how far each of the Allied armies would advance, and how exactly the occupation would operate, it was decided that the currencies of each army would be declared legal tender throughout occupied territory. Thus a British notice of April 4, laid down that East African money was "legal tender in Ethiopia", while further north in Eritrea Platt decreed on April 5, that it was one of the currencies valid in the ex-colony,[107] and on the same day the military administrator of that territory issued a notice that 200 British East African shillings were equal to 480 lire.[108]

The British military administration in East Africa was meanwhile becoming increasingly vocal in its advocacy of East African currency. On April 6, Cunningham, anxious to persuade the War Office of the advantages of this money, sent the War Office a remarkably enthusiastic account of its popularity, and also made several probably exaggerated assertions on the alleged lack of popular interest in the Maria Theresa dollar. Reporting on the situation in Harar, where the latter currency had never enjoyed anything like its popularity in the rest of Ethiopia, he somewhat tendentiously declared:

"From my personal examination of currency position in Harar, I am of opinion that there is no (repeat no) real demand for M.T. dollars in Southern Abyssinia. East African currency, both notes and coin, are freely accepted in Harar and easily exchanged for lire by troops at 480 for 20 East African shillings. M.T. dollars were viewed with suspicion and value not understood".[109]

The War Office, on the other hand, was opposed to the use of East African currency which it considered "expensive" and "in short supply", and in consequence telegraphed to Cunningham, on April 18, to declare that there were "not (repeat not) sufficient reserves either of notes or coins except possibly for Italian Somaliland and fresh minting is difficult".[110]

Cunningham, however, was not persuaded. On April 24, he again telegraphed to the War Office on the success achieved by East African currency, and declared:

"At Harar, East African currency is acceptable, and being used (*a*) in order to economise M.T. dollars, and (*b*) pending introduction of sufficient supplies of latter . . .

"Rate of 480 lire equals 20 East African shillings has been accepted by Italians and merchants without much demur. Street rate is 500 in Addis Ababa".[111]

Subsequently, on April 30, Cunningham despatched an even more revealing telegram in which he expressed his "dislike" of the "idea of permeating large tracts of Africa with rupees", and added:

"E.A. currency would be preferable (though perhaps difficult in Eritrea) with notes down to one shilling for O.E.T.A. areas if minting presents difficulties. You will doubtless have noted use of E.A. currency in Harar which I hope might be extended if supplies available".[112]

Continuing to urge the practicability of introducing East African currency the General Officer Commanding telegraphed to the War Office, on May 6, to report that the Financial Secretary and Chief Accountant of the Kenya Government and "local bankers" were agreed that the military administration had "sufficient" supplies of that money for the needs of Southern Somaliland and South-Eastern Ethiopia for the "next few months", that a "currency reflux" was "expected", and that "military needs" were "declining".[113] On the following day he reported that it was estimated that 2,500,000 East African shillings had been issued in Italian Somaliland since its occupation, and that though it was "impossible" to say how much had been carried north by the troops the "greater part" had "probably remained in the country".[114]

The importance of these telegrams was later recognised by Rodd, who, summing up the administration's attempts to expand the use of East African currency throughout occupied enemy territory in East Africa, later claimed on October 27:

"The proposal made to place the whole of Italian East Africa on the East African currency standard had its origin in the somewhat surprising readiness evinced by the native population of Ethiopia in the Harar-Dire Dawa area, to accept East African currency.

"When attention was drawn by the Army Paymasters to the fact that they were encountering no difficulty in making local purchases of foodstuffs at Harar and Dire Dawa in East African currency, and that the troops of General Cunningham's forces were equally experiencing no difficulty in purchasing their requirements out of their pay in this currency, instructions were given that Maria Theresa dollars were not to be used in that minting area for either Army of O.E.T.A. purposes. The Controller of Finance and Accounts then arranged with the Chief Paymaster and Financial Adviser in Nairobi to continue using East African currency in Addis Ababa in the same way, to see whether this same acceptance would be given to this currency there. To guard against eventualities, it was, however, arranged that units receiving their pay in East African currency might make block exchanges of any part of such issues for Maria Theresa dollars at Field Cashier's offices".[115]

Rodd adds that though "some recourse" was had to block exchanges, East African currency on the whole "found as ready acceptance in Addis Ababa as in the Harar-Dire Dawa areas".[116]

The British military administration's proposals for the extended use of East African currency nevertheless continued to meet with a cool reception in London. At the Treasury, Rowe-Dutton, conceded on May 10, that opposition to the proposed new lira was so great that his compatriots would "most reluctantly" have to give it up in favour of Allied money, but, rejecting East African currency at least by implication, declared that he had "a predilection for the use of rupees in Eritrea plus, I suppose, British Somaliland", though he envisaged the employment of East Africa currency "in the south", in Italian Somaliland.[117]

The East African Currency Board also expressed itself strongly opposed to any extension in the use of its money. In a memorandum of May 9, the board noted that it had learnt of the proposal for the introduction of its currency into the occupied territories, and understood that "those responsible for this proposal have gathered the impression . . . that ample stocks of East African currency are available". The board, which went into considerable monetary detail, declared, however, that they could not "subscribe" to this view, as its stocks were "at low level", and there were "grave practical objections to an extension of the territories in which the East African shilling is the current coin".[118]

Opposition from the board convinced the British Government, for the time being at least, against permitting the diffusion of East African currency over too wide an area. On May 22, Evelyn Baring, of the Foreign Office, expressly stated that Eritrea was to employ rupees, and mentioned Italian Somaliland as the only place where East African currency was to circulate and then only "provided the supply is sufficient", failing which rupees were to be used.[119] On the morrow the War Office telegraphed to Cunningham, recommending the use of Indian or, in lieu thereof, Egyptian currency in Eritrea, and of Indian in British Somaliland. As for East African currency, the War Office remained non-commital, for it noted the military authorities' "preference" for this money in Italian Somaliland, but added:

"Currency Board cannot understand your statement that supplies are adequate since 38 per cent of stock of notes are of high denominations, unsuitable for current use, they are gravely concerned over seasonal movements in a few month's time, and are not prepared to supply Italian Somaliland from existing stocks until firm orders have been given for the replacement of such supplies".

Elaborating on these difficulties the telegram observed that the "problem of delivery" was not surmountable, but would "entail several months delay", while the minting of shilling pieces was "difficult" and shilling notes had "grave drawbacks".

Turning specifically to Cunningham's proposals for the introduction of East African currency into Ethiopia the telegram declared that the "supply difficulty would of course be increased" if the circulation of this money was to be "extended to Harar, etc". The War Office therefore concluded that it would "like to use new Ethiopian currency and/or M.T. dollar throughout Ethiopia".[120]

Undismayed by this rejection of his proposals, Cunningham replied to the War Office in a long and persuasive telegram of June 3, which claimed that East African currency had already made considerable headway, and set forth the advantages of establishing a single type of money throughout the area. He noted that in Italian Somaliland, East African currency was the only money "effectively" in use, that in British Somaliland, where Indian money was the sole legal tender, some East African currency had nevertheless been "disseminated" by troops passing through Berbera, and that in Ethiopia it was already "current in the Harar area", and was "now being used in Addis Ababa by the military". He went on to explain, somewhat ingratiatingly, that the use of this currency in Ethiopia had been "encouraged" by the military in response to the War Office desire for economy with Maria Theresa dollars, and that the acceptance of East African money in the urban centres "augurs well for introduction of new paper currency hereafter provided population is not corrupted by lavish use M.T. dollars at this juncture".

The General Officer Commanding went on to stake a claim for the use of East African currency in Eritrea, justifying this in terms of probable difficulty in obtaining sufficient Egyptian money for that ex-colony. He therefore declared that he would "like" to use East African currency there too, if supplies were available, for he claimed that the acceptance of this money there, could be presupposed in view of its "reception" in Ethiopia.

As for the Currency Board's objection he insisted that the position had been "carefully investigated" with the full co-operation of "local authorities and banks", and that this had revealed that there was "no visible seasonal trend for notes". He added:

"There is marked seasonal demand commencing December for coin which however is in adequate supply. So far as O.E.T. is concerned, situation can probably be faced by use of 50 lire notes and M.T. dollars. There is a slight tendency for notes in Kenya owing to reduction of troops. Bank stocks are normal to high. Account has been taken of high denomination situation. Authorities consider note wastage has been reduced to order of 10 per cent per annum . . .".

Waxing enthusiastic about introducing East African currency throughout the territories under discussion he continued:

"I submit this interim solution also provides long term solution if you are willing to see extended use East African in O.E.T.A. This will obviate any new note issue for Eritrea or Italian Somaliland, and owing to our currency experience would also cover Ethiopia if combined with judicious use of M.T. dollars. This would obviate sandwiching Ethiopian note issue between two O.E.T.A. Note issue territories which in any case is awkward owing to open frontiers and political disadvantage of Ethiopian currency perco-

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lating north and south.

"If this policy is adopted we should as soon as possible use E.A. notes by mercantile usage avoiding any further proclamations".

Emphasing the administrative convenience of the proposed policy he observed that if the War Office agreed that the interim and long range currency problems could be met by using East African currency it would be merely necessary to despatch some £4,000,000 worth of notes printed from the already existing plates, at the minimum rate of £500,000 per month to "provide for eventualities". If, on the other hand, the War Office did not agree, the despatch of the money then on order would still have to be "expedited and supplemented" pending the implementation of any other solution. Reiterating the advantages of using East African currency, the telegram therefore argued that:

"Though . . . it is said that we can face coming months with existing small change situation, including 50 lira notes, small change will be required, whether in the form of E.A. shillings, O.E.T.A. lira, or divisionary units of M.T. dollar or Ethiopian pound. If you debar shillings an equivalent metallic coin in one form or another must be manufactured. Dies of E.A. coins at any rate are ready and shilling coin would generally be preferred to one shilling notes".[121]

In this long telegram Cunningham offered one final argument in favour of his proposal, namely that, being an extension of existing practice rather than an innovation, it would obviate "bringing the Ethiopian currency question to a head with the Emperor".[122]

The advantages of introducing East African currency into Ethiopia were shortly afterwards urged by Sir Philip Mitchell during his talks in June with the Treasury which he succeeded in convincing of the arguments of the British military authorities. It was agreed, as Mason noted on June 11, "that East African currency (shillings and pounds) would be made the stable medium, the shilling being the unit", and "that some form of international rate would probably have to be worked out between the East African currency and the M.T. dollar, as they would be in current use side by side".[123]

The Foreign Office followed the Treasury in its acceptance of East African currency, and did so, as Mason noted on June 13, on the ground that this money had already been "well received". Referring to Cunningham's arguments the Foreign Office official observed:

"The upshot appears to be that East African currency is generally accepted as being the only feasible currency throughout O.E.T. in East Africa *for the present*".

Mason nevertheless noted East African currency was in short supply, and that the British Government had therefore decided to use rupees in Eritrea, and added: "the authorities in East Africa, who do not like this, will probably have to give way on the point".[124]

The British military administration meanwhile continued with its advocacy of East African currency, and Cunningham, determined to demonstrate its success, reported, on June 21, that he was "well satisfied" with its "acceptance" " in Addis Ababa and Harar".[125]

The military administration's policy was greatly facilitated by the opening of a branch of Barclays Bank (D.C. & O.) in Addis Ababa on July 1. Rodd la[ter] observed that "as soon as a branch of Barclays Bank w[as] opened . . . instructions were given to exchange E[ast] African currency freely for Maria Theresa dollars [to] anyone who wanted them".[126] Describing the opening [of] the bank in a report of October 27, he observes:

"At the opening of the branch on July 1, some 6[...] bazaar dealers arrived with East African currency [in] amounts varying from a few shillings to several [...] pounds, demanding M.T. dollars, which were quoted [at] 2/– to 2/3d. in the street. Added to a large number [of] customers who desired to open deposit accounts, t[he] branch had to be prematurely closed two hours later, [as] the staff was totally unable to cope with the crowd. [It] was then decided to announce that exchange betwe[en] these two currencies would only be done for accou[nt] holders who opened accounts in both currencies, whe[n] they would have the facility, at parity rates, less th[e] prescribed 'turn'. The decision was entirely successf[ul] . . . the rush abated as soon as the public found th[at] they were freely available for account holders, and th[e] trend reversed itself into a demand for East Africa[n] currency against M.T. dollars, which was embarrassin[g] to the staff, as they had to deal with about 12 tons o[f] silver coin, a week. The main cause of anxiety in th[e] early days, when thedemand for M.T. dollars was acute, was largely occasioned by a then wholly insufficien[t] reserve supply of coin in Addis Ababa".[127]

Subsequently in his book, the Controller of Financ[e] and Accounts, glossed over the initial difficulties, merel[y] observing: "Outside the bank, queues of local inhabitant[s] of all shades of colour and most nationalities . . . forme[d] up when it had become known that Maria Theres[a] dollars would be exchanged for East African currency and vice versa, at par. The outflow of Maria Theres[a] dollars proved smaller than had been anticipated. A[s] soon as the commercial public discovered that thi[s] exchange business really was free, and was being carried on with the usual British lack of formality in banking practice, the trend quickly reversed itself and the bank was inundated by depositors and merchants trying to ge[t] rid of the unwieldy silver currency for East African currency notes, and drafts on Aden, Bombay, Nairobi, Khartoum and Cairo".[128]

By the end of July, Rodd claims, the bank was thus swamped with Maria Theresa dollars, and he reiterates:

"The explanation of this unexpected preference among the people of Addis Ababa for paper money as compared with hard silver coin, so contrary to traditions and anticipations, was that the bank, in conjunction with the British Military Administration, had instituted a system of drafts for remittances to other neighbouring and remote territories which was not only cheaper than the merchants had ever before experienced, but in fact obviated the physical transport of Maria Theresa dollars, which local circumstances made difficult".

The speedy acceptance of the East African money, he concludes, also owed much to a general "confidence in British currency".[129]

The British military administration was not surprisingly well pleased with these developments. Cunningham reported on July 7, that the "position concerning East Africa currency in Addis Ababa appears to be satisfactory".[130] A few weeks later, on August, 2 he telegraphed that a "strong tendency" had developed "to sell dollars for East African through Barclays", and that "at the end of July we bought 400,000 dollars from Barclays against existing local stocks East African currency", though he admitted that "this movement" might have been "caused by market rumour that no further East African currency was to be available". Emphasising the administration's resultant increased need of East African currency he added:

"Please ask currency board to give immediate instructions to enable me to obtain £50,000 small change at short notice if required. Am naturally most unwilling to check this movement having regard to wider introduction, East African currency envisaged, and high silver value of M.T. dollars".[131]

In the months that followed Barclays continued to issue considerable quantities of East African currency, and was so successful, Rodd claims, that in the first half year of its operations "no less than £500,000 of drafts was sold in Aden, Bombay and other neighbouring territories, a figure which corresponded remarkably closely to the value of imports into Ethiopia".[132]

The British administration's efforts to introduce East African currency and to substitute it for the Maria Theresa dollar were meanwhile resulting in friction with the Ethiopian authorities who were reluctant to see the popular silver coin replaced by a new alien money. Philip Mitchell recalls that there were at this time "interminable arguments" between the British and Ethiopians. Presenting the British military administration's side of the case, and allowing the Ethiopian to go by default, he adds that "the Abyssinian currency had been the Maria Theresa dollar, a bullion currency worth its face value as metal. We had arranged stocks of these for our own purposes and to support credit, but in the British taxpayers' interests were very sparing in the use of them. This did not commend itself to the new Ethiopian authorities, whom we financed with East African currency".[133]

The East African Currency Board meanwhile continued to voice its reservations at the proposed extensive employment of its currency in Ethiopia. This caused the War Office to telegraph to Cunningham, on July 17, to note that, pending the arrival of "additional supplies", depletion of this money was causing the board "considerable anxiety", and the military administration was therefore requested to reduce its requirements to a "minimum", as well as "by all means possible" to make the "greatest use" of currency already in use without drawing further supplies from outside".[134]

Cunningham replied in conciliatory tone, on July 22, promising that "every effort" would be made "to economise in use of East African currency", and adding that his requirements were running at only £85,000 monthly, though this did not "allow for exceptional payments". He added:

"Owing to uncertainty communications currency stocks must be kept in several centres and estimate total of these stocks should not normally be allowed to fall below £E.A.150,000 as minimum".

The result, he explained, was that the monetary situation was "expected to become acute before end August".[135]

The expected shortage of East African currency duly occurred. A couple of months later the General Officer Commanding, East Africa, telegraphed, on September 7, that pending the arrival of new supplies the "shortage of small denominations of E.A. notes" was "becoming more acute", but that he was doing his "best" to release supplies from Ethiopia to Somalia where they were "quoted at a premium against coin" which he considered "most undesirable".[136]

Such action, and the coming of increasing supplies of currency led, however, to a steady amelioration in the position. By October 27, Rodd was able to report that the introduction of East African currency into Ethiopia was "not unsatisfactory", for he explained:

"We have succeeded in introducing East African currency, largely in the form of notes, in a country where the native was reputed to be unwilling to accept anything except higher silver content coin".

East African currency, he explained, was also finding "ready acceptance" in the northern provinces then but recently occupied by the British, though the "distant rural areas", he admitted, "still require M.T. dollars".

The success of the policy of introducing East African currency was evident, he concluded, from the fact that the military administration had "sufficient" of this money "for immediate requirements and the promise of more to come", as well as "sufficient" Maria Theresa dollars to replace East African currency should a shortage of the latter arise."[137]

The British military administration meanwhile was endeavouring to extend the circulation of East African currency into the remainder of the former Italian East African empire. The next step in this direction was taken on October 27, when the War Office agreed that this money should be legal tender in British Somaliland in addition to Indian currency.[138]

Plans to transfer Eritrea from Egyptian to East African currency followed towards the end of the year. The change of currency was formally requested by Platt on December 6, when it was reported that a large consignment of East African currency, consisting of £750,000 in notes and £100,000 in coin, had left Nairobi, and that the "commencement date for change over" would be announced when these arrived.[139] The War Office gave formal approval on December 16,[140] and on January 10, 1942, the British military administrator, Kennedy-Cooke, proceeded to proclaim that any agreement whether expressed or implied for the discharge of a liability in Egyptian currency could, "notwithstanding any such agreement, be discharged in British East African currency at the rate in force at the time when such liability is discharged".[141] A few days later, on January 14, he issued a notice stating that the circulation of Egyptian currency in Eritrea was to be "replaced by British East African currency" and that as from the following day this would be supplied in exchange for Egyptian at offices at Asmara, Massawa, Keren, Agordat, Adi Ugri, Adi Caieh, Decamere, Tessenei, Nacfa and Barentu, the rate being fixed at 97½ piastres to the East African pound.[142]

To complete the transition Kennedy-Cooke issued a final proclamation on April 11, which stated that as of May 1:

"Every transaction whatsoever relating to money or

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involving the payment of or the liability to pay money shall in the absence of express agreement to the contrary be deemed to be entered into in terms of East African currency".

The proclamation further laid down that:

"When any sum due to be paid after the commencement of this proclamation is payable in any currency other than East African currency, the payment must be made in East African currency".

The only exception to the above articles related to the continued use of lire which was expressly permitted "until the military administration otherwise directs". Payments to the administration in Italian money were likewise allowed if effected in notes "up to and including notes of 50 lire denomination".

A schedule to the proclamation specified the value of East African currency in terms of other currencies, i.e. one Egyptian pound was to equal 20 shillings and 50 cents, one Maria Theresa dollar, 87½ cents, one one rupee, one shilling and 50 cents.[143]

The result of the above edicts was that the British authorities began issuing East African in exchange for Egyptian currency in January 1942, and the operation is said by Rodd to have been complete by May 1.[144]

(iii) INDIAN CURRENCY, 1941-2.

Indian money was the third of the three British-controlled currencies introduced into the former Italian East African empire, where it gained a temporary circulation in Eritrea besides being restored to its previous official position in British Somaliland.

The idea of employing Indian currency in the occupied territories of East Africa was first mooted early in the campaign. Rowe-Dutton of the Treasury observed on March 3, 1941, that the introduction of this money would necessitate sterling payments, and that on leaving the territory such money would have to be left as "a gift . . . to our successors", or would, "at least, create problems of redemption", while overprinting would "present special difficulties". Though emphasising the disadvantages of Indian currency for the Italian colonial empire as a whole he urged the desirability of using it in Ethiopia where he considered it from the British point of view preferable to either the Maria Theresa dollar or Egyptian currency. Arguing the advantages of Indian over the latter he declared:

"Sterling is not available, we want to push out the lira, and must therefore, choose between rupees and £E. I believe rupees to be the more suitable, since £E are not well known in Ethiopia whereas the rupee has a considerable international standing, and we should use rupees in spite of the fact that they cost good money, and will have to be withdrawn later on".[145]

The use of Indian currency was also agreed to for British Somaliland which had employed this money prior to the Italian occupation in 1940. A consignment worth about £500,000 was accordingly ordered, as Rodd notes, early in 1941.[146]

The significance attached to Indian money in official British thinking at this period is apparent in a Foreign Office minute of March 27, which declared:

"In Italian East Africa, with the exception of Ethiopia, we have had recourse to the use of rupees . . . because the lira had lost any real value".[147]

The British military administration initially raised no objection to the use of Indian currency. General Wavell observed, on March 29, that it was one of the currencies which he and his colleagues would "definitely prefer" to the lira, though he noted that the "desirability of economising" in its use and that of all Allied money was "fully appreciated", and that he had been informed that supplies of East African currency were "sufficient to obviate use of rupees in Italian Somaliland".[148] On April 4, a British notice nevertheless decreed Indian money one of the legal currencies in Ethiopia, while by a decree of the following day Platt did the same thing in Eritrea,[149] and on the same day the British military administrator fixed the value of the rupee at 36 lire.[150] A week or so later, on April 18, the War Office informed Cunningham that it preferred the use of rupees to that of sterling inasmuch as the former "would be simpler and in the end probably not more expensive".[151]

Recourse to Indian currency was, however, soon opposed by the British military administration, which, as we have seen, was then campaigning for the introduction of East African currency. The attitude of the military authorities became clear on April 30, when Cunningham despatched a revealing telegram to the War Office in which he declared, "I much dislike idea of permeating large tracts of Africa with rupees. E.A. currency would be preferable (though perhaps difficult in Eritrea)".[152] Despite this view he proceeded, on May 6, to inform the War Office that on account of the shortage of currency in the occupied territories he had been obliged to have £150,000 worth of rupees sent from Nairobi to Port Sudan "for emergency use Red Sea Littoral".[153]

The Government in London meanwhile continued to advocate the need for at least some use of Indian currency. Rowe-Dutton of the Treasury noted, on May 10, that he had "a predilection for the use of rupees in Eritrea plus, I suppose, British Somaliland".[154] A few weeks later, on May 22, Evelyn Baring of the Foreign Office, reported that it had been decided that "for Eritrea, the currency will be rupees", and that if supplies of East African currency for Italian Somaliland "give out, rupees would be used there too".[155] The War Office accordingly telegraphed to Cunningham on the following day that for Eritrea "we think rupees should be used in preference to Egyptian currency as political drawbacks are less and small change easier to provide", and that British Somaliland should likewise "revert" to the use of Indian money.[156]

The British military administration, however, remained opposed to Indian currency, and, Cunningham, arguing his case on grounds of the East African balance of payments, telegraphed to the War Office on June 3:

"I respectfully submit that use of rupees is highly undesirable and costly *vis-a-vis* Indian trade balance".[157]

Notwithstanding such opposition the shortage of currency was so acute that the British military administration conceded that it would have to make some use of Indian money. On June 3, Cunningham informed the War Office that he had arranged to hold £120,000 worth of rupees in Khartoum "in case of emergency", though he added, significantly enough, that he was "very (repeat very) unwilling" to use them "in which we are all agreed".[158] The Foreign Office, on the other hand, felt the

employment of this currency could not be entirely obviated. Paul Mason, noting the shortage of East African currency, observed on June 13, that "for this reason, among others, rupees are proposed for Eritrea and the adjoining (Tigre) areas of Ethiopia", and, aware that this would be regarded with disfavour by the British military, added: "the authorities in East Africa, who do not like this, will probably have to give way on the point".[159] These words were in fact prophetic, for a week or so later, on June 21, Cunningham reported that Assab had been "placed on rupee currency basis", and that he would "attempt introduction rupees at Massawa", though he added that an "alleviation of small change famine in Sudan . . .would be helpful".[160]

In British Somaliland meanwhile Indian currency had gained considerable popularity. Cunningham noted on June 21, that this was particularly the case among Indian traders, and that as far west as Harar this currency had moved into a discount of up to one East African shilling per rupee, though he was "instructing political officers to offer freely rupees for E.A. currency at par of one and one half shillings", and hoped by this means "to recuperate E.A. currency".[161]

Reiterating his objections to the use of Indian currency in Eritrea the General Officer Commanding telegraphed to the War Office, on July 7, to report the circulation of Egyptian currency, and declared:

"I feel strongly that it would be a mistake to introduce rupees at present juncture in Eritrea since the whole economy there appears to be confused by the currency problem which could be accentuated by the introduction of rupees".

He therefore concluded that "it would take considerable administrative pressure to establish rupees particularly in unsophisticated country districts".[162]

The British military administration was also unfavourable to the circulation of Indian currency in British Somaliland, Rodd complaining on October 27, that the decision to use Indian rather than East African currency was "in some measure to be regretted since the introduction of East African currency would have made it possible to avoid the use of rupees in Africa again". Urging the advantages that would have accrued from the introduction of East African shillings he added:

"All British administered territories would then have been on the E. African currency system which as a matter of fact would have obviated undesirable exchange traffic in rupees against East African currency with Aden".[163]

Though unable to prevent the restoration of Indian currency in the Protectorate, the British military succeeded in persuading the War Office to agree, on October 27, that East African currency should be legal tender there in addition to the rupees.[164]

East African currency was meanwhile making steady progress, as we have seen, throughout most of the former Italian East African empire, to such extent that towards the end of the year, Platt proposed, on December 6, that the use of Indian currency at Assab should be replaced by that of East African and that he would "like to announce" that rupees would "cease to be legal tender" throughout Eritrea.[165] The War Office, uncertain how to react, replied on December 16, that Indian money "should remain legal tender in Eritrea" as long as it was the "principal currency in British Somaliland, but then contradicted itself by adding, "provided, however, that you are satisfied that withdrawal of legal tender status . . . will not cause you difficulties, we are content for you to proceed as you propose".[166] The British military administration thereupon took steps for the elimination of Indian currency in Eritrea, and on March 23, 1942, the military administrator, Kennedy-Cooke, accordingly issued a notice stating that Indian money would "cease to be legal tender" as of May 1.[167]

The circulation of this currency was thus restricted to British Somaliland.

FORGERY, 1941-2.

The currency situation in the immediate post-liberation period was complicated by a significant amount of forging on the part of Italians, who remained in the country during the British occupation. The existence of such false money caused the humorous Sam Brown to report, on October 19, 1941, that "there are some thousands of counterfeit M.T. dollars and East African shillings in circulation", and, writing in increasingly facetious vein, he continued:

"It would be well for everyone to bite their M.T. dollars before accepting them. The coins are lighter, of unfinished appearance, bend easily and do not taste half as good as the genuine article, but if you throw them on the pavement they give the same ring. One thing I can reassure you about is that the police have arrested five Italians on the charge of counterfeiting plants for M.T. dollars and East African shillings, and 300 false dollars. It is believed that they were turning out about 400 coins a day. If they were placing them all, it means that they were earning as much as most prime ministers, and as much as a few of the lesser well-known cinema stars. But instead of spending their days in retirement in whatever gentlemanly and ladylike ways prime ministers and lesser stars do spend their time, they are now in prison".[168]

PROPOSED NEW CURRENCIES

The introduction of Egyptian, East African and Indian currency into the former Italian East African empire was accompanied by lengthy discussions on the possibility of introducing new currencies. Two types of money were envisaged: a special currency for the occupied enemy territories, and an Ethiopian national currency, which, the British Government hoped, would be linked to sterling.

(i) A NEW LIRA CURRENCY, 1941

The British Government's opposition to the lira, as an enemy currency, and to the Maria Theresa dollar, as a coin wasteful of silver, led early in the liberation campaign to proposals for some new type of money for the occupied territories in East Africa. On March 3, 1941, Rowe-Dutton, laid down in a Treasury memorandum, that any such currency should satisfy two basic conditions, namely that it should "not be unnecessarily costly" and that it should be "acceptable as a means of carrying on the trade of the country" and thus to "replace the lira".

Considering how to meet these two requirements, he

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declared that it was "very tempting" to issue "a paper money, printed *ad hoc*, and *called* lire". The internal value of such money "would be secured by fixing a rate at which it would be accepted in exchange for £E., rupees, sterling, etc., but it would not be convertible into those currencies, except for imports and similar approved purposes". Another advantage of this money, he explained, was that "we could leave it behind, if we relinquish the colonies, without any responsibility for it; it would be for our successors to withdraw it, if they saw fit, or to replace it by another currency".

Discussing the proposed new paper lira in some detail, he continued:

"The machinery suggested is to utilise paper available for additional stocks of 5/– notes, printing a very simple design, including the words 'Bon pour . . . lire'. The design need not vary, if the figure is bold printed, possibly in different colours. It is less desirable to overprint existing 5/–, etc., notes, since there might be held to be some fixed relation between 5/– and the number of lire printed on them.

"The main objection seems to be that we may be charged with issuing completely worthless 'bons de requisition', not even redeemable after the war. This is manifestly false, since the notes will have value in exchange in the territories, and will be exchangeable for approved imports, etc. The new notes will replace entirely worthless Italian lire notes.

"We should introduce these notes by paying for supplies, paying troops, etc. When we had a fair stock, we might call in all existing lire notes in exchange for them, within a limited period, thereafter refusing to recognise the old notes at all, save by favour to friendly tribesmen, etc. (We have to guard against attracting lire from outside the territories on the one hand, and against upsetting the natives on the other.) Existing lire bank balances, in so far as released, would be paid out in the new notes, and banking credit, for internal movement of trade, would be given in 'lire' . . .

"The advantages of a new note for exchange control purposes are obvious; but it should be pointed out that, since these notes will not be acceptable outside the frontiers of their territories, a special mechanism will be needed to exchange them into other currencies to pay for approved imports. Similarly, troops leaving the country would hand their lire notes in for exchange into sterling or £E. as necessary".

Though a strong advocate of "lire notes" for the former Italian colonial empire as a whole, Rowe-Dutton recognised that they were unsuitable for Ethiopia.[169] To understand his reasoning it is necessary to recall that a few weeks earlier, on February 8, the British Foreign Secretary, Anthony Eden, had been pressed in the House of Commons to define the British Government's attitude to Ethiopia, and had somewhat vaguely declared:

"His Majesty's Government would welcome the reappearance of an independent Ethiopian state and will recognise the claims of the Emperor of Ethiopia to the throne. The Emperor has intimated to His Majesty's Government, that he will need outside assistance and guidance. His Majesty's Government agree with this view and consider that any such assistance and guidance in economic and political matters should be the subject of international agreement at the conclusion of peace".[170]

Rowe-Dutton, who was in all probability influenced by this statement, declared that in the context of the occupied territories, Ethiopia constituted a "special problem".

Rowe-Dutton's note convinced the War Office of the desirability of introducing a new lira currency, for the occupied territories (excluding Ethiopia). A telegram was accordingly despatched to General Wavell, on March 15, declaring:

"We are exploring the possibility of new African lire notes as ultimate currency of Italian colonies, but not (repeat not) in Ethiopia. Coin and Egyptian notes are too expensive, but it is essential that any new notes should be acceptable as means of carrying trade in place of metropolitan lire".[171]

The idea of a new lira currency, however, met with strong disapproval on the part of British military administration, who, it will be recalled, were then craving to introduce East African currency. Faced with this lack of sympathy on the part of the local officials, the War Office again telegraphed to General Wavell, on March 28, complaining: "We feel you have not given sufficient weight to reasons for our proposal of new lira currency". The telegram also warned the military against extensive use of East African currency on the grounds that it was necessary to avoid the "bad propaganda effect" of a sterling issue "with its implications that O.E.T. is already regarded as annexed to the Empire".[172]

The British military authorities, unconvinced by such reasoning, nevertheless continued to oppose the lira plan. On March 29, Wavell, accordingly telegraphed to the War Office to argue:

"Since present policy will lead to more or less rapid devaluation of Metropolitan lira currency, any new currency whatever its pedigree would be practically impossible to introduce if called 'Lira'. For some time there would also inevitably be two lira currency rates of exchange, which would be incomprehensible to public and injure new issue".

Instead of a lira currency the Commander-in-Chief therefore proposed the use of money expressed in sterling shillings. "Alternative to your proposal", he declared, "seems to be a sterling O.E.T.A. note issue on East African model, namely in shillings and cents, with notes as small as two or even one shilling".

Desirous of employing such money also in Ethiopia, Wavell added:

"New sterling note issue could probably be used in Ethiopia pending arrangements for Imperial issue. This if practical would save some M.T. dollars. A new lira note could not be used in Ethiopia at all".[173]

The above proposal as Rodd later noted, was, however "not found acceptable in London",[174] and the War Office telegraphed to Cunningham, on April 18, once more urging the case for a new lira currency, and declaring:

"We fully realise force of arguments advanced by your advisers, and their desire to continue use of available currencies, but we feel that they have not given sufficient weight to our objections".

After emphasising that the "existing currencies" were "expensive" and that the British Government wanted "to save what we can on supply of currency" the telegram continued:

"We are not convinced . . . that new lira is impracticable . . . They could be introduced gradually, and would be legal tender . . . We realise that large metropolitan notes will be at a discount, as long as they are not accepted by you. Apart from this, we do not see why there should be two lira rates of exchange inside O.E.T., as old and new will be interchangeable. We do not much fear different rates for lira outside O.E.T., as supplies are limited there and rate is likely to approximate to that in force in O.E.T.A."[175]

The British military administration, however, resisted such pressure, and indeed became increasingly vocal in their opposition to the lira project. Cunningham telegraphed to the War Office, on April 30, declaring:

"regret to say I have no confidence in being able successfully to introduce British Lira currency. Failure to do so will be politically serious, and final result more expensive than continuation of present system. In present circumstances I am apprehensive of new lira currency going to discount on old lira, *inter alia*, owing to wider market of metropolitan lira, and necessary restriction of exchangeability of British lira . . .".

Recognising that a final decision was, however, the responsibility of the War Office, the General Officer Commanding concluded in loyal vein:

"If you finally decide on new lira currency, I will of course do everything possible to make it success, but must repeat I have little confidence myself in such a venture.

"Decision one way or another is now necessary".[176]

The authorities in London found it impossible to override such objections. On May 10, Rowe-Dutton sadly recognised that plans for the proposed new lira would have to be abandoned. "In view of Rodd's most recent telegram", he wrote, "I am afraid that most reluctantly we shall have to give up the idea of the new lira note . . . Rodd is, after all, the man on the spot whom we have sent out to advise us on local conditions".

Fully aware of the implications of the above admission, the Treasury official declared that it became necessary to "make up our minds on the currency we should adopt". He therefore argued, as we have seen, that continued use should be made of the currencies of the occupation forces, i.e. Indian currency in Eritrea, and, he supposed, British Somaliland, and East African in the South. As far as Ethiopia was concerned, he declared:

"We have . . . to consider the immediate currency situation in Abyssinia, and whether or not we should proceed with the minting of some subsidiary coin. I fear we shall have to put this back to Rodd, but I believe we ought to go on with the M.T. dollar, as required, supplemented with whatever else is acceptable for the time being, and put to Rodd our suggestions about a Currency Board".

i.e. the plan discussed below for a new type of currency based on Sterling.[177]

The British Government accepted Rowe-Dutton's conclusions as to the impossibility of proceeding with the proposed new lira. On May 22, Evelyn Baring, of the Foreign Office, noted that "the idea of new lira note" had been "dropped",[178] while on the following day the War Office telegraphed to Cunningham:

"In view of your representations we reluctantly agree to abandon proposed new lira note".[179]

Though the new lira project was in fact dead, the General Officer Commanding continued to oppose it in a long telegram of as late as June 3, in which he urged the convenience of introducing East African currency, and declared that "notes for currencies not now existing, such as O.E.T.A. lire, would have to be established by proclamation, and I respectfully emphasise disadvantages involved owing to difficulties with African population, and the complication of exchanging Italian notes". This view, he added, was shared by his colleagues, who "agree in maintaining objections to O.E.T.A. lira issue", but, once again protesting his loyalty, he concluded: "If you desire to revert to lira type of issue you can of course count on fullest co-operation here".[180]

The British military administration's opposition to the proposed lira notes thus proved decisive, as was subsequently recognised by Rodd, its arch-enemy, who claimed on October 27:

"For political reasons it appeared to be undesirable to introduce an O.E.T. lira note, and it was necessary to point out that having adopted a policy which could not in the long run fail to depreciate the metropolitan lira to a point at which it would become unstable, the introduction of a new lira note would not only cause confusion but might lead to great difficulties in securing its acceptance".

The above arguments, he adds, were later reinforced by the deteriorating British military situation in North Africa, for "the turn of events in the Middle East and in the Mediterranean suggested that these difficulties would be accentuated to a point at which the O.E.T. lira note might go to a discount as compared with the metropolitan lira note".

The abandonment of the plan for a new lira had the result, as Rodd explains, that the British Government accepted his own proposal "that the whole of Italian East Africa should be placed on the East African currency standard as soon as, or if, adequate supplies of East African currency were forthcoming". This proposal, he proudly adds, was "agreed to by the War Office", and led to arrangements "to create a sufficient supply of East African currency notes and coin to supplement existing reserves" which "proved adequate to meet the requirements of both British East Africa and Occupied Enemy Territories", though this proved to be "only . . . possible by continuing the use of Italian lire".[181]

(ii) ETHIOPIAN CURRENCY BASED ON STERLING 1941

The idea of national currency made a strong appeal to the Ethiopian Government, which regarded the issue of such money as an expression of sovereignty, and was most anxious to put an end to the circulation of foreign money. Ethiopian currency, it should be pointed out, had been produced since the time of Emperor Menelik; the Ethiopian authorities in the immediate aftermath of the liberation were, however, entirely dependent on the British forces of occupation, and in no position to initiate a currency without the help of the British, but this presented difficulties in so far as relations between the two countries were not yet clearly defined.

British policy towards Ethiopia in the spring of 1941, found expression in Mr. Eden's already mentioned statement of February 8, that "His Majesty's Govern-

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ment would welcome the reappearance of an independent Ethiopian State".[182] This statement, as we have seen, provided the terms of reference for much subsequent British official thinking, and doubtless influenced Rowe-Dutton of the Treasury who, considering the occupied territories in East Africa, observed on March 3, that Ethiopia constituted a "special problem" and was thus not suitable for the new lire currency he was then proposing. Echoing Mr. Eden's ideas, he drew the monetary conclusion, that "eventually we may look forward to an independent Ethiopia with its own currency authority", and added that "if possible, the future should be neither the silver M.T. dollar, not the lire".

The Treasury official went on to urge that it was necessary to avoid both "lire notes", as recommended for the rest of the occupied territories, and, as had also been proposed, a note based on the Maria Theresa dollar, for any such note would perforce be "a silver certificate, with a liability to redeem in silver".

This opposition to a paper currency redeemable in silver evoked warm approval in the Foreign Office, one of whose officials, Charles Bateman, on reading the above memorandum annotated the relevant paragraph with the revealingly racist exclamation:

"The niggers would like this!"

Instead of a currency based on the Maria Theresa dollar, Rowe-Dutton proposed one based on sterling, and issued by a currency board in London. "Our eventual aim", he declared, "might well be an Ethiopian Currency Board, issuing a note convertible in sterling in London, in terms of which the M.T. might fluctuate.[183]

Rowe-Dutton's proposal, which was destined to bedevil Anglo-Ethiopian relations for the next three years, won considerable support in British Government circles. The War Office, which strongly favoured the idea, telegraphed the Chief Political Officer in Nairobi, on March 17, to declare:

"We are considering whether we could create as was done in Irak, a note issue based on sterling, with say an Ethiopian pound as the unit. The notes would probably be acceptable in towns even if M.T. dollar remained principal currency in backward areas. In this event M.T. dollar would fluctuate in terms of new unit".[184]

The War Office view was put to General Wavell in a telegram of March 28, which argued that a currency based on sterling would reduce reliance on the Maria Theresa and the constant fluctuations of value to which it was prone. "Problem as we see it now", the telegram declared, "is whether money of account shall be M.T. dollar with varying sterling value, or some larger unit based on sterling, e.g. Ethiopian pound in terms of which dollar might fluctuate. Latter would make possible economy of minting dollars and provide more stable basis for foreign trade".[185]

The War Office proceeded to inform the Chief British Political Officer in East Africa, on April 18, that it favoured a decimal system for divisionary coins and was "ready to design" such money, the Royal Mint, having stated that bronze was available, but not nickel. It was, however, necessary to decide, the telegram added, whether the Maria Theresa dollar was to continue indefinitely in use, for it was "expensive", "unsuitable" for external trade, and "undesirable" because its value varied with the price of silver, as had been recognised prior to the war by the Emperor, who had then been "planning a change". Turning to its own ideas, and specific proposals, the War Office added:

"We are considering whether we could create as was done in Irak, a note issue based on sterling, with say an Ethiopian pound as the unit. The notes would be acceptable in towns if M.T. remained principal currency in backward areas. In this event, M.T. dollar would fluctuate in terms of new unit.

"New coins will take several months to design, mint and transport, after decision reached . . . they will therefore be of no immediate help. It would save some delay if they bore numerals only, and were issued first cents of M.T. dollar and then used as mills of Ethiopian pound if established, but we presume this would cause confusion".[186]

The War Office's ideas were further elaborated in a telegram sent to Cunningham on April 24. It declared:

"We realise re-establishment of paper M.T. dollar would be easier and may be preferred by Emperor, but looking to the future, we consider it essential to avoid a currency based on silver, and are considering possible introduction of Ethiopian currency unit . . .

"We should like to establish paper unit based on sterling, with notes of say one quarter, one half, one, five, 10 and 50 units, and milesimal divisionary coin with silver 500 fine for 25 and 50 and 100 mils".

Turning to the case for a currency board located in London, and hence under British rather than Ethiopian control, the telegram somewhat patronisingly continued:

"We consider issue could not safely be entrusted to an Ethiopian central bank, but must be controlled by currency board working in London, which would supply currency for issue through a local bank, for instance Barclays, Addis Ababa, or new Bank of Ethiopia, which could not (repeat not) be a central bank. Currency board would no doubt be a creation of Abyssinian law, but this law should contain a contract which could not be altered unilaterally and would preserve the Board from political pressure. Initial issue would be backed by sterling advanced for that purpose to the Emperor by His Majesty's Government, and further quantities by proceeds of good currency or silver acquired in exchange.

"To ease transition sterling value of Ethiopian unit might be fixed initially at equivalent of say 10 M.T. dollars, i.e. 18/9d., and subsequently held at that rate while M.T. dollar is allowed to fluctuate. Dollar might have to be legal tender to start with, but we should hope to withdraw this status from it as soon as possible, leaving it to circulate especially in out-lying districts, as medium of customary tender, hoarding, etc. Rate of exchange between dollar and new unit would be fixed from time to time as required".[187]

Plans for a currency on the above lines were further elaborated by Rowe-Dutton, who despatched detailed proposals to the Foreign Office on May 1. for a type of paper money which he now chose to term the "Negus". Explaining that what was needed was "a new money of account", and that Maria Theresa dollars could "continue to be used for internal purposes, but would have to be free to fluctuate in terms of the new currency", he continued:

"The external link should be sterling. The only other possibility would be the dollar, but since there will be little or no trade between Abyssinia and dollar using countries, this would be unsuitable . . .

"It is suggested that the mechanism should be a currency board working in London, issuing notes against sterling, the original sterling fund no doubt provided by a loan to the new government. The management should be in the hands of U.K. nominees, in association with the Emperor's Financial Adviser. The unit (which I will call a 'Negus' for convenience) should be in the neighbourhood of £1, with a subsidiary silver coin, 500 fine, 1/20th of its value; perhaps also 1/40th; and bronze coin 1/1,000 of the negus, in denominations of 1, 2, 5 and 10 mils., the silver coin being thus 25 and 50 mils. There should be 250 and 500 notes, and, of course larger 'negus' notes.

"The exact arrangements regarding the sterling cover", he went on, "need careful examination. It may not be held necessary that 100 per cent sterling should be held, since not all negus notes are likely to be presented for redemption simultaneously. This is not, however, for immediate consideration, and there may be strong reasons for rigidity in order to put an obstacle in the way of improvident finance.

"There should be no fixed relationship between the negus and the M.T. dollar, save that, to secure an absolutely smooth transition, the negus should be given a permanent sterling value of X times the official rate for the M.T. dollar, when the scheme begins. I should hope that X would be 10; if so, and if the M.T. rate were 22½d., the negus would then be fixed at 225 pence or 18/9d. This fixation need not be immutable (as in the rates in a colonial currency board), but might be like the rupee subject to change at intervals. This would allow for a semi-independent monetary policy in Abyssinia, and might be very necessary to save the currency board from defending an impossible position.

"It might happen that the opening ratio between M.T. and negus would hold sway for a very long time, if the price of silver remained steady. But if the price of silver fell, the negus might become equal to 15 M.T., if it rose, the negus might equal only 8 M.T.

"The relationship between the subsidiary coin and the negus would remain fixed.

"The real difficulty is that there would be an *internal* exchange rate between negus and M.T. This is inevitable, if an effort is made to displace the M.T. It need not be fatal. Contracts can be made in one unit or in the other, but would be fulfilled in either unit, at a rate which would be officially fixed from time to time. At this rate, the M.T. would remain legal tender. With developing business, we might hope for an increasing use of the negus, until it became almost universal except in the remoter country districts.

"It is suggested in the preceding paragraph that the M.T. dollar should be legal tender at an officially fixed rate. While it would be preferable in theory not to make the M.T. dollar legal tender, it may be inevitable in the initial stages, though not necessarily permanent. Successful development of the negus might make possible the withdrawal of legal tender status from the M.T. dollar, leaving it as a trade dollar, of customary tender only. At that stage, it should be possible to insist on payment in Negus for allotments of foreign exchange, and for certain taxes, such as customs.

"It must be admitted that the M.T. will seem to many natives the better currency, and will be hoarded. I see no escape from this, and success for the whole scheme will depend on disregarding this tendency, and filling any vacuum in the *circulation* with the negus. If (as seems the more likely event) the price of silver falls, hoards of M.T. will lose value in terms of negus, which may eventually discourage hoarding of M.T. If they emerge, and become surplus circulation, they should, of course, be withdrawn, melted and sold.

"It would be essential", Rowe-Dutton concluded, "to include in the peacy treaty some provision against the minting of M.T. for individuals: the Abyssinian Government alone should have the privilege of minting this coin".[188]

The latter sentence on the "Abyssinian Government's" proposed privilege of minting irritated Mackereth of the Foreign Office, who cynically added the marginal comment:

"They cannot be trusted to do this. The temptation to adulterate will be too great".[189]

The idea of an Ethiopian currency based on sterling gained strength some weeks later when the British Government, as previously noted, found itself obliged to abandon its plan for an O.E.T.A. note, at which time Rowe-Dutton advised the Foreign Office, on May 10, of the consequent need to "put to Rodd our suggestions about a currency board".[190]

The Foreign Office now gave Rowe-Dutton's plans its wholehearted support, as may be seen from a memorandum drawn up on May 22, by Evelyn Baring, who examined the three monetary alternatives which he considered open for Ethiopia.

The first possibility was to continue with Maria Theresa dollars, which would be "expensive and difficult" as evident from the fact that £3,000 worth of coins weighed a ton.

The second was for the Ethiopian central bank to introduce paper dollars, backed by silver dollars. He conceded that it was "probable" that the Emperor would "wish to adopt this course, largely from motives of prestige", but argued that this was open to objection "on the ground of expense", as well as because "we [i.e. the British] should have no control".

The third possibility was to introduce a new currency, for example an Ethiopian pound, issued by a currency board in London, and backed by sterling. "This arrangement", he noted, with obvious sympathy, "would be similar to those in British colonies", and would work on the principle that "for every £1,000,000 of currency issue, H.M. Government will lend £1,000,000 of War Loan, so that the new notes would be backed not by silver in Ethiopia, but by British Government bonds".

The Foreign Office gave this latter proposal its full approval, Bateman annotating the memorandum with the remark that this was the alternative "favoured by Treasury, and by this Department".[191]

The War Office also accepted the proposal, and telegraphed to Cunningham, on May 23, that it would "like to use new Ethiopian currency and/or M.T. dollars throughout Ethiopia".[192]

Despite this uniformity of view in official British

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circles talk began to be heard elsewhere of the possibility of re-establishing Ethiopian currency on pre-war lines, by no means necessarily linked to sterling. On May 28, the *Financial News* of London, carried a leading article (see Appendix) possibly inspired by Ethiopian supporters in London, which noted that Ethiopia was "an independent country, liberated from her oppressors", and should therefore "have a currency of her own, in addition to the Maria Theresa dollar. The Bank of Ethiopia", it added, "should resume its functions, and issue Abyssinian notes, so as to withdraw the hated lire notes from circulation".[193]

Shortly afterwards it became clear that the British Government in its plans for an Ethiopian pound, based on sterling, had reckoned without the Ethiopians, for on June 3, Cunningham tersely reported that an "Ethiopian pound currency" had been "proposed to Emperor in writing and orally", but that he had that day heard that the Ethiopian ruler was for the present "not prepared to consider it". The General Officer Commanding, who, as we have seen, was a strong protagonist of East African currency, made a further plea for that money, arguing that if it were introduced the proposed new pound "could always be introduced later at a convenient time", while the East African notes withdrawn in exchange for the new issue would "automatically provide sterling backing" for the latter.[194]

The British Government, though still wedded to Rowe-Dutton's scheme, felt that it could not be imposed against the wishes of the Ethiopian Government, with which a treaty had in any case soon to be negotiated. On June 13, Mason of the Foreign Office noted that it was "not apparently proposed to press the original plan for an Ethiopian currency based on sterling". Commenting that it would be necessary "to watch this", he added:

> "Sooner or later Ethiopia should have its own currency, and even now, if the Emperor presses the point with Sir P. Mitchell, I think it would be in accordance with the tenor of our Cabinet policy towards Ethiopia that we should give way".

Emphasising the tactical advantages of doing so, he added, "it may prove – as has been foreshadowed – to be the only way to prevent a demand by H.I.M. for a central bank – and *that* we must prevent if we possibly can. I am not altogether sure that we ought not to go on record with other departments as holding these views – if we so hold them".

Another Foreign Office official, Bateman, on reading the above lines, annotated them with the following comment:

> "The Treasury know that this means side tracking the Emperor for the moment but they cannot help themselves. It will be for Sir P. Mitchell to point out and insist on the practical difficulties with the Emperor and point out that all will come right in the end".[195]

Initial discussions on the possibility of establishing an Ethiopian currency based on sterling thus gave way to broader talks on Anglo-Ethiopian relations, which took place between the Emperor and Sir Philip Mitchell in the last days of June.

APPENDIX: THE *FINANCIAL NEWS* ARTICLE

The *Financial News* leading article of May 28, 1941, which differed so significantly from official British policy towards Ethiopia, deserves quotation *in extenso*. It declared:

> **"Abyssinian Currency Problems**
>
> "The Government has acquired substantial amounts of silver for the purpose of minting Maria Theresa thalers for circulation in Ethiopia. From a political point of view it is wise to reintroduce these coins, which had always been the favourite means of payment in Abyssinia. For five years the Abyssinians have had Italian lire notes forced upon them by the oppressor. Although in Addis Ababa, and in other garrison towns, the population were not in a position to refuse payment in lire notes, they avoided selling their goods against them as far as possible. Silver coins smuggled into the country during the Italian regime, commanded a wide premium, and a regular traffic developed through Aden and Jibouti. Abyssinian holders of lire were prepared to rid themselves of these notes at almost any price.
>
> "Nothing could better help to consolidate the prestige of the Emperor and his British Allies than the restoration of the Maria Theresa thaler. The population will greatly appreciate the re-appearance of these coins, which will be one factor inducing them to rally round the Emperor. Unanimous support from his subjects will enable him to organise, with British aid, the manpower of his country against the common foe in Africa, and if necessary, in Asia.
>
> **"Fate of Lire Notes**
>
> "What will happen to the lire notes put in circulation by the Italians? The amount must be considerable, incomparably larger than in Libya. There can be, of course, no question of exchanging them for pound notes, since Abyssinia is not a territory under British military occupation, but an independent country liberated from her oppressors. She should have a currency of her own, in addition to the Maria Theresa thaler. The Bank of Ethiopia should resume its functions, and issue Abyssinian notes, so as to withdraw the hated lire notes from circulation. This solution would be preferable to exchanging those lire notes for silver coins which would be too costly.
>
> "Under Italian rule the population had learned to use notes to some extent. There is no reason why those who accepted the notes of their oppressors should not be prepared to exchange these notes for their own national bank of issue. The lire notes withdrawn can be sold in Lisbon, and the proceeds will go some way to provide funds for the purchase of silver".[196]

THE ANGLO-ETHIOPIAN AGREEMENT OF 1942

Sir Philip Mitchell's talks with Emperor Haile Selassie, at the end of June, 1941, opened a new chapter in Anglo-Ethiopian relations. The British negotiator made several stiff demands, one of which was that the Emperor should "agree to abide in all matters touching the government of Ethiopia, by the advice of His Majesty's Government". In return the British Government offered to provide Ethiopia with various types of assistance, notably "funds to establish the armed forces, administrative and other services", and "expert advisers for the Emperor".[197]

The size of the proposed financial assistance, and the mode of paying it, were the subject, as Rodd recalls, of "considerable discussion in London".[198] The British

Government was strongly opposed to expenditure in Maria Theresa dollars, which it considered a waste of silver, and had been persuaded of the advantages of making use of East African currency. The Government therefore decided, as a Treasury memorandum states, that "subject to detailed consideration . . . the financial assistance to the Emperor should be paid through the Addis Ababa branch of Barclays Bank, in East African currency, payments in bullion being avoided". The term "bullion" in this context meant of course Maria Theresa dollars.

The above decision had far reaching implications in that Rodd, the Controller of Finance and Accounts for Occupied Enemy Territory, used it to demand control over the entire monetary situation in Ethiopia. The aforementioned Treasury report, discussing the implications of the decision to pay the subsidy in East African currency, declares:

> "During discussion of the consequences which followed from this ruling, Lord Rennell explained the difficulties which might arise and precautions which it would be necessary to take to overcome these. It was possible, indeed probable", he said, "that the Emperor would seek to convert a large part of his subsidy into Maria Theresa dollars. If H.M.G. tried to meet the resulting demand out of their own stocks of Maria Theresa dollars (worth about £2,000,000) they would in effect be paying the subsidy in nearly pure silver. If, on the other hand, they took no steps to control and therefore let the demand take its course, the Emperor would no doubt try to buy dollars in the open market, and the dollar would rise to a premium over its existing fixed rate, which would entirely upset the nicely balanced structure of currencies and rates throughout the occupied territories in East Africa and obviously embarrass the administration of those territories".

Emphasising this latter point, Rodd went on to urge, according to the report, that:

> "At present the various currencies were convertible into one another and there was an arrangement between Barclays Bank and the Controller of Finance for maintaining parities; there was nothing, therefore, to prevent the Emperor from dealing in exchange if he decided to do so; to safeguard the general exchange position against such a danger it would be necessary to reach some form of agreement with the Emperor himself, or to stop transfer of currencies from one currency to another inside Ethiopia. The second course was obviously undesirable and could only give rise to difficulties, particularly for trading interests, merchants, etc. It was therefore necessary to concentrate on the first course and to consider the steps which must be taken to preserve the existing currency position inside Ethiopia, a line of action which was perfectly justifiable since the Emperor had no currency of his own and H.M.G. would in effect be claiming the right to take care of *their* currency".

Turning to his own proposals to control the Ethiopian financial situation, Rodd argued that the steps which the British should take were:

> "(1) To pay the Emperor an agreed proportion of his subsidy in dollars and the rest in East African currency (possibly in the ratio of one to three).
>
> "(2) To arrange with the Emperor in an appropriate form that he would not ask, or attempt by devious means to obtain, a great amount of dollars.
>
> "(3) To arrange with the Emperor for the continued use of East African currency as the main medium of circulation in Ethiopia".

Elaborating on the manner in which he wished the above very considerable controls, to operate, Rodd continued:

> "In the event of these arrangements being made it would be necessary for the Emperor to impose the various controls (e.g. on exports and imports) which are required to maintain the currency system. H.M.'s Minister would have to guide the Emperor in these matters and in turn be guided by the Controller of Finance, who alone was conversant with the detailed position throughout the whole of this block of territory. Lord Rennell emphasised that, if he was to undertake this task, it must be on the clear understanding that the Emperor would accept his rulings and that H.M.'s Minister would be responsible for seeing that this was so. Otherwise his (Lord Rennell's) position would be impossible and the desired end could not be attained".

Rodd concluded this remarkable statement by observing that as far as Maria Theresa dollars were concerned "he had the necessary supplies of these but the actual transportation of them to Addis Ababa would cost money. He could not accept this cost as a charge against O.E.T.A. funds, and assumed that the necessary provision would be made from Foreign Office funds".[199]

Rodd's proposals, which of course entailed a major curtailment of Ethiopian sovereignty, at least in the financial field, exercised a dominant influence on British Government thinking at the time of the drafting, in December, 1941, of the first Anglo-Ethiopian agreement. A Treasury memorandum, of December 19, accepted all Rodd's arguments and, actually employing several of the controller's phrases, declared:

> "Since Ethiopia had no currency of its own and the Emperor's subsidy would fall to be paid partly in bullion and partly in East African currency, it was essential that the Emperor should be guided by the representatives of H.M.G. in matters relating both to the circulation of currency inside his territory and to the disposal of subsidy receipts. Otherwise the nicely balanced structure of currencies and rates throughout the occupied territories would be completely upset".

Turning to the implementation of such an arrangement the memorandum stated that "the Controller of Finance and Accounts O.T.A. was responsible for the administration in these matters and would have to ensure as far as he could that no action was taken in Ethiopia which would endanger the existing situation. This", the document continued, "would presumably entail the making of special arrangements with the Emperor as occasion arose over a wide range of subjects (e.g. arrangements as to the division between Maria Theresa dollars and East African currency of subsidy payments, agreement that the Emperor would not attempt by devious means to obtain a greater amount of dollars, agreement as to the imposition of the necessary controls in Ethiopia, etc.) which would, of course, be part of the duties of H.M.'s Minister; in such matters H.M.'s Minister

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would be guided by the Controller of Finance and would lend him all assistance in his power".[200]

The above theses exercised a decisive influence on the British Government, and found expression in the first draft of the Anglo-Ethiopian agreement, which was then about to be drawn up in London. The section on finance, Article IV, began with a paragraph on the proposed British subsidy, and declared:

"His Majesty the Emperor, having intimated to the Government of the United Kingdom that he will require financial aid in order to re-establish his administration, the Government of the United Kingdom will grant to His Majesty the sum of £1,500,000 during the first year and £1,000,000 during the second year of the currency of this agreement. If this agreement remains in force for a third year, the Government of the United Kingdom agree to pay to His Majesty the Emperor the sum of £500,000 in respect of such third year, and if for a fourth year, then the sum of £250,000 shall be paid in respect of that year. Payments will be made in quarterly instalments in advance".

The question of British control over currency was dealt with in Article IV (d) of the draft, which specified that "H (is) M (ajesty's) G (overnment) in the U.K. should be consulted in all matters relating to currency in Ethiopia and arrangements concerning it made only with their concurrence".[201]

The Emperor, when confronted with this text, not surprisingly found that this article, as well as several others outside the scope of the present study, conflicted with his sovereignty, and therefore declared that he wished to have it redrafted. He proposed that Article IV (d) be amended to read:

"All matters relating to currency in Ethiopia shall be subject of consultation between the governments of Ethiopia and the United Kingdom".[202]

Firmly convinced as it was by Rodd's theses, the British Treasury was, however, adamant. Refusing to accept any modification of the original draft, it wrote to the Foreign Office, on January 1, 1942, to declare:

"We in the Treasury attach importance to the acceptance of this article as originally drafted, i.e. with the provision that arrangements concerning currency shall be made only with the concurrence of H.M.G.".

Emphasising this view, the Treasury bruskly continued:

"It seems to us that this is a point on which no concession should be made and we hope that it will be agreed to instruct Sir Philip Mitchell that the weakened version suggested by the Emperor should not be accepted. After all, unless and until the Emperor institutes some currency of his own, the currency which will circulate in Ethiopia is our currency and we are entitled to see that it is not abused".[203]

The Foreign Office accepted the Treasury's arguments, and on January 4, Mackereth accordingly noted:

"Article IV (d) about currency must stand. The Treasury insists, quite rightly, that H.M. Government must retain their right to concur in currency changes because of possible repercussions on East African currencies".

A few days later, on January 7, the Foreign Office official wrote in a memorandum referring to the Emperor's counter proposals for Article IV (d):

"Disagree, because at this stage Ethiopian and East African currencies are interlocked".[204]

In a subsequent memorandum he observed, "there is little doubt that mere consultation would not meet our needs. Sir P. Mitchell should be instructed in this sense and told to explain to the Emperor the need for H.M. Government's concurrence about changes in currency".

The Foreign Office thereupon despatched an emphatic telegram to Sir Philip in Nairobi, stating:

"Article four (d) currency. The draft must stand unchanged".[206]

Sir Philip, on learning of this decision, duly informed the Emperor of British insistence on the right of veto on Ethiopian currency policy, which was therefore legalised by the treaty which the Ethiopian sovereign had no option but to sign on January 31, 1942. Article IV (d) in its final form therefore declared:

"In order to facilitate the absorption into Ethiopian economy of the funds to be provided under paragraph (a) above (i.e. the paragraph dealing with subsidy payments), and to promote the early resumption of trade between Ethiopia and the surrounding territories, His Majesty the Emperor agrees that in all matters relating to currency in Ethiopia, the Government of the United Kingdom shall be consulted and that arrangements concerning it shall be made only with the concurrence of that Government".

Against this remarkable infringement of Ethiopian sovereignty there was, for the time being at least, no escape or appeal, though the agreement was couched exclusively in terms of co-operation, Article 4 (c) for example declaring "His Majesty the Emperor agrees that there shall be the closest co-operation between the Ethiopian authorities and his British advisers".[207]

ANGLO-ETHIOPIAN CURRENCY TALKS, 1942

The Anglo-Ethiopian treaty of 1942, opened a new phase in Ethiopia's post-war monetary history. The agreement, it will be recalled, made no mention of the currency in which the subsidy was to be made, but the British from the outset envisaged paying it mainly in East African currency. This was clearly stated by C. E. Key of the War Office, who wrote to Rowe-Dutton of the Treasury, on January 16, to say:

"There is no specific provision in the agreement as to the currency in which the subsidy should be paid, and I think our idea has been that Rennell and the Financial Adviser to the Emperor should endeavour to persuade the Emperor to use to the utmost the banking facilities afforded by Barclays, and thus reduce his cash requirements, and that they should also endeavour to get the Emperor to take such sums as are necessary for him to draw in cash in East African notes".

Recognising the need to allow the Emperor a minimum of thalers the letter added, "we have realised that a certain amount will have to be paid in M.T. dollars, but had it in mind to rely on Rennell to reduce the amount to a minimum".[208] British policy was thus firmly set against the Maria Theresa dollar, and in favour of East African currency.

The signing of the treaty was followed by detailed financial conversations in Addis Ababa, between Rodd and the Emperor. Despite the latter's earlier opposition to certain articles in the agreement of January, 1942, conversations were said to have been cordial. The Controller of Finance and Accounts telegraphed to the War Office, on February 4, that "during the last few days" he had held "several long conversations with Emperor on economic and financial matters", and found the Ethiopian ruler "most friendly and entirely reasonable", having "expressed appreciation for what had already been done in rehabilitating country".

The most important part of the talks, from the British point of view, centred on Rowe-Dutton's aforementioned plan for an Ethiopian currency linked to sterling, with which Rodd had of course been long familiar. In his telegram of February 4, he enthusiastically reported:

"At last conversation, he [i.e. the Emperor] raised question of future currency of Ethiopia. I explained why not possible hitherto create new currency, emphasising in particular difficulties of physical reaction as well as administrative question involved. Emperor asked that something should now be done even if delay was considerable before currency could be prepared. He asked my advice, which I gave personally, recommending complete divorce from silver dollar. He agreed. I described various types of currency possible. He asked my personal recommendation. I recommended creation, Ethiopian pound, same value as East African, with main divisionary unit, approximately one shilling, emphasising necessity avoiding any coin similar size and value to dollar. Emperor agreed, expressing personal preference for pound consisting of 1,000 parts rather than 2,000, as in East African 20 shilling unit. I am inclined to recommend this, having regard heavy cost creation coin as small as one East African cent. Emperor expressed concurrence, coin equivalent to one shilling with local Ethiopian nomenclature, and suggested nickel composition.

"Emperor then asked how issue might be made. I explained all common methods whereupon he asked which I personally recommended. I said currency board. He agreed without any demur, and without raising question of creating of state bank or bank issue of notes. He asked where currency board would sit. I said probably London for present, but stated composition of board was more important than actual location".

Rodd, who had of course no interest in what was best for Ethiopia, was so convinced that he had persuaded the Emperor of the advantages of the Treasury plan, that he urged the War Office to tie the Ethiopian ruler to this before he could receive any other advice. Referring to the Emperor he declared:

"Am inclined recommend if possible proceed on lines indicated before he receives advice on lines which might be less commendable to you".

Adding a final suggestion, Rodd reported that the Emperor had spoken "repeatedly in affectionate terms of Sir Bertram Hornsby", a former British Governor of the National Bank of Egypt (see Appendix) from which he deduced that he would "probably welcome" Hornsby's inclusion on the proposed currency board.[209]

The War Office, well pleased with Rodd's apparent success, at once telegraphed back, on February 17, saying:

"Congratulation on success in leading Emperor on lines suggested".

Turning to the official British attitude to the currency question, and the manner in which negotiations with the Emperor should be carried out, the War Office explained that the British Government's Ethiopian currency sub-committee had "considered various matters" which must "necessarily precede" the introduction of a new currency and the establishment of a currency board. "Concrete suggestions", it added, would be "sent shortly". In the meantime Rodd was empowered, if he thought it desirable, to transmit a "personal message" from Sir Bertram Hornsby, that "he greatly appreciates Emperor's kind references, and that if Emperor should so wish, he is prepared to take active part in preparatory measures for setting up new currency and eventually to become member of currency board".

On the question of the currency proposals themselves, the War Office declared:

"It may be wise to warn Emperor that time needed for manufacture and transport must mean considerable interval before any scheme can become effective.

"We foresee that exchange relationship between new currency and M.T. dollars will be major problem".

The War Office concluded its telegram by referring to the Anglo-Ethiopian Treaty, and to the powers over finance which it had given to the British Minister in Addis Ababa, declaring:

"In view of changed relationship subsequent to agreement, you should be careful that H.M. Minister participate in all discussion these and other matters. The new currency is not likely to be introduced until after transitional period when H.M. Minister will be primarily responsible. It is therefore proposed to conduct all official correspondence on the subject through Foreign Office".[210]

The Foreign Office was also very satisfied with what it considered the favourable outcome of Rodd's talks with the Emperor, and telegraphed to the British Minister in Addis Ababa, Robert Howe, on February 18, instructing him, if possible, to finalise currency matters with the Emperor before he had time to consider other schemes. Emphasising this point the telegram declared:

"We welcome line developed and are anxious that you should confirm Emperor therein at earliest opportunity so as to prevent less desirable alternatives. For your information, *Financial News* reports rumours of a new central bank under leadership of Collier which we should deplore".

Collier, it should be noted, was the former British manager of the Bank of Ethiopia, and known to have been steadfastly loyal to the Ethiopian cause.

As for the specific proposals, to be put to the Emperor, the Foreign Office now revealed that they should be based on a remarkably great degree of British control, for it declared:

"Please inform Emperor . . . that after very full consideration, we are convinced that future currency should not be related to M.T. dollar, or to silver, but should be based on sterling. We envisage an Ethiopian pound equivalent to pound sterling, but with millesimal subsidiary coins, of which the principal would be a metal shilling.

"We suggest a currency board of three members, sitting in London, of whom one would normally be the

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Ethiopian Minister, and two others appointed by the Emperor, on the nomination of the Treasury and the Bank of England respectively. Sir Bertram Hornsby would be willing to accept one of these nominations.

"Board would be responsible for manufacture and issue of currency, and for its management, so as to ensure stability in terms of sterling.

"Notes would be issued in Addis Ababa, against payment in existing currencies, other than lire or M.T. dollars, or sterling. Board would not themselves accept M.T. dollars, but they could be exchanged for new currency, through banks and exchange dealers. Full reserve against notes and coin issued would be held in sterling cash or securities, to ensure convertibility of currency. Notes ought to be equivalent to one pound, quarter and half pounds and 5, 10 and 50 pounds".

On the possible design of the notes, the Foreign Office declared that the plates of the former Bank of Ethiopia currency were still in existence, and could be used, with suitable change in wording, and enquired, "would this commend itself to Emperor? If not, we should like his suggestions in order to prepare specimen designs to be flown out for his approval". As for the coins, they would probably be one, two, 10 and 50 mils, the latter being equal to a shilling. The Emperor's idea of nickel coins seemed, however, impractical, for, the telegram explained, "nickel is at present not available for coinage purposes, but exact composition and design of coins would be for board to propose for Emperor's approval".

Explaining that a draft of the Currency Board Law, which was being sent to the British Minister, by diplomatic bag, would "make clear many points of detail" the Foreign Office concluded by stating, "we should like to get Emperor's firm agreement in principle . . . He no doubt realises that some delay in getting production of currency after designs have been settled is inevitable; the quicker we get agreement in principle the better".[211]

Rodd's conversations with the Emperor had meanwhile also evoked very considerable interest on the part of the Emperor and the Ethiopian Government. Lij Yilma Deressa, Director-General in the Ministry of Finance, accordingly wrote on March 9, to the Emperor's Financial Adviser, Colonel F. Stafford, one of the British advisers appointed on the basis of the Anglo-Ethiopian Agreement, requesting him to forward Rodd a letter urging immediate action on the lines discussed with the Emperor. In his covering letter, Yilma Deressa referred to the British official's conversation with the Ethiopian ruler, and declared:

"During his last visit, Lord Rennell Rodd discussed with His Imperial Majesty, regarding the future Ethiopian currency. At the last audience a decision was taken regarding the issue of Ethiopian paper currency, and also of token money. His Majesty was advised that the issue of Ethiopian pound, divided in 1,000 parts will be the most convenient form of money. To issue this currency it was proposed that a currency board should be set up, as an alternative to treasury or central bank issue. The power of the board of issue, and its composition is to be defined by means of legislation.

"His Majesty agreed to the scheme, but wished that the scheme be carried through at the earliest possible date. During the discussion H.I.M. emphasised the importance of issuing Ethiopian currency, at early date. He pointed out that the future of the lira is uncertain. He also pointed out that a shortage of token money will seriously affect the economic life of the people.

"Lord Rennell, for his part, promised to communicate with financial centre in London, to arrange for financing the backing of the new Ethiopian currency. He also promised His Imperial Majesty, to submit a scheme for the establishment of the currency board, mentioned during the conversation . . . Should the question of the major currency be settled it may be possible to mint locally the subsidiary money, even before it is possible to get the paper currency from the press. Perhaps it would be better if we could have a lengthy discussion on the subject.

"In the meantime I will be very grateful if you could get in touch with Lord Rennell Rodd, to enquire what has been done so far, and urge for speedy settlement".[212]

Yilma Deressa's letter to Rodd, which was also dated March 9, was addressed to the British Political Headquarters, in Nairobi, declared:

"I have been instructed by H.I.M. the Emperor, to call your attention to the question of the future Ethiopian currency, which formed a subject of conversation between H.I.M. and your Lordship, at your last audience, during your Lordship's sojourn, at Addis Ababa.

"H.I.M. is anxious to know what steps had been taken to secure the reserve fund for the establishment of the currency board, which you suggested to him. Your Lordship will remember that during the conversation, His Majesty called your attention that the future of the lira is uncertain, and that a speedy settlement of monetary question is imperative.

"As your Lordship pointed out, it will take some time to get the paper currency from the press, even after the question of policy has been settled. It will be very much appreciated if H.I.M. is informed of how far the question has been forward.

"I take the opportunity to renew to your Lordship the expression of my high consideration".[213]

Stafford, who had already been canvassing the idea of a currency board, situated in London, forwarded the above letter to Nairobi, as requested, with a covering letter, dated, March 11, in which he expressed ignorance of the earlier talks between the Emperor and the British Controller of Finance and Accounts, but placed on record his full support for the currency board system, declaring:

"I have, at various times, explained the details of a currency board system, in writing and orally, and will continue to give all information in my possession regarding such a system. I have, however, no knowledge of the conversation with Brigadier Lord Rennell, and cannot add anything to His Imperial Majesty's information of this subject".

On Yilma Deressa's reference to the possibility of minting subsidiary coins locally, he observed:

"The suggestion that currency should be minted locally has its origin in the belief that the old Ethiopian

mint is still capable of producing coin; this is entirely mistaken and, in my opinion, it will be impracticable – if not impossible – to take such action which would, of course, be entirely unsuitable for the suggested new currency".[214]

Stafford also wrote to Howe, on March 12, to inform him that the British currency proposals seemed likely to be accepted by the Ethiopian Government. He declared:

"You will see . . . that H.I.M. has already accepted the principle of an Ethiopian currency, controlled by a currency board, linked to the pound sterling . . .

"In so far, therefore, as the general principles of the scheme, set out in the telegram, are concerned, it may be assumed that the Emperor has already accepted them".

The Financial Adviser, however, also drew the British Minister's attention to "one or two points which call for comment". The "most important" was that of "providing sterling for the interim period". The problem, he explained, was that "the major part" of the currency then in circulation in Ethiopia, consisted of Maria Theresa dollars and "the normal method of bringing about the change would be to call in the existing currency in exchange for the new currency". The British Government's plan, which envisaged the issue of notes "against payment in existing currencies, other than lire or M.T. dollars", had, however, "debarred" this, with the result that either "the new currency will be introduced very slowly, after calling in the comparatively small amount of East African currency available for exchange, or that the Ethiopian Government must make some arrangements for calling in the M.T. dollars, and turning them into sterling". This could only be done by selling dollars for the silver content, which would involve the Ethiopian authorities in "some loss".

Another problem lay in the "turning of dollars into new metal currency", for, he declared, "it seems to me that the refusal of the board to accept dollars, either as currency or silver, will surround the question with much difficulty".

Such matters, "although important", were, he felt sure, merely "details which can be left for future consideration. What it is important to state", he added, "is I think, that whatever necessary finance is necessary for the interim period will be made readily available for the Emperor, at a reasonable rate. If an assurance to this effect can be given, the Emperor's doubts on this score will be resolved, and the details can be left for later settlement".

Coming to the details of the proposed currency issue, and to the Emperor's attitude thereto, he went on:

"The suggestion that it may be possible to use the existing plates of the former Ethiopian bank-notes will do much to commend the project to the Emperor. The Emperor's urgent requirement is now, and has been throughout, to replace the lire small change, which with the E.A. cent (little used) is the only small change available in Ethiopia, by coins of his own. This, I suggest, should be emphasised in the reply you send to London, with advice that recommendations for the composition and designs of the subsidiary coinage should be prepared and sent out for the Emperor's approval with the least possible delay".

With regard to the British Government's desire to eliminate the silver dollar, the Financial Adviser declared that this was "something that must be tackled very warily", and added: "The dollar is a very long established and cherished institution in Ethiopia, and any attempt to eliminate it by overt means would lead to suspicion. It will have to remain legal tender for some time, and I personally have a feeling that it would be a good move to revalue it to make it worth two shillings, and thereby make it a fixed fraction of the pound, as long as it remains legal tender".

As for the proposed new currency there was, he observed, "no reason why a local name should not take the place of 'pound', although a paper 'Haile' might not be immediately popular".

The Financial Adviser also informed the Minister that he proposed to talk to Yilma Deressa, as the latter had suggested, and added, "when doing so I shall endeavour to disabuse him of the suggestion that it is possible to mint coins locally".

Summarising his ideas, Stafford concluded:

"(*a*) The Emperor is already in favour of the currency board system, with currency linked to sterling.

"(*b*) He should be given an undertaking that the finance required for the introduction of a new currency will be readily forthcoming for reasonable rates, and

"(*c*) His urgent requirement is for his own divisionary coinage, and nothing would more rapidly clinch his agreement than the presentation to him of designs and proposal for such coins".[215]

On receipt of this letter, the British Minister obtained an audience with the Emperor, on March 14. Reporting on the ensuing discussion, and alluding to Yilma Deressa's already cited letters, he telegraphed to the Foreign Office:

"I have discussed with Staf(ford) and I saw the Emperor, on March 14, when I left with His Majesty memorandum setting out future schemes of currency for Ethiopia. His Majesty promised me a reply very soon".

Sounding a note of caution, which had been markedly absence from Rodd's report of February 4, Howe declared that despite Yilma Deressa's letters:

"I am absolutely certain that the Emperor is not yet definitely in agreement at all points with the scheme . . . and it would be advisable to await Emperor's reply to my memorandum".

Reporting on the Financial Advisor's views, he continued:

"Colonel Staff. however considers Emperor is already in favour of currency board system, with currency linked to sterling, and that in so far as general principles are concerned, Emperor may be assumed to have accepted them. He considers the Emperor should be given an undertaking that finances required in the introduction of the new currency will be rapidly forthcoming, at reasonable rates. Emperor's urgent requirement is for his own divisionary coinage, and nothing would more rapidly clinch harmonious agreement than being presented with designs and proposals for such coins.

"Suggestion that currency should be minted locally has its origin in the belief that the old Ethiopian mint is still capable of producing coin. Colonel S. says this is

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an entirely mistaken belief".[216]

Though Howe had thus expressed uncertainty as to the Emperor's monetary intentions, it is clear that the Ethiopian Government was now envisaging the introduction of a decimal currency based on centimes. The first post-war issue of Ethiopian postage stamps, which had been ordered by the Director of Posts and Telegraphs of the Sudan Government, in the spring of 1941, was printed by the India Security Press, in India, without any indication of value, but it was significant that it was later overprinted in the Sudan with values in "Ethiopian centimes". A second order, sent to India from Khartoum, on September 13, 1941, specified that such values should be printed on the stamps from the start. The stamps were put on sale on March 23, 1942, and caused Sam Brown to comment in the *Ethiopian Star* that they were "marked in Ethiopian centimes", even though these were not yet legal currency, and had therefore to be bought in other kinds of money. Turning to the future, he sagely remarked, "It is possible that in the future, divisions of the dollar will once again be legal currency".[218]

The British Minister's suspicions as to the Emperor's reservation over the British Government's currency board scheme were, however, increasing, the more so as Howe's memorandum remained unanswered for well over two months, until early June, when the Ethiopian Government sent the Minister a long reply with counter proposals.

These counter proposals, as Howe reported in a telegram, of June 11, began in the most conciliatory vein, by stating that "subject to what follows, His Majesty is willing to adopt Currency Board's monetary system, as expounded in your telegrams . . . and desires to express gratitude to His Majesty's Government". The delay in answering, the reply added, was "not due to lack of appreciation by the Ethiopian Government of the urgency of the question, but to the necessity for full study in the light of local conditions".

The Ethiopian Government's reply then turned to the substance of the British plan. On the proposal that the board should meet in London, the Ethiopian memorandum declared, "His Imperial Majesty realises that to begin with, at all events the Board must sit in the United Kingdom, but would prefer it to sit in Ethiopia, and reserves the right to reopen the question of location later".

On the Board's proposed composition, the Ethiopian reply noted that it comprised "a majority of British members" and that "the only Ethiopian" would "not be a currency expert", and commented:

"His Majesty suggests that the Board should be increased to five; the fourth member to be nominated by the Governor of the Ethiopian State Bank, or until that bank is formed, by the Minister of Finance. The fifth member by an independent authority such as the American Ambassador in London. Both these members to be acceptable to His Majesty's Government".

The Ethiopian Government then turned to the important question of the need of British financial backing, and observed:

"Study of proposed arrangements indicates that apart from the initial cost of printing, which will be found from its revenues, other expenses falling on the Ethiopian Government will be slight, and it will not have to finance reserve fund. Ethiopian Government ask for confirmation that such would be the case as the Ethiopian Government could not at this stage devote any substantial part of its reserves or credits to this purpose".

The reply also urged that the proposed note issue should not rely entirely on sterling, but should also be partially based on gold. "Owing to abnormal conditions", it declared, "sterling cannot be wholly relied upon as currency reserve. Ethiopian Government would prefer gradual operations of conversion of say 30 per cent of reserve to gold. Ethiopia could produce some or all of this gold herself. Would His Majesty's Government agree to this?"

On the question of the Maria Theresa dollar, the Ethiopian Government urged the need for a temporary accommodation with this money, and declared, "Elimination of M.T. dollars will, owing to currency conditions be difficult. It should be allowed to continue function of holding medium of exchange until such time as legal tender medium is driving it out of circulation". Explaining that the then existing prohibition on the import and export of Maria Theresa dollars would "not be maintained", the note added that the proposed regulation for the "control of currency in Ethiopia", should therefore be amended to apply only to currency issued by the Government in Ethiopia.

The memorandum went on to declare that the proposed new currency unit should be known as *Ya Ethiopia pound*, the half unit as *Ekul pound*, and the quarter as *Rub pound*, that the smallest unit should be 1/1,000 of a pound, and that designs for the notes and coins would be forwarded to London shortly. The Ethiopian Government concluded its memorandum by requesting to be informed of the "views of His Majesty's Government on these proposals".

After presenting the Ethiopian reply the British Minister informed the Foreign Office that the memorandum had been drafted for the Ethiopians by the British Financial Adviser who had had a "hard struggle" to persuade them "to reduce their ideas to present form" which, Howe observed, seemed to him "not altogether unreasonable". He added that he would "be grateful for instructions" from the Foreign Office, and in the meantime was stressing to the Ethiopian Government the "urgency of preparation of designs for coins and notes".[219]

The Foreign Office, which seems to have been taken aback by the Ethiopians' temerity at questioning its proposals, despatched a copy of Howe's telegram to Rodd, who telegraphed back briefly: "I have no (repeat no) comment" except with reference to the section on the advantages of a partial gold backing for the proposed Ethiopian currency, on which he declared: "I am not clear how gold reserve can be operated in respect of a currency which should be freely exchangeable with sterling currencies".[220]

By the summer of 1942, it was thus clear that the financial discussions begun by Rodd early in the year had failed to achieve the speedy agreement which he had anticipated. Irritated by the failure of his plans, the

Controller of Finance and Accounts abandoned his original optimism, and later angrily complained that it was "common knowledge" that the Emperor had been advised both before and after the Anglo-Ethiopian agreement "to divorce the economy of Ethiopia from a silver currency with its attendant fluctuations", and irritably added that the Ethiopians had been given "the opportunity of continuing to popularise the East African currency which had been introduced into Ethiopia by the British armed forces, but preferred to return to the use of the Maria Theresa dollars".[221]

Appendix: Note on Sir Bertram Hornsby

Sir Bertram Hornsby, the man discussed for the Ethiopian currency board, was a former Governor of the British-run National Bank of Egypt. His daughter, Margaret Waterfield, in a private letter to the present author, states that her father travelled to Ethiopia in 1907, for the National Bank of Egypt, bringing "large quantities of Maria Theresa dollars". He became Governor of the Bank in 1921, and remained in the position until 1931. In 1930, he was involved in the purchase of gold chairs for Emperor Haile Selassie's coronation, and saw the Emperor on "one or two occasions" during the latter's exile in London.

BRITISH ACTION AGAINST THE MARIA THERESA DOLLAR, 1942

In the midst of the negotiations over the proposed new Ethiopian currency, the British military authorities, decided on taking unilateral action against the Maria Theresa dollar. On June 25, 1942, the Nairobi branch of Barclays Bank informed the Addis Ababa branch that it had learnt from Lord Rennell, the Controller of Finance and Accounts, Occupied Enemy Territory, that the British military administration had cancelled its undertaking "to keep us supplied with dollar currency", but were "prepared that we should be given a definite undertaking that we should be supplied with all our needs of E.A. currency".[222] This action caused Barclays much concern, and prompted the Nairobi Manager to protest:

"In view of the fact that we went to Ethiopia at the request of the British authorities, we feel we are entitled to ask those authorities to ensure that continued supplies of the currency which they have declared to be legal tender should be kept available to us".[223]

Only a few days after suspending the supply of Maria Theresa dollars, the British military authorities announced, on July 1, that they had decided to unpeg this currency from sterling, and were transferring their dollar reserve from Addis Ababa to Harar, i.e. an area under British military control.

This action, the Emperor's Financial Advisor, Colonel Stafford, complained, was taken "without consultation or warning", and despite protests by both the Ethiopian Government and Barclays Bank, which was "put to considerable difficulty". The transfer of the reserve, he adds, produced a "troublesome situation", which "deteriorated steadily" throughout the last quarter of 1942. The opening of the exporting season, he says, "led to a heavy demand" for Maria Theresa dollars, which remained "the only currency acceptable to the Ethiopian peasant", but, because of the removal of the reserve, "the Ethiopian financial authorities had no fund with which to keep the market stable, and speculation developed rapidly, forcing the rate up from 10·66 in early October, to 8·50 to £1 in December".[224] The high price of thalers was detrimental to trade, the Financial Adviser observing that it was "a situation which cannot continue", for "unless the dollar rate improves, the effect of unduly high internal prices will inevitably be reflected in a fall in exports of those commodities subject to United Nations' price ceilings".[225]

The above observations were largely confirmed by the Emperor's Commercial Adviser, A. D. Bethell, who complained that the British military authorities withdrew the silver dollar reserve "which alone had enabled Barclays Bank to maintain the official rate of 1/10½d.", and that this "undermined confidence in the shilling, because the bank could no longer sell M.T. dollars against shillings".[226] The upshot, as Rodd notes, was that the British military administration raised the thaler's rate from 1s. 10½d. to 2/6d. and later to 3s.

The sharp rise in the value of the Maria Theresa dollar, it must be admitted, was not only due to conditions in Ethiopia, but also to a demand for hoarding in the Middle East, on account of the unstable political and military situation of the time. Bethell explains that British defeats in Egypt "created a panic for silver outside Ethiopia", and that "smuggling of dollars out of Ethiopia inevitably followed" with the result that "the M.T. dollar had to rise to parity of its external value as silver", while Rodd, though reluctant to admit that confidence in Britain was threatened, remarks that the value of the thaler in Ethiopia rose on account of "the rise in the price of silver in world markets, notably in Bombay". He nevertheless admits that there was "a tendency, on account of hoarding demand in Egypt, and other Red Sea areas, for silver coinage to seep out of any areas in which it was in current use – including, in addition to Ethiopia, Aden".[227] Claiming that the British military administration tried "to stop as much outflow (of dollars) as possible" the Controller of Finance and Accounts nevertheless adds: "I know of no machinery, whether in Ethiopia or in any other Middle Eastern country which could have stopped an outflow to satisfy this demand. The more Maria Theresa dollars supplied for Ethiopian use, the greater would have been the drain of this currency out of Ethiopia".[228]

Despite the rise in the value of the thaler, the British military administration's efforts to popularise East African currency seem to have gained some success in this period, enabling Rodd later to claim that "the East African shilling came into use in the urban centres of Ethiopia and also throughout Eritrea and Somaliland", and to add:

"In Ethiopia rather to the surprise of everyone concerned, the native population, in all the urban centres, began to accept British East African currency from the first arrival of British troops. The steps which had been taken to provision Addis Ababa with a substantial Maria Theresa dollar reserve, in addition to what was brought in by the army paymasters (and scarcely used by them) and an avowed willingness on the part of the British Military Administration to exchange East African currency for Maria Theresa

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dollars and *vice versa*, led to marked preference on the part of the merchants for the former".[229]

Notwithstanding such acceptance of East African currency, particularly among the trading community, it should be noted that this money gained very limited circulation in Ethiopia at large, and, as a subsequent State Bank of Ethiopia report notes, was "generally speaking, confined to the towns and their immediate surroundings".[230]

THE ETHIOPIAN GOVERNMENT'S CONTINUING SUPPORT FOR THE MARIA THERESA DOLLAR, 1942

Notwithstanding British opposition to the Maria Theresa dollar, the Ethiopian Government continued to make extensive use of this money, which it regarded as still the basic currency of the realm. It was in this respect significant that the decree establishing the State Bank of Ethiopia, signed by Minister of the Pen, Tsehafe Taezaz Walda Giyorgis, on August 26, 1942, expressed the bank's capital in Maria Theresa dollars, and contained no reference either to East African currency or to the proposed sterling based Ethiopian pound.

Stafford, who up to this point was slow to admit the extent of Ethiopian opposition to the British currency plan, now informed Howe, on August 31, of his failure to influence the government which he was advising. Writing specifically of the decree establishing the new bank[231] he sadly complained:

"I have already advised the Ethiopian Government that the capital of this bank should be expressed in East African currency. But I have also consistently advised the Director General of Finance and the Chief Treasurer, orally and in writing, to use sterling for their official transactions as far as possible, but it has little effect. The fact is that generally the ministers are suspicious of sterling and reluctant to tear themselves away from the dollar. The new currency proposals are not popular, and I can get them to take no action to encourage the use of East African currency for official purposes. The reply given is that they will make the change when the new currency is actually instituted".

To illustrate the prevailing attitude the Financial Adviser appended a translation of a note from the Minister of Commerce, Ato Makonnen, Hapta Wald, which, he argued, "reveals the outlook of most of the ministers", and referring to the Ethiopian Government's "insistence of expressing the capital of the bank (and practically everything else) in M.T. dollars", he commented:

"I deplore it, but I cannot help it".[232]

The said note from the Minister of Commerce, which dealt with "Conditions of Payment of Customs Duty", declared:

"I prefer that the customs duties be discharged in M.T. thalers. It cannot be contested that the payment of customs duties in thalers would be of nature to present today incontestable advantages. These transactions are made in thalers, therefore, it is but logical that their salaries should be paid in thalers, for the payment of their salaries in sterling would oblige these employees of the state to exchange, immediately, the sterling they receive for thalers. Foreseeing the various purchases which they will have to make for their consumption from peasants, the latter, not being accustomed to the new currency, will refuse to accept it, as had been the case during the Italian occupation, in spite of drastic measures having been taken by the Italian Government to force them to do so".[233]

When Stafford's letter reached the Foreign Office, Mackereth, who had experience of Ethiopia several years earlier, took it calmly, merely noting:

"I cannot help feeling that the Ethiopian inclination to stick to the M.T. dollar is natural and based on past experience. The advantages to them of attachment to sterling cannot be obvious to any but a very few. The peasant certainly cannot be expected to appreciate the advantages. The Treasury will deplore this no doubt, but their concern is largly academic".[234]

Stafford, however, was much irritated by the Ethiopians' display of monetary independence as is evident from his *Economic Report* for the last quarter of 1942. Writing, it will be recalled, as a keen supporter of the British Government's scheme, he noted that it "had been under consideration by the Emperor for over nine months", but was "no nearer introduction at the end than at the beginning of the year". Displaying increasing frustration, he added, "After prolonged procrastination in providing designs for the new currency, the Ethiopian Government communicated counter-proposals, late in October, which ran contrary to all the wishes of His Majesty's Government, and were clearly dictated by a nationalism unfamiliar with the problems involved in the scientific and profitable management of a modern token currency. The new proposals suggested the transfer of the Currency Board from London to Addis Ababa, the formation of an advisory board in London, and the establishment of an issue department of the new State Bank to act under the direction of the Board. The reasons for the Treasury's objection to such a scheme were communicated to the Emperor in detail, but up to the end of the year no reply had been received".[235]

Stafford's report dismayed Rowe-Dutton, the principal architect of the currency board proposals, who wrote from the Treasury to the Foreign Office, on January 6, 1943, in acid vein, that the "matter is one in which a Treasury view might be helpful", as the British had "a pretty direct interest in getting the country straight before the subsidy ends". Noting that Stafford "himself says the results are disappointing", and that "the report does not, to me at least, give grounds for hope that so firm a foundation has been laid that we might expect to see steady and automatic progress in the future", he angrily declared:

"The material on which we have to work is recalcitrant to a degree, and continuous application will be necessary if there is not to be a reversion to barbarism and chaos. At the same time – and please do not take this as a criticism of anyone – there seems to be a reluctance on the part of each authority in turn to take the authority next below him by the scruff of the neck, and push and kick him into better behaviour. In a word, everyone seems inclined to wear kid gloves in which to tackle a really rough job, and to hold language more appropriate to conversation between gentlemen than the driving of a refractory gang of pretty tough Rases".

Turning to British relations with the Ethiopian Government, he indignantly continued, "the Emperor is the one person who can handle the situation, and that (under Article IV (c) of the agreement) he is bound to do so. Can His Majesty not be subjected to very strong pressure, with a view to inducing him to take the *essential* step? This now seems a justifiable step in view of the very negative results of Stafford's talks with the Emperor on November 9".

Concluding this remarkable outburst, the Treasury official reverted to the desirability of getting his scheme implemented, observing: "Currency reform must be expedited in every possible way".[236]

The above effusion, which contrasted with the usual calmness of British official correspondence, must have caused raised eyebrows on the part of several Foreign Office officials, one of whom, Mackereth, commented:

"It is, of course, easy for Mr. Rowe-Dutton (as for anyone else) to labour the obvious: the Ethiopians are a pig-headed suspicious lot. It would be as easy, as it would be impolitic, to drive a carriage and pair through his arguments, which lose much of their sense when they suggest a slanging match, or refer to 'getting the country straight' – terms without meaning in the absence of points of comparison.

"This said it would be dangerous to ignore the Treasury criticism by assuming, as we might very well do, that Mr. Howe is at least as aware of the position as Mr. Rowe-Dutton, and of the desirability, or expedience of forcing matters to a head, by an exhibition of 'toughness'. At the same time, there would be an advantage in letting Mr. Howe know how the Treasury are feeling, for it is through their door that the requests for M.T. dollars, and additional financial assistance, which the Emperor has made, may pass".

Scrivener, another Foreign Office official, also felt Rowe-Dutton's outburst pretty pointless, and on reading Mackereth's note, remarked: "I agree. Personally I very much doubt whether – no matter how tough we are – we are likely to 'get the country straight before the subsidy ends' ".[237]

Mackereth accordingly wrote back to Rowe-Dutton, thanking him for his "stimulating letter", but, referring to the Ethiopians, he added, "Until you have lived and worked among them, you can have little conception of the mulishness of the people and of their horror of anything in the nature of a definite decision and, like the mule, they hate the spur". Though thus far concurring in Rowe-Dutton's harsh assessment of the Ethiopians, he concluded that even "way back in 1930 I should have hesitated to say that their administration was worse than that of some other countries I know".[238]

ABOLITION OF ITALIAN CURRENCY AND THE FIXING OF A MARIA THERESA – EAST AFRICAN SHILLING EXCHANGE RATE, 1942

Though plans for the introduction of an Ethiopian national currency ran into a stalemate in the summer and autumn of 1942, the Ethiopian Government was by no means inactive on the monetary front. Steps were taken in this period to curtail the export of Maria Theresa dollars, to terminate the circulation of Italian currency, and to establish a fixed exchange rate between the Maria Theresa dollar and East African currency.

As a result of the shortage of Maria Theresa dollars, a proclamation was issued on September 13, 1942, prohibiting the export of such money, and specifying that anyone contravening the edict should be liable on conviction to the confiscation of the dollars concerned, a fine of up to three times the amount involved, and imprisonment not exceeding two years.[239]

The abolition of the lira was effected by a Legal Tender Proclamation of October 31. This decree began without any reference to the lira, by stating that "until the issue of the new Ethiopian currency", the coming of which was thus officially anticipated, "Maria Theresa dollars and East African currency only shall be legal tender for the payment of any amount", and the Minister of Finance was given the power to prescribe the rates of exchange between them. The edict went on to prohibit the making of any offer of sale or employment "in any currency other than Maria Theresa dollars or East African currency", and, for the first time referring expressly to Italian money, declared it illegal to "demand the payment in lire of any account, bill, debt, wage, or any money due" or to "deal in Italian lire" except in amounts not exceeding a total of 10 lire and at the official rate of one Maria Theresa dollar equal to 45 lire or one East African shilling, equal to 24 lire.

The proclamation further laid down that after three months of its coming into force "no Ministry or Department of our Imperial Government shall accept Italian lire, of any denomination, in payment of any tax or due", and that the provision for limited exchange of lire would likewise be terminated.[240]

The Legal Tender Proclamation, dealing as it did with currency, might, according to the Anglo-Ethiopian agreement, have required the "concurrence" of the British Government, but the British Minister in Addis Ababa, Robert Howe, being basically sympathetic to the edict, did not insist on this point. He appears to have taken no official cognisance of the proclamation until December 12, when he telegraphed to the Foreign Office to declare that it was "in the main a re-enactment of the currency legislation published by the Occupied Enemy Territory Administration . . . modified to confine the status of legal tender to currencies actually in use in Ethiopia", and therefore did "not . . . seem to contravene Article IV (d) of the Anglo-Ethiopian agreement". He added, with obvious approval, that "the financial authorities hope that the measure will result in the more extensive use of East African currency, while allowing the temporarily continued circulation of lira small change to supplement such East African divisional coinage as is available".[241]

On recalling the Italian lira from circulation, the Ethiopian Government succeeded in disposing of several millions. One such transaction recorded in the British Foreign Office documents took place after Howe telegraphed to the chief Political Officer in Nairobi, on January 26, 1943, to say:

"Ethiopian Government informs me that they have 4,000,000 Italian lire in currency notes of and above 50 lira denomination, which they wish to exchange for East African currency or M.T. dollars. They enquire

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whether British authorities would be willing to accept these notes, and failing this, whether there is any objection to their disposing of them in Eritrea and Somalia".

The British Commander-in-Chief, Middle East, telegraphed back on the following day, "will take 4,000,000 lira".[242]

Throughout this time the maintenance of an official rate, or indeed any rate, between the Maria Theresa dollar and the East African shilling presented major problems, for the value of the former was based on its silver content, whereas the latter depended on being pegged to gold. The two currencies could not therefore be easily linked, and fluctuated independently of each other.

Disquiet over the fixing of the Maria Theresa dollar – East African shilling exchange was first voiced by Howe in a telegram of December 12, 1942, which declared that the Emperor's legal and financial advisers, i.e. Brigadier Charles Mathew and Colonel Stafford, had stated that the rate had been prescribed "only for the purpose of Government accounting, and is not enforceable at law. I have", the Minister added, "pointed out to those concerned that the present wording of the proclamation and notice, fails to make this clear, and has caused grave uneasiness in the commercial community. I understand that an explanatory notice is to be issued to remove doubt on this point".[244] Talk of this notice seems, however, to have been wishful thinking for it was in fact never issued.

The official exchange soon ran into difficulties, as the value of the dollar continued to rise steadily vis-à-vis the shilling, with the result that traders had the choice of either dealing at illegal rates or curtailing their activities. Many merchants began to argue that the fixed exchange should be abandoned. The Financial Adviser thereupon asked the Emperor for an audience to discuss the exchange rate, and this was duly accorded on December 21, after which Stafford reported:

"I began by remarking that I had asked for this interview in order to explain certain currency difficulties to H.M. and I recounted briefly the events which had led up to the publication of the legal tender proclamation and the issue of the notice fixing the parity between the dollar and the shilling. I stated that although the intention was to apply the rate to government transactions only, and the Judicial Adviser had given as his opinion that it did only apply with that limited effect, a Judge of the High Court had stated that the notice covered all market dealings. As dollars were not obtainable at that price, this had closed all market dealings, and was having a bad effect upon the export trade. Reputable dealers did not wish to break the law, and the purchase of produce for export was impeded. It was foolish of the government to attempt to fix rate at which they could neither buy, nor sell, and if the notice were not amended to restrict that rate to government transactions, as I suggested the only effect would be to make criminals of 80 per cent of the merchants. This was undoubtably detrimental to the trade of the country, and I urged H.M. to support my proposal for the amendment of the notice".

The Emperor, according to Stafford, "replied by saying that unfortunately the Ethiopian Government had not done what it had hoped to be able to do, i.e. to receive a sufficient part of its subsidy in dollars to be able to make payments in it, as the British had taken away their means of doing that, and they had to pay in shillings. But he had heard that certain advisers were exercised over the proclamation and were not satisfied that the action that I urged was right. Would I not, therefore, have a discussion with the other advisers and reach an agreed policy with them, before pressing it? I said that such a conference had been proposed: that I was agreeable to it, but that my vice-minister had recommended that I should discuss it with H.M. before doing so. 'Gid Yellam', said His Majesty and on that the question was dropped".

The exchange rate between the Maria Theresa dollar and East African currency nonetheless continued to be a matter of concern in foreign trading and financial circles. On January 3, 1943, Platt reported that Barclays Bank, in Addis Ababa, was complaining that though the Ethiopian currency law fixed the value of the dollar at 1·875 shillings, the market rate was "at least two shillings", and that there were "some withdrawals" of dollars for hoarding. The Financial Adviser had informed the bank that proceedings would not be taken if they dealt above official rate, but it had replied that it "could hardly be in public interest to ignore a law" simply because it would "not be prosecuted". This attitude was not, however, shared by the State Bank of Ethiopia, which was "following the market" rather than the official rate.[246]

Appendix: The British Minister's analysis of the Maria Theresa problem (January 2, 1943)

In a report of January 2, 1943, Robert Howe, the British Minister in Addis Ababa, paid implicit tribute to the Ethiopian Government's handling of the Maria Theresa dollar, and discussed the question of that currency as follows:

"The currency policy of Ethiopian Government (excepting new currency board's proposals) merely follows that followed by our military administration, with complete success for 18 months. The economic forces . . . for maintaining dollars at pegged parity set up by military are so modified by local conditions as to be barely operative. A year ago the value of the dollar in Cairo was 50 per cent above parity in Addis Ababa, and no difficulty was experienced. Transport difficulties alone made effective control over export of dollars a comparatively easy matter. In consequence the value of the dollar in Ethiopia need not follow the exaggerated bullion value of silver in neighbouring territories. This situation obtained during military occupation, and since then increasing transport difficulties have widened possible margin between the above values. After unpegging of dollar on July 1, no difficulties were experienced until October, seasonal demand by exporters for purchase of Ethiopian produce in the interior, where dollars are still acceptable currency. It was only when seasonal demand rose, and no reserve was available to keep circulation fluid, that rate rose rapidly and speculators were unable to take control.

"Evidence showed that a suppression of dollars is highly desirable. In an exposed country it is, however, not possible quickly to eradicate the use of a coin so long current. It must be a long-term operation. The Ethiopian Government have therefore a serious need for dollars during this period of transition. The need is more urgent in view of the apparent difficulties over the adopted East African currency. They cannot use their subsidy payment to mint and import dollars under present conditions. Their main source of revenue is still sterling subsidy, while a large part of their expenditure is still in dollars. The difficulties experienced have been due largely to the absence of any reserve and not primarily to any trend in dollar value . . . So long as reserve was available it was always the experience here that regardless of price of silver in neighbouring territories it was possible to prevent any sudden fluctuation and keep control over dollar market in Ethiopia out of the hands of speculators".[247]

NEGOTIATIONS ON THE BRITISH SUBSIDY, 1942-3

The small British subsidy, provided by the Anglo-Ethiopian treaty of 1942, though of undeniable utility, left Ethiopia in financially straitened circumstances, and was insufficient to provide any monetary reserve for the introduction of a national currency which would therefore have to be financed by additional external assistance.

The need for additional British aid for the proposed new currency was affirmed by the Emperor's Financial Adviser, Colonel Stafford, who informed the British Legation, on October 10, 1942, that it was "impossible for the Ethiopian Government to provide a currency reserve from its own limited resources", and on November 27, that the British military authorities were "failing to comply fully with Barclays' demands for currency". Drawing the obvious conclusion, in a further report to the Legation, on December 3, he observed:

"I consider the British Government to be under a moral obligation to continue to supply us with currency, until it is possible for satisfactory alternative arrangements to be made".

Turning to the difficulties then facing Barclays Bank, Stafford declared, that if the British military administration withdrew its undertaking to provide a reserve, the bank "would have only two courses left open", i.e.

"(*a*) to close their Addis Ababa branch, or

"(*b*) to continue business on a restricted scale, in other words, to refuse to accept inward transfers, or perhaps to accept them within a small limit only".

Commenting on these alternatives, he declared, that the first "would be a misfortune for Ethiopia", while the latter "would not appeal to a bank of Barclays' standing". Emphasising the importance of these matters, he observed, "whether Barclays Bank remain or not, it is essential for the country's financial and economic welfare, that a sufficient reserve of East African currency is maintained, and in default of its being maintained by the British Government, the Ethiopian Government must do so. They can't do this from their own funds, and can only look to the British Government for assistance. There is nowhere else they can turn, since Barclays Bank, apart from other banking considerations, would not be able to lend, and provide in Addis Ababa, the actual currency required".

On the withdrawal of the British military administration from the Reserved Areas of Ethiopia, which was then also under discussion, the Financial Adviser continued:

"Should the British Military authorities, when they depart from the Reserved Areas, wish to relieve themselves of the responsibility of meeting from time to time the currency demands of Ethiopia, this government would have to request that one of the two undermentioned courses should be followed.

"(i) Before the final departure of the military authorities, a reserve in E.A. currency of £750 (in notes and copper coins) should be deposited in Addis Ababa, on loan, either free of interest, or at a nominal rate, to the Ethiopian Government, repayable when the new Ethiopian currency is fully established. I consider that a reserve of this amount would be necessary in view of the subsidy payment likely to fall due before any new Ethiopian currency can be provided.

"(ii) A loan on the same terms mentioned in (i) should be made by H.B.M.'s Government, to the Ethiopian Government, to enable the latter, pending the provision of their own currency, to purchase the necessary reserve from the East African Currency Board.

"From the point of view of the Ethiopian Government", he continued, "the first course is greatly to be preferred, since the difficulties that would be experienced in transporting and insuring this consignment of currency, from Nairobi to Addis Ababa, would be considerable. As I have previously said, what would be a simple matter for the British Government, would be an almost impossible task for the Ethiopian Government. If it is not possible for any reason, to follow the first course, then it would be essential for the Ethiopian Government to receive assistance from the British Government, both in obtaining the currency itself, and in transporting it to Addis Ababa. In order to allay any fears H.B.M.'s Government might have, as the use to which the funds constituting this loan might be put, it is suggested that it might be made a condition of the loan that currency should be only withdrawn from the reserve by a currency officer, to be appointed by the British Government. The reserve could also be placed under the physical control of this currency officer.

"It would be appreciated", the Financial Adviser concluded, "if the British Legation would take up this matter and obtain an assurance from H.B.M.'s Government, that one of the two above mentioned courses will be followed, should the necessity arise. I hope that it is understood that Ethiopia cannot yet stand on her feet in currency matters, and that the exigencies of the war situation make it inevitable to request generous appreciation of the difficulties, and a substantial measure of practical assistance, in connection with both the M.T. dollar and East African currency".[248]

The above request for British assistance was made by Stafford at a time when he was becoming increasing frustrated at what he regarded as the Ethiopian Government's lack of co-operation with the British

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Government's currency proposals. The British Minister in Addis Ababa, Robert Howe, who shared the Financial Adviser's irritation, chose this time to urge the Foreign Office to make any consent to the request conditional on the Ethiopian Government's acceptance of the British scheme. Urging this view fairly bluntly, he wrote to the Foreign Office, on January 2, 1943, to declare:

"Should you agree to provide dollars . . . you would no doubt wish to make payment conditional on adoption, and putting into effect by Ethiopian Government, of our view on currency board, and to delay any such grant until adequate signs are forthcoming that they are taking active steps to press forward the introduction of the new currency, in manner thought advisable by the Treasury".[249]

Howe's letter, which reached the Foreign Office within days of Rowe-Dutton's angry outburst of January 6, revealed to Mackereth the extent of the deterioration of Anglo-Ethiopian currency relations. On January 11, he telegraphed to the British Minister in Addis Ababa, observing, "I fear that we are rapidly reaching an impasse over Ethiopian currency arrangements, in the absence of an early definition of the Emperor's attitude towards the future currency". Commenting on Howe's suggestion that the British Government should provide a currency reserve, he declared that he was "personally in difficult position with the Treasury Committee in supporting your suggestions . . . when there is no indication that the Emperor will respect Article IV (*d*) with regard to our recommendations for the Currency Board. It is felt here that it would be impossible to make any arrangements to assist the new currency, unless it were put on a sound footing. Opinion", he added, "is solidly (on material and technical grounds) against any proposals tending to re-established the M.T. dollar".

Introducing a note of urgency, he concluded by inquiring of the Minister:

"Can you hold out any hope that the Emperor will agree at an early date to our currency board proposals which have hung fire so long?"

On receipt of the above telegram, Howe approached the Emperor, once more urging him accept the British proposals. Reporting on these talks the minister informed Mackereth in a "personal" letter of January 16, that:

"I have pressed Emperor very strongly to agree to His Majesty's Government's proposals for new currency board, and on January 14, warned him in writing, that delay in making up his mind . . . may have disastrous results on the country's financial situation".[250]

Writing with increasing bitterness of Ethiopian resistance to British pressure over the Treasury plan, he declared, "I am inclined to think that after his agreement of last summer concerning currency board proposals, he suddenly realised, or someone may have pointed out to him, that the board would have very large sums of money at its disposal for investment. It would be entirely in accordance with His Majesty's character to want to have control over these funds. In this wish he would have the support of his Council of Ministers, who are more concerned with the lining of their own pockets than with getting on with their jobs. Most of them run rackets of some kind".

Turning to the future, to his attempts to influence the Emperor, and to Stafford's hopes of success, the Minister declared: "I shall press His Majesty, in this matter. Meanwhile, Staf(ford) tells me he thinks he has converted the Minister of Finance and Mr. Collier, to our point of view. I understand that the Council of Ministers will probably take a decision in the next few days . . . Staf thinks that chances of a favourable decision are very good and could be clinched if His Majesty's Government could say at once that they would pay the next subsidy in dollars".[251]

The Foreign Office, spurred on by complaints by both Stafford and Howe, as well as by Rowe-Dutton's angry letter of January 6, was meanwhile becoming increasingly restive at the Ethiopian Government's reluctance to agree to its currency board proposals. On January 16, Maurice Peterson, the Under Secretary at the Foreign Office, wrote to Howe to complain that "we have made very little progress in the matter of the new Ethiopian currency". Enclosing a copy of Rowe-Dutton's effusion, he commented:

"I confess that I am not greatly impressed by the manner in which Rowe-Dutton approaches the problem, which is obvious to us all. I fully appreciate that you have the matters on which he touches constantly under review, and that there are probably good reasons for not forcing the pace by using the financial stick which the subsidy provides".

Though conceding this point, the Foreign Office official gave his full support to the idea of making British assistance to the Emperor conditional on the latter's consent to follow British financial "advice". Putting this matter delicately he wrote:

"This may seem to you a good opportunity of pointing out to him the absurdity of asking H.M. Government to provide him with more cash, when so little regard is paid to the advice of Stafford, and that of some of the other advisers".[252]

Pressure from Howe, and in particular his letter to the Emperor, on January 14, seems to have prompted the Ethiopian Government to make a new approach to Britain. On January 16, the Ethiopian Government sent the British Minister a further memorandum, the essence of which he at once telegraphed to the Foreign Office. This message began as usual in the politest of terms by recalling that in Article 4 (*d*) of the Anglo-Ethiopian agreement, the British Government had pledged themselves "to facilitate the absorption into Ethiopian economy" of the funds they had "so generously provided", and for this reason had required to be "consulted regarding all currency matters". The financial adviser to the Imperial Government had "accordingly maintained close touch with His Britannic Majesty's Minister on all details of currency policy", and had also kept the latter aware of the "various difficulties" which had arisen in connection with currency, and the Imperial Government now desired "to associate themselves" with his representations.

The memorandum then turned to the Ethiopian Government's post-war currency difficulties, which had been much intensified by the British military administration's opposition to the Maria Theresa dollar. Recalling the policies of the military administration, the

Ethiopian Government frankly declared:

"As resulting position is one which seriously embarrasses the Government, and in their opinion the successive acts taken by the British military authorities were taken with detriment to the needs of the Empire they feel impelled to restate briefly the sequence of events".

The memorandum then examined the behaviour of the British military administration in some detail, and remarked:

"When the agreement came into force, the Imperial Government inherited currency policy of occupied territory, by which M.T. dollars and East African shillings were legal tender, and were kept at a fixed parity by maintaining reserves of both currencies. No restrictions had been placed on the use of dollars during the period of military administration, and they were in ample supply. M.T. dollars had in fact after a period of disfavour, under Italian regime, been restored to minds and pockets of the Ethiopians by British military authorities. No indication was given that any alteration in policy was intended.

"First step in breaking down the policy was communicated from the British Legation, dated, July 1st, 1942, advised that it had been decided no longer to continue financial arrangements to maintain M.T. dollars at a fixed sterling rate. Decision took effect on date of the note. As Imperial Government obviously could not immediately eliminate the M.T. dollars as a currency medium, a request was made on their behalf to be allowed to purchase, or to be paid by way of subsidy, the 3,000,000 dollars still in M.T. dollar reserve in Addis Ababa. This concession, which still appears to the Imperial Government to have been reasonable and moderate, was refused.

"On June 30, Deputy Political Officer in reserve areas, without previous warning and intimation, deprived M.T. dollars of legal tender status in reserved areas, thereby applying to that part of Ethiopia a different currency policy from that in force in the rest of the Empire.

"Without any warning or information being given Imperial Government, in August, the reserve of M.T. dollars was removed from Addis Ababa to Harrar, by British Military Authorities.

"Included in this reserve was 100,000 dollars belonging to Custodian of Enemy Property of Occupied Territory Administration in Addis Ababa, presumably representing sale of proceeds of ex-Italian property. A protest against withdrawal of these dollars from circulation was submitted by financial adviser to British Legation, and an offer was made to purchase them for East African currency. Offer of purchase was rejected and no reply was receive to protest.

"Diminution of dollars inevitably forced Imperial Government to have greater recourse to East African currency, an effective reserve of which both in notes and coins, was still being maintained in Addis Ababa. This reserve was essential, so that Barclays Bank could function effectively. It was also necessary for the financing of subsidy payments by British Government.

"Again without warning or notification to Imperial Government, the reserve of East African currency was removed from Addis Ababa to Harar, leaving in the capital no reserve fund of any sort, in support of either currency. This action still further impaired the currency situation of the Imperial Government".

Coming to the heart of the problem, namely, the shortage of currency of any kind, the memorandum continued:

"It is within the knowledge of the British Government that in the initial stages of building up this administration, and probably for some time to come Imperial Government cannot afford to lock up sums of money necessary to maintain a currency reserve, and they do not consider it was intention of British Government that a considerable proportion of the subsidy should be frozen in this manner.

"Imperial Government had no option but to adhere to the practice of O.T.A. in using Italian currency, to the extent of coins and 10 lire notes, for small change. Ten lire notes are now worn out, and have practically vanished from circulation. Coins are also disappearing from the market. Without consulting Imperial Government, and regardless of the effect upon the small change position, British military authorities: (*a*) permitted Italian expatriations (*sic*) to take out all lira currency they possessed, including small notes and coins, and (*b*) purchased for export all lira obtainable at official rate: These calls upon lira supplies assisted in upward rise of lira against sterling.

"When it became evident that the Imperial Government must of necessity have greater recourse to East African currency, Barclays Bank was requested to arrange that an adequate reserve of notes and coins should be maintained in Addis Ababa. When for this purpose the bank ordered further supplies from Harrar, it was unable to obtain its needs in denominations required as reserve there had been reduced by bad payments and remaining stock of copper had been almost entirely depleted. At the same time, the bank was requested to arrange for reserve at Harrar to be substantially increased and emphasis was placed upon necessity for coins to meet small change problem. This was a month ago, and the Imperial Government is still without information as to when the supplies will be available. Meanwhile the shortage of small change is becoming acute.

"Imperial Government suggest that these acts show that the British military authorities have step by step not only without consulting the Imperial Government, but without any announcement of their intention, or of the action they had taken, deprived the Imperial Government of the power of control and maintained circulation of both currencies they inherited from the British Military Administration, and have considerably embarrassed the Imperial Government thereby.

"In placing this one record", the statement concluded, "the Imperial Government cannot refrain from commenting that a more liberal appreciation of their difficulties would have been in harmony with the generous spirit underlying article 4 of the agreement between the two countries, and in particular subparagraph (*d*) thereof, by which currency difficulties of the Empire were taken into special care of His Majesty's Government in the United Kingdom".[253]

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Notwithstanding the gravity of these charges, the Foreign Office seems to have paid scarce attention to them. Mackereth, on reading the Ethiopian memorandum, dismissed it with the brief comment:

"This is a collection of half-truths – cannot be taken seriously".[254]

British policy towards Ethiopia was now rapidly hardening. Stafford, reporting to Howe on the shortage of Maria Theresa dollars, proposed, on January 16, that it should be met by the British Government's paying part of its subsidy in dollars, but added, significantly enough, that this should be done "conditionally on the Emperor's agreement to our currency board's proposals".[255] Mackereth readily accepted this proposal, and accordingly went over to the Treasury on January 19, for talks with Rowe-Dutton, after which the Foreign Office official noted:

"I pointed out that it would be mutually advantageous to get the Ethiopian currency on to a sound footing, and firmly linked to sterling, and that as we had the dollars available in Harrar it would be a mistake to stand too firmly on the ideals of financial purity, and lose this opportunity. I also pointed out that the position, with regard to the supply of East African currency would be eased; already some £400,000 out of the £650,000 must be provisionally earmarked to meet the East African currency liabilities of Barclays Bank in Addis Ababa".

"Mr. Rowe-Dutton", Mackereth explained, "was inclined to agree", but said that he was meeting the Silver Control Committee that afternoon, and "in the light of what transpired there, he would be able to say whether the Treasury would agree".

Elaborating on his plan to apply pressure on the Ethiopian Government, the Foreign Office official concludes: "We shall, of course, have to be careful that when we do make payment in M.T. dollars, we have the currency board legislation promulgated. Time is short, and it may not be possible to get the legislation out before the next subsidy payment is due (February 1). In this event we must consider suggesting to Mr. Howe that the payment in M.T. dollars can be made on May 1 (following instalment) provided that the currency board has come into operation by that time. We are in a strong position, and should not allow ourselves to be jockeyed out of it by specious promises".[256]

The Treasury, after due consideration, agreed to the above proposal. On January 21, Rowe-Dutton wrote to Mackereth to state:

"We shall not object to payment of the £250,000 subsidy falling due on February 1, in M.T. dollars, on the conditions set out in Addis Ababa . . . viz. dollar transaction by H.M.G., and conditional upon the Emperor's agreeing to our currency board proposals".[257]

The Treasury official thereupon drafted a closely argued letter for despatch to the British Minister in Addis Ababa. The draft *inter alia* declared:

". . . we agree in principle to the payment of the next quarter's subsidy in M.T. dollars, subject to confirmation in writing of the conditions which you suggest".

On reading the above sentence Mackereth added the words:

"or preferably prior promulgation of currency board legislation though we would not insist on that".

The Treasury's draft then continued:

"We much dislike parting with these M.T. dollars to the Emperor", but Mackereth omitted the words 'to the Emperor', after which the text, which was accepted by the Foreign Office in its entirety, concluded:

'as silver content in them is part of our reserve for essential war purposes. Even if replacement were physically possible, which it is not, the cost would be considerably in excess of the Emperor's official rate of 1/10½d., which has, of course, been widely departed from by the Ethiopian State Bank. We could not consider paying £250,000 of subsidy at that rate. I think we should fix a price based on the market rate at Harar, plus, say one-halfpenny, to cover cost of transport. An alternative might be to fix some compromise rate, somewhat between 2/– and, say, 2/3d. But we strongly prefer a rate based on some ascertained fact".[258]

The letter, as amended, was duly dispatched, on January 23.

Howe, though accepting the principle of making the subsidy conditional on acceptance of the currency board plan, was concerned at the proposal that the exchange rate should be based on the market rate at Harar, plus cost of transport, as this would seriously reduce the size of the subsidy. He accordingly telegraphed back on February 1:

"Question of market rate of M.T. is difficult. Present official rate is 1/10½d., black market is 2/2½d., but it is agreed by all authorities that market position is speculative. Ethiopian Government hope that measures now being enforced will bring market rate back to 2/–, at which rate it will be fixed and enforced for official and market dealings. Financial adviser recommends that 2/– should be conversion rate for final payment, but thinks it preferable to wait and watch events. I do not think that the market rate at Harar has any particular virtue, since O.T.A. have ruled that dollar is not legal tender in reserved areas".[259]

While thus attempting to obtain a slightly more favourable rate of exchange for the Ethiopian Government, the British Minister continued to press it to accept the Treasury's currency plan. On February 3, he informed the Foreign Office that negotiations with the Ethiopians were well under way, and that he had again taken a strong line with the Emperor. Reporting on this he stated:

"In answer to an official note from Ethiopian Government stating that His Imperial Majesty is anxious to know what arrangements are being made for provision of a dollar reserve, I have sent the following reply:

"It is the view of His Majesty's Government, in the United Kingdom and Northern Ireland, that before any further M.T. dollars are supplied, future currency arrangements for Ethiopia must be definitely settled.

"The present position is highly unsatisfactory, and continual expedients are necessary to meet difficulties, which constantly arise. In this state of uncertainty, the provision of further dollars would be merely another expedient, which, while it might alleviate the difficulties, would not solve them, and would merely prolong the uncertainty. When, however, the new currency policy is settled, supply of further dollars, for use as a reserve, can be made to fit into place as part of the new policy, and His Majesty's Government consider this would be of use to His Majesty's Government. I am therefore authorised to state that if currency board proposals recommended by His Majesty's Government are made effective, payment of one quarterly subsidy in M.T. dollars, instead of shillings, will be arranged on terms to be decided. His Majesty's Government will not agree to provide M.T. dollars unless this condition is fulfilled".[260]

Such pressure, however, failed to have much effect on the Ethiopian Government, and a week or so later, on February 16, Howe again telegraphed to London:

"I am sorry I cannot yet report definitely decision *re* currency board proposal, but both Staf . . . and I are fairly confident that favourable decision will be taken, and the Minister of Finance told Staf yesterday that he expected requisite decision in the next day or two".[261]

Howe's earlier telegram, of February 1, and in particular its declaration that the Ethiopian Government hoped the Maria Theresa dollar's market rate could be brought down to 2/–, led to a storm of disapproval in London, where it was felt that the poor Minister required a lesson in elementary economics. Kershaw of the Bank of England, immediately drew up a draft letter, which Maynor, of the Treasury, sent to Mackereth, who duly despatched it to Howe, on February 18. This letter focused on the Minister's objection to calculating the value of the Maria Theresa dollar on the market price at Harar, where, Howe had argued, the coin was not officially in circulation, and replied that such observations caused the Foreign Office to "feel there is still some confusion between us, as to our policy and motives in relation to M.T. dollar. For your guidance", the letter went on, "the following considerations have been in our minds:

"The M.T. dollar is in fact a weight of silver, and not a coin of fixed value. Its value has fluctuated, and will always fluctuate in accordance with major variations in the price of silver in principal markets. It is therefore impossible even in Ethiopia, permanently to fix a value for it below that which can be realised by its transport to external markets, although a higher value can be fixed for it as a token coin.

"It seemed desirable to fix a value for the M.T. dollar on our entry into Ethiopia, because no other acceptable currency was then immediately available. Value fixed, namely 1/10½d., was based on price of silver at the time this being the principal element in cost of production of the coin. That value could be maintained only so long as the price of silver did not rise appreciably. When the price of silver rose in Bombay, and elsewhere, it was evident that whatever measures Ethiopia might adopt, the local value of the coin could not be held indefinitely at 1/10½d. We therefore took the logical and proper step of unpegging the 1/10½d. rate. Unless we had done so we should in effect have been giving to Ethiopia a further concealed subsidy by providing them a weight of silver in the form of M.T. dollars, at a price below the cost of replacement of that silver.

"In other words a full value silver coinage is a luxury which Ethiopia may choose to give herself, but for which she must pay the cost, as it varies from time to time. We felt that a reasonable basis of cost would be the market price in Addis Ababa, but if, owing to the peculiar situation, and in particular the mistaken perpetuation of an official fixed rate in Addis, this is unacceptable, we have then chosen the market price in the nearest centre where free dealings take place, namely, Harrar. This, you will appreciate, is much more favourable to Ethiopia than the price in say Aden, still more than that in Cairo or Bombay.

"From this point of view the existence or not, of a legal tender status of the M.T. dollar is irrelevant. It would in fact be impossible for us to declare it legal tender, at a rate such as that fixed in Addis, in any of the territories under our control. To do so would merely provoke an immediate traffic in M.T. dollars out of those territories, to centres where a higher price could be realised in terms of the price of silver, as it varied from time to time.

"You should make it clear", Mackereth's letter concluded, "that it has not been our intention either to prevent the circulation of M.T. dollars in Ethiopia, or to draw them away. It is in fact the maintenance of an arbitrary official rate in Addis which is mainly responsible, not only for any outward flow that takes place, but also for the encouragement of hoarding".[262]

Howe meanwhile was continuing his efforts to induce the Emperor to accept the Treasury's proposals, and on meeting him again on February 25, he reported:

"I saw the Emperor . . . and warned His Majesty that continued failure of the Ethiopian Government to take measures to put the administration on a firm basis, in accordance with the advice of their advisers, was likely to have serious results on our relations".

Elaborating on the currency plan, as well as on the Ethiopian budget, which was then also a point of controversy, the Minister went on to declare that he had informed the Emperor that "the delay in laying a proper financial basis for the administration of the country, as evidenced in particular by delay in passing the budget, and coming to a decision on our currency reform proposals, was arousing serious criticism and misgiving at home". Describing the tenor of the conversation he somewhat pompously added, "I spoke strongly, and His Majesty was manifestly impressed".

Later in the conversation the Emperor proposed a meeting between himself and the British Prime Minister, Winston Churchill, to discuss additional help for Ethiopia, but, the envoy continues:

"I replied that he had much better put the house in order first.

"Finally His Majesty said he would give active consideration, especially to the two questions abovementioned . . .

"I also learned", Howe concludes, "that His Majesty was pondering the currency board's proposals. I accordingly thought that the moment might be propitious for a little pressure".[263]

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Mackereth firmly approved of the Minister's efforts to apply such "pressure", and, on reading the above report, tersely commented:

"The Emperor in company with his Council of Ministers is in danger of losing the bone for the sake of the shadow".[264]

The Foreign Office official, it may be noted, was opposed to large financial aid for Ethiopia, as can be seen from a memorandum of March 3, in which he complained that the Emperor had "gone behind" Howe's back by approaching the British Minister, Duncan Sandys, for more aid, and added:

"It is clear that the Emperor seems to expect H.M. Government to provide him with the same amount of money as the Italians squandered on the country without regard to the fact that the Italians spent their money primarily for the benefit of the Italian colonists, whom they had planted, or hoped to plant, in the country to the ultimate exclusion of the Ethiopians. He wants not only to have and eat our cake, but that we shall constantly produce fresh cake".[265]

Such indignation took no account of the fact that Ethiopian monetary difficulties were in large measure the result of the British decision to restrict the import of Maria Theresa dollars into Ethiopia, which was the more galling in that they allowed these coins to be sold freely to private merchants at Aden, as was noted by Lieutenant-General Platt, who reported on March 11, that the French trader Besse had just purchased 100,000 dollars and that other merchants had also bought "large quantities". Such purchases "caused grave embarrassment", he avers, and gave rise to the complaint from Addis Ababa that while dollars were refused to Ethiopia on the grounds that a silver reserve was required by the British Government, the British Governor of Aden was disposing of the money by open market tender.[266]

The Ethiopian Government meanwhile was becoming increasingly perturbed by the British Government's hardening line, and, in the hope of softening it, decided on the unprecedently step of having its Minister in London deliver to the Foreign Office a further important memorandum. This document, dated March 3, was drafted with a view to avoiding the impasse over the subsidy, and the currency board proposals by suggesting alternative ways in which the British Government could provide badly needed assistance.

The memorandum began by drawing the British Foreign Secretary's attention to "the present serious currency difficulties in Ethiopia", and soliciting "such assistance as His Britannic Majesty's Government are in a position to give".

Turning to Ethiopia's monetary problems prior to and during the war the memorandum observed:

"It is well known that the Maria Theresa dollar has been the standard coin in Ethiopia for many years, and that when, during the period of the occupation, the Italians tried, with repressive measures, to replace the Maria Theresa thaler with the lira, they found that it was impossible to put it out of circulation, and that the people used it as a currency medium together with the lira".

The memorandum then discussed the difficulties of the last couple of years, and, repeating several of the complaints which had been voiced in the memorandum handed to Howe on January 16, recalled:

"After the signature of the Anglo-Ethiopian Agreement, the British Military Authorities recognised that the Maria Theresa thaler and the lira should remain in circulation until the civil administration was completely made over to the Ethiopian Government, and introduced in addition the East African currency to serve as small change. Moreover, it should be recalled that when the British Military Authorities entered Ethiopia they made free use of the Maria Theresa thalers they had brought into the country with them.

"After the signature of the agreement, the exchange of the Maria Theresa thaler and the East African shilling was fixed by law, and a reserve of each of the currencies was held in Addis Ababa. But, without any previous warning to the Ethiopian Government of the proposed discontinuance of this policy, His Britannic Majesty's Minister in Addis Ababa, in a note dated July 1, 1942, informed the Ethiopian Government that after that date the Government of the United Kingdom would no longer continue to maintain the Maria Theresa thaler at a fixed sterling value.

"The Imperial Ethiopian Government, seeing that it would be impossible for them to take the Maria Theresa thaler out of circulation so suddenly, requested that the 3,000,000 thalers that were in reserve in Addis Ababa might be given them as part of the subsidy due to them, or that they might be enabled to purchase them, but this request was refused in spite of its apparent reasonableness.

"In August, 1942, the thaler reserve, which was in Addis Ababa, was removed to Harar, without previous warning or notice to the Ethiopian Government. As the removal of this reserve was detrimental to Ethiopia, the Adviser to the Ministry of Finance protested to the British Legation, and asked that the thaler reserve might be given to the Ethiopian Government in exchange for East African currency, but this request also did not meet with success.

"After this, without previous warning to the Imperial Ethiopian Government, and without leaving a sufficient amount of either of the two currencies in the capital for exchange purposes, the military authorities removed to Harar all the reserves that were in Addis Ababa.

"By this unilateral action of the military authorities in withdrawing from circulation these two currencies, which the Ethiopian Government inherited from the British Military Administration, without previous warning, and before there was time to replace them with new currency, the Imperial Ethiopian Government were deprived of the authority and the means of controlling the currency policy.

"As the reorganisation of the Ethiopian Administration is still in its early stages", the memorandum continued, "it is difficult to conceive that His Britannic Majesty's Government would think that in the present circumstances the Ethiopian Government could have been in a position to accumulate a sufficient reserve, or to be able to utilise part of the stabisation of the currency".

Coming to the British Government's currency proposals, and to the discussions which they had evoked, the memorandum declared:

"Consultations have started between our two governments with a view to establishing a new currency system with a permanent basis. The Ethiopian Government, after having examined the proposal placed before them by His Majesty's Government through the Foreign Office, have offered their counter-proposal. Some time has now passed since His Imperial Majesty signified his willingness that a committee be established in Addis Ababa with the view to establishment of a currency and starting on the work".

Emphasising the urgency of remedial action in the monetary field, the memorandum then outlined the specific assistance the Ethiopian Government requested. "As it is inevitable", the document declared, "that the elaboration of the new currency policy, and the minting and putting into circulation of the new currency will take time and as it is imperative in the meantime to relieve the present very serious currency difficulties, the Imperial Ethiopian Government earnestly request of His Britannic Majesty's Government that assistance be afforded them at any early date as follows:

"(a) That the Ethiopian Government be allowed to purchase a sufficient amount of Maria Theresa thalers from the reserve removed from Addis Ababa to Harar so as to enable them to improve and control the present currency situation, or that Maria Theresa thalers may be given them as part payment of the subsidy.

"(b) That, in order to ease the exchange problem, sufficient amount of East African currency, which has been in circulation in Ethiopia hitherto, may be placed at their disposal from the reserve removed to Harar.

"The value of the Maria Theresa thalers and the disposal of the East African currency would be fixed by consultation between the two governments.

"In the view of the Ethiopian Government", the memorandum concluded, "this assistance, by His Britannic Majesty's Government, will be one of the chief means of implementing the passage in the preamble of the Anglo-Ethiopian Agreement, in which it was stated that it was the wish of the Government of the United Kingdom to help His Majesty the Emperor to re-establish his Government, and to assist in providing for the immediate needs of the country as well as the last para. of Article IV of the same agreement in which the necessity of facilitating the absorption of the funds provided by His Britannic Majesty's Government to His Imperial Majesty's Government was recognised".[267]

In Addis Ababa meanwhile, discussion on the currency board proposals continued. Howe, though one of the first to propose making the grant of dollars to Ethiopia conditional on Ethiopian acceptance of these proposals, by no means saw eye to eye with Rowe-Dutton's demand for the application of "very strong pressure" on the Emperor. On receiving the Treasury official's famous letter of January 6, which, it may be noted, implied a certain lack of confidence in his own efforts to bring the Ethiopians into line with British policy, he reminded the Foreign Office, on March 3, that "our withdrawal" of the dollar reserve in Ethiopia had produced "a crippling effect" on the local financial situation, and, alluding to Rowe-Dutton's demand for a policy of greater firmness, bluntly exclaimed:

"In this medieval country whose unity is maintained by some mystic prestige of the Governor, it would be taking a grave risk for us to force His Majesty to take advice which conflicts with his own judgment . . .".[268]

Howe also subsequently despatched an unsympathetic response to Mackereth's lesson in economics. In a telegram of March 11, he commented with irony on the Foreign Office's theses about fluctuations in the value of the Maria Theresa dollar, and declared:

"I quite appreciate these considerations which must be inevitable in the minds of monetary experts who have to regard Ethiopian monetary problems from the distant focal point of London. But what Stafford and I feel is that there are forces acting on dollar and political and other factors which London is not in a position to assess. We do not think our policy is mistaken, nor do we agree with the view that 'the dollar is a luxury which Ethiopia may choose (repeat choose) to give herself' ".

Reverting to the price at which the Treasury had proposed supplying Maria Theresa dollars, he added no less briskly: "the important thing is that the Ethiopian Government will decline with thanks any offer to sell them dollars at a higher rate than two shillings".[269]

The Emperor's Financial Adviser, meanwhile, was also continuing to press the Treasury proposal in Addis Ababa. He had a further audience with the Emperor, on March 4, in the course of which, he records, he broached a "topic on which H.M. and I had had many discussions". Stafford began by declaring that Ethiopia's "currency difficulties are already serious, and will increase as time goes on. Only a new currency can provide a solution. There is no practicable alternative to a currency board scheme, proposed by the British Government". The Emperor he tells us, replied that, "I knew his views and realised his difficulties. Did I advise him to accept the scheme because I was satisfied that it was the best arrangement from all angles for Ethiopia, or because it was the best arrangement possible in the present circumstances. In fact I saw no satisfactory alternative. 'Ha!' you say 'in present circumstances', said H.I.M. I said that financially it would always be a good arrangement for Ethiopia, but I appreciated that there was a political aspect to it, and I indicated that when the new issue had been established, and the world had settled down to normality, after the war, a currency arrangement more acceptable to national feeling could be considered".

Discussion then moved to the question of a possible British loan, and Stafford concludes:

"H.I.M. enquired how big a loan the British Government had given to Iraq, when she accepted the Currency Board proposals, and was surprised when I said 'nothing'. I explained again why a loan wasn't necessary, and the great advantages of a currency linked to sterling. H.M. enquired if I thought it would take about a year to introduce the new currency, and I gave reasons for thinking that a minimum of nine months would be required. Discussion ended on this query".[270]

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THE IDEA OF AMERICAN AID, 1942-3

The acute currency shortage in Ethiopia, and the failure of the British Government to meet local demands for Maria Theresa dollars, or even East African currency, caused the Ethiopian Government to look for help to the United States, whose Lend Lease Act, enacted by Congress on March 11, 1941, was declared applicable to Ethiopia on December 7, of the following year. This declaration, not surprisingly, gave rise to high hopes in Ethiopia that Lease Lend might contribute significantly towards solving the monetary difficulties.

The possibility of making use of Lend-Lease in the currency field was discussed between Emperor Haile Selassie and his Financial Adviser, Colonel Stafford, as early as December 21, 1942. Stafford, who was, as we have seen, a keen advocate of an Ethiopian currency linked to sterling, nevertheless recognised the country's need for Maria Theresa dollars, at least on a temporary basis, and believed they could be obtained on the basis of a silver loan from the United States. Writing of his conversation with the Emperor he recalls:

"I mentioned that one way of getting M.T. dollars would be to borrow silver from the U.S.A. to transfer to the British Government in return for the stocks of M.T. dollars the latter possessed, and would probably melt down for their silver content. H.M. approved this suggestion and desired that it should be put forward".[271]

Stafford and the other British advisers attached to the Ethiopian Government subsequently discussed the matter among themselves, and, recognising the importance of the possible American contribution, drew up a memorandum on January 5, 1943, advising the government that if it could not obtain the necessary assistance from Britain it should turn to the United States. Speaking with due gravity they declared:

"The present disturbed state of the Ethiopian currency has a direct bearing on the potential contribution of the Empire to the Allied cause. The advisers strongly recommend that if adequate assistance is not *immediately* forthcoming from His Britannic Majesty's Government, the Imperial Government should ask the U.S. Government for the loan of sufficient silver to obtain the necessary dollars".

Doubtless to calm any fears that such action might lead the country into excessive indebtedness, they added the reassuring sentence that "as the price of silver will in all probability fall after the war, this transaction should not present any financial risk".[272]

The British Minister, Howe, who tended to be jealous of the emergence of American interests in a country then largely under British influence, was not pleased by the advisers' move, which he reported to the Foreign Office on January 9. Observing that "among the supplies which the Ethiopians hope to obtain is silver with which to secure dollars", he reiterated his earlier belief that the British should put pressure on Ethiopia to obtain its acquiescence in their plans, and, referring to the adviser's proposals of obtaining an American silver loan, declared, "I imagine that the Treasury will not agree to this unless they are prepared to modify their present policy of driving Maria Theresa dollars from the country". On the question of American aid in general he added, somewhat sceptically, that:

"Lease-Lend is regarded here – but not by the advisers – very much as an open sesame, whereby all the supplies required will be easily and cheaply obtained".[273]

The Foreign Office had, however, no wish to oppose an Ethiopian approach to the United States, on which Britain herself was fast becoming indebted, the more so as financial help from America seemed to constitute a means of saving expenditure by Britain. Mackereth, commenting on the proposed Ethiopian request, therefore observed:

"On the whole I think we can but view with pleasure the possibility of the United States taking a hand in Ethiopia, it may go some way (should they respond) to sparing our unexpected 'cushion' grant of £1,000,000, and the loss of silver we can ill afford to spare for the provision of M.T. dollars. I can think of no political objection".[274]

At the Treasury, on the other hand, the often testy Rowe-Dutton reacted strongly against the advisers' move, not so much for nationalistic reasons, as because it seemed to imply support for the perpetuation of the Maria Theresa dollar, and thus an abandonment of the Treasury plan for a currency linked to sterling. He accordingly wrote to Mackereth on February 15, vigorously criticising the advisers' statement, and observing:

"It seems to me they are entering on highly dangerous ground. They still seem anxious to perpetuate the Maria Theresa dollar, and while we recognise that in some particular cases it may be desirable to pay native producers in M.T., there are, of course, very large stocks in the country, and I can see no justification for increasing those stocks. Certainly, as at present advised, I should oppose any facilities being given for minting additional supplies of M.T. dollars".

Waxing increasingly angry, he went on to declare that the statement threw "a very disappointing light indeed on the general attitude of the advisers towards our proposals for a proper Ethiopian currency. Instead of fostering the continued use of the M.T., which will provide no permanent solution for Ethiopia's currency difficulties, they should be putting their whole weight into getting the solution which has been offered them put into effect by the Emperor".

Turning specifically to the advisers' proposal of approaching America, he pontificated:

"If at this stage they want to come forward to ask for Lease-Lend silver, to manufacture the new coinage, that is quite another question, which would itself raise manifold difficulties. As you are no doubt aware, silver in the United States is one of the most dangerous things to get mixed up with, and the political repercussions of anything to do with silver are quite unpredictable. I would not agree to pledge our support to an Ethiopian request for silver in advance of the most careful consideration of the circumstances at the time when the request came to be made".

The Treasury official saved his final blast for the advisers' remarks about the possible future value of silver, and declared:

"I note that in the view of the advisers, the price of silver would now probably fall, after the war, so that the transaction contemplated should not present any financial risk. It would be a bold man who would stake anything substantial on this. Apart from anything else, the whole of Europe will be short of coin, and if they go back to a silver circulation, the resulting demand might keep silver prices up for a very long time. I must say that had I been drafting . . . the report, my concluding words would have been 'As the future of the price of silver is wholly uncertain, this transaction would involve very considerable financial risks' – that is putting it mildly".[275]

This outburst seems to have convinced Markereth of the dangers inherent in the advisers' statement. He accordingly wrote to Howe, on March 17, echoing Rowe-Dutton's view, that it did "indeed enter on very dangerous ground", and added:

"They still seem anxious to re-establish the use of Maria Theresa dollars, and while we recognise that in some particular cases it may be unavoidable to pay for native produce in these coins, when it is urgently needed for war purposes, on the other hand there are undoubtedly large stocks in the country".

Referring to Rowe-Dutton, but not mentioning him by name, he added: "Our experts are firmly convinced that silver currency is an unnecessary luxury these days. Moreover, were Ethiopia to establish itself on Maria Theresa dollars, it could not come into the sterling area, and its trade would probably stagnate in consequence".

Repeating Rowe-Dutton's comments, the Foreign Office official went on to remark that the advisers' statement "throws a very disappointing light on the general attitude of the advisers towards our proposals for a sound Ethiopian currency, conceived in an earnest attempt to assist in the rehabilitation of Ethiopia (*sic*) economy on modern lines. They ought to be putting their whole weight into getting the solution which has been offered, put into effect by the Emperor.

"If at this stage, they want to ask for Lend-Lease silver, to manufacture more Maria Theresa dollars, it is quite another question, and would raise further problems; we would not agree to pledge our support to an Ethiopian request for silver without the most careful consideration of the circumstances. As for the advisers' assertion that 'the price of silver will in all probability fall after the war' and 'this transaction should not present any financial risk', all I can say is that I understand that the future of the price of silver, is, on the contrary, most uncertain, and this transaction would, according to the best advice, involve very considerable financial risk. Perhaps the crucial fact", he concluded, "is that silver is urgently needed war material, and we, and probably the Americans also, cannot afford to see it frittered away in unnecessary currency anachronisms like the Maria Theresa dollar".[276]

Such observations on the assumed economic implications of an American silver loan failed to take any account of its political implications, for the mere possibility of the Ethiopian Government's appealing to the United States had significantly weakened the hitherto monopolistic position of Britain *vis-à-vis* Ethiopia, and hence the ability of the British Government to use its aid as a means of imposing its currency plans on Addis Ababa. The weakened British position was not lost on Howe, who, commenting to Peterson on Rowe-Dutton's angry letter of January 6, and its assumption that the Emperor could be pressurised into compliance with the British will, sagely observed, on March 6:

"Practically, we should tend to drive the Emperor away with our big stick. He would turn to the United States of America, and we should look rather small in this event".[277]

INCREASING PROBLEMS WITH THE MARIA THERESA – EAST AFRICAN CURRENCY EXCHANGE, 1943

The rise in the value of the Maria Theresa dollar, *vis-à-vis* East African currency, continued throughout this period, as was recognised by the Ethiopian Government, which raised the dollar's official exchange rate from 1·875 East African shillings, as fixed on October 31, 1942, to two shillings on January 22, 1943. Both rates were, however, little more than book-keeping figures, for there was no real obligation to follow them, which caused the Press Attaché, at the British Legation, Molesworth, to complain in June, 1943, that since the exchange "is not enforced generally, it is practically ineffectual . . . except in so far as it brings ridicule upon official proclamations".[278] The unofficial rate, at which most exchanges were made, in fact rose from 9·75 dollars to the pound, in December, 1942, to between 8·50 and 7·25 in January, 1943, and reached seven by June.[279] It subsequently dropped a little, to 7·25 in October, but had again reached seven by end of November.[280]

The dollar's rise in value had serious consequences alike for government finances, the trade structure, and the wage earning community. The government, according to the Emperor's Commercial Adviser, A. D. Bethell, "lost heavily", for the British subsidy was still paid entirely in East African currency, and taxes were also largely received in that money, at the official, increasingly artificial rate. Trade was adversely affected for, according to the same observer, "the greater the value of the M.T. dollar, the fewer the dollars which the Ethiopian export merchant can pay to the peasant for his produce. Below a certain M.T. dollar figure, it does not pay the peasant to bring in his goods at all".[281] Wage earners paid in East African shillings also suffered from the increased value of the dollar, which resulted, as Stafford observed, in "a severe loss to lowly paid government, and other servants",[282] and caused as Molesworth was to remark, that it created "an immediate 30 to 40 per cent cut of an already minimum wage".[283]

The only persons to benefit from the rising value of the dollar, Molesworth argued, were money-changers and small traders, largly non-Ethiopians, and "probably mainly Armenians, Greeks, Indians or Arabs", who made "large sums from the comparatively poor of the country, by using every weapon in their power, to make vendors insist upon payment in dollars, so that the elements which receive their payment in East African currency may be forced to exchange their pay through the black market".[284]

The basic monetary problems resulting from the rise in

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the value of the Maria Theresa dollar were subsequently recognised in the British Government's *Political Review* for 1943, which noted that "the unsatisfactory state of affairs, engendered by the concurrent circulation of the silver dollar, and the East African shilling, continue with the unhappiest effects on trade, commerce and social conditions", and added:

"The value of the Maria Theresa dollar had risen, and was rising against the East African shilling . . .

"The real wages of Government employees including the armed forces and the police, fell in sympathy, since their wages were paid in shillings, at the official rate of exchange, viz. two shillings to the dollar. In many cases wages were months in arrears. In the provinces the shilling would buy even less than the rate of exchange fixed by traders in urban centres would justify. The resultant unrest and dissatisfaction formed a danger which was apparent to all".

The joint circulation of the Maria Theresa dollar and East African shilling, as a subsequent State Bank of Ethiopia report declared, was thus "most unsatisfactory", and the monetary situation was in consequence "confused".[286] Elaborating on these difficulties the report observed that the official rate of two shillings to one thaler ceased to be operative, and that "on account of the special preference for the thaler, as well as its intrinsic value in terms of its silver content, prices in shillings began to rise, and the market rate for the Maria Theresa thaler soon became three shillings. Due to the shortage of Maria Theresa thalers in the hands of merchants, and rising prices in terms of East African shillings, it became more and more difficult for exporters to buy goods from producers, at a price which they could export profitably. This had a most serious effect on the country's exports".[287]

"Wide fluctuations in the value of thalers, in terms of shillings", the report goes on, "occurred between the rainy and dry seasons, and a strong demand in surrounding countries for Maria Theresa thalers created additional difficulties".[288]

The reasons for the chronic shortage of Maria Theresa dollars were widely discussed in this period, notably at a meeting at the Ministry of Commerce, on January 9, 1943, attended by the Minister, Ato Makonnen Hapta Wald, the British Commercial Adviser, Bethell, and the principal merchants, namely, Weerts, the representative of A. B. Besse and Company, D. D. Nadel, M. D. A. de Clermont, P. B. Sheth, Manager of Messrs. I. Premjee, Nathoo Mooljee, Sheik Abdelrahman Bazarah, Messrs. Myriallis and Pappahilippou, and W. Hollander, Manager of Mitchell Cotts.

An official report of this meeting, which last three-and-a-half hours, states that the participants pointed out that merchants could obtain dollars for the purchase of Maria Theresa dollars in only two ways, namely:

"(*a*) by selling salt, sheeting, yarns, etc. for M.T. dollars.

"(*b*) by purchasing dollars against shillings on the black market . . .".

It was explained that the *nagadis*, or local traders, believed that the thaler would "continue to appreciate". They therefore sold their export produce and hastened back to the interior to make further purchases with thalers, with the result that "only about 25 per cent of the thalers paid out by export merchants remains in Addis Ababa, or returns to Addis Ababa by the sale of import produce".

Turning to the question of the dollar-shilling rate, the traders argued that the exchange had reached its then undesirable level "not so much due to a depreciation of sterling, as to an appreciation of the dollar". Outlining the main reasons for the dollar's high value, the report observed:

"(*a*) Probably the most important:

"Negadis and natives in the interior accumulated large capitals in lire, during the Italian occupation. Since the conquest and especially recently, they have been steadily converting lire into M.T. dollars. This has created an unusual artificial demand, which has most probably now ceased.

"(*b*) A large proportion of available exports were not lifted last year, and since September there has been a rapid increase in the demand for dollars . . .

"(*c*) Contraband export of thalers has played a more serious part than is generally imagined. With good motor roads it is far easier now on a big scale than it ever was before.

"(*d*) Paying government personnel in shillings has had an unfortunate effect. The recipients immediately buy dollars and Banians victimise them over the rate".

Emphasising the need to curtail the rise in the value of the dollar, the report noted that it was "universally admitted that Ethiopia cannot exist without a British subvention, and she therefore has a paramount interest in keeping sterling up and dollars down". The meeting felt that on the basis of the cost of silver, 10·66 shillings to the thaler, would be "a fair medium rate" as "proved by the fact that it was easily maintained for over a year", while the heavy excess of imports over exports should "tend to keep sterling up".

As for the fall in the value of sterling, which had actually occurred, the meeting declared that "the first blow to confidence in sterling" had been the "unfortunate remark" in the Legal Tender Proclamation of 1942, which referred in passing to the future issue of Ethiopian national currency, as a result of which "Arabs (and Ethiopians) began to fear they might be forced to exchange silver dollars for some fancy lines in notes. They withdrew their dollars from the bank and started to hide them. To build confidence", the report added, "will need heavy government sales of dollars. Probably 2,000,000 at least".

Thought apparently in unanimous agreement as to the causes of the currency malaise members of the meeting found it more difficult to agree on any policy recommendations. "The only conclusions on which *all* merchants were agreed were (*a*) that a dollar reserve must be recreated somehow, and soon, and (*b*) that it would be preferable to pay personnel in M.T. dollars to avoid the impact of large numbers of small sales of shillings on the market. Pay day", the report adds, "means a 50 per cent drop in the black rate. It is suggested that (as a temporary measure) government might buy dollars on the black market during the month, and exchange shillings for dollars for their personnel. An alternative would be to permit certain agents to effect the exchange".

The Commercial Adviser, Bethell, then made a suggestion, which he admitted had "certain obvious difficulties". It was that the government should accept the circulation of two currencies, East African shillings in the "big centres", and Maria Theresa dollar in the "interior". Elaborating on this idea, he argued that the government's policy should be:

"(*a*) To provide (or obtain) a sufficient supply of M.T. dollars to sell to genuine exporters for purchase of exports only.

"(*b*) To pay personnel in the big centres in shillings, in the interior in M.T. dollars.

"(*c*) To collect taxes and customs in the big centres in shillings, in thalers in the interior".

"(*d*) To sell imports in shillings in the big centres, and in thalers in the interior".

Discussing the rationale of these proposals he argued: "There is naturally going to be an interim period during which sales of imports in the towns in thalers must continue, in order to provide dollars for exports. During this interim there should be some supervision of exchange control, and of the implied prohibition in dealing in dollars and shillings, at other than the fixed rate. This would permit merchants to draw on Aden in rupees, and to buy dollars on the market, as formerly. It should be remembered that sterling credits opened in Aden against Ethiopian shipments, are only available in rupees in Aden. The Banias need rupees, and would exchange direct for dollars. The banks have no dollars, and can only give shillings against rupees, both complicating the exchange, and making it more costly. The suspension of exchange control would naturally cease as soon as M.T. dollars are available from the banks".

This proposal, we are told, "met with general approval", but M. Weerts, representative of the important firm of Besse, vigorously dissented, declaring that he was far from convinced by the above arguments, for he wished "to abandon sterling altogether and go back to a free dollar".[289] In a subsequent memorandum, he proposed that the British Government be asked to import around 2,000,000 thalers, and to make them available to Barclays Bank for sale to the public at a free market rate. The very appearance of these coins, he argued, would restore the thaler to its desired rate which he felt sure would be stabilised without any need to sell these coins in their entirety. In this connection he recalled that the thaler's value in Ethiopia had remained stable despite external variations as long as Barclays had held the reserve belonging to the Occupied Enemy Territory Administration, and that it was only when these thalers had been removed that the rate had begun to fluctuate significantly. The import of thalers he proposed would, he explained, have to be accompanied by a decree annulling the fixed value of the thaler, as well as steps to prevent the smuggling of coins out of the country.

Weerts declared that he was, however, convinced that "nothing but the announcement of the arrival of thalers" would stop speculation, and that it would suffice to say that the bank would sell at 8·75 dollars for the exchange to be brought down to nine dollars, and so to even lower rates. There was, he concluded, no other remedy, and since the proposed thalers would assist in the export of skins, wood, cereals, and other products necessary for the war effort, he trusted that the British Government would listen favourably to his proposal.[290]

A copy of the report, together with the arguments of Besse's representative, was duly despatched by Howe to the Foreign Office. In his covering letter he observed, on January 20, that the opinions expressed were "interesting as coming from those with long experience of the economic peculiarities of this country", that the analysis seemed "sound", and showed "the disastrous results of the arbitrary withdrawal of the M.T. dollar reserve, and of the arbitrary attempt to force an immediate and complete abandonment of the M.T. dollar as currency".[291]

At the British Foreign Office, however, Mackereth was not impressed. "The advisers' arguments", he commented, "are most unconvincing as soon as they leave the sentimental ground of the well-known attachment of the Ethiopian to the thaler". Irritated that the British Minister in Addis Ababa should once more have expressed approval for ideas deviating from those of the Treasury, he angrily added, "We have already put the firmly held measures, and Bank of England theories, to Mr. Howe, and need not do so again".[292]

In Ethiopia meanwhile, the Maria Theresa dollar continued to augment in value, and could often be obtained only on the black market. On February 3, Howe reported the "virtual cessation of all dealings" at the official rate of 10·66, as a result of which exchanges had gone "underground",[293] while an East African Command intelligence report, that month, stated the Bank of Ethiopia was refusing to pay out dollars.[294]

The difficulties created by the rise in the value of the dollar, were so great, Howe argued, that employees paid in shillings, and having to make about 75 per cent of their purchases in dollars, were obliged to convert shillings into dollars at "arbitrary black rates, fixed by small dealers", while at the legation, being "precluded from dealing on the black market", he had been obliged to pay wages only in shillings.[295] A month or so later, on March 3, the minister admitted that "our withdrawal of the dollar has had a crippling effect on the financial situation",[296] and reverting to this question on July 3, he reiterated that the thaler-shilling exchange had "caused harm" since payment at an official rate in shillings, of employees, who had to obtain their articles of consumption in dollars, had forced on them "a progressive diminution of real wages".[297]

East African currency, at this time, was also in short supply, as was revealed by the East African Command Intelligence Report, for February, which stated that it "appears to be vanishing from circulation as quickly as the dollar".[298] Stafford, as Howe reported on April 20, accordingly decided on the advisibility of introducing East African shilling notes, and requested "a first consignment of £50,000".[299]

The monetary difficulties of the time caused another of the Emperor's British Advisers, Brigadier D. Sandford, to write to his minister, the Minister of the Interior, in the most emphatic of language, on April 21, as follows:

"Your Excellency knows that I do not exaggerate when I state that great hardship and discontent are being caused all over the Empire by difficulties of currency and exchange, and that in fact a very serious

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situation is developing.

"I warn the government that unless steps are taken at once to find a solution of the problems involved, they will have to face bankruptcy and a dangerous internal situation.

"The Minister of Interior is responsible for public security and for maintaining the whole fabric of internal administration. It is therefore directly and deeply involved . . .

"I strongly urge Your Excellency to bring the whole question before the Council of Ministers, and to insist upon discussion being made, and action taken forthwith".[300]

In an accompanying report, Sandford discussed the currency question in historical terms, and declared:

"Any local merchant will tell you that the greatest drawback to healthy trade in pre-Italian days was the fluctuating value of the dollar. Dollars however could always be imported.

"Today the same unhealthy condition exists but in greatly exaggerated form, owing to the impossibility of importing dollars".

The remedy, as he saw it, was to "peg" the Ethiopian currency to sterling, but, there were "obvious difficulties in doing this with a silver currency (impossibility of getting enough silver; contraband; export; hoarding, etc.); and this 'pegging' to sterling must therefore be accomplished by the introduction of paper and token currency".

The introduction of a paper currency was however a "long term" policy which would "take time" firstly, because of the need to print and import notes and coins, and, secondly, to accustom the population to accept the new currency. A short term policy to cover the interim period, which would last "some years," was therefore also needed.

Turning to the "troubles" which would have to be faced in this short-run period, he declared: "There is an acute shortage of dollars 'above ground' and owing to a variety of causes, the native will not accept E.A. shillings but only dollars. There is also a great scarcity of small change of any sort".

Another problem Sandford saw was one which had concerned other observers, namely that whereas the British subsidy was paid in sterling, the Ethiopian Government, not wishing to dissipate such reserve of dollars as they possessed, and being unable to purchase dollars at the current rate of exchange, were forced to pay soldiers and employees in shillings, at a rate of exchange approximate to that ruling when the subsidy was first fixed. Soldiers and other employees were however, obliged to pay for their supplies in dollars, and therefore had to change shillings into dollars, their difficulties being moreover increased by lack of small change. They were therefore suffering "real hardship". Emphasising the seriousness of this state of affairs, he prophesied that "the situation will not get better, but worse, if no action is taken, and an 'impasse' may be reached, when the Government will have the choice of bankruptcy and serious internal trouble.

"From the aspect of trade", he added, "the situation is equally difficult. The merchant can only purchase produce with dollars, or with imported goods. The dollar is steadily rising against him, and imported goods are hard for him to obtain". Despite this difficulty, he emphasised that the purchase of Ethiopian produce was important to Britain, and was "definitely needed for the war effort".

Another problem, he asserted, lay in the fact that the shortage of currency was also "acute in other countries". It was therefore "an effort" for the British Government to supply Ethiopia with East African currency, and it was quite possible that it might in fact refuse to do so, particularly in view of the "uncertainty" as to Ethiopia's currency future.

Turning to his proposed "long-term policy" the adviser remarked:

"If there is any alternative to 'pegging' the currency to sterling, this has so far not been canvassed. On the other hand, entering the 'sterling group' will carry with it obvious benefits. Ethiopia will no longer be left isolated, with a fluctuating currency. Her currency will be established, and she will obtain complete freedom of transfer of funds, inwards and outwards, within the sterling group; and it must be remembered that payments for imports, today, are mostly in sterling".

Taking issue with those who objected that there would be "loss of prestige" in locating the Ethiopian Currency Board in London, instead of in Addis Ababa, he replied, "This is perhaps a little far-fetched, seeing that the knowledge of what the currency machinery consists of, or what the Ethiopian Currency Board is, will be known to, or comprehended by exceedingly few people. It is reasonable to suggest moreover, that there is a certain prestige to be gained by being admitted to, and known to belong to the sterling 'bloc' ".

Elaborating on the advantages of locating the board in England, he argued that the duties of such a board had "to be performed in London", for "taking wartime communications into account, it would be difficult to supervise their performance from this country", the more so as the British Treasury made the location of the board in London "a *sine qua non* of co-operation".

Sandford went on to propose the establishment at the State Bank of a reserve of $4,000,000, which would "suffice" to enable the local dollar-shilling exchange to be restored to, and maintained at, parity, i.e. two shillings to the dollar. The proposed reserve, he added, should be provided in "roughly equal amounts" by the British and Ethiopian governments, this being done in the case of the former by paying the next subsidy instalment in dollars.

An alternative to the above plan, he explained, might be to endeavour by means of the same reserve, to stabilise the dollar at the rate of 2·5 shillings, or eight dollars to the pound, which "could more easily be done". The difficulty of the latter policy was that the government would "still find itself compelled to pay its soldiers and employees in dollars at the old rates" and would "very quickly" get into "serious financial difficulties" unless the British subsidy was "increased . . . to meet the extra expenditure involved". Even then the government would be obliged to enter the local market to get its dollars, and there was no guarantee that such large purchases would not "put the dollar up to $6 to the pound".

The disturbance of the local market by government purchases of dollars would be avoided, he argued, if the British Government would agree to pay in dollars that portion of the subsidy required for disbursements in salaries, and to meet local dollar expenditure, i.e. about two-thirds of the subsidy. Purchase of cereals for the British-operated Middle East Supply Corporation should likewise be made with dollars which should be supplied by the British Government, at the cost of less than 2/– to the £1, for it would make no financial difference to it whether payments were effected in sterling or in dollars, at that rate.

"There is good reason to suppose", he declared, that the above policies would stablise the dollar-shilling exchange at two shillings to the dollar, rather than 2·5 shillings. "To make assurance doubly sure" he nevertheless proposed the following additional measures:

"(i). The strictest laws against contraband should be enacted and enforced.

"(ii). Strong representations should be made to the M.E.S.C. to increase Ethiopia's import quota for trade goods.

"(iii). The ban on the transfer of sterling balances, out of the country, should be lifted. These sterling balances", he added, "are not wanted here; their removal will leave less sterling with which to buy dollars, and so remove one of the factors liable to disturb the exchange. This should be done either forthwith or, at any rate, some three months before the date decided upon for pegging the dollars.

"(iv). Legislation should be enacted and strictly enforced for the control of prices of imported goods.

"(v). Careful consideration should be given to the possibility of the government purchasing and issuing to the soldiers, police and government employees, at reasonable prices, their foodstuffs, and other necessities which they require".

The above proposals, he concluded, had "not touched upon the serious shortage of small change", an "obvious solution" of which would be the import of coins from Kenya, though there was no assurance that they might not "go to ground as rapidly as did the last consignment of copper coinage imported from that country", and it was "out of the question" that the Kenya Government could "supply a sufficient quantity of subsidiary coinage to saturate the territory".

A copy of Sandford's memorandum was duly sent by the British Legation to the Foreign Office, which submitted it to the Treasury, where it was perused by the ever dogmatic Rowe-Dutton, who observed that it revealed that "the real difficulty" of the Ethiopian monetary situation was "appreciated", and added:

"I also welcome very much Sandford's approach to the difficulties raised by the currency board. As we know, we have attempted to approach that set of problems in a helpful and disinterested spirit, and I still hope that, if the advisers give us full support, we may get the scheme under way".

Though thus far appreciative of the adviser's memorandum, the Treasury official nonetheless declared that there was "a great deal in the rest of Sandford's memorandum with which I vigorously disagree. Fundamental is the failure to realise that the price of silver is not, and cannot be pegged". He also did "not appreciate" the suggestion that "all prices in Ethiopia must necessarily rise in the same proportion as the price of silver. This", he added, "is clearly a most dangerous situation for the Ethiopian Government to get into, and you will see that, if you push this to an extreme case, the subsidy for £4,000,000 would be worth very little in terms of goods in Ethiopia. You would, indeed, have all the symptoms of a first-class inflation with which the Ethiopian Government might be powerless to deal".

Rowe-Dutton went on to declare: "such things as, for example, house rents and similar contracts must be met otherwise than in M.T. dollars, and it is essential that the whole commercial activities in the country should be fundamentally based upon East African currency with a minimum of Maria Theresa transactions with up-country natives. If the latter insist upon dollars, they must meet such resistance that they will be forced to accept fewer dollars for their products, or in other words, there is no reason to give them additional amounts of East African currency for the same amount of goods".

Turning to the attitude of the Emperor's British advisers, Rowe-Dutton concluded in somewhat bigoted vein:

"I trust that you and Howe will do your best to get the advisers straight on these fundamental matters. I quite understand that the advisers should represent the Ethiopian point of view very strongly. But it is very disappointing when both Sandford and Stafford take a view on these silver matters which is not only diametrically opposed to our own, but is also manifestly unsound. This is letting the side down with a vengeance, and does no good either to Ethiopia or to ourselves".[301]

Other British officials, however, saw the matter very differently, R. E. Cheesman, the Oriental Secretary of the British Legation, and a man with long experience in Ethiopia, drew up a report on May 25, in which he put the blame for the financial difficulties on the introduction of East African currency. Arguing that the Ethiopian State was far more cohesive than foreigners might assume he conceded that monetary problems nevertheless constituted a potential source of trouble. "The crazy structure, which best describes the Ethiopian empire", he declared, "is held together by a mysterious magnetism which is incomprehensible to one who has no more than a superficial knowledge of Ethiopia, however wide may be his experience in the Middle East, or of British Colonial governments". Turning specifically to the introduction of East African currency, he drew a sympathetic picture of the difficulties of the peasantry, and observed:

"the change over of currency is causing uneasiness. It hinges on the M.T. dollar. Little dislocation is caused in towns, by the introduction of a new coin or notes, as the trade there is handled mostly by European traders, but the vast population in the provinces – from which the food and the wealth and the revenue is drawn – has been wedded to the dollar for nearly two centuries. Change here can only be brought about gradually, the farmer who carries the proceeds of his sales from the weekly market, prefers it in dollars, he has no umbrella of protection from the rain, and if he gets wet through, as he often does, his dollars are unharmed. If the same amount were in paper money, it would be pulp and valueless. He has no safe in which to keep his money, so

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he buries his dollars in secret, in the soil of the floor of his hut, and it is there that he wants it. Paper money would be eaten by white ants. If he takes his money in East African shillings, to the silversmith, to have silver ornaments made for his wife, the melting process discloses that there is little or no silver".

Turning to the manner in which the thaler had survived the Italian occupation, Cheesman observed:

"The Italians with their army of 300,000 men, managed to force the acceptance of paper and metal lira on people of the towns, but they did not succeed in ousting the dollar, and had to come back to it in the end.

"The Ethiopian has recently seen the lira become worthless, while the dollar has soared. The arguments and theories of high European finance carry no weight with him. He is a realist and believes only what he sees".

Explaining why the coming of East African currency had produced difficulties, the Oriental Secretary explained:

"The attempt to introduce the East African coinage, without preliminary tutelage, has precipitated a critical stage, even in Addis Ababa, and in other districts, where troops and government wages, which were fixed in dollars, are paid in East African shillings, at the rate of 2/- to £1. Even a mile outside Addis Ababa, the shillings have to be changed into dollars before food and country commodities can be purchased. The present rate is $6·50 to the £1 – the employee standing the loss in exchange".

Cheesman, whose approach to Ethiopia was thus very different from that of his compatriots at the Treasury, and even at the Foreign Office, proceeded to explain that the above situation had been "foreseen" by the Emperor, who was "now seriously worried", though, apart from "individual grumbling", there had been "no signs of wider disaffection".

The Oriental Secretary therefore concluded in basically optimistic vein by declaring:

"Provided the currency crisis, which is now acute, can be solved, there is no reason whatever to anticipate any serious deterioration in the internal situation. This may however arise if the currency situation is allowed to get worse".

Cheesman's arguments, as might be expected, failed, however, to convince Mackereth, who saw the problem in somewhat wider terms, and commented:

"I should hesitate to endorse Col. Cheesman's view, that the essence of the crisis lies in a shortage of M.T. dollars. Even payment of the subsidy wholly in M.T. dollars, were this physically possible for us, would not solve the problem. The true element of discontent seems to lie rather in a shortage of consumers' goods, due to lack of shipping, and other war circumstances".[302]

The problems arising from the shortage of Maria Theresa dollars, shortly afterwards, gave rise to an interesting dispute, which came before the Ethiopian High Court, on June 15. The case arose out of a contract of September 27, of the previous year, whereby a trader agreed to purchase fruit from the Emperor's orchards, at a price expressed in Italian lire, but payable in Maria Theresa dollars, at the rate of 43 lire to the dollar. This agreement, it should be noted, had been made a month or so prior to the Ethiopian Legal Tender Proclamation, of 1942, which had declared Maria Theresa dollars and East African currencies, the country's sole legal tender. The dispute arose from the fact that the orchard demanded payment in dollars, as specified in the contract, whereas the trader would pay only in East African currency.

The judges, who were presided over by an Israeli, Nathan Marein, recognised, on the basis on the Legal Tender Proclamation, that "it is obvious that in this country, we have two legal currencies, and that payment may be expressed in any two", and stated that "in our opinion, where the price was fixed in one of the two currencies, without inserting a special provision that payment must follow in that currency, the debtor may pay in any of the two legal currencies at the official rate". In the case before the judges, however, "the mode of payment, as well as the currency to be used" was "expressly laid down", and "formed an essential condition of the contract". They therefore concluded, "we . . . see no reason why the defendant should be allowed to pay in any other currency than the one contracted for".

Coming to the core of the case, the judges noted that the defendant admitted that he had agreed to pay in thalers, but pleaded that he could not do this, as these coins were unobtainable, except in the black market. His contention was that "since it is impossible to obtain thaler currency in any other place than the 'black' market, where he must pay 7 (seven) thalers to each 20 E.A. shilling note, he would by so doing, contravene the law, and not wanting to contravene the law, he cannot possibly fulfil his part of the contract". Rejecting this contention, in a ruling which recognised the well-established character of the black market, the judges declared:

"it is a well known fact that the State Bank of Ethiopia, the only bank functioning here, does not give thaler exchange for East African currency; furthermore, that nowhere can anyone in Ethiopia get that currency unless he buys from the 'black' market, or from merchants, at a much higher rate of exchange that the one fixed by law, and that even the most respectable members of the community, the bench not excepted, must, when they have to buy certain necessities, or pay wages, have resort to that market, and pay a much higher rate of exchange, than that fixed by law. We have therefore no hesitation at all in believing the defendant that at this moment he can get all the thaler exchange he wants from the 'black' market, at the rate of seven thalers to 20 E.A. shillings".

Rebutting the defendant's plea that he could not legally have recourse to the black market, Marein and his colleagues observed, "the obvious answer to this point of his defence should be that if he does not wish to contravene the law, he should lead the police to the place where these thalers are obtainable, and they would force the said money-changers to give him the thalers at the official rate". Recognising that this argument was, however, only theoretical, the judges declared:

"We say the answer to his defence 'should' be

because, in fact, it cannot be for the simple reason that the authorities have deliberately allowed this law to fall into disuse. The authorities concerned have, we suppose, for good reason, stopped all prosecution under the said law. Notwithstanding this, we regret to say that it is by law still a good defence to the defendant's contention of impossibility of performance, because the law is still on the statute book and, theoretically at least, the police would interfere. Until that law is taken from the statute book, we cannot take any judicial notice of its disuse. It is for the financial and legislative authorities to put their heads together and find a way out of the thaler dilemma. A court of justice cannot legislate".

The judges therefore concluded that "the defendant's argument of 'impossibility of performance' falls through because on his own admission there are sufficient thalers in the market, and he would not have been better off if the rate of exchange would have been fixed by notice in the Gazeta at seven thalers to 20 E.A. shillings, the rate he says he can buy thalers at from the 'black' market".[303]

This decision, which tended to reinforce the Maria Theresa as the country's premier currency, was briefly reported in the *Ethiopian Herald*, of July 3, and created some excitement in commercial circles. On July 10, the Chaplain of the English Church, the Rev. A. F. Matthew, wrote to the newspaper on behalf of "many besides myself" to enquire how contracts specifically payable in dollars could be honoured, for, he declared, "The State Bank will not let me have any. I know no way to get them except in the black market, where I shall have to pay at a rate of exchange higher than that prescribed by the government, which is against the law. Am I", he dramatically inquired, "to break the law in order to fulfil the law?"[304] A correspondent, who signed himself E.J.E.L., replied with equal logic, that though "the rise in the dollar" had "created a difficult situation" in that "some people, through no fault of their own, find that their position has worsened considerably", he would "point out that if persons, contracting freely, choose a particular method of payment, they must abide by such choice".[305]

The purchaser of the fruit had meanwhile appealed against the High Court's ruling that he was obliged to make payment in Maria Theresa dollars. The case came to the Supreme Imperial Court, which met in August under the Presidency of the Afa Negus. There the Acting Judicial Adviser put forward the argument that the contract under discussion was "really for payment of M.T. dollars as bullion, and not as currency", but this contention was rejected by the court, which overturning the previous decision, ruled that "even if the respondent had been entitled to claim payment in coin M.T. dollars, from a currency point of view he had not suffered any damage by the appellants being unable or refusing to hand over the actual M.T. dollars, and tendering the equivalent in E.A. currency at the prescribed rate of exchange". The judges pointed out that government taxes and customs and excise, though expressed in dollars could be paid in East African shillings, at the rate of two shillings to the dollar, and that goods could be purchased from merchants at the same rate of exchange.

The court's decision was of interest also for its recognition of the monetary difficulties then facing the country. The judges thus spoke of the government's "difficulty in having two standards of value at the same time, namely the M.T. dollar, which is on silver standard, and E.A. currency, based on gold", and added: "This is an illusion in practice, unless steps are taken to maintain equality between the mint ratio and the bullion ratio. The present rate of two E.A. shillings to one M.T. dollar is artificial, and does not maintain that ratio and the undervalued metal will drive the over valued metal out of circulation. Merchants who are paid in E.A. currency cannot therefore be expected to pay their debts in M.T. dollars".

The judges concluded by referring to the black market in thalers, and gave it as their opinion that "it was no offence to purchase M.T. dollars, or E.A. currency, at a rate different from the prescribed rate of exchange".[306]

The court's decision seems to have given general satisfaction, and caused C. S. Collier, Governor of the State Bank of Ethiopia, to write to the *Ethiopian Herald*, on September 4, to recall "the opinion of one, Thomas Gresham, now long dead, whose reasonings endure", that "bad money drives out good". "So it does", Collier commented, "even to this day".[307]

The continued popularity, and increasing value, of the Maria Theresa dollar did much to prevent East African currency from gaining any great increase in circulation. On July 12, the British Minister noted that "Ethiopia can absorb apparently unlimited quantities of bronze", i.e. East African coins,[308] but he reported, on July 24, that both Collier and Stafford "agree that saturation point has been now reached, at least for E.A. paper".[309] The position towards the end of the year, was summed up by Stafford, in a report of November 30, which explained that though "the use of the shilling" had "increased in local markets" the Maria Theresa dollar "retains its popularity, the more so, since its rise. The longer the present arrangements persist", he added, "the more firmly will it be entrenched".[310]

Acceptance of East African currency was often limited to the smaller coins, which were used in conjunction with the Maria Theresa dollar, rather than to the notes which competed with it. The result, as Stafford stated in the above-mentioned report, was that "there was a shortage of East African coinage; notes were at a discount to the metal shilling and five and 10 cent pieces were worth twice their value as small change". On the other hand the one cent piece was "not acceptable at any price".[311]

The chaotic circulation of East African currency was a cause of distress to the British in Ethiopia, who tended to regard it as a reflection of opposition to it on the part of the Ethiopian Government. Moleworth, of the British Legation, for example, complained that "the Ethiopian Government has taken no steps whatever to persuade its populace to accept shillings, to appreciate the facts of currency, even to explain to them the denominations of the coinage, and their relative value. Indeed, so ludicrous has the situation become", he added, "that two sixpences are of higher value than one shilling; indeed a new sixpence is occasionally exchanging for an old shilling, while 10 cent pieces may be exchanged at six for a shilling (instead of 10), a five shilling note may be worth only three or four silver shillings, a pound note will

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generally be refused, and even – since the population cannot read, and has never been instructed in the currency – a pound note and a five shilling note, which are the same colour, and superficially similar, may be interchanged by the dishonest, without any appreciation of the deception among those of simpler mind".[312]

Concern at the monetary complications of this period was in fact frequently expressed in British circles. Howe for example complained, on July 3, that the peasants continued to display their traditional "reluctance" to accept token currency in any form, and that as far as East African currency was concerned, "The coins are disliked, but must win acceptance. It is unlikely that paper will win any confidence outside the towns for a long time".[313] The principal measures then being considered by the Financial Adviser, to popularise this currency, he stated, were the sale of all imports, exclusively in East African currency, and the abolition of the legal status of the dollar, in the hope that it would "continue in use solely as customary coin, with an uncontrolled rate". Howe nevertheless expressed the hope that if further supplies of silver could be made available for the production of this money, it would "unquestionably assist our urgent operations in Ethiopia", such as the purchase of grain, and the production of rubber, though he added that this could "not be considered to be in the best long term interest of the country itself".[314]

Appendix: The British Press Attache's Views on the Maria Theresa Dollar

In June, 1943, H. D. Molesworth, the Press Attaché, at the British Legation, in Addis Ababa, drafted an article on Ethiopian monetary problems, at the behest of his Minister, Robert Howe, who on June 21, remarked that he considered it "inaccurate in several details – although written in consultation with Stafford".

The article, which does not seem to have ever been published, contained an interesting discussion on the fortunes of the Maria Theresa dollar, in which its author declared:

"At the commencement of the Abyssinian campaign, the British Government introduced a large number of dollars into the country . . . At the conclusion of the campaign . . . the British authorities, in Nairobi, continued to circulate dollars throughout the whole country, and in consequence reconditioned the people to the use of dollars. Unfortunately, however, on the retirement of the military, dollars were again withdrawn from the market, although no acceptable currency was available to replace them. At the same time, the lack of imported goods led to a situation where little could be purchased by any Ethiopians, who were receiving any cash payments, and consequently, since there was not much use for currency, as currency, except in a few sophisticated areas, dollar hoarding, and the demand for dollars increased, and as a further complication, the price of the dollar in other areas became sufficient to encourage smuggling, which is in any case easy to achieve in Ethiopia. Difficulty has also been caused by the shortage of E.A. small change, which may at least in part be the fault of the British Government".[315]

This latter admission may well have been one of the reasons for the non-publication of the article.

FURTHER TALKS ON THE BRITISH PLAN, 1943

As the year 1943 proceeded it became increasingly evident that the British scheme for an Ethiopian currency linked to sterling, and issued by a currency board in London, had given rise to far more serious Ethiopian opposition than had at first been realised. The British Minister in Addis Ababa, Howe, by no means deterred by this state of affairs, continued to insist on the Treasury view, and reported to the Foreign Office on April 30:

"I saw the Emperor last night, on the eve of my departure for Cairo, to discuss closer economic union of Middle Eastern countries, and I reminded His Majesty, that any plans for Ethiopia's participation in such a block, and any benefit she might hope to receive therefrom must be largely illusory, as long as Ethiopia's currency remained in its present unhealthy condition".

Elaborating on the currency difficulties he continued:

"I warned His Majesty that currency situation was deteriorating. Dollar is now quoted at seven, and there is increasing difficulty in paying administration and army. In view of risk of bankruptcy, and danger to internal security, I begged His Majesty to take steps which we had advised to put currency on a secure basis.

"His Majesty", Howe declared, "agreed that currency position was detrimental to the welfare of the country, but said that he was unable at the moment to give me any definite answer. He admitted difficulty was in currency board in London.

"It is clear from the Emperor's admission", Howe commented, "that Ethiopian Government regard the matter as one of prestige. They may be therefore quite prepared to cut off their own noses, a process to which Ethiopians are particularly addicted".[316]

The British Adviser to the Minister of the Interior, Colonel D. Sandford, also continued his attempts to persuade the Ethiopians of the value of adopting the proposed new currency, and, Howe reported, had "drawn the government's attention, in blood curdling terms to danger to internal security in rise of dollar".[317]

The British Minister shortly afterwards learnt to his distress that the Emperor was receiving private advice on currency matters from an unidentified economist in Britain. He accordingly reported to the Foreign Office, on May 2:

"I hear from a very highly confidential Ethiopian source that the Emperor is being advised on currency question by a British economist, in London, no doubt through the Ethiopian Minister there. I have no details as to advice which this economist has given, but I gather that it is directed towards reconciling divergent views of the Treasury and Emperor on the matter of location of currency board".

Despite such advice from the unknown economist, Howe stated that his Ethiopian source had assured him that the currency question would "probably" be decided "in the next week or two", and he added, with self-satisfaction, that the Emperor had been "much impressed" with his earlier "talk" about currency.[318]

Mackereth, on receiving the above telegram, guessed that the "economist in London" was in fact Professor

Stanley Jevons (see Appendix), the Treasurer of the Abyssinia Association, who, as he noted, had held university chairs in economics in South Wales and Burma. On the rest of the Minister's telegram, Mackereth somewhat optimistically commented, "It is encouraging that the Emperor has been stirred by Mr. Howe's admonition, and that a 'decision' may soon be reached".[319]

In Addis Ababa, meanwhile, there were continued discussions on the British proposals. On May 10, the Emperor called his Financial Adviser, and told him, as the latter subsequently recorded, that he wished "the currency problem to be considered by a joint commission of advisers and ministers, under the Presidency of the Minister of the Interior, who would report their findings to the Emperor".[320]

Stafford had a further audience with the Emperor, on May 13, when, he records, he argued "that in the absence of reserves, the government had no alternative but to abandon the M.T. dollar for official purposes, and to declare E.A. shillings the sole legal tender. His Imperial Majesty", the financial adviser continues, "asked me one or two questions, and seemed to understand the point at issue. He then enquired if I had made this recommendation, because there had been no decision about the currency board. I said I had. The situation was critical, and I had to deal with facts, not hopes. His Majesty then enquired whether I would still advise the measures I had outlined, if the currency board were approved. I said that I had consistently advised His Majesty that there was no final solution to our currency difficulties, other than the introduction of a new currency on the lines advised by the British Government, and that there was no practical alternative to their scheme. The M.T. dollar must cease to be legal tender, when the new currency is introduced, but the acceptance of currency board scheme, would limit to about nine months the period during which the present scheme would have to be maintained. The British Government had said that they would provide one subsidy payment in dollars, and if this were used for exchange purposes, over this period, and the other expedients I had advised for stimulating the shilling were adopted, I thought we could do a great deal towards restoring the dollar to a more reasonable price. His Imperial Majesty asked several questions about the new currency, mainly as to how long it would be before he could transfer the control of it to Addis Ababa, but no new point developed. I repeated several times that I regarded the situation as very serious, and that I must press for immediate decision. I stated that I had consulted all the advisers about it, and they authorised me to say that they shared my views about the critical stage which had been reached, and considered that measures on some such lines as those I had advised must be taken at once. I gave instances to show that silver is now a very precious metal, and that it is useless for Ethiopia further to attempt to control it as a currency system. Dollars were being melted down and smuggled out in bars. Although the discussion ended with a promise by His Imperial Majesty to consider my representations, and to give an early decision on them, the question of currency constantly came up during the remainder of the interview, and I left with the impression that His Majesty appreciated the gravity of the situation, and had, in fact in his own mind admitted that speedy acceptance of the new currency proposals is the only satisfactory answer. I hope he is on the point of adopting them".

Elaborating on his conversation with the Emperor, the financial adviser also reported:

"I informed His Majesty that the British Government had agreed to return the dollar divisionary coinage, removed from Addis Ababa, and to raise no charge for it, beyond the cost of transport. His Majesty expressed pleasure at this. I said that there was a useful quantity of E.A. coinage on the way here from Kenya, and that I hoped it would arrive about the end of May, but that shipping difficulties might delay it. I took the opportunity to point out how undesirable it was that His Majesty should be dependent upon other governments for his currency. It was always a struggle to get fresh supplies of coin, because there was a great demand for it in the countries served by the E.A. Currency Board. If His Imperial Majesty had his own currency we could at least control supplies, even if the world situation did restrict the quantities available. I felt that His Imperial Majesty could count upon the co-operation of the British Government to make the new currency workable by arranging for adequate supplies of coin. I was in favour of putting the dollar divisionary coin into circulation, as legal tender, fixed to both the shilling and the dollar, at the official parity, and His Majesty requested me to draft a proclamation to that effect. He also requested me to consider whether it would be possible to take action against currency hoarders".[321]

Mackereth, on reading the above report, briefly annotated it with the cynical observation:

"Words of wisdom to which it is to be hoped His Majesty and his Ministers will pay due heed".[322]

Meanwhile in Addis Ababa, Stafford wrote another of his long reports, on May 21, on Ethiopian monetary problems, in which he declared:

"Ethiopia is now in a welter of difficulties over currency, manifestations of which are a shortage of M.T. dollars, and of small change. The M.T. dollar has risen to a price of 2/6d. (as compared with the official parity of 2/–), and East African copper coins have a special value of their own, of about 70 cents to the sterling. A great expansion of cereal purchases, for which dollars are declared to be the only acceptable currency, is the chief of a number of reasons for the rise in the dollar, and the disappearance of the lire, coupled with an insufficient supply of copper coinage, has brought about the shortage of coin".

Recalling the origins of these problems, the financial adviser frankly admitted that "the difficulties began when the British Military authorities, having refused to make further M.T. dollars available, removed their substantial stocks of that coin to Harar".

On the subsequent rise in the value of the Maria Theresa dollar he continued:

"For four months after this the dollar held firm to the parity which had been comfortably maintained since April, 1941, i.e. 1/10½d., but in mid-October the cumulative effect of the known absence of a reserve, the Government's disregard of warnings to husband their

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holdings, and strong demand for dollars to purchase export produce in areas where the shilling is unacceptable, sent the price by mid-December up to just over 2/–, and in mid-January it reached for one day a price of 2/6·75d. The rate then fell back, because of certain half-hearted measures taken by the government, to 2/4d., and remained at about that level till the end of March, when it slid back again to 2/6d. The pressure on the dollar was intensified by the fact that the contractors for military supplies were paid only in shillings (the military authorities having somewhat arrogantly deprived the dollar of legal status in the 'Reserved Areas') and had to purchase large quantities of dollars in the market. Four Asmara dealers in coffee and American Army buyers, did the same thing, thus increasing the sterling cost of the purchases and forcing the dollar up.

"The government being brought to the point of paying salaries and other commitments in sterling, went the whole hog and used nothing else. Most of the shillings paid out in salaries were promptly taken to the market to be exchanged into dollars. These movements superimposed on the normal seasonal demand, brought a rich harvest to speculators, and it was clearly impossible for the government to control the rate, although with the greater part of its revenue, represented by the subsidy, being received in sterling, it is important to restrain the rise in the dollar as much as possible. Efforts were made without success to obtain further supplies of that coin from the military authorities. For official purposes its value was raised to 2/–, with effect from January 22, a rate which had advantages from the point of view of divisionary coinage and facility of calculation".

On the efforts which the Ethiopian authorities had taken to counteract the increase in the value of the dollar, he declared:

"Various measure were suggested to the government to restrain the rise, but the response was meagre. Throughout the whole of this period a block of about 2¼ million which could have been used to great advantage was kept as an inviolable reserve in an air-raid shelter within the palace precincts. Some attempt was made to explain to government employees, especially soldiers and police, that in rushing to change their shillings into dollars they only did harm to themselves, and to help them a proportion of their pay was paid in dollars. This had small success. A scheme for providing grain, received in kind as tithe, for sale in shillings, failed because the ministry produced only a few job lots of various grains and vegetables, which the local merchants looked at with contempt. In March the British military authorities agreed to provide dollars for their grain purchases, and this should take some strain off the market".

The report revealed that the above situation had led to smuggling of dollars, and observed:

"The rise in the world value of silver provided a strong incentive to smuggling, and although the Customs Department was instructed to take all possible measures to combat it, there is no doubt that there is a small but steady seepage over the frontiers".

Concluding his discussion of the dollar question the financial adviser reiterated the British Military Administration's responsibility for much of the trouble, remarking:

"The dollar troubles had their genesis in the sudden abandonment of the dollar by the British Military Authorities, after they themselves had set the dollar firmly in the minds and pockets of the people but the situation which developed was handled with ineptitude by the Ethiopian officials concerned. The sole achievement has been the recalculation of government salaries (which had been converted in November) from dollars to shillings, at the original parity of 1/10½d. at two shillings, thereby giving a gift of $100,000 annually to an already overpaid section of the community. There is hardship and dissatisfaction amongst the poorer people at the rise in the dollar. As fast as East African small change is received it disappears into the ground or as feminine adornment".

Turning in the latter part of his report to the vexed question of the proposed Ethiopian pound, Stafford wrote with irritation of the resistance thus far encountered by the scheme, and complained:

"If the Emperor had kept to his agreement, of January, 1942, to introduce an Ethiopian currency based on the pound sterling, and controlled by a currency board in London, these difficulties would by now be well on the road to solution. After a series of vague promises that the question was on the point of settlement, a memorandum was sent on October 23, to the British Minister, declaring that the currency board proposal would only be accepted if the board could have its seat in Addis Ababa, and provided that the members could be appointed by the Emperor, and hold their appointments during his pleasure. An advisory board, appointed in the same fashion, could be set up in London. The memorandum stated that the government proposed to proceed with the enactment of legislation to give effect to this scheme. The financial adviser," Stafford testily added, "was not consulted, and was not given a copy of the note until, having heard of its existence, he asked for one. He informed the Emperor that he formally disassociated himself from the proposals. The scheme did not meet with the approbation of the British Government, and there is now deadlock". Referring, as Howe had done earlier, to the activities of the mysterious Professor Jevons, he added, "There is reason to believe that the Emperor is delaying a decision until he receives the advice for which he has asked for from some unknown expert".

On the question of the currency reserve, the financial adviser concluded by emphasising that it was "not reasonable to expect the British Government to provide the reserve save as an expedient to cover an interregnum period", and that "at this stage of its development the Ethiopian Government cannot afford to lock up the necessary funds".[323]

Stafford's irritation with Ethiopian resistance to the Treasury plan was apparently shared by other British officials in Addis Ababa, one of whom, Colonel A. T. Curle, wrote in an angry letter, of May 26, which was subsequently reported on by British censorship, that:

"Currency is perfectly appalling. We can only get six

dollars for a pound now, and as we cannot buy anything for a pound we have to change it always into dollars. I lose half my salary. It is bound to be put right soon, but the Emperor refuses to have the currency board in London, and is mucking all trade and everything up by his stubbornness".[324]

Mackereth, who read the financial adviser's above-mentioned report with approval, expressed the view that its criticism of the Ethiopian Government had originally been more forcibly expressed, for he annotated the document with the comment: "It is a pity that the report for the Emperor has been Bowdlerised. Some plain speaking to H.M. would do no harm at all. There is too much bowing and scraping, which will not lead to a better understanding. This sort of thing (bottling up criticism) will only lead to an outburst from the advisers, that will bewilder the Emperor, because he will not know the background".[325]

The Foreign Office meanwhile, had been studying the memorandum delivered by the Ethiopian Minister in London on March 3, and the Foreign Secretary, Anthony Eden, finally replied to it on May 29. Re-affirming the principles of the Anglo-Ethiopian agreement of 1942, he rebutted the Ethiopian Government's charges against the British Military Administration, and proceeded to a lengthy exposition of the Treasury's views on the impracticability of pegging the value of the Maria Theresa dollar. The opening paragraphs declared:

"Mr. Eden takes this opportunity of re-affirming the intentions of His Majesty's Government in the United Kingdom, in the spirit of the agreement, between the United Kingdom and Ethiopia, to take no avoidable step, which might be detrimental to the smooth working of Imperial administration, or to the economic and financial position of Ethiopia, which they recognise has special features.

"As regards the place occupied in Ethiopia's economy by the silver Maria Theresa dollar, His Majesty's Government are impelled to make certain reservations with respect to what is suggested in Paragraph 4 of the Legation's Memorandum. In fixing a rate of exchange between the Maria Theresa dollar and the East African shilling, it was never either stated or implied that this rate was regarded as permanent, and that steps would be taken to defend it, or that the dollars remaining in the hands of the British Military Authorities should be regarded as a 'reserve' earmarked for this purpose. Prior to the expulsion of the Italians from Ethiopia, the Maria Theresa dollar had never had a fixed value in terms of neighbouring currencies, but was free to fluctuate in terms of supply and demand. Any attempt to hold it at a fixed rate, by the use of 'reserve' would have required unlimited supplies of the coin, and is regarded by all competent judges as chimerical. This being so, His Majesty's Government, in the United Kingdom, do not consider that there is anything unreasonable in their refusal to supply the Imperial Government with a quantity of Maria Theresa dollars, at less than the cost of production, or that if this had been done, it would have provided a solution to Ethiopia's currency problems. The 'stabilisation' of the Maria Theresa dollar, on the lines suggested in Paragraph 9 of His Excellency's Memorandum, never was within the bounds of practical possibility, given the marked changes that have taken place in the value of silver.

"The fundamental point, which governs the whole matter, is that the Maria Theresa dollar must be looked on as a particular weight of silver, and that the value of that weight of silver fluctuates with changes in the price of silver. Since the price of silver is free to move, for example in Cairo or Bombay, the value of the Maria Theresa dollar cannot be stabilised in terms of any other currency".

Though thus attempting to rebut the Ethiopian Government's contentions over the reserve, the memorandum reiterated the British Government's willingness to pay part of the subsidy in Maria Theresa dollars, but made this strictly conditional on the Ethiopian Government's acceptance of the British currency board proposals, observing:

"His Majesty's Government in the United Kingdom, recognising the especial difficulties in this matter, and understanding that a further supply of Maria Theresa dollars, while not making it possible to stabilise the value of the coin, would be of practical convenience to the Ethiopian Government, has already offered to provide in dollars, at an appropriate rate of exchange, the amount of one quarter's instalment, payable in sterling, of the financial aid under Article IV (*a*) of the Agreement of January 31, 1942, thus fulfilling the request made at (*a*) in Paragraph 10 of the Ethiopian Legation's Memorandum.

"His Majesty's Government in the United Kingdom have thought it right to couple with this offer the question of proceeding to the establishment of some permanent currency system, which they regard as a necessary foundation for the future prosperity of Ethiopia, and they would urge that steps to this end be taken without delay. His Majesty's Government have already submitted to the Ethiopian Government suggestions for a new currency and currency board, designed solely in the interests of securing a stable and convenient medium of exchange, and they would emphasise that delay in deciding this question is certain to have a serious effect on the economic rehabilitation of Ethiopia".

On the question of the Ethiopian Government's other requests for funds the memorandum commented:

"As regards the supply of East African notes and coins, needed to fill the period prior to the introduction of a proper Ethiopian currency, it is pointed out that the stock of currency held previously in Addis Ababa, and later at Harar, was not in any sense an Ethiopian reserve of currency. On the other hand, measures were taken last January, to ensure that sufficient stocks of East African currency should be available in Addis Ababa, for use in Ethiopia, through the medium of the quarterly payments of the financial aid, under Article IV (*a*) of the agreement, which it is understood represents a considerable part of the present revenue of the Ethiopian Government. Thus it would appear that the request made at (*b*) in Paragraph 10, of the Ethiopian Legation's Memorandum, has already been met, and arrangements are in train for the supply of

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additional amounts of East African currency, required to implement the purposes set out in Article IV of the agreement".[326]

The Ethiopian Government could not have been much pleased by the above memorandum, which in fact offered them nothing new. They nevertheless replied politely to it through the British Legation, and, as the latter reported, on June 9, expressed thanks to the British Government for "having so kindly arranged that one of the quarterly payments of financial aid to Ethiopia, should be made in M.T. thalers, and for the measures taken to ensure that sufficient stocks of East African currency are being made available in Addis Ababa, for use in Ethiopia, through the medium of quarterly payments. Also for the supply of additional amounts of East African currency that may be required for further payments".

On the vexed question of Ethiopia's future currency, the message concluded:

"The minister wishes to assure His Excellency that His Imperial Majesty's Government are fully conscious of the need for the establishment of a new permanent currency system, referred to in Paragraph 6, of the contrememoire, to which they are giving their earnest consideration, and are resolved that no avoidable delay should be incurred in working out such a plan".[327]

The continuing deadlock over the currency board proposals was meanwhile causing increasing concern in British Government circles in London. In the Treasury there was a growing feeling that the proposals earlier submitted to the Ethiopian Government would have to be modified if its approval were to be obtained. On May 27, Maynors accordingly wrote to Mackereth saying:

"We have been thinking again about the Ethiopian Currency Board, and wondering whether there is any move that we could make in the direction of a compromise with the Emperor, which might assist to get things under way. Our financial secretary, who has been taking an interest in the means of payment for exports from Ethiopia, as Chairman of the M(iddle) E(ast) S(upply) C(orporation) here, enquired whether it would be possible to have a board whose head office was legally situated in Addis Ababa, while its functions were exercised by a committee sitting in London. The bank, however, advised us that in such conditions it might be quite impossible to get the right type of man to agree to serve on the London Committee. Kershaw has put up an alternative proposal, that the law setting up the currency board should provide that 'The Head Office of the Board shall be in London for five years, and thereafter as the Emperor may direct'. This would give time to get the thing going, and the suggestion of five years in leading strings, while not wholly acceptable to the Emperor's prestige, would not look too discreditable when set against the background of the subsidy which already recognises the principle that he cannot stand on his feet from the very beginning".

Turning to the discussions which were then taking place in Addis Ababa, the Treasury official concluded: "Stafford's latest representations to the Emperor suggest that he is taking a good firm line about the board as at present proposed, but if a compromise is likely to help, and we can fix up something satisfactory on these lines, the suggestion may be worth bearing in mind".[328]

Mackereth, for his part, had little confidence in the proposed compromise. Replying to Maynors, on June 3, he declared that "it would have been pleasant to have been able to advance the currency board proposals by smoothing the appeal for Ethiopian prestige, but I cannot think that Kershaw's alternative proposals will get us very far". He nevertheless agreed to pass them on to Howe, but perceptively added: "My own impression is that the currency board proposals have been stranded on a rock much more substantial than that of 'face'". Accepting the deadlock as temporarily unavoidable, and making the best of this, he noted that the Ethiopians were all the time "getting more and more accustomed to the use of East African currency", and cynically commented "as this appears to be a source of profit to the East African Currency Board, perhaps we need not worry too much".

Continuing in philosophical mood he declared:

"It is a false hope that the institution of a currency board now, would have any marked influence on the payment of exports from Ethiopia. For a long time to come the peasants in that country will prefer the intrinsic coin to fiduciary paper. Your problem in the Treasury will not be solved by this easy means".

Emphasising that the basic problem for the British was to obtain export articles from Ethiopia, rather than necessarily to conserve silver he concluded:

"Your problem is to discover with the Supply Department, which is more precious, silver or Ethiopian commodities".[329]

Despite his lack of confidence in the possibility of any effective compromise over the currency board, and the diminishing significance which he attached to the matter, Mackereth dutifully wrote to Howe, on June 3, informing him of the compromise proposals, and declaring: "in the absence of any news of progress about the currency board great minds have been stirring in the hope of producing some formula which might tempt the Ethiopian to some conclusive action".[330]

Stafford, meanwhile, was growing increasingly restive at the Ethiopian Government's refusal to accept the Treasury plan, and began urging his fellow British advisers to make a joint demarche. On June 6, the Educational Adviser, E. R. J. Hussey, noted in a private letter, subsequently intercepted by British Intelligence, that:

"At the present time everything is upside down, on account of the currency problem. There are now only about seven to the pound, instead of 10. There is a great deal of trouble around the country, as the people only care for dollars, and won't sell shillings. Various measures have been suggested to the Emperor to deal with the situation, but he cannot make up his mind to act".

Turning to Stafford's role in the proceedings, he added: "The financial adviser is asking up all to support him, which we will do if something does not happen soon".[331]

Three days later, on June 9, the five British Advisers, Stafford, Sandford, Mathew, Hussey and Bethell, met together, and drew up a memorandum for the Emperor, in which they urged the advisability of accepting the British proposal. Writing in emphatic, if not excitable terms, they declared that "the most urgent and serious problem facing the Imperial Government at the present time is that of the currency, that it constitutes an imminent danger to public security, and that it is exerting a deplorable effect on the economic situation, and is hindering the country from playing its proper part in the war effort of the United Nations.

"The Advisers", the memorandum continued, "have noted with the gravest concern that the government has up to the present failed to face its responsibilities in the matter, and has taken no action to deal with the problem, in spite of the advice tendered by the financial adviser, that the Imperial Government should accept without further delay, the currency proposals of the British Government and should ask that Government for the necessary assistance to restabilise the dollar exchange during the intervening period.

"This advice has the full support of all His Majesty's Advisers, who feel that failure to follow it, or to take other measures which they can support, is a matter which would fundamentally effect all departments of state, and would make it useless for them to continue in the service of the Imperial Government".[332]

On gaining his fellow advisers' approval, for this strongly worded document, Stafford telephoned to Howe, that same evening, June 9, to inform him, as the latter subsequently reported, that "the principal advisers had drawn up a memorandum to the Emperor on the currency question, which they were going to send in that same evening, and he read me the text of it". The minister, who was perturbed by the probable diplomatic consequences of this move, adds:

"I told Stafford, at once, that I strongly disapproved of the action of the advisers, since I had not been consulted in the matter, which was an important one of British policy, and secondly that I disapproved of the substance of the memorandum, particularly since it placed the advisers in a position from which they could not withdraw if the Emperor did not take their advice, and it might also place His Majesty's Government in an embarrassing position in regard to which they would have no opportunity of approving or disapproving, and in which their support of the action proposed would obviously come into question. His Majesty's Government might not consider it in their interest that the advisers should resign, even over this question. Stafford replied that the advisers had specifically not consulted me about it, because they thought it would place me in an embarrassing situation, but that they were all decided on its despatch. I again stated most emphatically that I could not approve, and asked the advisers to meet me in the following morning to discuss the matter before sending in their memorandum to His Majesty".

Discussing the resultant meeting, of June 10, Howe continues:

"I accordingly met the advisers . . ., and we had a long and at times acrimonious discussion on the question. I explained to them what I had said to Stafford the previous evening, adding that in my view it was the duty of the advisers to keep me fully informed of all advice which they tendered to the Ethiopian Government on matters of policy, otherwise co-operation between the minister and the advisers would be impossible, and it would be impossible for the advisers to keep in line with our policy. Sandford and Hussey at once protested that they could not be bound in any way by this principle, and Sandford said that conscience was the only guide to him as to what advice he should give to his Ethiopian employers . . .

"I suggested to the advisers that they should substitute some other word for 'useless' in the last sentence of the memorandum, so as not to put themselves into a position from which they could not withdraw, but they all stated that they had used this word precisely because they were firmly resolved not to continue in their jobs, unless the Emperor took the necessary steps in the currency question, and they added (somewhat illogically in view of Sandford's and Hussey's previous declarations regarding their freedom of conscience) that they look to His Majesty's Government to give them the fullest support in the attitude which they were adopting. They wanted to send the memorandum immediately, and thought that it would have the desired effect, and that it would not be necessary for them to carry out the threat contained in it.

"Finally I got them to agree that they should postpone the despatch of the memorandum until I had been able to submit it to His Majesty's Government, and the latter had had time to decide their views, and whether they would support the advisers in their attitude. At the same time they made it clear that they meant to stick to their attitude".[333]

At the end of the meeting, Howe at once telegraphed to the Foreign Office to explain the he had "endeavoured to persuade" the advisers to "substitute for the word 'useless' in the last sentence, the word 'difficult' in order not to put themselves in a situation from which they could not withdraw, and which might have the effect of placing His Majesty's Government into an embarrassing position, about which the latter had no opportunity of giving their views".

Explaining the advisers' attitude, he continued:

"The unanimous opinion of the advisers was that the crisis over currency which has been developing for some time, and is virtually affecting every aspect of the government, has now reached a culmination. They are consequently unwilling to weaken their memorandum in any way, because it is their intention, if the memorandum fails, in effect to place their united resignations in the hands of the Emperor.

"At my strong request they have agreed to hold up the despatch of their memorandum, until His Majesty's Government have had an opportunity of considering the action they propose to take in the event of the Emperor's failing to take the steps suggested, and of expressing their opinion thereon.

"They wish me to represent to you most strongly that they feel that this is a situation in which they should have your fullest support".[334]

The attitude of one of the advisers, Bethell, is apparent from a letter, dated June 9, and intercepted by British censorship, which declared:

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"There have been incidents all over the country because of the abnormal currency situation, and the government are getting windy that there may be repercussions from the security point of view. Nothing can be done until the Emperor agrees to accept the currency proposals which have been made to him by the British Treasury. He will not take a decision one way or another, so the financial adviser asked us all to support him in a memorandum threatening to resign *en bloc* unless he takes a decision one way or another. I signed this memo today, and this afternoon Col. Stafford rung me up to let me know that Howe is furious about it, and will not let it go in unless we weaken it. After all he is the British Minister, and indirectly it is the British Government which pay our salaries, but we think that his policy is too soft. The Ethiopians are doing exactly as they like".

Turning to the subsequent meeting with Howe, the letter added:

"We went to a meeting with Howe, at the legation. Sandford and Stafford went for Howe, accusing him of not ever giving them any support. Rather shook poor Howe".[335]

Despite his arguments with the advisers, the British Minister seems to have felt that the Foreign Office should acquiesce in their move, for in one telegram to London, he declared, "I should be grateful for your reply at the earliest possible moment, as the advisers regard the situation as one of extreme urgency",[336] and in another he added:

"My advice is that we should allow joint memorandum to go forward to the Emperor, and that His Majesty's Government should support their attitude. The scheme in regard to advisory system in general, seems to have got to the point that whereas individual ministers listen to advisers, action in regard to vital matters depends on the Emperor himself, who seems incapable of taking decisions and listens to opinion and advice from outside".[337]

In a private letter to Mackereth he nevertheless commented on June 11: "As you are aware the advisers are not an easy team to drive".[338]

The advisers' sudden action created concern in the Foreign Office, which was worried by the obvious political implications of any mass resignation. After a meeting, on June 12, Chapman Andrews noted:

"This matter was discussed with Sir M. Peterson, this morning. The department's view is that:

"(a) The advisers' decision amounts to an ultimatum (to both the Emperor and H.M.G.). We don't want to be rushed by that sort of thing.

"(b) This 'currency crisis' has been coming to a head for a very long time, and, *so far as we know*, there are no new facts to justify such precipitate and drastic action on the advisers' part. We should therefore have liked more background on this sudden crisis.

"(c) The resignation of the advisers *en bloc* would have serious political consequences.

"(d) We wish to consult the Treasury, who are the department most concerned with the Ethiopian currency question".[339]

A telegram was therefore despatched to Howe, on June 12, informing him that the advisers' memorandum was "under urgent consideration by the departments concerned", and that, "in the meantime it is the duty of the advisers to take no action which might complicate the situation, and presentation of their memorandum ought therefore to be delayed".[340]

The British Minister called Stafford and his colleagues to inform them of the British Government's views, but found them adamant in their decision to present the memorandum. On June 15, Howe informed the Foreign Office by telegraph, that the advisers wished him to convey the Foreign Secretary the following message:

"We consider the only question in issue between us and Secretary of State, is our decision to inform Emperor that it will be useless for us to remain unless action is taken to remedy currency situation. We consider matter extremely urgent, and are not willing to delay submission of memorandum beyond next few days, and would like to submit to Emperor on June 21st.

days, and would like to submit to Emperor on June 21st.

"We resent reference to duty".[341]

The above telegram, as may be imagined, irritated the Foreign Office, one of whose officials, commented, "who are these people, and what do we now?" while Mackereth annotated the message with the note:

"We have thought it better not to take this silly outburst by the advisers seriously. Altitude (8,600 ft.) plays strange pranks with tempers in Addis Ababa, and we hope that this is the explanation of this tel. We have instructed Mr. Howe that the present crisis is a matter for him to take up rather than for the advisers to present an ultimatum".[342]

Howe, meanwhile, continued to watch over the advisers with some concern. On June 16, he telegraphed to the Foreign Office that they were "unable to see any wider aspect of the situation" than that mentioned in their message, and had drawn the conclusion from the Foreign Office's message, of June 12, that "their attitude had not the support of His Majesty's Government, that you consider the proposed action outside the hub of their duties, and that His Majesty's Government was dictating their action to them". Disassociating himself from this view, the Minister added: "I told them that I considered their action unreasonable and unjustified".[343]

On receipt of the above telegram, Mackereth telegraphed back to Howe, on June 17, to say:

"We are not satisfied that the currency situation, which we agree is serious, would be improved by the resignation of the advisers, and we are not clear as to the nature of the commitments which our support of the proposed protest might involve. Although we are aware that you have in the past frequently urged upon the Emperor the need to do what the advisers now collectively propose to recommend, we nevertheless consider that the proper method of remedying the present state of affairs would be for you to make strong formal representations on behalf of His Majesty's Government (There would be no objection to your informing His Majesty that the advisers had threatened to resign in a body, or in specifically associating them with you, if they agree)".

Urging the need for more information, but at the same

time throwing out the possibility of increased British financial assistance, the telegram continued:

"Before I can instruct you to make representations I must have more complete information than is contained in the advisers' memorandum of the dangers and deplorable effects to which they allude . . .

"If, as a result of the intervention which you may be instructed to make, the Emperor and the Ethiopian Government were to put the budget into effect, and to agree to our currency proposals, we believe that the results would justify us in considering how far we could go in helping to meet the rising costs of the administration, consequent upon the unforeseen appreciation of silver, possibly by the use of the cushion".[344]

The attitude of the Foreign Office toward the advisers' manoeuvres is clearly apparent from a note by Mackereth, who observed at this time, "I think we must put this outburst down to "altitude", while his colleague Scrivener, looking to the future of the advisory system, commented:

"Yes: the climate of Ethiopia seems to be justifying its reputation. I agreed that we can ignore this, at any rate until we see what effect our reply produces.

"But I am afraid that sooner or later the adviser system is going to break down altogether, and we are going to reach a point where no suitable Briton will accept appointment. We ought to start considering, I think, exactly what we are going to do then".[345]

Howe seems to have taken a similar view for, referring to the advisers, he remarked on June 18:

"It looks as though team is ripe for a break up".[346]

At least one of the advisers, Mathew, took a not too dissimilar view, for in a letter of June 12, copied by British intelligence, he observed:

"I wonder whether the Ethiopians want advisers at all. Our currency difficulties here have made the dollar rise in value with the result that the cost of living has risen by nearly 100 per cent during the last few months. Naturally a great many people are discontented".

Mackereth on reading the above letter remarked that it provided "an interesting background" to the telegrams on the currency question, and, launching into a bitter attack on the then Ethiopian Minister of the Pen, Walda Giyorgis, who he believed to be an opponent of the currency board scheme, remarked:

"He is a crafty fellow with a powerful personality, and has great influence over the Emperor. Most unfortunately he is utterly xenophobic".[347]

The advisers meanwhile, continued to insist on their determination to present the memorandum, without delay, and justifying their decision, argued that it need not entail the dire consequences for Anglo-Ethiopian relations which the Foreign Office feared. On June 20, Howe reported that the advisers had discussed the possible result of their memorandum, and had argued that when the Emperor received it, the following courses would be open to him:

"(a) He accepts and agrees to currency board proposals, or other measures they can support.

"(b) He does nothing.

"(c) He refuses.

"If (a) happens the next step would be for the financial adviser to advise him what help would be required from His Majesty's Government to tide the country over the intervening period. The financial adviser would make his recommendation to His Majesty, which he would then ask me to support, as far as I properly could, with His Majesty's Government. But the latter would not be (repeat not be) committed to accept them (even if they had been supported by all the advisers) since it would always be open to say the exigencies of the war situation debarred them from accepting in part or in toto.

"If the Emperor delays or refuses, the advisers would consider their further action, and would consult me before taking any decision.

"The present memorandum does not (repeat not) involve this yet, nor does it involve His Majesty's Government in any commitments. It was for this reason that the advisers did not wish to associate me with its presentation. They believe it will have the desired effect, and have decided in consequence to send it on June 21".[348]

In another telegram, of June 20, Howe replied, on behalf of the advisers, to the Foreign Office's query, of June 17, as to the "dangers and deplorable effects" of the monetary situation. Explaining their views in considerable detail he declared:

"Deplorable conditions to which advisers alluded, arise from the fact that the government is paying its salaries in East African currency, in which salaries are now expressed. Essential commodities are still only purchasable in M.T. dollars, with the result that sterling salary has lost one third of its purchasing power already affected by rise in prices. This hits lower paid staff, police, soldiers and others very hard, and has engendered serious dissatisfaction among them. Rise in values is not (repeat not) ascribed by advisers to rise in value of silver itself, but is due to greatly increased demand for cereals, and other produce, which can only be purchased in dollars. There are insufficient dollars available to meet the demand, and hoarding and speculation has forced up price and reduced quantities in circulation. It is in advisers' opinion, essential for further supplies of dollars to be provided, and kept under government control, for the purpose of restoring dollars to reasonable parity, and they will advise Emperor to ask for assistance of British Government in making a substantial quantity available for this purpose during interregnum period, meanwhile taking what other measures may be possible to reduce the strain on dollars, such as obtaining their release from the government and other hoards, increased use of shilling, price control, sale of government grain for shillings. The alternative of raising sterling salaries, to follow rise in dollar value is regarded as impracticable because of increased cost and inflationary results which would attend thereon".

The telegram concluded:

"Until the Emperor makes currency decision one way or another, these serious difficulties will persist, and in advisers' view constitute grave danger to public security. Estimated amount of dollars required is between five and 8,000,000".[349]

Mackereth, who was unimpressed with the above

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arguments, commented on reading them:

"This tel. provides proof, if proof were needed, of the need for caution in giving the advisers the backing for which they originally asked, and later scorned. Clearly at the back of their mind was the idea of forcing H.M. Govt. to provide silver dollars in substantial quantity.

"The advisers are either extremely ignorant or wilfully blind if they can see no direct connection between the sterling price and the world price of silver".[350]

In a last effort to persuade the advisers to delay the presentation of their memorandum, he telegraphed once more to Howe, on June 20, saying: "Please ask advisers to postpone despatch of memorandum, at any rate until June 23, we do not see anything in the situation to justify such precipitate action".[351]

The advisers, however, were in no mood to listen to such appeals, in large measure, it appears, because they had come to believe that the implementation of their advice was crucial to their status vis-à-vis the Ethiopian Government. Such at least was the view of Howe, who reported to London, on June 20, that the crisis was "inherent" in the advisory system, and was "bound to arise sooner or later", and that some means had "got to be found of putting teeth into it". Turning to the advisers' own views he added:

"Advisers feel that the battle over currency is only the first of a series, and therefore it is important that it should be won.

"Advisers feel that the issue concerns them personally, as a matter of conscience, more than it does His Majesty's Government, and if they win the first round the rest will be easy".[352]

The British Minister, who largely accepted such reasoning, seems to have confined himself to attempting to persuade the advisers to avoid committing themselves to resignation, if the currency board proposals were not accepted. He accordingly reported to the Foreign Office, on June 21:

"In the light of . . . additional information regarding the advisers' plan of action, and intentions, I no longer seek to dissuade them from presenting their memorandum. But I assume they will reword the final passage, so as not to commit themselves to resignation in advance".[353]

Later the same day he informed London that the long discussed memorandum had at last been sent to the Emperor,[354] and on the following day, he added that the advisers had told him that "they do not wish to place any responsibility on His Majesty's Government for advice which they tender to Ethiopian Government".[355] The significance of the latter statement became clear on the same day, when he gave the news that, contrary to his earlier anticipation, the advisers had stuck to their original draft. "I pressed advisers very strongly up to the last moment", he stated, "but they considered that any modification would only weaken it to the extent of making it ineffective. It was accordingly sent in its original form. This does not in their view, commit them to resignation in advance".[356]

News of the advisers' behaviour duly reached the British Prime Minister, Winston Churchill, who in a brief memorandum to the Foreign Secretary humorously remarked:

"This is a pretty kettle of fish, and I await with interest your proposals for cooking and serving it".

Mr. Eden, reacting to the Premier's mood, duly answered on June 27:

"I can only suggest: 'Season with tyme and allow it to simmer' ".

The attitude of the Foreign Office was underscored in a memorandum from one of its members who bluntly observed:

"It is clear, I think, there can be no half-way house in this matter. Either we must let the native state work out its own destiny, and let the Emperor fight his own battles with the advisers. Or else we must take over the country; and this, I should have thought, was clearly impossible. To intervene between the Emperor and his advisers, in the way Mr. Howe seems to want us to do, would surely be fatal. It would involve us in responsibility for the government of the country, without giving us any effective means of discharging that responsibility".[357]

The Ethiopian Government, to the chagrin of its advisers, vouchsafed no immediate reply to their memorandum, though when the Emperor granted Sandford an audience, on June 28, he noted what the latter said "about the currency question", but stated that as this "was not a question which concerned Colonel Sandford directly, he would communicate his decision upon this matter to Mr. Stafford".[358]

Ethiopian silence on the currency question placed the advisers in a quandary. Howe, who seems to have expected the British Government to apply pressure on the Ethiopian Government, reported, on June 29, that there had been "no reply as yet" to the memorandum, and that the advisers proposed "to wait until the beginning of next week before deciding their next step". Urging the advisability of the Foreign Office formulating a policy on this matter he added:

"I should be grateful if . . . you could give me an indication of what is in the mind of His Majesty's Government on this matter. If I am to make very strong representations I might for example say His Majesty's Government are of the opinion that His Majesty has failed to keep Article 4 (*c*) of the agreement and they will be forced to reconsider their whole attitude towards it particularly when it can be terminated after next January.

"If I could take advisers into confidence as regards His Majesty's Government's intentions, I might be able to restrain them from further precipitate action".[359]

Mackereth tended to share the Minister's desire for a tough line, and, on receipt of the above telegram, commented: "We appear to have all reached the same view independently, that the Emperor should be brought up to see that Article 4 (*c*) has a meaning, and that his govt. must co-operate with the advisers in matters of public expenditure on pain of losing the financial aid".[360]

Howe, meanwhile, duly wrote to the Emperor, on June 30, informing him of the Treasury's already mentioned compromise proposal, of May 27, and declaring:

"With reference to the proposals for a currency board monetary system for Ethiopia, it has been suggested by London that it might assist Your Majesty in coming to a decision on this long standing matter, if the law setting up the currency board should provide that 'the Head Office of the Board shall be in London for five years, and thereafter as the Emperor may direct'. This would give time for the organisation of supplies and reserves".[361]

Not long afterwards the advisers received a reply to their memorandum, informing them, as Stafford noted, that "the matter was receiving the Emperor's special attention".[362]

This non-commital reply served to reveal to Howe the extent of opposition encountered by the currency board plan. On July 1, he frankly informed the Foreign Office that it was "becoming increasingly clear that a powerful section of the Ethiopian Government is restive under restraints imposed on their freedom and soverignty by the Anglo-Ethiopian agreement, and were "trying to throw off shackles of British tutelage".[363] Reverting to this matter, on July 3, he telegraphed that the Ethiopian Government's objection to the currency plan was "principally based on location of currency board in London since they wish to control currency in Addis Ababa".[364]

British officialdom meanwhile, continued to be preoccupied with the advisers' memorandum, which seemed to them an act of insubordination towards the British Government. In reply to Howe's telegram, of June 29, requesting information on what was "in the mind of His Majesty's Government" Mackereth urged that the advisers be warned against creating an impasse. Surveying the wider significance of the advisory system, as well as the reasons for the original appointment of advisers, he telegraphed:

"I am not unmindful of the advisers' difficulties in the circumstances, and appreciate the conscientous motives behind their desire to accelerate reforms. It is however desirable in the wider interest that they should curb their proclivity to rush matters to the point of reaching a complete impasse of which there seems some danger.

"The policy of His Majesty's Government with regard to Ethiopia, has now undergone modification. His Majesty's Government took the decision to restore Ethiopia to its native ruler, with full appreciation of all the factors involved, including the fact that in this case, self-government would not necessarily mean good government. By this we unquestionably stand. The country must work out its own destiny. The advisers were chosen at the Emperor's express wish, and it is his duty in his country's interest, to utilise their services to the best advantage. I hope that the present crisis will not result in the break-up of the advisory team".

On receipt of this message, Howe called the five recalcitrant advisers, on July 4, and read them the above telegram. On the following day, he wrote them a confidential letter in which he cited Mackereth's telegram, and declared: "I have given you my formal opinion that action by the advisers, at the present moment, would precipitate a crisis". Urging Stafford in particular not to send the Ethiopian Government a copy of his latest report, he declared that its despatch "would be contrary to the interests of our country, and that you would be incurring a grave responsibility in sending it".[365]

The above arguments failed to pacify the latter, who accordingly wrote back to Howe, on July 7, to justify the advisers' position, declaring:

"I do not wish to enter into unnecessary controvery, but there is one comment which I must make, out of many which I am tempted to make, on the contents of your confidential note of July 5.

"The reference to our 'desire to accelerate reforms' and our 'proclivity to rush matters' seriously misrepresents what we are trying to do. The object we have in mind is to stop a rot which is becoming dangerous, and needs urgent treatment. It is not a question of hastening progress, but of arresting deterioration. Ethiopia is rushing downhill financially and economically, chiefly because of the failure of the Emperor and his Ministers to act, and we are taking the only action left to us to bring this home to them. We are not forcing a crisis: it is being forced on us.

"I have a great responsibility for this. If there is a disaster, I think that 'our country' will be severely criticised for not having taken any measures to avert it".[366]

Howe, who was alarmed at the erosion of British influence in Ethiopia, sent a further despatch to the Foreign Office, on July 9, in which he declared:

"His Majesty's Government's policy of 'Native Independent State' seems to accord with Ethiopian tendency to throw off British leading strings".

He went on to inquire whether it was not "necessary, or even desirable, to take drastic action to force the Emperor to keep strictly to the letter and spirit" of the Anglo-Ethiopian agreement, and added that such "drastic action", as suggested by Lord Moyne, might involve an "Anglo-American Board of Control" which "would amount to a protectorate,however much it were sweetened by subsidies".[367]

Turning to the monetary question in a more thoughtful letter to Mackereth, on July 10, the minister nevertheless remarked:

"The advisers consider that a crisis, by which they mean an outbreak of disorder, is increasingly likely. On the other hand, the people of this country are accustomed to non-payment of salaries. As long as the currency position gets no worse than it is at present, the country will probably continue to stagger along, only if food gets short, and there seems no likelihood of this, will there be a general flare-up".[368]

On the same day, July 10, the Emperor called Stafford for an important audience, at which the adviser's memorandum, of June 9, was at last discussed. The financial adviser subsequently noted:

"The Emperor sent for me at short notice, to, he said, discuss a question of long standing, with which he knew I was well acquainted, the currency problem. I knew, he said, what a very important and difficult problem it was, and although it was primarily financial, raised political and other issues, which needed much consultation, and very careful consideration. And so on. He thanked the advisers for their joint memorandum, and for reminding him, but he had sent for me in this instance, as I was his adviser on that subject. I pointed out that all advisers were deeply concerned in

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the deplorable consequences of delaying a decision. His Majesty agreed, and went on to say that I probably knew he had appointed a commission to examine this question, and they had reported to him upon the difficulties. He now wished the advisers to meet this commission, and discuss these difficulties with them, and for a report to be made to His Majesty on the result of their deliberations. He wished me to inform the other advisers of this, and to arrange with the Chairman, Bitwoded Makonnen, for the meeting. The other members were, Ato Makonnen Desta (Minister of Education), Ato Aklilu Habte Wold (Vice-Minister of the Pen), Nagadras Gabriegziabher (Minister of Commerce), Ato Minassie Lemma (Director-General of Finance) and Dr. Ambay (Vice-Minister of Justice)".

The financial adviser went on to describe his own observations in some detail, saying:

"I replied that if the Ethiopian members of the commission would explain fully what the obstacles were, we would all try to find the means of resolving them. My own particular difficulties had always been that no one would ever tell me what the real difficulties were. I had always answered any question His Majesty and the Ethiopian authorities had asked me, but never came to grips with the kernel of the problem. If the commission would in fact allow all aspects of it to be frankly and openly discussed without delay I would welcome it and I felt that the other advisers would regard it as a wise step to take".

The Emperor replied that "full discussion was what he desired. In reply to my enquiring whether he wished the commission to report jointly or whether Bitwoded Makonnen would report the result to His Imperial Majesty, he replied that he left settlement of procedure entirely to the commission. I undertook to get in touch with the Bitwoded, and to arrange for a meeting as soon as possible".[369]

The Foreign Office for its part, was by no means certain that the Ethiopian Government would be coerced into surrender, for Mackereth, on reading the above report, slyly commented:

"The Emperor seems to be giving the advisers a fair wind. It now remains to be seen how far the joint commission gets in resolving the difficulties of comprehension, and application of reasonably sound finance".[370]

Stafford, on the other hand, seems to have been convinced that the long awaited end to the currency fund discussions was at last in sight. Howe, reporting on the latter's assessment of the situation, telegraphed, on July 10, that Stafford had "reason to believe" that the "sole remaining obstacle" was the statement in the draft that the seat of the board was to be London, and that it "seems probable that if the law could be re-worded, so as to avoid this, the Emperor would not lose face, and he would agree proposals".

The financial adviser therefore inquired whether the British Government would accept a compromise, whereby the proposed law would be redrafted to state that "the board shall consist of five members appointed by us", and, as far as location was concerned, would read: "The board shall have its seat in Addis Ababa, or in such other place as we, having regard to special exigencies of the war situation, may temporarily appoint". The redraft, Howe explained, would be accompanied by a separate unpublished exchange of notes specifying that "until such time as the board was properly established" it "would have its seat in London". The minister explained that this was "for the moment . . . no more than a suggestion by financial adviser, but as a solution may be possible on these lines, I should be glad to learn as soon as possible whether it would be agreeable to you. I understand the Emperor will be meeting the adviser next week as requested in their last joint memorandum, when financial adviser could put suggestion to H.I.M.".[371]

Mackereth for his part was sceptical about the above proposal, for, he commented:

"We know the Emperor is sounding financial opinion in un-official circles in London, about the currency board proposals, but he does not appear to have taken either Mr. Howe or his financial adviser into his confidence. It is therefore unlikely that the grounds for Mr. Stafford's idea that the way out of the impasse might be found in this way, are very solid. It may be an attempt by the Emperor to find out how far he can go without committing himself to agreement on main principles".[372]

He nonetheless conceded that compromise was worth considering, and accordingly despatched a telegram to the British Minister in Addis Ababa, on July 10, which declared:

"While we consider that only with the currency board permanently established in London would there be the possibility of obtaining the services of able and experienced men for it, we appreciate that provided the scheme eventually adopted is workable, it may be necessary to depart from the ideal in order to meet the Emperor's points".

The Foreign Office therefore proposed a further vision of the proposals, to read:

"Owing to conditions which have arisen as a result of the war, and which are likely to persist for a considerable period thereafter, it is agreed that

"(*a*) The seat of the Ethiopian Currency Board shall be in London for a period of not less than five years from the date of the promulgation of the law establishing the Ethiopian Currency Board.

"(*b*) One year before the expiry of the five year period mentioned in (*a*) above the Ethiopian Government will, in consultation with the board, decide whether the time is ripe for the removal of the seat of the board from London to Addis Ababa.

"(*c*) The board throughout the entire period during which its seat shall be in London, shall consist of three members, appointed by the Emperor, of whom one shall be the Ethiopian Minister in London, or his representative, one shall be nominated by the Treasury of the United Kingdom, and one shall be nominated by the Governor of the Bank of England".

Justifying this proposal, the Foreign Office official somewhat cynically observed:

"The idea is to start the board off in London, under experienced management, and then let it go to Addis Ababa. The London nomination of its members, being then given up, in order that we may not be landed with

the responsibility, if when the board becomes established in Addis Ababa, things begin to go wrong".

Mackereth, it may be added, had been making his own researches, as a result of which he added, "I understand that the Emperor through his Legation, is consulting Professor Jevons and other economists in London, on the currency board proposals".[373]

Mackereth's own view, as noted in a Foreign Office minute, was that the proposal seemed "to offer a way out of the impasse of Ethiopian prestige", and he added: "the Emperor has through the Ethiopian Legation, consulted Prof. Jevons, who in turn has sought the advice of Sir G. Paish and Lord Keynes. Prof. Jevons told me that he will recommend the acceptance of the proposals with some 'save-facing' modifications".[374]

Howe meanwhile continued to press the British Government's point of view in Addis Ababa. On the evening of July 10 – only a few hours after the Emperor's audience with Stafford – he obtained a further audience with the Ethiopian ruler, at which he "spoke strongly . . . on the urgent necessity of closest collaboration with advisers, on currency". The Emperor replied in conciliatory tone, by referring to the committee he had established:

"His Majesty", Howe reported, "told me that he has appointed a committee of ministers to form a joint commission with five advisers to make recommendations to His Majesty on the currency question. The joint commission will meet tomorrow. If necessary His Majesty will also see advisers as requested by them".

The minister went on to report that there had actually been talk, earlier, on July 10, between the Emperor and Sandford as to the possibility of latter's resignation, and commented:

". . . the Emperor . . . informed Sandford that he could not resign, that the Ethiopians realised they must have advisers, and that these advisers must be British . . .

"The Emperor is waving the olive branch, but we can only wait and see if it produces the results we want, or is merely another attempt to avoid taking a decision".[375]

Ethiopia's financial problems had meanwhile aroused the interest of the British-run Middle East Supply Corporation, which sought to increase exports from Ethiopia, and was concerned with currency difficulties, in so far as they acted as constraining factor. One of the directors of this organisation, Squadron-Leader D. Skilbeck, drew up a memorandum on possible means of encouraging Ethiopian exports, in which he observed that the British Government could "help" the Emperor "over the transition period by paying part of his subsidy in M.T., possibly at an artificially low price", but that this would "surely be open to the major political objection that it would give the Americans a right of entry into Ethiopian affairs, which would be highly unwelcome to the Foreign Office". The problem, as he saw it, was that "in Ethiopia, as elsewhere", it was "abundantly clear" that "we are paying heavily for our inability to produce sufficient consumers' goods against which to acquire materials for war purposes". He therefore argued that granted the need to rely on American help, it would be preferable for this to be effected not in Maria Theresa dollars, but in American cotton piece goods, which would be "the best form of Lease-Lend".[376]

Rowe-Dutton, who approved of these conclusions, submitted a copy of the above memorandum to Mackereth, on July 13, with the comment that it was necessary to reconcile "the urgent need of obtaining certain Ethiopian produce with our objection to the use of M.T. dollars". Discussing this dilemma, he frankly observed: "On the whole, I am convinced that the need for making sure that we get such supplies of Ethiopian produce as are available must take priority; so far as we can foresee, our existing stock of M.T. would not suffice to ensure this objective if, in fact, we have to pay M.T. to the producers. We are therefore up against the problem of bringing additional supplies of M.T. into the world, and this we can only do with American silver".

Such silver, he explained, could be made available in three ways:

"1. By direct transfer to us under Lend-Lease, we assuming an obligation to replace the silver ounce by ounce after the war.

"2. By Lend-Lease to the Emperor, with or without an obligation to replace.

"3. By the Americans themselves supplying M.T. to the organisations which want to purchase the Ethiopian produce".

The first method, a loan to Britain, seemed to Rowe-Dutton to offer "little attraction", for "why", he asked, "should we take on an obligation to replace the silver spent directly in the common cause"?

The second method, a loan to the Emperor, the Treasury official also ruled out, for, he said, "I feel pretty sure that the Foreign Office view would dislike American supplies to the Emperor direct, since this course could only give them an increased footing in Ethiopia".

Rowe-Dutton therefore recommended the third method, i.e. a loan to the trading companies, and observed to Mackereth, "I should like to approach the Americans on the third line, provided, of course, that you are in agreement".[377]

Mackereth concurred in Rowe-Dutton's views. Surveying the question of exports from Ethiopia, he observed, on July 19:

"1. M.E.S.C. believes that there are M.T. \$20,000,000 worth of useful commodities that can be purchased in Ethiopia with M.T. dollars, but with nothing else.

"2. These commodities are wanted for Middle East countries, and not by the U.K. except the rubber which we do want.

"3. Therefore the U.K. should not incur a liability, but should share their burden of providing for the M.E. pool.

"4. We must try to get the stuff if it is there to be had".

Writing, like Rowe-Dutton with complete frankness on the need "to get the stuff", i.e. the much-needed Ethiopian exports, he declared:

"The rest inflation, currency in Ethiopia, etc. are really irrelevant . . .

"All we are asked to say is that we should dislike the Americans to Lease-Lend silver direct to the Emperor. I think we can say this, not because, as Mr. Rowe-

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Dutton's memorandum suggests, there would be grave political objection to the Americans crashing into a cherished preserve, but on strictly practical grounds that (*a*) Coin paid direct to the Emperor might not produce commodities. (*b*) It would inflate government expenditure, and so delay the easy return to a normal economy based on Ethiopia's own resources. (*c*) It would destroy for all time the possibility of getting a sterling currency going in Ethiopia which in turn would facilitate trade with the surrounding British territories, and (*d*) The Emperor would have to be invited by us to apply for such Lease-Lend, and this would be no good for our 'face' ".[378]

The above arguments, which were sent to Rowe-Dutton, on July 21, provided the basis for Foreign Office opposition to any idea of a direct American loan to Ethiopia.

Discussions on the British currency board proposals, meanwhile, continued in Addis Ababa, where the commission of ministers and advisers, set up a sub-committee, on July 17, which reported back to the main committee at a meeting attended by Makonnen Endalkachew, Makonnen Desta, Aklilu Habte Wold, Minassie Limma, Getahun Tassama, and C. S. Collier, on Menase Lamma, Getahun Tassama, and C. S. Collier, on the Ethiopian side, and Stafford, Sandford, Bethell, Mathew and E. R. J. Hussey on the British. The meeting, which approved a formulation earlier drafted in the sub-committees, stated the Ethiopian viewpoint as follows:

"We recommend that the proclamation instituting the Ethiopian Currency Board, should state that the board shall be appointed by His Imperial Majesty, and shall consist of five members, whose names and status shall be published simultaneously.

"We are of the opinion that it is necessary for persons of high financial repute to be members of the board, and recommend that the offer of the British Government to nominate two such persons, for the approval of His Imperial Majesty, should be accepted.

"The proclamation should contain provisions for the board to empower any members to perform specific functions.

"We consider that the work of organising and investing the reserve, and the minting, printing and despatching of the new Ethiopian currency, be done in London until such time as the new currency is properly established, and that powers for the purpose should be delegated by the board to the members who should be in London. The cover for the currency should consist of sterling securities, and cash to be kept in London, and of gold, which should be kept in Addis Ababa.

"We recommend that the seat of the board should be in Addis Ababa, or such other places as, having regard to special requirement, we may direct".

In the course of the meeting, Sandford urged the need for British financial aid, and went on record as declaring:

"I suggest that we should add as a condition of the agreement, that the British Government should provide the Ethiopian Government with a sufficient sum of M.T. dollars, pending the effective introduction of the new currency, in order to maintain the stability of the dollar currency".

He added:

"It would be wise to have as many dollars as possible to tide us over, until the new currency commences, and my suggestion is that we should let the British Government know that a quarter of the subsidy will not suffice. I have heard $8,000,000 mentioned as necessary".[382]

The above proposals were also agreed to.

Stafford, who seems to have been satisfied with the outcome of the committee's deliberations, duly reported, on July 28, that "the joint commission unanimously signed a recommendation that the proclamation instituting the Ethiopian Currency Board, should be approved", and that though "a few amendments designed to give a deeper Ethiopian tinge to the board, and its works, were suggested . . . no question of principle was involved, and it was hoped that with this formidable obstacle surmounted, the new currency was at last in sight".[381] Anxious to avoid any last minute breakdown, Howe telegraphed to the Foreign Office, on July 30, urging the advisability of accepting the commission's proposals, and declaring:

"Staff . . .and I think it would be preferable not to mention in exchange of notes, any definite period for board to sit in London. Ethiopian view is that it will be the duty of the board to advise upon this. The same object could be achieved by stipulating that the board shall sit in London 'until in the opinion of the board the new currency is finally established, and management can be transferred to Addis Ababa without detriment'.

"We feel sure that in practice, advice of British members would be advice which would be tendered by board as a whole. Ethiopian Government will insist on five (repeat five) members of whom three (repeat three) will most likely be Ethiopian, but as at least one, and probably two, will be in Addis Ababa, danger of technical British members being over-ruled is more apparent than real. If new currency can be made to look wholly Ethiopian, the work will be left to technical members of the board".[382]

The new proposals failed, however, to satisfy the Treasury. Maynors, accordingly wrote to the Foreign Office, on August 19:

"We are still not happy with what he proposes.

"The bank take the line that you cannot run a board which has three members in London, and two in Ethiopia, owing to the difficulty of satisfactory consultation, and we also feel unable to rely on Howe's assumption that the Ethiopian members of the board will, in fact, follow the advice of the British members, more especially on the question of the transfer of the active seat of the board from London to Addis. We should therefore, prefer to adhere to the five year limit originally suggested".[383]

The Foreign Office, echoing this advice, therefore telegraphed to Howe:

"We are not happy about the suggested expedient, which we fear would not work in practice. It is difficult to see how there could be satisfactory consultation between members of the board, if three are in London, and two in Addis Ababa. It might be hazardous to rely on an assumption that the Ethiopian members would follow the advice of the more

experienced British members. We should therefore prefer to adhere to the five year arrangement".[384]

Though the British Government thus continued to insist on effective control over Ethiopia's currency, the commission, in Addis Ababa, did not abandon its deliberations, Howe reporting on August 2, that it had "made considerable progress towards a solution of currency board crisis".[385]

Appendix: Correspondence between Professor Stanley Jevons and Lord Keynes, 1943

Professor Stanley Jevons, one of the Emperor's advisers in London, who, as we have seen, was several times mentioned in the British Government's correspondence, was an advocate of Ethiopia's adoption of a silver shilling, and conducted an interesting correspondence with Lord Keynes, in the spring and summer of 1943, which deserves mention in this chronicle, the more so as the professor was the only economist of the period who attempted to see the currency question from the Ethiopian standpoint.

The professor opened the correspondence, on April 11, 1943, when he wrote from 95 Raglan Court, Wembley, Middlesex, as follows:

"Dear Keynes,

"I read your plan for an international clearing union with great interest; and particularly so as I happen just now to be occupied writing a report for the Emperor of Ethiopia on currency reform in his country.

"At present three distinct currencies are in circulation there: the pre-1936 coins, Maria Theresa thalers, piastres and cents; lira notes and small coins; and East African shillings, and subsidiary coins. In the towns, all these are in circulation, and keep varying in relative value.

"My view is that the shilling should be adopted as the permanent unit, divided into 100 cents. The difficulty is how to work the vast amount of M.T. thalers into the scheme.

"My reason in writing is that Ethiopia is sure to want to join the International Clearing Union. It would be a great help to me if I could explain my proposals to you fully, and have your reaction to them.

"I expect you will be leaving for U.S.A. soon for the conference; but, if you can possibly spare time, I should much like to call and discuss things with you . . .

"Would you kindly regard this latter as purely personal and unofficial, as I have no authority from the Emperor to discuss currency policy with the British Government. When my scheme is received he will be seeking advice from H.M.G. through the British Minister in Addis Ababa, and the F.O., but in view of the forthcoming conference I thought it would be a good thing to have a talk with you now, if you can manage it".

Keynes replied, on April 13, observing that "the problem you are dealing with . . . is very similar to one that several of the European countries are facing, and has, in my judgment, only a remote and contingent relation to the Clearing Union". Ignoring the professor's request for a meeting, he politely added, "I shall be happy to look through your document when it is ready, if you want me to".

Jevons duly wrote back, on April 21, saying:

"I am so glad you are sufficiently interested to agree to look through what I have written about the new draft currency for Ethiopia.

"I am afraid I did not make myself quite clear. It was not on account of the probability that Ethiopia will desire to become a member of the Clearing Union that I asked if I could have your views about Ethiopian currency. Some months ago I decided to ask your help in criticising my proposals for Ethiopian currency, as soon as I felt satisfied with my decisions. It was a coincidence that the white paper on the Clearing Union appeared just a few days before I had come to a conclusion as to how to deal with the problem of reserves . . .

"I must apologise for sending you a horrid bulk of papers to read; also I hope you will excuse my sending you carbon copies as I am keeping the top copies to send to the Emperor, as the matter has become urgent.

"You will see at once that what I have written is rather like an elementary textbook. The reason is that I want the Emperor himself, and his ministers, to understand the elements of currency theory, so that they may be in a position to discuss the question intelligently with their Financial Adviser, Lt-Col. F. E. Stafford, who was for many years Financial Adviser in Iraq. He has what one may call a knowledge of the technical aspects of currency and finance; but, judging from the files, has little knowledge of economics.

"I have already sent an interim report to the Emperor, indicating that I propose the shilling as the future currency unit, and advocating the immediate revaluation of the M.T. thaler at a higher level".

A subsequent letter, of May 2, sent a further instalment of Jevons' report, with the comment, "I am sorry to trouble you with such verbose stuff; but it seems necessary to explain everything very fully for the Ethiopians, who insist on knowing the reasons for anything recommended to them".

Several weeks later, on May 20, the professor sent the remainder of the report, with an apology for the delay saying:

"The delay has been caused mainly by the further rise of the price of silver in Bombay, which made the plan I proposed unreliable.

"I can see nothing for it but to adopt 50 per cent fineness as the standard of the new Ethiopian silver coinage . . .

"I should hate to seem to hurry you after having taken so long, but if you can find an opportunity of studying the question at an early date, it will be of great assistance to the Emperor, and the population of the towns; for I understand that the shortage of currency is getting still more acute. It cannot be remedied until a decision is reached as to what the new coins are to be.

"I could call at your house, or at the Treasury, to discuss any points, if that will be more convenient than writing. I am generally at home in the mornings, and late evenings, if you want to get me by telephone".

Keynes, who was something of a diplomat, replied, on May 20:

"I do indeed owe you an apology for not having

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replied before now, to your letters, or made comments on your Ethiopian draft. But I have been so busy that it has been really impossible. And now so much time has gone by that I must, I am afraid, cry off.

"I did not appreciate when I offered to read, and comment, that you were engaged in so extensive a work, which I see it would take me some time to do any sort of justice to".

He therefore returned the professor's report apparently unread.

Jevons, who was unwilling to take no for an answer, replied, on May 31, declaring *inter alia:*

"I am very sorry you feel it is too much for you to study, but I must say I am not surprised.

"It has bulked much larger than I expected, when I first wrote to you, and I must confess I felt rather guilty in sending you such a mass of stuff to read, most of it mere textbook.

"Since I am unable to go to Addis Ababa for consultations I have aimed at providing answers to all questions likely to be raised, and also at providing a kind of reference book for future difficulties. That accounts for some of the repetition. As I realised that busy men would not have the time to read through all the report I started last week to prepare a precis, or summary of the whole report, which will occupy only six foolscap pages.

"As I told the Emperor, you had kindly agreed, unofficially, to read the report, I propose to send yon this summary in the hope that you may find time to read it".

The said summary was duly despatched on June 4, with a cover letter in which Jevons wrote:

"Owing to the shortage of thalers, which may have been disappearing to Aden and Bombay, the British Government has supplied East African shilling currency, and has agreed to go on doing so till the new Ethiopian coins are available.

"I hope you may find time to read the whole of the summary and to offer comments on any of my proposals which seem to you inadvisable or ill conceived.

"There are three points on which I should like your opinion particularly:

"1. Is it best to make the Ethiopian shilling (though of 50 per cent fineness, instead of five-sixths) of the same weight as the rub, or quarter-dollar, or should the weight be the same as that of the East African shilling (i.e. somewhat less)?

"2. Can you suggest any better way of dealing with the M.T. thalers, now in the country (probably over 30,000,000)?

"3. It is I believe, already agreed that the note issue is to be made by the Nat. Bank of Ethiopia, which will have a separate Issue Dept. Do you agree with my suggestions for the reserve, and for control of the note issue"?

Keynes replied a fortnight or so later, on June 21, when he declared:

". . . I am afraid I have handicapped myself in some way by not reading the main document. In particular, I do not know what the London Committee's scheme is, and, therefore, am not in a position to follow your criticisms of that, or the respects in which you would like to depart from it.

"Nor is it clear to me whether your proposals are intended to be something which is to come into force as soon as possible, or whether it is merely a post-war scheme.

"If it is only intended to be post-war, then there should be better information than there is at present as to how the silver question is going to clear itself up. In any case, however, I think you will know rather more about the silver position in three months time than you do now. A great deal depends on whether the Green Bill, which has just got through the House of Representatives, will safely clear the Senate, unless the position does clear itself up, I should have said it would be unwise to make the new thaler even as high as 50 per cent fine. Forty per cent would be much safer.

"Nevertheless, during the war I should have thought that the prospect of your getting any substantial amount of silver, even if any silver whatever, for re-coinage purposes was practically nil. I do not know how fully informed you are about the terrific current shortage of silver for currency purposes.

"As regards the currency proposals, and your suggestions for the reserve basis, I have no doubt that the present recommendations are on the basis of the colonial currencies, which all have 100 per cent reserve. In the case of the Crown Colonies, there are, I think, reasons why there is no particular ground for objecting to that. But I should be inclined to agree with you that in the case of Ethiopia something more like what you are suggesting would be quite reasonable".

Replying to this letter on June 25, Jevons explained his ideas with greater clarity, and remarked:

"My proposals are intended to come into force as soon as possible. The currency situation in Ethiopia is pretty desperate, and they are only able to carry on because the British Government is paying instalments of the financial aid promised in the Anglo-Ethiopian Agreement, of January 31, 1942, in East African currency.

"In that agreement, the British Government undertook to assist the Ethiopian Government in re-establishing normal conditions, and the Emperor agreed that in all matters relating to currency in Ethiopia, he would consult the British Government and that arrangements concerning the currency should only be made with that government's concurrence; consequently a committee was appointed, in London, to devise a scheme. The Emperor and his advisers did not approve several points in the London Committee's proposal, and that is why the latter was referred to me.

"It is, of course, desirable that any new currency introduced now should be suitable for use both during the war and permanently thereafter. I have been endeavouring to devise a permanent currency system in conformity with the customs of the country, and which could be applied in the present war-time conditions".

Turning to the question of silver, Jevons observed:

"I have studied the silver question pretty thoroughly, as I know that silver is in very short supply for currency purposes; but it seems to me worth while putting pressure on the American Government to part with

some of their enormous stock.

"President Roosevelt has granted Lend-Lease facilities to Ethiopia; consequently, if the British Government cannot find the silver necessary for the Ethiopian coinage, the next thing to do is to apply to President Roosevelt.

"The currency I propose is not in any way dependent on getting enough silver for 50 per cent; but I felt that for political purposes I should rather not propose a lower ratio than that which many countries have adopted. If the silver is not forthcoming, then we can have 40 per cent or 25 per cent, if necessary. Actually, withdrawal of some of the M.T. thalers now in circulation, and in the Ethiopian Government Treasury, and the East African silver currency now being issued, would provide a large part of the silver required.

"As regards the relation of the percentage of silver to the prevailing price, I reckon that the price of silver is not likely to go above Rs. 202 per 100 *tolas* in India, which is approximately equal to 7/6d. of English standard silver, because that is the melting point of the new 50 per cent rupees so long as exchange remains at 1/6d.

"I propose that the Ethiopian shilling be one-fourth the weight of the M.T. thaler, so that the four shilling piece may be exactly the same weight as the thaler. The reason for this is that, in the absence of any standardised weights in general use, the thaler coins are used as weights for weighing metal and small goods generally. They weight a trifle under 1 oz. av.

"It would seem that the Ethiopian shillings, of 50 per cent silver, are pretty well protected against any likely rise of the price of silver, for their melting point would be about 8/8d. per oz. English standard. That allows 3 per cent for loss by wear and transport, and 2 per cent for refining. As coins would have to be sent from Ethiopia to London or Bombay, probably the allowance should be 5 per cent, rather than 3 per cent, making the melting point 8/10d. The price of silver in Ethiopia is likely to be governed more by the price in Bombay, than anywhere else; but the price there is most unlikely to rise above the melting point, 7/6d., by more than a trifle.

"I should much like to have your comment on the proposal I have made for the reserve for the note issue. A proposal was made in the official file of the Finance Department of the Ethiopian Government, which was sent to me, that there should be a separate Issue Department of the National Bank of Ethiopia, and I have adopted that. It remained for me to propose the composition of the reserve.

"I am sending you a few pages dealing with this subject, which I hope you may perhaps find time to read. You will see that I propose 100 per cent reserve in sterling or gold, and silver coin. This is quite a different thing from the 100 per cent reserve aimed at by the currency boards; for they take credit, not for the face value of silver coin, but only for its metallic contents, less the cost of melting . . .".

What Keynes replied is unknown to the present writer, and in any case the Jevons-Keynes correspondence appears at about this point to have come to an end.

THE PROBLEM OF SMALL CHANGE, 1943

A major problem in Ethiopia throughout this period was the shortage of small change, which had been intensified by the withdrawal of the lira, and the ever growing demand for money.

The shortage of coin placed the Ethiopian Government in a difficult position. It was unthinkable to revert to the former Italian currency, and although there were still many pre-war Ethiopian coins in the country there were good reasons against their reintroduction, for, as Stafford noted, "large stocks" had been in the palace when it was thrown open to the public, on the entry of the Italians, in 1936: "If the divisionary coinage were legalised, hoarded stocks would be brought out, and be an embarrassment to the Treasury".[386]

The Ethiopian authorities had no option but to turn to the unpopular East African coins. The Governor of the State Bank, was accordingly despatched to Nairobi to purchase supplies of this money. Howe noted, on May 28, 1943, that the Ethiopians were "most anxious" to obtain a "substantial supply" of it, and that Collier had discussed this in Nairobi with the Accountant-General of Kenya, who was willing to supply 5 and 10 cent coins, each to a value of £10,000. The East African Currency Board in London, however, refused to agree on the ground that the application should have been made "through the British Minister in Addis Ababa", presumably a reference to Ethiopia's dependent position as formulated in the agreement of 1942, with Britain. Howe, who seems to have been distressed by the reply, telegraphed, "this refusal will create bad impression as shortage of coinage is major factor in the present serious currency difficulties. I strongly advise, amounts mentioned should be released immediately".[387]

On learning that the talks in Nairobi had failed, the Ethiopian Minister of Foreign Affairs, wrote a formal letter to the British Legation, on June 21, appealing for its help, and declaring:

"The British Legation are, no doubt, well aware of the serious difficulties which are being experienced throughout the Empire, because of the lack of silver and copper coinage, and the Imperial Government would therefore be grateful it this could be specially represented, so that urgent steps may be taken to bring into Ethiopia as much East African silver and copper coinage as possible".

Explaining that there was "no other source from which the Imperial Government can obtain coinage", the minister concluded:

"The position is regarded as critical, and the Imperial Government trust that His Majesty's Minister will impress this on the British authorities concerned, and arrange that some immediate steps are taken for the supply of a substantial consignment with the least possible delay".[388]

The British Minister forwarded this request to the Foreign Office, on June 26, and, urging the case for granting it, stated that he understood it was "improbable" that any further M.T. dollars could be made available to Ethiopia, "even for most essential purposes", after the 3,000,000 then being allotted, and commented: "Cession of dollar supplies is likely to confront us with a serious lack of currency acceptable to the peasant".

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An important reason for consenting to the request was, he explained, that it seemed "probable" that it was a "shortage of an acceptable imported exchange rather than any great shortage of consumer goods" which was threatening Ethiopia's cereal and rubber exports, in which Britain had a considerable interest.

Another advantage in "the provision of an ample supply of East African coinage", he argued, was that it could be "expected to reduce the demand of the peasants for dollars, or at least secure their co-operation in the absence of dollars".

Turning to the question how far East African currency was likely to be accepted in the country, the minister declared that "local financial authorities, and those familiar with conditions in the interior, consider peasants could be persuaded, without great difficulty, to accept East African silver and copper coins, but there is no hope of prevailing them to accept East African currency notes, or indeed paper in any form. The objections of primitive populations to paper currency are well known, and in their condition reasonable enough". He therefore observed:

"I should be glad to learn whether Treasury could make available from East African Currency Board a substantial quantity of say £100 000 of silver, divided between shillings and 50 cent pieces, and £10,000 of copper additional to that requested for financing our operations in Ethiopia, and as a measure to mitigate East African currency difficulties".

Emphasising the urgency of the matter, he concluded:

"I am informed that it had been hoped to use coinage of projected new Ethiopian currency for this purpose. The urgency of the situation, in view of probable exhaustion of dollars, by December, 1943, makes it unwise to depend on any early decision on Ethiopian currency proposals. East African coins have moreover, already won considerable acceptance in many areas".[389]

The currency, described by Stafford as "a substantial consignment", duly arrived in September, but by the end of November "less than a tenth of it had been issued" because the Ministry of Finance was afraid that as soon as it was issued it would "disappear from circulation".[390]

The shortage of small change therefore continued, with the result, noted by Stafford, on November 30, that there were reports in the Arussi area of "large employers of labour" issuing "their own divisionary coinage of the M.T. dollar.[391]

Stafford, for his part, was constantly campaigning for the greater circulation of East African currency. He wrote memoranda on the subject for the Ethiopian Vice-Minister of Finance, Yilma Deressa, on September 22 and October 21, and urged, in a letter of December 16,[392] that the State Bank should increase its issue, and order "a further supply" of this money from Kenya. Writing with obvious exasperation, he declared:

"On all sides there are complaints of the lack of change in circulation, and artificial exchanges are in existence for cents, shillings and notes. Meanwhile large stocks of each coin have lain, and still lie, idle in the vaults of the State Bank. That this should be so is a sad reflection upon the Ministry of Finance, by whose order these badly needed coins are withheld from circulation".

The above letter led to an interesting exchange of correspondence. The director-general replied on the following day to explain that the ministries had all been issued with their alloted quotas of East African coins, and that the same was true of the provinces of Shoa, Harrar, Walaga, Tigre, Gojam and Arussi, though despatch to other provinces was "pending transportation". Instructions were being sent to the bank to make available to the public up to £10,000, in East African coin, and on the policy thus far adopted, he declared:

"We have been issuing these coins with such parsimony, because of our fear of not being able to secure further coins from Kenya, and we wanted them to last as long as possible. As long as we can rely on getting more supplies of these coins we have no objection at all, and it should be put as soon as possible at the disposition of the public".[393]

The director-general accordingly invited the financial adviser to "be good enough to do the needful, to order for us a further supply of these coins". Stafford thereupon took up the matter with the British Legation, which he requested to supply a further consignment of £75,000 worth of silver and copper coin.[394]

A FIRST MONETARY APPROACH TO THE UNITED STATES, 1943

In the summer of 1943, the Ethiopian Vice-Minister of Finance, Yilma Deressa, travelled to the United States, where he arranged, in June, that George A. Blowers, the Manager of the Bank of Monrovia, should be engaged as Governor of the State Bank of Ethiopia.[395] A week or two later, on July 12, the Ethiopian official drew up an important aide-mémoire, for President Roosevelt, in which he spoke of the Ethiopian Government's difficulties with the British. Observing that the first draft of the Anglo-Ethiopian agreement, as first submitted to the Emperor "amounted to the imposition of a protectorate on Ethiopia" he remarked that even "the actual agreement . . . is regarded in Ethiopia as an agreement which imposes upon her government, conditions which are incompatible with either liberty or the exercise of her sovereign rights as a free nation".[396]

Yilma Deressa also sent a memorandum on the same day to the United States Secretary of State, Cordell Hull, in which he stated that "the currency situation" was "not less preoccupying" than other problems facing his country. He added that "lack of subsidiary money, and fluctuation of the exchange rate, between the Maria Theresa dollar and the British East African pound, had created currency problems". He therefore requested financial assistance from the United States Government to the tune of $50,000,000, $10,000,000 of which would be a silver loan under the Lend-Lease Act.[397]

The United States Government responded both promptly and favourably. On August 4, the Assistant Secretary of the State Department, A. A. Berle, informed the Secretary of the United States Treasury, H. Morgenthau, and the President of the United States Export-Import Bank, W. L. Pierson, that "for political and other reasons" the department was "anxious to accommodate the Ethiopian Government as far as may be practicable", and "in principle . . . disposed to give its support to the request of the Ethiopian Government for financial assistance". He expressly mentioned possible aid for Ethiopia "in the stablisation of its currency". The Treasury Secretary replied in favourable vein, on August 6, that "in view of the desire of the State Department to accommodate the Ethiopian Government, as far as practicable, the Treasury will give sympathetic consideration to requests of the Ethiopian Government for financial assistance in the stabilisation of its currency".[398]

The above negotiations were kept a close secret, and not at this stage disclosed to the British. Yilma Deressa and Cordell Hull signed a well-publicised mutual aid agreement, on August 9,[399] but no mention was made of the request that Ethiopia's currency should be produced in the United States. Three days afterwards, on August 12, the Secretary of State's Adviser on Political Relations, Wallace Murray, informed Yilma Deressa, that instructions to proceed with the matter had been given "in order to enable the Treasury Department to begin work on the dies which you wish to have made". He added that orders had been given to the Security Bank Note Company, Philadelphia, Pennsylvania, "in connection with your desire to have that company make some lithographic plates for the printing of Ethiopian currency".[400]

A currency break through was thus at last in sight.

CONTINUED DISCUSSIONS ON THE BRITISH AND AMERICAN PLANS, 1943-4

While Yilma Deressa was holding his initial currency talks, in the United States, the Ethiopian ministers and their advisers in Addis Ababa, continued fairly laboriously to discuss the British currency plan. Discussions, as so often in the past, seemed to the British to be making real progress, as a result of which the financial adviser reported to the British Minister, Howe, on August 20, 1943:

"It is practically certain that the new currency proposals will be accepted, subject to the face-saving changes, of which you are aware, and that the Emperor will request the help of H.M.G. in obtaining dollars for the purpose of stabilising the sterling exchange, at an economic level. You will agree that a cheap dollar in our present circumstances is essential".

On the question of Maria Theresa dollar supplies, he added:

"The British Government have offered to pay one quarter's subsidy in M.T. dollars, when the currency board scheme is accepted.

"I assume that 5,000,000 M.T. dollars would be necessary to bring the sterling price of the dollar back to two shillings, and to hold it there for a year".[401]

As the summer proceeded it nevertheless became clear that the commission was making but slow progress. On September 1, Howe reported that the financial adviser had "tried to pin the Ethiopian members down to a definite period for Currency Board to sit in London, but the latter's view was that it would be the duty of the board to advise on this". The minister was, however, still not too pessimistic that a compromise could be found, for he added:

"As long as the board is functioning successfully, I do not suppose there will be much likelihood of interference from the Ethiopian members who will be here, if only for the reason that there is no Ethiopian who knows the first thing about currency matters".

The "whole arrangement" proposed by the commission he added, was merely "a face saving device".[402]

Anxious to break the deadlock the British advisers then decided to request a joint audience with the Emperor. The meeting took place on September 14, as Howe subsequently reported. The opening statement was made by the financial adviser, who declared:

"His Imperial Majesty is aware of the hardship to the people, and the damage to trade, caused by the high price of the Maria Theresa dollar. He is also aware that in our opinion the only effective solution lies in accepting the proposals made by the British Government for a new currency, and in securing their help to increase the quantity of dollars in circulation . . . Until a decision is taken, no effective action can be taken to improve the lot of the lower paid servants of the government, or to restore the economic situation. Although the dollar price has steadied lately, the demand will probably cause the price to rise steeply at the end of the rains".

The Emperor, it at once became clear, took a very different view of the financial problem, for, according to the British Minister, he linked financial "stringency" "with the proposal to hold a 100 per cent reserve for the currency for, he says, if such a total reserve were not necessary, there would be credits available for the development of trade and commerce". Howe's report gives no further details of what the Emperor said, but merely sums up the latter's attitude, somewhat unsympathetically, as one of "why cannot his advisers devise a means of printing banknotes he needs, without imposing any burden on the present resources of the Ethiopian Government".[403]

Stafford, who was bitter at this rejection of the British plan, and seems to have ignored the Treasury's own intransigence, later described the meeting as a "comedy interlude", and complained that "the Emperor's response" to proposals "which had been so laboriously achieved, was disconcerting", for the Ethiopian ruler had "proceeded to serve up a rehash of the old familiar complaints of insufficient help from the British Government, and the need for more money". Deeply irritated by this development, he declared that the advisers' demarche thus "had no useful effect, save to expose more clearly the weakness of the advisory system."[404]

The failure of the advisers' initiative became more apparent a week or so later, when George Blowers, the American banker, whom Yilma Deressa had engaged, arrived in Addis Ababa, on September 14, as Howe telegraphed to London, but without any comment.[405]

Howe's report on his meeting with the Emperor, and allegations as to the latter's alleged financial unorthodoxy, caused the irascible Rowe-Dutton once again to intervene in Ethiopian financial matters. On October 11, he wrote to Mackereth to declare that the Emperor's views on financial and currency questions "reinforced" him in his "determination that the currency board should be firmly under British control". "His attitude on the currency board", the Treasury official declared, "makes it clear that we were absolutely justified in our insistence

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that, if we are to participate in a currency board, the control, and management must be in London, and free from any interference by the Government of Ethiopia". Writing in his usual dogmatic vein, he added:

"Any suggestion that the currency board should exist to give credit to trade and commerce betrays a complete failure to understand what the currency board stands for.

"You will, I am sure, agree that in the circumstances we can make no concession, whatever, on the currency board picture".[406]

Mackereth accepted the above arguments, and accordingly wrote to Howe, on October 21, observing that the Foreign Office had discussed the matter with the Treasury, and, echoing Rowe-Dutton's words, he added:

"It now appears perfectly clear to us that the Emperor's attitude to the currency board fully justifies our insistence that, if we were to participate in a currency board, the control and management would have to be in London, and free from any interference by the Ethiopian Government. Any suggestion that the currency board should exist to give credit to trade and commerce, betrays a singular failure to understand what the currency board is for".[407]

Chapman Andrews, another Foreign Office official, at this point intervened to observe somewhat patronisingly, in an official note:

"I thought all along that the Ethiops hadn't the remotest idea what the term 'central bank' means. Surely this might be pointed out to them".

Realising the possible significance of the appearance a few weeks earlier of the American banker, he added: "the Emperor will not be above trying to get Mr. Blowers to raise money for him in the U.S. – if the Treasury won't play any more".

The significance of the above remark seems to have been ignored by Mackereth, who, on seeing Chapman Andrews' note, merely seized on the assumed Ethiopian unfamiliarity of banking matters, and commented:

"It is the minister, and financial adviser who must (and probably they can) provide a child's guide to managed currency".[408]

While the Foreign Office officials were thus exchanging their somewhat puerile memoranda on the financial ignorance of the "Ethiops" and the need to provide them with a "child's guide" the plans which Yilma Deressa had instituted in the United States were beginning to take shape. On October 23, the Acting United States Secretary of State, E. R. Stettinius, sent the American ambassador in Egypt, a telegram for relay to his counterpart in Addis Ababa, J. K. Caldwell, submitting the text of a formal request, which it was proposed the Ethiopian Government should despatch to the United States Treasury. The draft, which included a general statement of Ethiopia's monetary problems, declared that the country lacked "a national currency system" and had to rely on Maria Theresa dollars, as well as foreign currencies "inadequate for the needs of Ethiopia", and that "great inconvenience" resulted from "the use of several kinds of money" and "marked shortage of subsidiary coin".

"To correct this situation, and to aid the economic development of Ethiopia", the telegram declared, "the Imperial Government of Ethiopia plans to establish a national currency system, and to retire the money now in circulation".

Turning to the proposed new issue, which was to be based on a 50 cent silver coin, half the value of a Maria Theresa dollar, the draft observed that in order "to insure an adequate system of subsidiary coin, an essential part of the new currency system, it will be necessary to have 5,430,000 ounces of silver for the minting of Ethiopian 50 cent pieces. It has been concluded that the use of any substitute for silver in this coin would not be practical in Ethiopia".

Emphasising the urgent need for silver from the United States, the draft continued:

"The only silver the Imperial Government of Ethiopia now has on hand, consists of some 2,000,000 Maria Theresa dollars, the silver content of which is approximately 1,500,000 ounces, and could supply only a fraction of the silver requirement. In view of the urgency of the need, the lack of minting facilities in Ethiopia, the difficulties in providing for coinage in two places, and the time which would be lost in the transportation of dies, it would be impracticable to attempt to use the Maria Theresa dollars for a part of the silver needed at the present time.

"Accordingly, the Imperial Government of Ethiopia finds it necessary to fill the present requirement for silver from other countries. Consideration has been given to possible sources of supply, and it has been determined that the United States is the only available source from which silver may be procured.

"In view of these facts", the draft concluded, "the Imperial Government of Ethiopia sincerely hopes that it will be possible to grant the request for the Lend-Leasing of 5,430,000 ounces of silver from the stocks of the United States Treasury, through the Office of Lend-Lease Administration, the silver to be returned to the United States Treasury on an ounce for ounce basis, within five years after the end of the existing national emergency in the United States, as determined by the President of the United States, provided, however, that if conditions of the world supply of silver make it advisable, such period may be extended by agreement of both governments for an additional two years".[409]

Later on the same day, October 23, Stettinius sent Caldwell a second telegram, giving him further details on American thinking.

"The United States", he declared, "is prepared to Lend-Lease 5,430,000 ounces of silver, for purposes of coinage to Ethiopia, as requested on behalf of his government, by Mr. Deressa, Vice-Minister of Finance.

"Further negotiations pertaining to the Lend-leasing of the silver, including notification of the Ethiopian Government of the above, will be carried on through the Legation at Addis Ababa.

"The United States is prepared to mint the coins here. It is understood that the costs of minting, and of shipping the coin to Addis Ababa, will be paid for by the Government of Ethiopia, although, if necessary, the cost of shipping may be extended to Ethiopia as additional Lend-Lease aid".[410]

The above telegrams, it will be noted, explained the details of the currency plan to the United States Legation

without giving it any specific instructions. The American minister therefore took no action on the matter, probably because he expected to be approached from the Ethiopian side, but the Ethiopians for their part also waited, with the curious result that Stettinius's telegrams, though obviously of the utmost importance, remained unanswered for over a month. Caldwell nevertheless long afterwards informed the present writer that "the attitude of the Ethiopian Government was one of great interest and expectancy".[411]

American concern at this delay prompted Cordell Hull to telegraph to Caldwell, to observe, on November 26, that he had learnt that the American Legation in Addis Ababa has thus far "taken no action on lend-leasing silver to Ethiopia". He therefore gave the minister precise instructions, declaring:

"You are hereby specifically authorised to assist the Ethiopian Government to complete the letter of request and the agreement, which you should then transmit to the department, by diplomatic pouch. You should inform the department, by telegram, when these documents have been signed, and Treasury will proceed with minting of coins.

On the detailed procedures to be followed, Cordell Hull continued:

"With regard to the signature of the request, and the agreement, the signature of an appropriate official of the Ethiopian Government will suffice, if the Emperor does not wish to sign the documents personally, but in such case, we suggest that the Emperor should be asked to sign a letter, or publish a decree, designating the appropriate official, and authorising him to sign. The letter, or decree, should contain a reasonably clear indication of the content of the documents the official is authorised to sign. Please advise the department as to the form of authorisation, which in your opinion will best guarantee that the agreement to return the silver will be permanently valid, and binding upon the Ethiopian Government, and will at the same time accord with customary practice on such matters in Ethiopia.

"Since there is now an Ethiopian Legation in Washington, and the coins will be minted here, Treasury suggests that the transfer of the coins for the receipt take place here. The official who would sign the receipt in Ethiopia, could delegate his authority to Ethiopian Minister here".[412]

Caldwell, on receipt of these instructions, immediately spoke with the Ethiopian Vice-Minister of Foreign Affairs, Ato Aklilu Habta Wald, and reported to Washington, on December 2, that he had left him "a signed communication with copies of the three documents which will require signature". On the question who should sign the request, the minister went into some detail, observing, "I have amended the note of request, and the contract to provide for signature by the Emperor, and stated in my note that it is presumed that he will sign them, explaining orally in reply to a query of the Vice-Minister, that this was due to the lack of both Minister of Finance and Minister of Foreign Affairs. It is my understanding that this lack is due to the desire of the Emperor to act as his own Minister of Finance and Minister of Foreign Affairs, in which case it would seem that the documents in question should be signed by the Emperor. If any other course is proposed I will communicate further regarding it".

"The Vice-Minister of Foreign Affairs", Caldwell concluded, "informed me orally yesterday, that question is now to be discussed with the British Minister, pending the result of which documents submitted by me cannot be signed".[413]

Caldwell's conversation with Aklilu Habta Wald seems to have led to immediate action on the part of the Ethiopian Government, for on the following day, December 2, the Emperor informed Howe of the American offer. In a telegraphic report, the latter stated on the following day:

"Emperor told me last night that United States Government had agreed to give Ethiopia under Loan-Lease Agreement, silver equivalent to 5,000,000 M.T. dollars. In view of acute shortage of divisionary coinage in Ethiopia, Government proposed use of this silver for new coins of half and quarter denominations minted with effigy of the Emperor".

The political significance of this revelation became apparent when the Emperor went on to mention Article IV of the Treaty with Britain, which, it will be recalled, stated that "in all matters relating to currency in Ethiopia, the Government of the United Kingdom shall be consulted, and that arrangements concerning it shall be made only with the concurrence of that government". Referring to such "consultation", the Emperor expressed the hope that "His Majesty's Government would raise no objection to Ethiopian Government getting this silver under Lend-Lease".[414]

On the same day, the Emperor, also accorded an audience to his financial adviser, at which he revealed news of the American decision. Stafford, who referred to himself in the third person, reports:

"His Imperial Majesty began by saying that he had called for the financial adviser, as he had some good news. The Government of the United States of America had said they would supply Ethiopia, on Lend-Lease terms, 5,000,000 oz. of silver, for currency purposes. He had discussed this offer with the British Minister, who thought that the British Government would raise no objection. Did the F.A. consider that is would be beneficial, and how could it best be used? It was not of course a big amount for a country of that size".

Stafford, who does not seem to have envisaged the use of the silver for the minting of Ethiopian coins, but rather to purchase further Maria Theresa dollars, "replied that the offer was a valuable one: The silver could be turned into M.T. dollars, and this could help to relieve the strain on that coin and ease the currency difficulties. H.I.M. remarked that there were sufficient dollars for the use of his people, and it was small change that was needed. Could not the silver be used for this purpose. The F.A. replied, hesitantly, that there could be an issue of divisionary coin of the dollar with a high silver content, but that token small coins would present much difficulty. He agreed that such coins could bear H.I.M's effigy. The subject", he nevertheless continued, "was an intricate one and he would prefer not to express a definite opinion on the method of using the silver, until he had considered it

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carefully. He saw no reason to think that the British Government would raise any objection, provided the use made of the metal, for currency purposes, was sound. H.I.M. said that he wanted a fully considered opinion, and requested the F.A. to submit his proposals for a further discussion with H.I.M.".

Stafford, who was still preoccupied with the British Treasury's plan, records that he then "said that he had intended raising at this audience the necessity of a decision on the currency board proposals". Conscious that the Emperor's announcement had, however, introduced a new element, he nevertheless remarked that "he assumed that in view of the silver developed H.I.M. would wish to leave this over until the F.A. had given his advice regarding the use of silver. It was still necessary", he added, "to decide on the form the future currency should take. H.I.M. said that after this silver question had been discussed, and settled, he would appoint one or two officials to discuss the currency board proposals with the F.A."[415]

In London, meanwhile, the British Government was still thinking in terms of expanding the use of East African currency, and of obliging the Ethiopian Government to adopt a currency linked to sterling. On December 2, the very day that the Emperor informed Howe and Stafford of plans to introduce an Ethiopian currency financed by an American loan, Rowe-Dutton drew up yet another of his forceful memoranda. Observing that East African currency "circulated in Addis Ababa and other centres" and that the supply of notes was "already adequate" he admitted that the East African shilling, "a dingy dumb coin", was "not welcome in many areas", but argued that attempts were being made "to push it hard in the purchase on next year's grain harvest". "This would be easier", he added, "if we could supply imports to be sold for shillings, which cannot hope to be as acceptable as thalers for hoarding purposes".

The thaler was, he admitted, "the popular coin", and one which was used for the payment of the army, and for the keeping of Ethiopian Government accounts, and was "said to be the only coin acceptable to native producers of grain, hides and wild rubber, which we hope to buy". The Treasury official nevertheless objected to this coin, partly because "the provision of thalers to finance our purchases was a most unwelcome drain on our silver supplies", and partly because "the value of the thaler fluctuates with the price of silver" and "over the past year" had "risen steadily". Objecting to the Ethiopian Government's attitude to the old Austrian coin, and displaying an ironic unawareness of the Ethiopian plan for the establishment of a national currency, as announced that day in Addis Ababa, he complained: "The Emperor cannot get away from the idea that the thaler is the currency of Ethiopia, to be held (like other sovereign currencies) at a fixed value in sterling . . . the Emperor always holds that having re-introduced the thalers in such quantities, and then left the country, we ought to leave him a reserve big enough to stabilise the rate, i.e. an unlimited amount, and this is a steady cause of misunderstanding.

"We have never wanted", Rowe-Dutton added, "to play croquet with this flamingo".

On the proposed currency board, he recalled that a plan for such a board had "been with the Emperor since April, 1942", but that though the Ethiopian ruler had "not refused it in principle" he would "not play". Complaining of this resistance to his plan he attacked the Ethiopian ruler on the grounds:

"(*a*) that he has never understood how a board works, and is disappointed that it is not allowed to do things (such as provide credits for industry) utterly incompatible with its functions of providing a nice and stable currency.

"(*b*) that he feels its meeting in London (where alone it can manage its investments, and be immune from political and other interference) is derogatory to Ethiopia.

"(*c*) that he cannot really keep his mind off the thaler".

The Treasury official concluded this biased assessment of the Ethiopian attitude by one additional statement of his prejudices, namely that "we think that any local issue – e.g. by a Bank of Ethiopia – would be exposed to manipulation by the Emperor, or by unscrupulous subordinates, which might be disastrous".[416]

On the following day, December 3, Howe telegraphed to inform the Foreign Office of the Emperor's announcement on the proposed new Ethiopian currency. Explaining that "His Majesty hoped to receive your veiws very soon", he gave it as his own opinion that "we cannot presumably object". Turning to the implications for the British currency proposals, which Rowe-Dutton had been so insistently propounding in London, he added, "I do not know what effect his offer will have on our currency board proposals. I tried to draw His Majesty on this, but without any definite result". Looking to the future, the minister nevertheless added his own pertinent comment, that the effect would "probably . . . be to kill proposals".

Howe also touched on details of how the American silver could be used. He declared that Stafford was still "considering" the "implications" of the offer, and had "not yet made up his mind", but that his "preliminary views" were as follows:

"(*a*) it is not possible to use it for divisionary change.

"(*b*) silver should be offered to His Majesty's Government in return for M.T. dollars now in their possession, which he suggested some time ago.

"(*c*) coinage of high silver content would disappear as soon as put into circulation, and token coinage, impracticable without sufficient dollars for exchange".

The telegram concluded by noting that Stafford had been "asked by the Emperor how best the silver could be used, and would appreciate Treasury's views".[417]

Howe, meanwhile, set about trying to obtain further information on the Ethiopian Government's plans. A few days later he succeeded in getting some details from the American minister, and accordingly telegraphed to the Foreign Office, on December 6, that "silver amounting to some 4,300,000 ounces is to be minted in the United States, and that arrangements to this end were made by Vice-Minister of Finance, during his recent visit to Washington".[418] A week or so later, the British Minister received additional information from the Emperor, and telegraphed to the Foreign Office, on December 18, that the latter had declared:

"The request to the Government of the United States of America, for Lease-Lend assistance, was prompted by the necessity for the Imperial Government to add to their dwindling stocks of M.T. dollars, their requests to His Britannic Majesty's Government for such aid not having met with the desired response. The probability of utilising the metal for divisionary coinage of a national character is being examined, but the precise manner in which the silver will be applied to meet currency needs is still the subject of discussion between His Imperial Majesty, and his advisers, and no decision on it has yet been reached".

The Emperor, Howe concluded, "adds that he is most anxious to receive an early reply from His Majesty's Government".[419]

Report of the currency plan also reached Lord Halifax, the British Ambassador in Washington, who telegraphed to London on December 18th:

"Silver is to be minted by Americans at Ethiopia's expense into 'new half dollar' coins which . . . they understand Ethiopians intend to try to substitute for Maria Theresa on a two for one basis. They mentioned also notes and '25 cents' and '10 cent copper pieces', but say they have no details on currency programme as a whole".[420]

The British Government, faced by a virtual *fait accompli*, had scarcely any alternative but to agree to the Ethiopian Government's request for a loan from the United States. On the arrival at the Foreign Office of Howe's telegram, of December 3, Mackereth saw the scheme chiefly as a "windfall" which would free Britain from financial obligations to Ethiopia, and commented:

"1. In many ways I cannot help thinking that this may prove a merciful release from our own self-assumed responsibility to manage a new Ethiopian currency.

"2. It is also a windfall to the Ethiopian Govt. (for which they will not have to repay) of about £500,000, which can be borne in mind if, and when we contemplate further financial aid to Ethiopia".[421]

Consultations on the proposed American loan were then held between the Foreign Office and the Treasury. On perusal of Howe's telegram, of December 18, which stated that the Emperor was "most anxious" to receive an "early reply" on the British reaction, Rowe-Dutton phoned Mackereth, on December 23, to declare:

"We could not possibly veto the initiative they [the Ethiopians] had taken, and as we had no silver available for this 'extravagant' purpose, we ought to instruct Mr. Howe to inform the Emperor that we had no objection to the Ethiopian Government receiving the silver on Lease-Lend".

Mackereth did not dissent from this opinion, but, fully aware of the political implications thereof, noted:

"Thus by another step (the first being the appointment of an American Adviser to the Minister of Foreign Affairs) we are approaching a *de facto* situation . . .".

On the following day, Christmas Eve, he therefore telegraphed to Howe, informing him of the British Government's concurrence in the proposed request to the United States, and declaring:

"His Majesty's Government would have on objection to Ethiopian Government's receiving silver under Lease-Lend, which Americans would mint and ship".[422]

Though raising no objection to the Ethiopian Government's move the Foreign Office was in fact fairly resentful of it, as is evident from a memorandum of the Foreign Secretary, Anthony Eden, who noted on December 30, that the American Treasury had "agreed to meet the Emperor's direct request from about £500,000 worth of silver, for the purpose of perpetuating the Maria Theresa silver dollar, from which, incidentally we were anxious to wean them in the interests of Ethiopian foreign trade as a step toward the higher standard of civilisation that prosperity produced by such trade might induce". Writing with obvious irritation, he added that this, and other American acts, had "been done without any attempt at prior consultation with us".[423] British disquiet at the development of American relations with Ethiopia, was likewise evident in the complaint by Molesworth, the Press Attaché at the British Legation in Addis Ababa, that "almost every action" of the Ethiopian Government in the currency issue had been "taken in opposition to the recommendations of the British Adviser",[424] while the British Government's *Political Review for* 1943, bluntly declared that "the year 1943 witnessed a deterioration in Anglo-Ethiopian relations", and, on the currency question, it added:

"The attempt to impose orthodox ideas, and methods of finance on the Ethiopian authorities, made little or no progress. The failure of the Ethiopian Government to take steps to put its currency house in order produced the advisers' joint *demarche*, the failure of which has already been described. It was clear that the proposals for a new Ethiopian currency based on sterling, and controlled by a board located in London were doomed to failure: the Ethiopians were determined to keep the control of any new currency under their eye in Addis Ababa".[425]

Deteriorating relations between Britain and Ethiopia, and the possibility of Ethiopia's obtaining silver from America, thus combined to destroy the British Treasury's plan for an Ethiopian currency based on sterling. Howe, on learning of the proposed loan, had, as we have seen, commented that its effect would "probably" be to "kill" the British proposal, while Stafford subsequently complained of the "many weary hours" he had spent "explaining the theory, practice and different systems of currency to a collection of Ethiopian Ministers of varying powers of mental receptivity", and added that "the new system was doomed to ultimate rejection, because it is the Emperor's intention to keep full control of Ethiopian currency in his own hand, and under his own eye. The hardship of the poor people and the damage to commerce caused by the prolongation of the present absurd currency arrangements", he angrily concluded, "are of little account compared with this overriding requirement".[426]

The British Minister, and the financial adviser, were by now well aware that their currency plans had entirely miscarried, and on January 4, 1944, Howe frankly informed the Foreign Office that:

"No progress has been made in connection with the setting up of the proposed Ethiopian Currency Board,

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and the issue of a new currency. Indeed it is now clear, as Mr. Stafford says, that the scheme is doomed to rejection, and the Ethiopian Government have undoubtedly devised a currency scheme of their own, and have taken the first step toward its realisation by obtaining over 5,000,000 ounces of silver from the United States of America, under Lease-Lend arrangements".[427]

For the meantime, however, the country continued to operate, as previously, on the inconvenient dual monetary system, with the Maria Theresa dollar still rising in terms of its East African partner. The Ethiopian Government, though still favouring the former money, displayed a realistic attitude to both, as was apparent on February 21, when the State Bank of Ethiopia's Board agreed to the proposal of its new American Governor, George Blowers, that because the dollar was then "overvalued" the bank should dispose of its dollar capital, then amounting to 250,000 dollars, and increase its shilling capital, which then consisted of 1,500,000 shillings".[428]

The circulation of two currencies nevertheless continued to be a cause of concern, and caused the *Ethiopian Herald*, albeit subsequently, to complain that these moneys were "not our own national currency", and, turning to the inconveniences of this state of affairs, reiterated: "it was impossible for the state bank to expand the volume of currency in time of a slump in trade".

Fluctuations in the exchange rate, between shillings and Maria Theresa dollars were, the newspaper concluded, the cause of "hardship . . . to salaried employees", while "owing to inability of the Imperial Government to mint from time to time, divisionary coins of the currencies, according to their requirements, it was impossible to issue coins to the extent required by the public. As a result of this, the retailers began to sell 70 cents to a shilling, when it actually was 100 cents to the shilling".[429]

This analysis was confirmed in a subsequent report of the State Bank of Ethiopia, which observed: "Both the bank and the government were helpless as they had no control over the supply of either currency. It became necessary that an independent Ethiopian currency be introduced, which could replace both the silver commodity, Maria Theresa thaler and the East African shilling".[430]

THE ANGLO-ETHIOPIAN AGREEMENT OF 1944 AND ITS CONSEQUENCES

Discontent over the 1942 agreement with Britain, which, it will be recalled, had strictly limited Ethiopia's freedom of action in the monetary sphere, led the Ethiopian Government to decide on its revision. On January 12, 1944, Ato Aklilu Habta Wald, the Ethiopian Vice-Minister of Foreign Affairs, accordingly wrote a formal letter to the British Government requesting a new agreement, and declaring:

"As regards the agreement of 1942, several clauses have no longer any utility".[431]

The drafting of a new agreement was, however, delayed for the greater part of the year, during which period the British became increasing aware of the extent to which the unique position of influence they had enjoyed in Ethiopia immediately after the liberation had been weakened by the entry of the Americans in Ethiopian affairs. One of the observers most conscious of this development was Howe, the British Minister in Addis Ababa, who reminded the Foreign Office, on March 9, that:

"In the past year Ethiopian Government have applied to the United States in matters covered by the agreement, e.g. silver for currency, advisers and supplies, without any prior consultation between British and American governments".

Howe's solution for what he considered this regrettable state of affairs, was the formulation of a joint Anglo-American policy on Ethiopia, for he declared:

"In any discussions with the United States regarding policy in Ethiopia, it seems to me essential to know whether Americans would be willing to pursue a common policy with us".

Such a joint approach was needed, he argued, because "at present it is possible for Ethiopian Government to arrange the matters that effect His Majesty's Government with United States and present His Majesty's Government with a *fait accompli*".[432]

The United States Government, which had no desire to underwrite Britain's exclusive interests, was, however, unwilling to come to any such agreement, with the result that the British negotiating position, at the time of the Anglo-Ethiopian talks of 1944, was substantially weaker than it had been two years earlier.

The question of Ethiopia's future currency received its share of attention when the new treaty came to be considered in London, but the British Government considered it inexpedient to include any reference to the matter in the first draft which Foreign Secretary Eden despatched to the chief British negotiator, Lord De La Warr, on September 13. Article IV, which was to deal with currency questions, was therefore left blank "to be drafted later".[433] Detailed instructions were, however, drawn up, which laid down that he, De La Warr, should "reserve the position of His Majesty's Government" in respect of this article, until the rest of his mission was completed. "In the discussion of currency questions", the instructions added, "you will be guided by the memorandum enclosed herein".

The said memorandum embodied a history of the Ethiopian currency question, slanted towards the British point of view. Explaining the causes for British involvement in Ethiopian economic matters, the document recalled that "early in 1942, discussions were begun on the subject of establishing a new currency for Ethiopia", based on the pound sterling, to be called the "Ethiopian pound" and equal in value to the pound sterling. This currency was to be issued by a currency board, composed of a representative of the Bank of England, and, following the Iraqi model, was to sit in London, and ensure the new money's stability in terms of sterling. The Maria Theresa dollar was "gradually to be eliminated, although its use in the more remote country districts seemed likely to continue for a long period". This scheme, Lord De La Warr was informed, "at first appeared to commend itself to all concerned, but gradually, as details were discussed, it was found that opposition was coming from the Emperor, who objected

to a currency board sitting in London". Recalling the negotiations with which the reader is by now familiar, the memorandum noted that efforts were made to convince the Emperor that the proposal was "reasonable and sound", and that the British later agreed that "after the period of five years, when the smooth working of the plan had been established, the board could be transferred to Addis Ababa, if such was still then the Emperor's desire. However, the Emperor remained unshaken in his belief that a currency board in London would mean foreign domination, and loss of prestige. Reluctantly the proposals were left in abeyance".

The memorandum claimed that the internal situation in Ethiopia had meanwhile gone "from bad to worse", and that "the rise in the price of silver had affected not only foreign trade, but, owing to the scarcity of coin, all internal prices". Another proposal had then been formulated from Addis Ababa, its chief points being:

"(*a*) A currency board to sit in Addis Ababa, and issue of currency to be made through the state bank.

"(*b*) Various currencies and securities to be easily convertible into sterling, to be used to cover the issue.

"(*c*) Twenty per cent of the note issue to be covered by Treasury Bonds of the Ethiopian Government.

Objections, the memorandum declared, were then raised in London to (*a*) and (*b*). "It was felt that adequate supervision of the note issue could not be maintained", and that the State Bank in Addis Ababa "was hardly in the best position to judge the value of currencies or securities which might be incorporated in the note issue cover".

Reporting on the subsequent American loan, the memorandum remarked that the Emperor had "recently . . . obtained a new supply of silver for minting – roughly 5,000,000 ozs. – from the United States under Lend-Lease, which will ease his position for some time to come. But as the Ethiopian delegation at Bretton Woods subscribed to both the Monetary Fund and to the International Bank for Reconstruction and Development, the question of a new currency, the par value of which can be expressed in terms of gold, has again become a matter of urgency".

The memorandum concluded by instructing De La Warr on the policy which his delegation should adopt. He was told that "we should . . ., in the first instance, press for a currency board on the Iraqi model. Should the Emperor still persist in his objections to such a board, the alternative scheme of issuing currency through the state bank could be envisaged".

In the latter case, the memorandum added:

"There would be no representation of the Treasury, or of the Bank of England on this board. – if, indeed any board is contemplated. It appears rather that the whole matter would be in the hands of the state bank, which would be responsible to the minister of finance alone. Nevertheless, if His Majesty's Government gives its approval to the scheme (and under the terms of the existing treaty, our approval is apparently required) we should have some responsibility, nor could we view without disquiet the collapse of currency purporting to be based on sterling. We should therefore, as a condition of our approval, insist on such safeguards as we felt essential, and ask for an undertaking that the law will not be altered without our prior written consent".[434]

The above remarks were framed on the assumption that the 1944 Treaty would be cast largely in the mould of its predecessor. The new agreement was, however, only signed after stiff bargaining, as a result of which the British abandoned any hope of maintaining their power of veto on Ethiopian currency policy. The treaty, as finally signed, on December 19, 1944, consequently made no mention of monetary matters, with the result that Ethiopia at last regained full freedom of action in the currency field.[435]

Ethiopia's independence was shortly afterwards evinced by the sale by the State Bank of Ethiopia, in Aden, of 600,000 Maria Theresa dollars, which was effected, according to the British Legation's *Addis Ababa Report*, "to make a profit on exchange", though the sale is said to have "caused a shortage of dollars on the local market", as a result of which the dollar's exchange rate rose to 6·55 to the pound.[436]

THE INTRODUCTION OF THE ETHIOPIAN NATIONAL CURRENCY, 1945

During the slow, and often difficult, negotiations with the British on a new agreement to replace the Treaty of 1942, arrangements for the production of a new currency, in the United States, continued to be worked out. On March 7, 1944, the American Minister, Caldwell, gave the Ethiopian Vice-Minister of Foreign Affairs, Aklilu Habta Wald, full details on the proposed issue of coins. The Vice-Minister replied, on April 1, accepting most of the American plan, subject to a few modifications. On the number of coins required, he declared that "in regard to the date on the brass coins, it is now discovered that the estimates furnished to the United States Treasury, in August last year, will not meet present requirements, and it is accordingly requested that the quantities thereof be modified as follows: 2,000,000 25 cent pieces; 25,000,000 10 cent pieces; 16,000,000 five cent pieces; and 30,000,000 one cent pieces". On the use of brass, he observed that the alloy had been selected in "the belief that it might be impossible to obtain sufficient copper to mint copper coins", but added, "If, however, the supply of copper has increased, so that it would be possible to obtain adequate quantities of this metal, this Government would prefer copper coins similar in copper content to the United States one cent piece". The Vice-Minister confirmed that the Ethiopian Government accepted the proposed sizes of the different coins, "with the exception of the 25 cent piece, which should have a diameter of 26, rather than 25 milometres", and added, "It is the desire of this government, that all of the coins mentioned in the note, be minted in the United States. The total expenditure on the notes, Ato Aklilu concluded, was estimated at approximately U.S.$500, for which the Ethiopian Government hoped "to pay in cash. This payment would present the problem of obtaining adequate quantities of foreign exchange, but the matter is now receiving active attention".[437]

A firm order for the minting of Ethiopian coins, at the United States Mint, in Philadelphia, was duly made, on June 28, the coins requested being as follows:[438]

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Quantity	Alloy	Denomination
30,000,000	800 silver, 200 copper	·50 cents
10,000,000	95% copper, 5% zinc	·25 cents
25,000,000	95% copper, 5% zinc	·10 cents
16,000,000	95% copper, 5% zinc	·05 cents
15,000,000	95% copper, 5% zinc	·01 cent

Production of 5 and 1 cent coins began on November 10, and of 50 cent coins, on December 20. The total order of coins, which bore the date 1944, was completed on January 26, 1945, was delivered to the loading docks in mid-February, by which time they were ready for shipment.

The conclusion of the new Anglo-Ethiopian agreement, on December 19, 1944, removed the last formal obstacle to the issue of Ethiopia's national currency. The Ethiopian Government's plans, the details of which had been a secret, now at last became common knowledge. The British Legation's *Addis Ababa Report*, for December, 1944, stated:

"It is confidently learnt that in addition to the minting of over 5,000,000 ounces of American Lease-Lend silver, into ½ dollar coins, the Ethiopian authorities are arranging for the printing, in New York, of banknotes, to a value of some 50,000,000 dollars. These paper dollars are expected to be backed by sterling, and issued at the rate of two shillings to the dollar. The new currency may be ready in April or May 1945".[439]

The solution of the monetary question was of course now well overdue, the more so as there was an acute currency shortage, as noted by Howe, who reported, on October 11, 1944, that it was "certain that any serious influx of currency to pay for trade deficit would bring business to a standstill".[440]

Production of the notes for the new currency, which was destined to overcome this dearth of money, began early in 1945, at the Security Banknote Company, in Philadelphia. On February 5, the President of the company, Thomas C. Bradley, wrote to the Ethiopian Minister in the United States, whom he styled "Sir Blatta Ephrem T. Medhen", informing him that "we plan to have ready for shipment from our plant 2,000,000 pieces of $1 Ethiopian currency on February 20, and if the time of shipment is delayed until Sunday, February 25, we will have 500,000 additional notes of the same denomination ready for shipment".[441]

The money on arrival in Ethiopia, was rapidly distributed to all branches of the State Bank of Ethiopia.

At about the same time a Legal Tender Proclamation was issued, on May 29, providing for the replacement of the Maria Theresa dollar and the East African shilling by Ethiopian national money. This decree, which repealed the Legal Tender Proclamation of 1942, and was to become effective on the Emperor's birthday, July 23, declared in its preamble, that it was "necessary to revise the monetary arrangements of Our Empire, and to provide a national currency system suitable for the needs of our people, and the commerce of Our Empire". The edict accordingly decreed the establishment of a new monetary unit, the Ethiopian dollar, equal to 5·52 grains of fine gold, and divided into 100 cents. The sole right of issuing this currency was vested in the State Bank of Ethiopia, acting for and on behalf of the Imperial Ethiopian Government, and the bank had the obligation to maintain an issue department.

To ensure the stability of the new currency the bank was given the duty "to establish and maintain a currency fund consisting of gold, silver and foreign currency bank balances, or prime securities, readily convertible into foreign currencies, or bank balances, to a minimum extent of 75 per cent of the said fund". This fund was to "constitute a reserve for the redemption at their full issue value of notes issued under this proclamation". It was further laid down that the fund was to be "segregated from all assets of Our Imperial Government, and of the State Bank of Ethiopia", and "maintained solely, and exclusively for the purposes of currency issue". The fund's books and accounts, were to be open to inspection, by the Ministry of Finance, while the issue department had to publish a statement of the currency issued, and the fund's assets at least twice a year.

The bank was further obliged to issue the new currency "at declared currency centres in Ethiopia, against pre-payment of foreign currencies, as designated, and at rates prescribed by the Minister of Finance", and was to receive such currency on demand at its currency centres, as well as to effect telegraphic or mail transfers.

The proclamation laid down that "notes issued by the state bank, shall be legal tender in Ethiopia for the payment of any amount", and coin "for any amount in the case of silver coins, and not exceeding 10 dollars, in the case of base metal coins". To provide for future eventualities it was, however, stated that the Minister of Finance could declare, by legal notice, that "any issue, or denomination of currency notes, or coin, shall cease to be legal tender", in which case the bank was "empowered to take, and shall take all necessary steps to call in and replace, or redeem such notes and coin".

Details of the new money were given in an accompanying schedule, which specified that the notes should be of denominations of one, five, 10, 20, 50, 100 and 500 dollars, while copper coins should be of one, five, 10 and 25 cents, and silver coins of 50 cents, and, at the discretion of the minister, one dollar. Issue and redemption was to be effected at the rate of one Ethiopian dollar for 40·25 United States cents, two British shillings, i.e. one tenth of a pound sterling, or "against such other currencies, and at such rates as shall be determined by the bank".

The overall responsibility of the Minister of Finance, for the currency, was clearly stated, the proclamation specifying that he might advance to the bank "on application for such period of time as may be necessary, such funds as may be required to meet the initial cost of issuing the currency". He was also "charged with the execution of this proclamation" and "empowered to issue regulations for the detailed operation of the currency arrangements". Another article stated that he, or the bank, with his concurrence, could "enter into agreements, including loan agreements, with the monetary authorities of other governments or administrations, concerning exchange facilities, the stabilisation of the currency, and other international currency measures, which have as their object the improvement of the economy of our Empire".

The proclamation also provided for the complete

replacement of the earlier established currencies, the Minister of Finance being empowered to declare, by legal notice, that "as from a date to be fixed the notes and coin issued under this proclamation shall be the sole legal tender in Ethiopia".

The manner in which the currencies then circulating were to be superseded, was laid down in an accompanying schedule on the "Transition Period" which stated that the Minister of Finance should "take immediate steps to assure that the Ethiopian dollar is circulated throughout Ethiopia, and to make it the only legal tender circulating within Ethiopia".[442]

The Maria Theresa dollar was scheduled as the first of the alien currencies to be eliminated, on the basis of its official demonetisation. The schedule laid down that "from the date of the coming into force of this proclamation, the Maria Theresa dollar shall no longer be legal tender within Ethiopia", and that thereafter it "shall be treated as silver bullion, and shall be purchased by Our State Bank of Ethiopia as a commodity at rates to be fixed by the bank". It was further specified that as from the coming into force of the proclamation no contract, sale or transaction of any kind could be effected in these dollars, and that the State Bank of Ethiopia should accept no further deposits in that currency. The only type of transaction in dollars permitted was therefore their sale to the bank as bullion.

The schedule also disposed of legal matters resulting from the former official status of the Maria Theresa dollar, by stating that in any existing law, or decree, amounts expressed in that currency were to be converted, on the coming into force of the proclamation, into Ethiopian dollars, one of the latter for this purpose being deemed equal to one Maria Theresa dollar. Contracts and transactions previously entered into or agreed upon, should likewise be paid in Ethiopian dollars, but in this case, at a rate fixed by the bank "with regard to bullion", while the Maria Theresa dollar should thereafter "be neither tendered, nor accepted in settlement of any contract, sale, payment, bill, note, instrument or security, for money or any transaction relating to money or involving the payment of the liability to pay, any money in Ethiopia".

The circulation of the East African shilling was given a slightly longer duration than the Maria Theresa dollar, for the schedule stated that for six months, or until otherwise declared by a legal notice of the Minister of Finance "the currency of the East African Currency Board was to remain legal tender". This was authorised in case of notes and silver shilling coins for the payment of any amount, in the case of silver 50 cent coins for amounts not exceeding 20 shillings, and in the case of coins of lower denomination for amounts not exceeding one shilling.

Though the East African shilling was thus permitted to continue as legal tender, for some more months, the schedule also provided for its immediate conversion into Ethiopian dollars. It was laid down that on the coming into force of the proclamation, any contract, sale or other transaction in Ethiopia, involving the payment of any money in East African shillings should be deemed to have been made in Ethiopian dollars, and should be converted at the rate of one dollar to two East African shillings, thought for six months, from the coming into force of the proclamation, payment could be effected in either currency. It was further stated, as in the case of the Maria Theresa dollar, that amounts mentioned in any law, or decree, expressed in East African shillings should on the coming into force of the proclamation, be converted into Ethiopian dollars.[443]

A Legal Notice, signed by the Vice-Minister of Finance, Yilma Deressa, on the same day, May 29, declared that from the day of the coming into force of the new money, July 23, the State Bank would "convert all deposit accounts, loan and advance accounts, and all other accounts which it previously carried on its books in East African shillings into Ethiopian dollars", and might "receive for deposit or, at its discretion, pay out to its depositors, either East African shillings or Ethiopian dollars". All cheques and deposits had, however, to be expressed in the latter currency, which would likewise be used in the keeping of all bank accounts".[444]

A month or so later, on June 28, the ViceMinister issued a second decree specifying that the notes and coins envisaged in the Currency and Legal Tender Proclamation "shall be legal tender in Ethiopia as from July 23, 1945".[445]

Plans for the issue of the new currency, and for the replacement of the Maria Theresa dollar and East African currency, almost inevitably created some disquiet among a section of the commercial community. The British Legation, which had so long been pressing for the establishment of an Ethiopian pound based on sterling, was, as might be expected, somewhat unsympathetic to the new currency plan, and tended to have little confidence in its prospects for success. The Legation's Accountant, M. E. Taylor, raised the matter with the Governor of the State Bank, George Blowers, and in a report, forwarded to the Foreign Office, on July 5, stated:

"As there was a good deal of uneasiness in British commercial circles in the town, and some disquiet, which might give rise to speculation – if in fact such speculation was not already taking place – I asked whether he could give me any information as to his plans".

Blowers, who did not share the above fears, replied:

"there was no need for uneasiness. The notes and coins were here, and had already been distributed to the bank's branches – he had been ready to make the issue in May last, but the Council of Ministers had not yet passed the proclamation. He could not say when the proclamation was likely to be passed. He had no doubt that the silver coins would speedily achieve popularity, as they contained the same percentage of silver as the Maria Theresa dollar, but he was not sure about the copper, as for supply reasons the 10 cent coin was only three millimetres larger than the five cent coin. This might give rise to its rejection by the natives, or reduce its purchasing power, and he was not at all happy about it. As for the paper issue, he did not agree with me that it was very important whether the natives accepted it or not – he relied upon the silver coinage, of which there were ample supplies. Paper had never been generally accepted by the natives of the interior (he seemed to forget the Italian five lire notes) and the

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new currency would stand on its silver. I argued that the commercial community would certainly have to handle the notes, and that confidence in these, would not, in my opinion, be forthcoming for some time".[446]

The bank's preparations for the new monetary issue were by this time complete. According to a subsequent State Bank report, they had required "the most careful planning and execution" to ensure that when the bank began issuance "ample reserves of notes and coins were on hand", where needed.[447]

The new Ethiopian currency was duly inaugurated on Emperor Haile Selassie's birthday, July 23, and was generally well received. Two days later, Howe telegraphed to London, that there had been a "heavy demand" for the new money, on July 24, the first day of issue, the previous day being a holiday, but, expressing continued British doubts about the scheme, commented that "this was probably mainly due to curiosity".[448] The *Ethiopian Herald*, on the other hand, wrote of the currency a few days later in fulsome language. Referring to the new money, on July 28, as "a present to the people of Ethiopia on His Imperial Majesty's Birthday" it claimed that "the general public, both Ethiopian and foreign, had expressed its approval of the new currency".[449] A subsequent issue stated that as from the first "an enthusiastic and patriotic public were eagerly exchanging their holdings of East African currency for the national currency at the counters of the State Bank of Ethiopia, in Addis Ababa, and at its branches throughout the country".[450]

The success of the new issue, which could scarcely be denied, was conseded shortly afterwards by the British Legation's *Addis Ababa Report* for August, which declared:

"The issue of the new Ethiopian currency . . . has proceeded smoothly, and, in those centres already accustomed to East African paper money, the new notes have been accepted at their face value without difficulty. The paper one dollar notes, valued at two shillings, have been issued, and East African notes, to an equivalent value, withdrawn at the rate of 2,000,000 shillings a month. The disquiet felt regarding the relationship between the new currency, and the silver dollar, has largely disappeared since it is now evident that the status of the silver dollar is unchanged, and that it remains a full value bullion currency, exchangeable at the open market rate, with the paper token dollar".

The report concluded that the new currency had "not yet won acceptance in the interior", but added very fairly that "East African paper money was equally unacceptable".[451]

Prejudice against the new money, on the part of the British Military Administration nevertheless died slowly. The General Officer Commanding East Africa, a keen advocate, as we have seen, of East African currency, admitted, on August 15, that "no difficulties" were "yet apparent" in the acceptance of the new issue, but added: "There is evidence that leading merchants in Ethiopia (*sic*) and Diredawa, are distrustful of new currency, and holding on to their stocks of shillings and rupees".[452]

A War Office report, from East African Command, also dated August 15, similarly claimed that "immediate reactions" to the new currency, "especially in foreign commercial circles, were distinctly unfavourable, and that it was "generally believed to be inadequately backed. Foreign currency", the author of the report suspiciously added, "is a nebulous term which may, and probably does, include an unspecified amount of devalued Italian lire . . .

"There is . . . no reason to suppose that the Ethiopian peasant is going to hand in his horde of silver for a piece of paper, which is worth no more than the paper it is printed on".[453]

The success of the currency was, however, manifestly too great to be seriously denied. The September issue of the British Legation's *Addis Ababa Report* thus observed:

"The favourable reception of the new Ethiopian currency, previously reported, continues and trouble would now seem unlikely, except in the event of a serious adverse trade balance, which Ethiopia continues, surprisingly, to avoid".[454]

Though the currency thus proved a signal success, the similarity in size and design of the 25 cent and 50 cent pieces, of copper and silver respectively, was soon a cause of difficulty, for, as a British War Office report, of August 15, noted, "the Indians . . . have found a profitable sideline in counterfeiting the new 25 cents silver".[455] The result, as the British *chargé d'affaires* in Addis Ababa, noted on October 2, was that "the suspension of issues of 25 cent bronze" which it was proposed to remint when feasible.[456]

The popularity of the new money was confirmed by the *chargé d'affaires* who reported on October 2, that "the issue of the new currency is making satisfactory progress", and added that despite "some initial nervousness among the commercial community":

"Both the dollar notes and coinage have won unexpectedly rapid acceptance, not only in the towns, but in many country districts, and the success has been far greater than even Mr. Blowers, the Governor of the State Bank, and sponsor of the new currency, had dared to hope . . .

"The issue of the new currency proceeded at the relatively rapid rate of some 2,500,000 shillings per week, so that in the 10 weeks since the issue of the proclamation, on July 25, 12,500,000 Ethiopian dollars in notes have been issued. In addition, over 5,000,000 Ethiopian dollars, in coins, have been issued. The currency is now currently referred to in the country as the Haile Selassie money, and it appears that the presence of Haile Selassie's head on the notes and coin has had an appreciable effect in securing the acceptance of the money in the country districts. The inflow of East African currency has been slightly below the rate of issue, amounting to some East African shillings, 150,000 per day, mainly in the form of notes, in Addis Ababa, with a further East African shillings, 50,000 at the provincial branches. The discrepancy between the retirement of East African currency and issue of Ethiopian currency has been covered by the currency fund held in London . . .

"The fixing of the value of the Ethiopian dollar in terms of gold was stipulated by the Ethiopian Government, partly for prestige reasons, and partly because it was still intended at the time of drafting to back in part with gold . . .

"In spite . . . of the terms of the proclamation, it is now evident, and is recognised locally, that the currency is and intended to be, a sterling backed currency, and I am informed by the Governor of the State Bank, that he has no intention, for the present at least, of including in his currency fund, silver, gold or Ethiopian Government securities, in spite of the authority granted to him by the proclamation to do so. For the present he is maintaining a 100 per cent cover in sterling and sterling securities".

Turning to the limitations on the new money's circulation, the *chargé d'affaires* declared that "it would not appear that the new currency has yet penetrated into the remoter districts, which have never known or accepted the East African currency. Exporters", he went on, "still find it necessary therefore to buy export produce from the peasants, with Maria Theresa dollars, or by barter. While the new exporting season is too young for observers to ascertain whether the new currency will be accepted by these peasants for their produce, any such radical and sudden change in their traditional habits would seem unlikely. The use of the Maria Theresa dollar, he added, rather pessimistically, "is thus likely to continue in the remoter interior for some time to come, and to be superseded by the new currency, only in the course of years, if ever. In the meantime the peasant farmers round Addis Ababa, who have accepted the currency, have taken the opportunity of increasing their prices as a condition of acceptance. As a result, ever since the introduction of the Ethiopian dollar, prices, whether in shillings or Ethiopian dollars have risen steadily".

The *chargé d'affaires* concluded with a reference to the management of the currency, and patronisingly declared: "I am glad to say that I have heard no hint of pressure from the Ethiopian Government to use the issue of the new currency to their profit, or to interfere with the currency fund".[457]

The success of the new currency was further apparent from the size of the issue which by October 2, 1945, was as follows:[458]

Notes	*Printed*	*Issued*
500	4,000,000	1,500,000
100	1,000,000	1,000,000
50	5,000,000	1,350,000
10	20,000,000	4,000,000
5	10,000,000	2,000,000
1	10,000,000	2,650,000
	50,000,000	12,500,000
Coins	*Minted*	*Issued*
Silver		
50 cents	7,500,000	3,895,500
Bronze		
25 cents	2,500,000	421,500 (suspended)
10	2,500,000	426,400
5	800,000	306,000
1	150,000	30,480
	13,450,000	5,079,880

A few weeks later the British Legation's *Addis Ababa Report* for October, brought the news that "the Manager of the State Bank of Ethiopia, states that there is a keen demand in provincial centres for the new one dollar notes, and for copper one cent pieces in particular, as well as for the silver half dollars. In the outlying parts, especially in the western provinces, peasants and traders are holding on to Maria Theresa dollars, for at least one more harvest. The State Bank, however, have collected several tons of such dollars, and propose to sell them as bullion in Egypt, where the melting down price is even more favourable than the currency value in Aden, and the Red Sea areas".

The State Bank had by then also collected 22,000,000 shillings in East African currency notes, and proposed "to redeem this shortly in Nairobi. The paper alone weighs 3½ tons, and will go by air. Several tons of East African copper currency are awaiting shipment by sea via Jibuti and Mombassa".[459]

In the months which followed the new currency continued to make progress, enabling the *Ethiopian Herald* to remark, on May 13, 1946, that in the first nine months or so of the new issue "exchanges of East African shillings for Ethiopia's dollars have been feverishly carried on, and today more than 90 per cent (this is an unofficial estimate) of the East African shillings, imported into Ethiopia by the British Military Administration, have been drained out of the country, and a large part of them converted into interest bearing securities as a reserve for the Ethiopian currency".

Writing with justified pride, the article continued:

"The administration has succeeded in introducing into the country a stable, well backed and safe currency such as has never been enjoyed by the country before. Therefore, the Ethiopian Administration rightly expects this currency to be accepted voluntarily by the population, and to supersede all other circulating medium brought into the country without the least exercise of force or compulsion. The general acceptability the currency has so far received, and the patriotic enthusiasm displayed by the Ethiopian people, which substantially manifested itself in a great confidence in this country, leaves no room for doubt that such will be the case".[460]

The above account is confirmed in a subsequent State Bank report, which speaks of the "success" of the new currency, which was accepted "beyond expectation", and adds:

"East African shillings were redeemed in large quantities for the new dollars . . . Though the public showed at the beginning some reluctance to sell Maria Theresa thalers, large quantities have since been collected, so that the State Bank has been able to export several million pieces abroad, especially during 1947, for reminting into Ethiopian 50 cent coins".[461] Large quantities of Maria Theresa dollars were also kept as silver bullion, thus constituting part of the note reserve.[462]

The speed of the new currency's introduction resulted in a curious legal quirk. The Currency and Legal Tender Proclamation, of May 29, 1945, signed just over two months prior to the issue of the money, had stated in Article 2 (*b*) of its schedule, that "the weight, composition remedy, form and design of such coins shall be determined by the bank with our approval, and published in the *Negarit Gazeta*".[463] No such official publication was in fact made, with the result that Judge Nathan Marein wrote to Yilma Deressa, on August 6, noting that this was

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a "serious" omission that "must be remedied in my opinion, without delay", for until then "the coins circulated are so far, legally speaking, illegal tender".[464]

The success of the new issue of Ethiopian money necessitated further minting of coin, as a result of which the Philadelphia Mint received a firm order, on November 15, for 10,000,000 more 5 cent coins, to be dated 1945. To expedite delivery it was later agreed that these coins should be made from the earlier dies, and therefore bore the date 1944. Production started on December 12, and was completed on January 15, 1946.[465]

THE ERADICATION OF THE MARIA THERESA DOLLAR, 1946-7

The eradication of the Maria Thereas dollar, a currency which the Italians had found impossible to eliminate during their occupation, was tackled in the years immediately following the introduction of the new currency, and necessitated the issue of three more proclamations.

The first of these edicts, the Currency Proclamation of November 30, 1946, which became effective, on December 29, of that year, referred in its preamble to the "hardships" arising from "the confusion caused by the continued circulation within the Empire of Maria Theresa dollars in conjunction with our legal currency", and stated that there were by then "a sufficient amount of our new national currency in circulation for the needs of the Empire as a medium of exchange". Provision was accordingly made for "all holders of Maria Theresa dollars" to sell them "forthwith" to a board consisting of the Governor of the State Bank, the Governor of the Agricultural Bank, and the President of the Addis Ababa Chamber of Commerce. Such purchases were to be made at the rate of one Maria Theresa dollar to 1·5 Ethiopian dollars.

The proclamation also declared that from the date of its coming into force, all dealings in Maria Theresa dollars, other than sales to the board or its agents, were prohibited. The possession of these coins was likewise to be a punishable offence on the expiry of one month in Addis Ababa, two months in Harar, Dire Dawa, Dessie, Jimma, Adigrat, Gore and Nazareth, and six months in remainder of the Empire.[466]

The above schedule for rendering the Maria Theresa dollar illegal proved impractical, with the result that a Currency (Amendment) Proclamation had to be issued on April 29. This edict, which came into force as from the date of publication, postponed the last date for the legal possession of the Austrian coin in Addis Ababa from January 29 to July 7, 1947, in the six principal towns previous specified, from February 29 to September 5, and in the rest of the country from June 29 also to September 5.

Further to strengthen the law against the coin a Maria Theresa Dollars Proclamation was issued on August 27, 1949, which decreed that in case of contravention of the law "in addition to any other penalty the court shall order the Maria Theresa dollars in respect of which the offender is convicted to be forfeited to the Imperial Government".[468]

THE SUSPENSION OF EAST AFRICAN CURRENCY 1946

The withdrawal and final suspension of East African currency, like that of the Maria Theresa dollar, was not without its difficulties, as result of which the Ethiopian authorities decided to permit the use of this money to continue, four months after January 23, 1946, the date originally decreed for its termination. On November 30, 1945, the Vice-Minister of Finance accordingly issued a legal notice, stating that the period in which the use of East African shillings was permitted was extended to May 23, 1946, after which the State Bank would exchange this money only at a discount of 1 per cent on notes and 2 per cent on coins.[469]

Steps were meanwhile being taken, in accordance with the Currency and Legal Tender Proclamation, to withdraw as much East African currency as possible from circulation, without actually forbidding its use. Such money was employed, as the State Bank report explains, "as a note reserve" until February, 1946, when the currency was "repatriated, and the proceeds invested in sterling gilt-edge securities".[470]

A few days before the expiry date for East African currency the *Ethiopian Herald* commented, on May 13, that the above mentioned extension in its use had been permitted as "a period of grace" after which the money would have "to disappear".[471]

Though the circulation of East African currency thus came to an end after little more than half a decade this money left an enduring linguistic imprint on the country, the term *shilling* becoming part of the language, in many areas, where it was employed as a monetary concept long after coins of that name had disappeared.[472]

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A measure of the acceptance of the new Ethiopian currency was the steady increase in its circulation, seen in the following table:[473]

Currency Issue by the State Bank of Ethiopia as of December 31, in thousands of Ethiopian Dollars

	1945	1946	1947	1948	1949	1950
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A subsequent State Bank report noted that the circulation of coins, like that of notes, had been "greatly increased", though it was "irregular due to seasonal fluctuations as well as the irregular shipment of coins from abroad".[474]

The strength of the Ethiopia dollar was demonstrated in September, 1949, when the British Government devalued the pound sterling, one of the two currencies to which the Ethiopian dollar had been pegged at the time of its inception by the Currency and Legal Proclamation of 1945. After the announcement of British devaluation, on September 18, the Ethiopian authorities issued a Currency (Amendment) Proclamation, on September 30, which referred to the Ethiopian Government's "decision not to devalue the currency of Ethiopia". The article in the Currency and Legal Tender Proclamation, specifying fixed exchange rates with the pound sterling, and the American dollar was therefore amended in favour of one stating in purely general terms that the issue and redemption of Ethiopian currency should be "effected against foreign currencies, and at such rates as shall be determined by the Minister of Finance, or his authorised agent the State Bank of Ethiopia".[475] A fixed exchange rate with the United States dollar was nevertheless later reintroduced by the Currency (Amendment) Proclamation of March 30, 1950, which laid down that the Ethiopian dollar should be equal in value, not only to 5·54 grains of fine gold, as specified in the Currency and Legal Tender Proclamation, but also to 40·25 United States cents.

The Ethiopian dollar was by then recognised to be so stable as to permit of its coverage to be officially reduced by the Currency (Amendment) Proclamation of 1950, which noted that "the confidence in the value and the stability of the Ethiopian currency has been amply demonstrated, and does not therefore require the holding in idleness of foreign balances and foreign securities, which might otherwise be available to serve the needs of Our Empire". The decree accordingly reduced the statutory currency fund, gold, silver and foreign bank balances, or securities readily convertible into foreign currencies from 75 per cent to 30 per cent, while the maximum of Treasury obligations was correspondingly raised from 25 per cent to 70 per cent. As a guarantee against the uncontrolled issue of notes it was specified that the government, and its subsidiaries, or associations, should not become indebted to the State Bank for more than Eth.$3,000,000 on direct obligations, or more than Eth.$2,000,000 on indirect obligations".[476]

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Printed by Percy Brothers Limited, The Hotspur Press, Whitworth Street West, Manchester, M60 1PB and 145 Fleet Street, London EC4A 2BU

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