Colonialism or supersanctions:
Managing sovereign risk in Sierra Leone and Liberia, 1871-1914

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Abstract: Financial globalization before 1914 saw the rise of a number of institutions, which, to varying degrees, helped resolve information asymmetries and protect creditors from the costs of sovereign default. This paper compares two such institutions and argues that even if the implications for lenders were similar, the impact on borrowers could differ substantially. Using a case study of two African countries, it contrasts two third-party enforcement mechanisms: colonialism and supersanctions. As a British colony, Sierra Leone was able to borrow more and, initially, on better terms than Liberia, primarily using the funds to build infrastructure. Following a long default, Liberia borrowed again by conceding financial sovereignty to foreign agents. While supersanctions largely prevented future default, they did not guarantee the effective use of the proceeds, which were largely used to repay earlier debts, a cycle which continued until an influx of American aid after World War II.

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1. Introduction

A key focus of research on sovereign debt in the first era of globalization has been the various ways in which creditors attempted to safeguard their interests. Lending to foreign governments was (and remains) risky because defaulting governments cannot easily be held to account (Oosterlinck 2013). Creditors are therefore left to assess their ability and willingness to keep to the terms of the loan agreement (Tomz 2007: 15). Prior to a loan issue, intermediaries might have better access to information and provide a signal of quality to investors (Flandreau and Flores 2012). After the fact, coalitions of creditors or governments might threaten sanctions against defaulting borrowers, but such methods were no guarantee against opportunism (Esteves 2013). A key question in research on these mechanisms is their impact on the interests of investors, measured by the incidence and costs of defaults. Less well understood, according to Kelly (1998), are the implications for borrowers of these various institutions and the power relationships between borrowers and creditors.

This paper focuses on one method used in lending to peripheral economies: third-party enforcement. Creditors or their representatives could demand the sacrifice of some degree of sovereignty by borrowers in exchange for lending or renegotiation of existing debt. There is considerable evidence that third-party enforcement mechanisms were associated with reduced default risk. British colonies, for example, were able to borrow on the London market at lower cost than politically independent countries on the periphery, investors for various reasons seeing colonial debts as safer investments than the debts of similarly poor countries outside the empire (Davis and Huttenback 1986; Ferguson and Schularick 2006; Accominotti, Flandreau and Rezzik 2011). Outside the bounds of formal empire, Mitchener and Weidenmier (2010: 20) have argued that ‘supersanctions’ in the form of gunboat diplomacy or restrictions of fiscal sovereignty were ‘an effective enforcement mechanism’ which appears ‘to have deterred future default’. Supersanctions were not merely imposed following defaults; some countries agreed to restrictions of sovereignty as a condition of initial borrowing (Maerean and Sharp 2014). Both colonialism and supersanctions have been shown to reduce the risk of defaults and improve the terms on which countries could borrow.

What were the implications of these methods for borrowing countries? This question has yet to be answered fully in the literature on sovereign debt. In the case of colonialism, Davis and Huttenback (1986) have argued that cheaper borrowing represented a subsidy granted by the imperial government to its...
colonies. This view is supported by Ferguson and Schularick (2006:306) who speculate that ‘it can hardly have been disadvantageous to British colonies that they could raise capital in London at rates up to 60 per cent lower than comparably endowed sovereign states, or that they were able to attract more British capital’. Similarly, Mitchener and Weidenmier (2010) speculate about the positive effects of ‘fiscal discipline’ imposed by supersanctions.

On the other hand, Accominotti, Flandreau, Rezzik and Zumer (2009: 67) argue that gains were limited for the British colonies owing to caps on external borrowing, imposed by London. A large literature on the economic implications of colonialism emphasizes that colonial governments focused on balanced budgets invested little in building solid foundations for economic development (Frankema 2011; Gardner 2012; Huillery 2009). With regard to supersanctions, Tooze and Ivanov (2011) argue that interventions by creditors had ‘ruinous consequences for the political culture of the debtor states’. In countries like Egypt, Haiti and the Dominican Republic, the imposition of fiscal controls resulted not in an improved financial position but rather with violent antiforeigner demonstrations and, sometimes, military takeover (Rosenberg 2007).

Empirical efforts to link financial integration and growth in recent decades have failed to establish a clear relationship (Kose et al 2009). This is partly because the factors which correlate with increased capital flows are often also correlated with strong catch-up growth. It is also because the gains from investments and financial sector development can be erased by the increased risk of financial crises (Bordo and Meissner 2010). The past may have been different. Schularick and Steger (2010) argue that the relationship between financial globalization and growth was stronger in the gold standard era than in the present day, largely due to domestic investment rather than indirect effects on institutions and financial development. Other work has shown that higher levels of internal development spending were also linked to more successful repayment of foreign loans (Kelly 1998). Fishlow (1985: 385-6) proposes four key factors determining success on the international capital market before 1914: 1) the principal use of the funds; 2) capacity to increase exports; 3) the institutional form of financial intermediation, and; 4) the national origin of the funds.

It is these debates that this paper aims to address in an African context. Owing to their relatively small share in global foreign investment, African countries (with the exception of South Africa and Egypt) rarely receive much specific attention in the research on pre-1914 capital markets, though they are
often included in global datasets. At the same time, African economic historians studying the public finances of colonial administrations have focused on local taxation and public expenditure rather than the interactions of colonies with foreign capital markets. The last major study of foreign investment in Africa during the colonial period was Frankel (1938). And yet the products of this investment – principally, the railways – are often believed to have been essential in shaping African development patterns (Jedwab and Moradi, forthcoming).

The paper uses a comparative case study of two African countries – one a British colony, the other independent – to show the operation of both the empire effect and supersanctions on what Suter (1992) refers to as the ‘extreme periphery’. A case study approach complements larger-scale studies of sovereign risk by allowing for the detailed examination of the political relationships behind sovereign borrowing. Sierra Leone and Liberia originated as settlements of freed slaves on the West African coast in the late eighteenth and early nineteenth century, respectively. They shared a domestic political structure dominated by a coastal elite descended from the first migrants. However, while Sierra Leone remained a British colony, Liberia declared its independence in 1847. The comparison holds constant the second and fourth of Fishlow’s conditions, namely export capacity and, during most of the period before 1914, the national origin of funds. It therefore highlights the significance of the other two: institutional intermediaries and the use of borrowed funds. Sierra Leone enjoyed much better terms when both countries went to the market for the first time in 1871. After defaulting on its first loan, Liberia returned to the market only through supersanctions which remained in place (in varying forms) until after World War II (Suter 1992: 148-152). Under supersanctions, the terms of Liberia’s loans converged on those offered to Sierra Leone.

However, Sierra Leone was able to borrow substantially more and the ways in which the funds were used differed. Sierra Leone invested the proceeds of its loans primarily in the construction of harbour works and a railway, laying the groundwork for an export boom in the first decades of the twentieth century. In contrast, the Liberian government spent much of the period moving from crisis to crisis, and the proceeds of loans raised abroad were often used primarily to redeem government paper and repay high-interest cash advances. While the supersanctions facilitated the repayment of debt, they did little to ensure that the funds were used in ways that would promote economic development. As a result, transport infrastructure in Liberia lagged far behind that of its West African neighbours. By 1914, Liberia’s borrowing had come to
resemble the ‘defensive’ borrowing of African countries in the 1980s and 1990s, in which loans were used largely to refinance earlier debts (Easterly 2002: 1679; Roodman 2006: 26-7). Liberia only (temporarily) escaped this debt trap in the 1940s, when increasing prices for rubber and the rapid influx of American aid allowed it to repay its earlier debts (Suter 1992: 153).

Understanding why this difference emerged suggests some potential revisions to the current literature on the ‘empire effect’, in particular, and third-party enforcement more broadly. One explanation for the ‘empire effect’ debate has been the perception that colonial loans were implicitly guaranteed by the imperial government (Accominotti, Flandreau, Rezzik 2011). This comparison suggests the notion of the guarantee should be taken further to incorporate other aspects of the financial organization of the British empire. One important factor for Sierra Leone was access to concessionary loans and grants which carried the colonial administration through occasional fiscal crises. Faced with similar crises, Liberia was limited to more costly measures which played a major part in limiting the productive use of its loans. Similarly, imperial restrictions on the currency of colonies also seem to have been important in facilitating the productive use of borrowed funds by reducing exchange rate risk. While Obstfeld and Taylor (2003) stress the importance of gold standard membership, Mitchener and Weidenmier (2015) argue, in an analysis which excludes colonies, that for most poor economies, adoption of the gold standard was not in itself enough to reduce currency risk. Colonial regimes may have been more credible. More generally, this comparison raises questions about the ability of third-party enforcement mechanisms to serve the interests of borrowers as well as creditors.

The next section (2) provides historical background on the two case study countries, focusing particularly on the divergence in their political status from the 1840s. Sections 3 and 4 outline their borrowing patterns from 1871, when both raised their first loan in London, until 1914, and examines the terms on which their debt was raised. Section 5 explores the ways in which creditors attempted to secure repayment, contrasting the restrictions faced by Sierra Leone under colonial rule with the supersanctions adopted in the case of Liberia. Section 6 concludes.

2. Parallel histories, divergent outcomes

This section provides a brief introduction to the histories of Liberia and Sierra Leone. Liberia is frequently described as Africa’s oldest republic. It shares a
border with Sierra Leone, which until 1961 was Britain’s oldest colony in West Africa. The two countries share very similar origins linked to the abolition movement of the eighteenth and nineteenth centuries. Settlements of freed slaves were established along the West African coast, beginning in 1787 with the establishment first of Granville Town, later Freetown, Sierra Leone and second of what would become Monrovia, Liberia 35 years later. The early settlements struggled to overcome high mortality rates from an unfamiliar disease environment and hostility from neighbouring indigenous groups. It was only with military and financial support from abroad that they slowly extended their reach into the interior, maintaining a precarious existence (Clapham 1976, 6-16; Everill 2012).

In the early years, support came from both philanthropic and government sources. In Sierra Leone, Parliamentary grants-in-aid were an important source of revenue in the early years of the settlement (Cox-George 1961: 153). Civilian grants declined from the 1820s as Parliament tightened colonial spending and emphasized the need to exploit local revenue sources (Laidlaw 2005). However, the Royal Navy continued to help shore up the embattled colonial administration, which began to consolidate its position in the region. According to Cox-George, at least some of these funds were spent ‘in setting up buildings, wharves and the harbor as well as fortifications’. In the newly founded settlements of Liberia, the American Navy played much the same role, while financial and logistical support was provided by the American Colonization Society, which had organized the first group of settlers, along with sister societies in various US states.1

For the members of these coastal settlements, both survival and economic expansion were firmly linked to trade. Through most of the nineteenth century, the political reach of coastal governments did not extend far into the interior. Settlers made their living not generally through production but as middle-men in the growing trade in agricultural and forest products from the interior (Devenueaux 1976: 46; Brown 1941; McGowan 1990; Syfert 1975). In Sierra Leone, Kup (1975: 157) emphasizes that it was ‘Creole’ traders, rather than British colonial administration, who fostered economic expansion. Some migrants had brought both skills and capital with them. Joseph J Roberts, who would become Liberia’s first president, had operated several trading vessels on the James and Appamattox Rivers before migrating to Liberia from Virgin-
ia in 1829, and once in Monrovia had established a prosperous trading business (Henries 1964).

The success of traders like Roberts made the two decades following 1850 relatively prosperous ones for both countries. Figure 1 gives per capita exports for Liberia and Sierra Leone compared with Nigeria and the Gold Coast from the 1850s through the 1880s. At this stage, both compared favourably to other West African territories.

Fig. 1 Exports, 1850s-1880s (pence per capita, constant 1913£)
Source: Gardner (2015)

The main exports included cash crops as well as forest produce. One important cash crop was coffee. The congressional Committee on Naval Affairs reported that ‘coffee, of a quality superior to the best Java or Mocha, is raised in Liberia and can be cultivated with great ease’. Other cash crops of importance to both included ginger and pepper. For both, however, forest produce was more lucrative in during the nineteenth century. This included palm oil as well as camwood, also referred to as African sandalwood, used both for making dye as well as carving.

It was not only the incomes of the migrants which depended on trade but also that of the Treasury. Revenue rose rapidly through the nineteenth century (see Fig 2).

Fig. 2 Revenue, 1850s-1880s (pence per capita, constant 1913£)
Source: Gardner (2015)

However, local revenue sources were often not stable, and the use of decadal averages masks a variety of temporary fiscal crises which struck both countries across both the nineteenth and twentieth centuries. Crises could be generated by change on both sides of the balance sheet; declining prices for exports could lead to sudden and substantial decreases in revenue, while frequent conflicts with indigenous groups in the interior required large outlays. Figure 3 shows the budget position of both countries from 1850-1914, expressed as the surplus or deficit as a percentage of total annual revenue.

Fig 3 Budget position, 1850-1914

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2 Report of the Naval Committee to the House of Representatives, in Favor of the Establishment of a Line of Mail Steamships to the Western Coast of Africa (Washington, 1850), 20.
Deficits in a given year could reach as much as 40 per cent of revenue. Particular examples of such crises will be discussed below.

In sum, Liberia and Sierra Leone were similar from an economic, political and fiscal perspective in the nineteenth century. However, a key difference was in their connections outside West Africa. Sierra Leone remained a British colony and had the support of British resources in extending economic and political infrastructure into the interior. British government intervention increased as the nineteenth century progressed, motivated in part by an effort to counter French interventions in the north (Kup 1975: 176). In contrast, the interest of the US government in Liberia waned not long after its foundation. In the 1840s the American government was pressed by the British government to declare a clear policy on Liberia as a result of a dispute over customs payments. Finally, in 1843, the US government declared that it would not make Liberia a colony, and Liberia declared its independence in 1847 (Clapham 1976: 7).

A common question in the study of Liberia is whether it can genuinely be considered an independent country. It is popularly considered to have been, at least informally, an American colony. This impression is largely shaped by the two periods in Liberian history about which most has been written: the period of its foundation, during which it was governed by (usually) white representatives of the ACS, and the period from 1926, when large land concessions and control over Liberia’s customs collections and military came into American hands. In between, however, there is a long period in which American influence was minimal and largely inconsequential. From the 1840s until just before World War I, Liberia’s primary foreign contacts were with European countries, particularly Britain and Germany. In 1905, the American consul-general in Monrovia, reporting on Liberian trade and commerce from the previous year, observed that ‘trade with the United States according to customs receipts has dwindled to a fraction compared with that of Germany and England’ due to ‘the lack of direct communication between this country and the United States’. In that year, official trade statistics showed no exports to the United States at all.3

Though often neglected in the wider literature on African economic history, Liberia has long provided a quiet but insistent note of caution in drawing

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Source: Gardner (2015)
easy conclusions about the economic legacies of colonialism. In 1957, following Ghana’s independence from Britain, Liberian president William Tubman met with then-US Vice President Richard Nixon in Monrovia. Nixon was in West Africa leading the American delegation which had attended Ghana’s independence celebrations. During the meeting, Tubman stressed that ‘there could be no doubt that the dependent people had a right to their own independence’. However, ‘they should be conscious of the advantages which their ties with Britain and France gave them in terms of developing their economies’. He contrasted this with the experience of Liberia, which ‘virtually had to start from scratch and, although there had been some United States assistance in recent years, has had to do everything for itself’. This statement was echoed by the Liberian delegate to the United Nations, who was quoted in the New York Times as saying that the differences between Liberia and Ghana was ‘the difference between the home of a man who has had to accomplish everything by his own sweat and toil and that of a man who has enjoyed a large inheritance’.

The next two sections will contrast the borrowing patterns of both countries to try and understand the nature of that inheritance.

3. Borrowing in the Empire: Sierra Leone

This section documents the aims and outcomes of foreign borrowing by the colonial administration of Sierra Leone from 1871-1914. Table 1 shows the loans raised by Sierra Leone, showing both concessionary loans as well as those raised on the market.

Table 1 Sierra Leone debt 1871-1914
Source: Sunderland (2004); *Investors Monthly Manual*

Sierra Leone approached the London market for the first time in 1871. The Act authorizing a loan of up to £60,000 stated that ‘various public buildings and works’ were necessary for the ‘further progress and improvement’ of the settlement. Specifically, the loan proceeds were to be ‘exclusively applied in the construction of a wharf in Freetown’ as well as ‘such other works of public utility as may from time to time be decided upon by the Legislative Council’.

The first installment of £25,000 was marketed by the Crown Agents for the Colonies, which ran advertisements in the Times and other London publica-

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6 Sierra Leone Ordinance No. 1 of 1871
tions in May. From the 1860s, the Crown Agents were responsible for all colonial loan issues and they used extensive connections in the City to market colonial bonds and keep the prices received high. A further £25,000 was issued for Sierra Leone in 1873. Both issues were made at par (Sunderland 2004).

For colonized territories, the Crown Agents played the same role as the ‘prestige’ intermediaries discussed by Flandreau and Flores (2012). By pre-assessing proposed debt issues, they resolved information asymmetries between colonies and investors in London. Sierra Leone was one of the few African colonies for which the Crown Agents were willing to issue loans in this period. They refused, for example, to do the same for the Gold Coast (Kesner 1981: 61). Sierra Leone’s higher levels of trade and public revenue as compared to the Gold Coast may help explain this – the enabling legislation for the loan noted the ‘improved and yearly improving condition of the revenue of the Settlement’. Still, the security offered to creditors was limited. The ordinance stated that the colony would borrow ‘upon the security of the general assets and annual revenues of the settlement’ and made provisions for annual payments into a sinking fund which would be used to redeem the loan. The interest rate of 6% charged on the 1871 Sierra Leone issue was fairly typical of the standards of the day. In his study of British capital exports, Stone (1999: 26) writes that ‘in the 1870s, the financial press felt that 5-6 per cent represented a fair return on a relatively risk free investment’. Other bonds issued by countries on the periphery in 1871 are given in Table 2. Sierra Leone’s 1871/3 issues are striking mainly for their small quantity relative to other loans issued.

Table 2 Bonds issued in 1871 by countries on the periphery
Source: Investors Monthly Manual

Like other British colonies, Sierra Leone’s bonds were issued at par. This contrasts with the steep discount at which the bonds independent countries, particularly Costa Rica, Uruguay (Montevideo) and Liberia, were issued. Sierra Leone apparently gained from the ‘empire effect’ but the low value of the loans seems to support the argument that, within the empire, the borrowing of poorer colonies was capped by officials in London (Accominotti, Flandreau, Rezzik and Zumer 2009).

The proceeds of the 1871 loan were not, in the end, entirely devoted to the Freetown Wharf. A final accounting of the funds shows the largest single item of expenditure to have been the ‘general service’ of the colony. Put another
way, the loan funds were re-appropriated into the general budget to help resolve an immediate fiscal crisis. Concerns in London about the financial state of the colony prompted the capping of the loan at £50,000 instead of £60,000 and the early stoppage of public works. In 1876, the Colonial Office communicated to the Treasury that revenue in 1873 and 1874 had declined and ‘although the Settlement still has borrowing power’ under the loan ordinance of £10,000, ‘it is out of the question in present circumstances to go to the open market, in as much as no funds could be counted upon to meet the charge for interest and sinking fund’. It proposed that expenditure on the public works for which the loan was raised should be completed ‘with as little delay as possible … and on a much smaller scale than originally contemplated’.7

Sierra Leone’s financial problems did not end there. In 1879, the colonial administration received a concessionary loan of £38,000 from the imperial government ‘in aid of the local revenue of the settlement, to be repaid as soon as the funds of the settlement can admit of it’. This was repaid in uneven installments by 1890. Less than 10 years later, however, another loan-in-aid became necessary as a result of the 1898 Hut tax War, an uprising against the extension of British authority over the interior (Hargreaves 1956). These funds – a total of £45,000 – were advanced from the Treasury Chest, which Davis and Huttenback (1986: 149) describe as ‘a fund of several hundred thousand pounds spread through the Empire for public services and emergencies’. It had its origins in a system which emerged in the 18th century whereby colonial governors in the West Indies were allowed to negotiate bills drawn on the British Treasury ‘in order to meet the emergencies which arose within their governments’ (Manning 1966: 190). As was the case with these early advances, the imperial government often struggled to recoup expenditures from the Treasury Chest, and in the case of Sierra Leone only two-thirds of the sum was repaid.

The colonial administration returned to the market in 1904, raising a loan of £1,225,000. This loan was intended to fund the building of the railway. In actual fact, construction was well underway by the time the loan was marketed to the public. The first branch of the railway, from Freetown to Songo Town, had been authorized in 1895 and construction began in 1896. This branch, covering some 32 miles, was completed in 1898. Additional lines from Songo Town to Rotifunk (23 miles) and from Rotifunk to Bo (90 miles) were also complete by 1904, despite delays during the Hut Tax war in 1898-9.

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7 Herbert to Treasury, 27 July 1876, in UK Parliament (1877: 3-4).
By the time the debt was issued publicly, a total of £753,601 had been advanced and all that was left to complete was the line from Bo to Baiima. According to Sunderland (2004), such advances were a relatively common way for the Crown Agents to ensure that the cost of infrastructure projects did not exceed proposed loan issues, and to limit the delay between the issue of the loan and the increase in revenue allowing it to be serviced. The railway loan was refinanced in 1913, along with a number of other colonial loans, under the Colonial Stock Acts of 1900 (Kesner 1981).

4. Going it alone: Liberia

Liberia’s relationship with the international capital market was, at least initially, more tumultuous. Its motivations for borrowing were similar to those of Sierra Leone, although it relied more heavily on borrowed funds to restore basic financial stability. Suter (1992: 156) writes that ‘until the middle of the twentieth century an important structural reason for external borrowing was the chronic shortage of financial resources of the weak Liberian nation-state, whose sovereignty was threatened by both core countries and the tribal population of the hinterland’. The use of borrowing to overcome fiscal crises rather than to build infrastructure meant that, by 1914, Liberia had little to show for the three loans it raised on the international market.

Table 3 Liberian foreign loans, 1871-1914
Source: Corporation of Foreign Bondholders, Annual Reports, and Suter (1992)

One reason for this, according to Suter, was the ‘unfavourable loan conditions’ faced by Liberia up to World War II. Table 3 outlines Liberia’s loans and the conditions under which they were issued. It shows a clear break in both the interest rates as well as the prices for which bonds were initially sold following the introduction of ‘supersanctions’ in 1907.

In addition to these loans, the Liberian government also had throughout this period a varying level of domestic floating debt. A substantial share was comprised of cash advances from trading companies, which had interest rates as high as 25-30 per cent (Johnson 1992). For Liberia, such advances served the same purpose as the ‘Treasury Chest’ in Sierra Leone, namely as a means of coping with budget deficits emerging either from shortfalls in the revenue or sudden increases in military outlays. The non-concessionary terms on which
the Liberian government could access these funds did, however, have a significant impact on the use of the loans raised internationally.

Like Sierra Leone, the Republic raised its first loan in 1871. Subscriptions for the loan issue were invited by an advertisement in the Times placed by Holderness, Nott and Company which described ‘a loan of £100,000 in 7 per cent bonds of the Republic of Liberia at the price of 85, in instalments extending to the 1st of November. This is the first public loan of the Republic’. Stone (1999: 26) argues that an interest rate of 7% signalled limited confidence, writing that ‘securities bearing a higher rate [than 5-6%] were to be avoided.’ In the period up to 1914, only ‘2 per cent of government debentures and 5 per cent of company debentures returned over 6.5 per cent’. Looking back to Table 2, Liberia is one of the few countries to have issued bonds with such a high rate of interest and discount on the issue price.

As in Sierra Leone, economic development was a key purpose. The enabling legislation, passed in 1870, stated that ‘it is necessary to authorize a loan of money in coin, so as to stimulate industry; and further develop the agricultural and other rich resources of Liberia’. In Liberia’s case, a key additional purpose was in redeeming depreciated government paper and creating a reserve fund for new issues. As security for the loan, Liberia committed in its ordinance to dedicating one fifth of its custom revenue to interest payments and establishing an excise tax of $1 per annum to be collected from all male citizens, the proceeds from which would be ‘reserved as a sinking fund for the payment of the principal of the loan’.

The events leading up to and immediately following the issue of the loan were the subject of later legal proceedings and some details remain in dispute. However, the following facts can be ascertained. After the legislation authorising the negotiation of the loan was passed in 1870, the Liberian president, Edward Roye, travelled to London in early 1871 to raise the funds but was unable to do so before his departure. Instead, he appointed a London-based merchant, David Chinery, along with two members of his cabinet (the Secretary of State and the Secretary of the Interior) to negotiate the loan on the government’s behalf. Chinery took the lead in finding buyers for the bonds, which were ultimately purchased by Edward Williams, a merchant, and Henry Stavely King, a medical doctor turned financial agent. They would offer no

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8 The Times, 9 August 1871.
9 An act authorising the negotiation of a loan’, January 26, 1870, in Acts Passed by the Legislature of the Republic of Liberia during the session 1869 & 70, in Indiana University Liberia Collections (IULC).
10 This account is based on testimony in UK National Archives (TNA) C/16/731/L168
more than £70,000 for the £100,000 in bonds issued by the Liberian government (hence the price of 70 shown in Table 2 above). Williams and King then sold the bonds to Holderness, Nott and Co, who marketed them at 85 per cent and paid part of the proceeds to Williams and King. Three years’ interest payments were to be deducted from the payments made to the Liberian government.

Beyond this the details remain uncertain. The loan became part of a larger political scandal in Liberia which ended with the deposition, and untimely death, of President Roye. The new Liberian government brought suit in the Court of Chancery against Chinery and the other members of the commission, Williams, King, the financial institutions involved and Roye’s son, Edward Farrow Roye, claiming that they had misused the proceeds of the loan, a claim the defendants denied. The elder Roye, by then deceased, was accused of transferring £4,000 from the loan proceeds to his own personal account. However, two of the defendants, who had both served as Secretary of the Treasury under Roye, claimed that the money was repayment of personal funds he had advanced to the government. One of these, John Neustadler Lewis, wrote in his submission to the court that ‘when President Roye entered upon the duties of his office he found the treasury without money, he had used his own private funds to get the government in working order … The members of the cabinet suggested to him that if he could negotiate a loan that he would be quite justified in paying himself for his private funds he had used for government.’

The government also claimed that Chinery had insufficient connections and experience to have managed the loan issue. Little is known about Chinery, but his apparently limited success as a merchant lends some corroboration to the claims of the Liberian government. He was sued for bankruptcy in 1859 by creditors from West African centres including Sierra Leone, Cape Coast, and Badagry as well as Liverpool, Manchester and London. In 1863, Chinery became one of the founders of the London and African Trading Company. Less than four years later, however, the company was being wound up and the sale of its ‘trading establishments, stock and plant, situated on the West Coast of Africa’, said to be worth approximately £7,000, was advertised. According to the advertisement, the company had ‘endeavoured to transfer its business to a new undertaking, which did not succeed and has since succumbed through total want of capital’.

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11 TNA B9/230
13 *The Times*, Jan 9, 1867, p. 5.
The Liberian government’s lawsuit was eventually dismissed in 1876 when the government failed to meet deadlines set by the court. By that point, however, the Liberian government had defaulted on the loan, joining the ranks of a number of small Latin American countries struggling to repay loans. Kelly (1998) suggests several reasons for such difficulties, including internal political instability and war. Contemporary descriptions of Liberia’s finances at the time suggest they may well have lacked the funds to service the debt. A letter from Governor Cardew of Sierra Leone to the Marquess of Salisbury sent in 1896 described the dire state of the Liberian Treasury. ‘From information I have received, her customs revenue is deeply mortgaged, principally to two firms, the one a Dutch and the other a German’. Cardew concluded that ‘it is quite hopeless to expect that [Liberia] will ever be in a position to pay any interest to the bondholders, much less the capital debt’.14 The default was also, at least in part, a matter of unwillingness linked to the circumstances surrounding the loan issue – a later Liberian president attributed the country’s default to ‘the fact that the Republic was actually defrauded out of three fourths of the nominal sum, or two thirds of the sum at which the bonds were placed on the market’.15

The prices of Liberian bonds declined quite sharply, particularly following the default. Figure 4 gives prices from the Economist *Investors’ Monthly Manual*. The prices suggest that the bonds had limited liquidity as there were many months in which they were not traded. When they were, prices were low.

Fig. 4 Prices of Liberia 1871 7% bonds
Source: *Investors Monthly Manual*

The Liberian default provides a case study in the limits of creditor cooperation in enforcing loan contracts, a subject of historical and contemporary interest. The Corporation of Foreign Bondholders, which represented holders of the Liberian bonds, was the most effective of the various creditor organizations which emerged during the late nineteenth and early twentieth centuries. As a permanent body representing creditor interests, according to Esteves (2013), it was able to obtain better term for creditors after default than other, more ad-hoc groups. However, it could do little to prevent defaults (Mauro, Sussman and Yafeh 2006). Its annual reports on the Liberian loan showed that

14 Cardew to Salisbury, 3 November 1896, in TNA FO 881/6835.
15 Annual message of President Hilary R. W. Johnston, 15 December 1890, in IULC.
it was powerless to force a defaulting government to come to the table. In 1894, a letter from the CFB chairman to the Liberian president stated with some exasperation that ‘this is the twentieth year during which the loan has remained in absolute default’, and referenced letters sent in 1874, 1875, 1877, 1878, and 1890. In 1881 the Council concluded that ‘the absence of a resident representative of Great Britain in that Republic, and the brief and infrequent sojourns in this country of a Minister from its government, render remonstrance difficult, if not impossible, against the determination of Liberia to ignore the engagement of the state’.16

The Liberian government finally agreed to renegotiate in 1898, just as Sierra Leone was borrowing from the Treasury Chest to fund the campaigns of the Hut Tax war. The new agreement reduced the interest rate to 3 per cent for three years, rising half a per cent every three years to a maximum of 5 per cent. It also stipulated that the CFB would issue certificates for the arrears of interest. These were to be redeemed after the principal had been paid by means of payments into a sinking fund for four years after the repayment of the principal. As security for the renegotiated loan the government offered the proceeds of an export duty on rubber and half of the revenue from duties paid on tobacco and gunpowder.17

The long period of default was not without cost. The accrued interest to be repaid under the agreement amounted by this point to a considerable sum, far more than the original principal of the loan. Figure 5 contrasts the interest arrears accumulated by Liberia with Sierra Leone’s debt service payments and sinking fund contributions for the repayment of the capital debt on its loan of 1871. This was not a promising start for Liberia in terms of its relationships with international creditors. Sundiata (2003: 30) writes that ‘nineteenth-century debt had enmeshed the country in a financial tangle which only grew worse with time’.

Fig. 5 Sinking fund and interest payments (Sierra Leone) vs accrued interest (Liberia)
Source: CFB Annual Reports; Sierra Leone Blue Books

Given the size of Liberia’s interest arrears, it is worth asking why the government chose to renegotiate. The literature on sovereign debt gives three possible reasons why countries might choose to come to an agreement with their

17 Corporation of Foreign Bondholders, *Annual Report 1899*, p. 239
shareholders following a default. One is a fear of possible trade sanctions (Rose 2005). For Liberia, this seems an unlikely explanation owing to broader economic and political dynamics in West Africa, where European powers were competing for trade links and territory in a context of rising prices for tropical exports (Hopkins 1973; Havinden and Meredith 1993). Figure 1 above shows that exports from Liberia increased even after the default. Another explanation is that countries may negotiate with creditors when they fear that they will be barred from borrowing again. Though this explanation has been criticized based on the fact that defaulters have often been able to borrow again (Eichengreen and Portes 1986), it may have played some role, as there is evidence that the Liberian government did wish to borrow again but did not think it would be able to do so. In January 1885 the legislature appropriated funds for President Johnson to visit Europe to negotiate a new loan, but the plan was abandoned as Johnson believed it had little chance of success (Akpan 1975: 158).

The third and potentially most convincing explanation is what international relations theories refer to as ‘issue linkage’ (Tomz 2007). The Liberian government feared that the long-standing default would prompt military invasion by Britain or one of the other European powers. During the late nineteenth century, as colonial powers extended their reach into the interior of their own territory, they also nibbled on the edge of Liberia’s. The late nineteenth and early twentieth centuries saw almost constant border disputes with both British and French authorities, which resulted in sometimes heavy losses of territory by Liberia, which could not wield military force on the same scale as the colonial powers. It was feared that the debt also made it vulnerable. Objections to the proposed 1885 loan were partly based on the potential for Liberia to become ‘another Sierra Leone’ (Akpan 1975: 158). Cardew also hinted at Liberia’s vulnerability in his 1896 letter, stating that the German consul, in particular, ‘is doing all he can to take advantage of the indebtedness of the Liberian government, by advancing it money and advising it to raise a loan in Germany to bring it under obligation to that Power’.

Though Liberia did not, in the end, become a colony of Britain or Germany, fears that debt would be linked to restrictions on Liberian sovereignty were well founded, and Liberia’s return to the market started a long period in which key government functions were increasingly placed in the hands of foreigners. After renegotiating the 1871 loan, Liberia borrowed £100,000 in 1907. In this case, the loan was not raised through bonds issued to the public

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18 Cardew to Salisbury, 3 November 1896, in TNA FO 881/6835.
by the Liberian government itself, but rather by Emile Erlanger & Co in repayment for advance of the same amount. The loan was secured by the revenue from customs tariffs and the export duty on rubber. The 1907 loan marked the beginning of ‘supersanctions’ in Liberia, when two British officials were placed in charge of customs collection (Brown 1941). Like Bulgaria, Serbia and Greece, Liberia voluntarily adopted such sanctions in order to borrow again (Maerean and Sharp 2014). They were not, in other words, direct punishment for the 1871 default, which had by then been resolved.

Emil Erlanger was acting as agent for the Liberian Development Company, which in return for facilitating the loan was granted a concession for the production of rubber. The LDC was managed by Sir Harry Johnston, a well-known figure in British Africa. After the repayment of domestic debt, which absorbed $150,000, most of the remaining funds were handed over to Johnston’s company, which was to use them for road construction and the establishment of a national bank (Brown 1941: 165-6). The scheme unfortunately ended in failure. After two years and $200,000, the Company had funded what Johnson (1992: 103) describes as ‘fifteen miles of dirt road, a small launch, and two automobiles’ before announcing that ‘all the funds were exhausted’. The proposed bank, meanwhile, existed only on paper. The relationship between the LDC and the Liberian government was terminated in 1908, and the latter took control of the roughly $150,000 which remained of the loan proceeds.

Liberia’s forays into the British capital market had left it with nothing except, as Brown (1941: 166) puts it, ‘more debts and humiliation’. Frustration prompted the Liberian government to turn next to the US government for support. In 1909 the American government appointed a commission to investigate conditions in Liberia. The commission’s report also noted that mutual suspicion amongst European powers meant they all needed to be involved in any potential solution. In turn, all three European countries were wary of US government intervention. Consequently, Liberia’s next loan, the so-called ‘refunding loan’ of 1912, was a multinational effort. Bonds maturing in 40 years at 5% to the total value of $1,700,000, denominated in US dollars, were issued in New York, London, Paris, Amsterdam and Hamburg. The loan was managed by bankers in New York.

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19 Corporation of Foreign Bondholders, Annual Report 1913, 211.
20 He had been the first commissioner of British Nyasaland in the 1890s and was a widely published naturalist and explorer (Lyon 1989). Taking an interest in Liberia, Johnston published what remained for many years a well-known study of the country (Johnston 1906).
The 1912 loan extended the ‘supersanctions’ first imposed in 1907. As a condition for the loan it established a ‘customs receivership’ comprised of officials appointed by the American, British, French and German governments. It also placed foreign officials in charge of Liberia’s military (Rosenberg 2007: 86). The final loan agreement stipulated that for the further security of the revenue, the Republic forthwith will establish, and will hereafter maintain, a Frontier Police Force sufficient for the maintenance of internal peace within the territories of the Republic, and will, from time to time and as often as may be necessary, request the President of the United States of America to designate trained military officers to organize and drill such Frontier Police Force. The appointment of foreign officials could also be made at the request of the General Receiver of customs, the expenses to be paid out of the revenues assigned for the repayment of the loan.22

Like the two previous loans, the proceeds from the 1912 loan were, as the name suggests, used largely to refund existing debt of various kinds. According to Suter (1992: 149), the 1912 loan ‘was entirely used to consolidate existing internal and external debts (i.e. the foreign bonds of 1871 and 1906 as well as the capitalized arrears of interest of the debt settlement of 1898/99)’.

The Receivership was generally, if not always, successful in ensuring Liberia’s loans were serviced on schedule. Liberia temporarily suspended payments on the refunding loan during World War I. However, the CFB emphasized that this was, as they put it, ‘not the fault of the Liberian government, but their misfortune … due to lack of shipping facilities and other effects of the war’. This was compounded by Liberia’s declaration for the Allies, which involved cutting off ties with the German trading firms which had previously been dominant in Liberia’s trade.23 After the war ended, Liberia’s financial situation improved. By 1925 Liberia was able to buy back some of its bonds.24 However, servicing the debt service also absorbed a large share of total government revenue. In 1924, for example, $172,800 out of total revenue of $481,879 was withheld by the receivership for debt service. A further $47,818 paid the salaries and other expenses of the receivership.

5. Colonialism versus supersanctions

Supersanctions have been compared with colonialism as an alienation of sovereignty facilitating access to international capital markets. In his history of Liberia, Nigerian nationalist Azikiwe (1934: 111) writes that ‘the control of the finance of one nation by another is one of the latest phases of imperialism. Through this method a state needing financial assistance secures itself by limiting its sovereign rights and by accepting some form of external administrative control’. But were they really the same? This section uses the cases of Sierra Leone and Liberia to critique this comparison as well as to assess the ways in which each strategy operated. It argues that supersanctions could bring the terms of loans into line with those offered to colonized territories. However, differences in the ways in which loan proceeds were allocated in Sierra Leone and Liberia suggests that, in terms of their implications for economic development, the two were not equal.

Comparing the 1871 loans of Liberia and Sierra Leone provides a useful illustration of the ‘empire effect’. Liberia’s loan was issued both at a steep discount and at a punishingly high interest rate. In the heavy discount rate applied to its loan Liberia was similar to Montevideo, Paraguay, and Costa Rica in the same year. Sierra Leone’s was, in contrast, made at par and at less than the 6.5% deemed to be the top end of the norm by Stone (1999). After supersanctions were imposed in 1907, however, this divergence largely disappeared. The price of Liberia’s subsequent issues were at or near par, and interest rates also fell to below 6% with the 1912 loan.

The key difference was, however, in the use of the loans. Sierra Leone emerged from the period with a railway as well as other investments in infrastructure. In contrast, Liberia had little to show for borrowing (other than its debt burden) beyond the fifteen miles of dirt road funded by the 1907 loan. A 1931 League of Nations report noted that ‘almost all of the proceeds of the loans have been devoted to non-productive expenditure, mainly to the successive funding of previous loans’.

As a result, Liberian infrastructure remained far behind that of its neighbours even after decades of supersanctions. An American military adviser observed in the 1930s that ‘native products are brought down from the hinterland to the coast towns for barter or sale on the heads and back of porters, one of the most expensive means of transport known’. The cost of moving goods to

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25 Report by the Experts designated by the Committee of the Council of the League of Nations appointed to study the Problem raised by the Liberian government’s request for Assistance, 1931, in League of Nations (LON) 60/30030/35572.

26 Report by Col. George Lewis, in NARA RG 165 NM84 77 Box 2393, Declassification NND 745020.
the coast also prompted an active smuggling trade with Sierra Leone and French Guinea, whose railways ended close to the Liberian border. In the years prior to 1914, a British trade report noted that declining rubber exports were in part due to ‘the smuggling of large quantities of the produce of wild rubber plants over the frontier’.27 Witnesses testifying before a League of Nations Commission in 1930 observed that public officials also engaged in smuggling. Brima Kabba of Luawa Chiefdom in Sierra Leone testified that ‘some labourers cut palm kernels for the District Commissioner which he sends to sell either at Pendembu or Kailahun’, just over the border in British territory.28

The importance of investments in transport infrastructure in African economic development has long been stressed, both by contemporaries as well as historians. Lord Lugard declared bluntly that ‘the development of Africa is impossible without railways (1922: 462). Jedwab and Moradi (forthcoming), however, argue that railways played an important role in encouraging export production and urbanization.29 Figure 6 extends the comparison of exports per capita from Figure 1. For British West Africa, it shows the familiar pattern of expansion from the late nineteenth and early twentieth centuries, particularly following the beginning of railway construction (Havinden and Meredith 1993). Liberia followed a different trajectory. Early growth through the 1880s was followed by a half-century of stagnation and decline before a large increase in the 1940s. It was during the 1940s that the presence of American military forces during World War II generated the kind of investment in infrastructure which had taken place in other West African colonies in the period before 1914 which facilitated the rapid expansion of Liberian exports, particularly rubber (van der Kraaij 1983). American foreign aid during this period also allowed Liberia to reduce its level of indebtedness for the first time since 1871 (Suter 1992: 153).

Fig. 6 Exports per capita (1913 pence)
Source: Gardner (2015)

Limited transport infrastructure and smuggling account for some of the long stagnation in Liberian trade. Another reason may be political reactions to supersanctions and other foreign interventions. From the beginning, foreign

29 For a more pessimistic view of colonial railways, see Austen (1994).
interventions were politically controversial. Finding the right balance of openness remained a constant struggle. Liberian legislation often sought to restrict the activities of foreigners. For example, the Liberian constitution prohibited whites from owning land and the 1864 Ports of Entry law restricted the trading activities of foreigners to designated trading centres (van der Kraaij 1983: 23-4). The overthrow of President Roye in 1871 was partly linked to the broader issue of whether foreign financial interests should be encouraged at all.

Figure 7 presents the same comparison for government revenue. Per capita tax revenue has been used as an indicator of state capacity in the study of African economies in the nineteenth and twentieth centuries (see, e.g., Frankema 2010; Gardner 2012). It shows a similar divergence between Liberia and other West African territories.

Fig. 7 Government revenue per capita (1913 pence)
Source: Gardner (2015)

The difference is, however, less dramatic. Unlike exports, revenue did increase, albeit only slightly, through the first decades of the twentieth century. Figure 8 gives indices of Liberian revenue and exports across the first century of the Republic’s existence. Revenue and exports moved together until the 1900s, after which revenue increased faster.

Fig 8 Indices of Liberian revenue and exports (1850s = 1)
Source: Gardner (2015)

This divergence may suggest that the financial controls put in place from 1906 were successful in increasing revenue even in a context of declining trade. It also in part reflects the adjustments made by the Liberian government to its declining trade position in West Africa. Increasing amounts of government revenue came from the hut tax after its introduction in 1910 (Brown 1941: 184; Konneh 1996). According to Earl Hanson, the leader of an American economic commission in the 1940s, hut tax payments were linked to incomes from smuggling into Sierra Leone and French Guinea’ (Hanson 1947: 68-9). Other sources of revenue were also developed, including taxes on labour migration and forced labour exports. In 1911 the American consul reported that close to 400 labourers and deckers had been shipped from Liberian ports, gen-
erating over $30,000 in revenue for the Treasury.\textsuperscript{30} Exports of labour increased as the twentieth century progressed and became internationally infamous owing to the irony of a nation founded on abolitionist principles relying on slavery. This notoriety prompted the establishment of a League of Nations commission of inquiry in 1930, which reported that a large proportion of the contract labourers shipped to Fernando Po and French Gabon from the southern counties of Liberia have been recruited under conditions of criminal compulsion scarcely distinguishable from slave raiding and slave trading’. In its response to the commission’s findings, the Liberian government defended itself on grounds of poverty, noting that the enquiry ‘cannot be regarded as complete without an examination of the financial situation of the country’.\textsuperscript{31}

It is therefore possible to speculate that the different uses of loan proceeds shaped the economic and fiscal systems of Liberia and Sierra Leone into the twentieth century. But why were the uses of the funds so different? In the case of Sierra Leone and Liberia, one important issue was the monetary regime in place. Obstfeld and Taylor (2006) argue that the ‘empire effect’ before 1914 was the result of gold standard membership rather than imperial institutions as such. For much of the period, Sierra Leone was under a de facto gold exchange standard by virtue of its membership of the British Empire. Colonial currency systems were designed explicitly to eliminate exchange rate risk in trade between the colonies and the metropole (Helleiner 2002). In British West Africa, this was accomplished first through the export of token silver shilling coins, then through the creation of a specific currency for the West African colonies (the West African pound) issued by a currency board and backed by sterling reserves (Hopkins 1970). As Mitchener and Weidenmier (2015) have recently shown, the adoption of the gold standard on its own was insufficient to eliminate exchange rate risk in peripheral economies before 1914. Though their study did not include colonies, it seems likely that the lack of discretion afforded to colonial administrations with regard to monetary policy made colonial monetary systems more credible than pegs adopted by independent states.

In contrast, Liberia’s struggles with debt repayment through the nineteenth century were in no small part due to the depreciation of its unbacked paper currency, the Liberian dollar. The use of the printing press to resolve short-term fiscal crises had two principal consequences for the Liberian govern-

\textsuperscript{30} Statistics on the shipment of labor from Liberia during the calendar year 1911, in NARA RG 84 UD584 Vol 2.
\textsuperscript{31} Minutes of the fifth meeting, 62\textsuperscript{nd} session of the Council, 22 January 1931, in League of Nations 6B/24846/14352.
ment. One was that it made the servicing of debts issued in foreign currencies much more difficult. The second was that redeeming government paper and providing a reserve fund for new issues took up the lion’s share of the intended use of borrowed funds. For example, the 1870 legislation which paved the way for the 1871 loan stipulated that ‘not less than $100,000 of the loan be solely applied to purchasing at auction (and canceling) all the checks, scrip, currency, debentures, and government paper’. Another $100,000 was to serve as a reserve fund for a new paper issue. The failure of the loan issue meant the depreciation of the paper currency continued to be a problem through the remainder of the nineteenth century (Gardner 2014).

Another key difference was the availability to Sierra Leone of emergency financing on concessionary terms. Accominiotti, Flandreau and Rezzik (2011) argue that colonial loans enjoyed better terms because creditors believed that they were backed by an implicit British government guarantee. This comparison suggests that ‘imperial guarantees’ were multifaceted. Both countries faced a number of sudden fiscal shocks during the period under consideration. This included decreases in revenue linked to trade, such as for example during World War I, as well as the need for military expenditure to cope with instability in the interior, as was the case in the Hut Tax War. However, the two countries had very different means of coping with such crises. Sierra Leone obtained short-term support from the imperial government or from the Treasury Chest. Liberia, on the other hand, had no option but to print more government paper or obtain high-interest cash advances from merchant firms. Repaying the latter also absorbed a substantial share of the proceeds of international loans. In 1910 for example, the internal debt of the Republic was just over $650,000 (CFB 1912). By the time the Refunding loan was issued, this had increased by $200,000 (CFB 1914).

One possible reason for these differences was that colonial rule gave the British government a vested interest not only in whether debts were serviced on time but also in the overall financial and economic stability of its colonies. This dictated a more comprehensive approach than was adopted under a ‘supersanctions’ regime. The imperial government had a material interest in seeing its colonies on a sounder financial footing. Such concern was not due to benevolence. Concessionary loans and grants were often controversial in Britain and the financial organization of the British empire aimed to reduce the need for them (Gardner 2012). It is also likely that this was an ancillary effect of policies adopted for other purposes. For example, colonial currency systems
had several aims, including the reduction of transaction costs within colonies and the promotion of trade between Britain and its dependent territories.

6. Conclusions

Research on sovereign risk has focused largely on the interests of creditors when studying the institutions which underpinned the market for foreign debt in the gold standard era. This literature shows that differences between these options ‘had a material effect’ on the interests of bondholders (Esteves 2013: 394). One thing this paper aims to show is that different institutional mechanisms for managing sovereign risk also had a material effect on the interests of borrowers. Using a comparative case study of two West African countries – one colonized, one independent – it has contrasted the operation of forms of third-party enforcement: colonialism and supersanctions. Both represented the sacrifice of sovereignty in return for access to international capital. In the case of colonial rule, this sacrifice was not made voluntarily but was rather the consequence of imperial conquest. This could be but was not always true of supersanctions, which were in some cases like Liberia adopted voluntarily by elites wishing to sustain their position at the top of a precarious political hierarchy.

The comparison between the two countries supports previous suggestions that infringements of sovereignty, whether through colonial rule or through supersanctions, were linked to improvements in the terms on which funds could be raised abroad. However, there were important differences in the ways in which these funds were spent. The more comprehensive financial controls adopted by colonial regimes ensured that funds were allocated largely if not entirely to the construction of infrastructure rather than to stabilizing depreciated currency or repaying high-interest domestic debt. A possible explanation for this might be the more encompassing interest which colonizers had in the level of development in their colonies.

Such a conclusion should not be taken to imply that colonial regimes were benevolent or developmental. The argument that colonial administrations did as little as they could get away with while still maintaining stability has been well substantiated by studies of colonial fiscal systems (Frankema 2011; Gardner 2012). However, accomplishing this did require some initial investment in infrastructure and institutions which may have had benefits for colonies at least in the short- or medium-term. It is worth noting that Sierra Leone’s export growth was not sustained, but suffered a sharp fall from the 1930s.
However, differences in early investments in infrastructure may have been a significant part of the ‘inheritance’ referred to by Liberia’s United Nations delegate in 1957.

This story has more than just historical relevance. African governments are re-entering the global capital market for the first time after many decades of concessionary lending from international financial institutions (Gueye and Sy 2014). Much of the recent research on sovereign risk in the gold standard era has been inspired by current questions about the right institutions to manage sovereign lending (see, e.g. Esteves 2013). Mitchener and Weidenmier (2010: 20) conclude from their study of supersanctions that ‘third-party enforcement mechanisms, with the authority to enact financial and fiscal reforms, may be beneficial for resuscitating the capital market reputation of sovereign defaulters’. This study suggests that while the introduction of third-party enforcement mechanisms may allow for renewed borrowing, it does not ensure that the funds so borrowed will be used productively. To do this may require additional efforts to maintain conditions of fiscal and monetary stability which allow governments to focus attention on long-term investments rather than short-term crises.
Fig. 1 Exports, 1850s-1890s (pence per capita, constant 1913£)

Source: Gardner (2015)

Fig 2 Revenue, 1850s-1890s (pence per capita, constant 1913£)

Source: Gardner (2015)
Fig 3 Budget position, 1850-1914

Table 1 Loans raised by Sierra Leone 1871-1914

<table>
<thead>
<tr>
<th>Year Issued</th>
<th>Amount</th>
<th>Interest Rate</th>
<th>Price</th>
<th>Redemption date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871</td>
<td>£25,000</td>
<td>6%</td>
<td>100</td>
<td>1896</td>
</tr>
<tr>
<td>1873</td>
<td>£25,000</td>
<td>6%</td>
<td>100</td>
<td>1898</td>
</tr>
<tr>
<td>1879</td>
<td>£38,000</td>
<td>0%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>1898</td>
<td>£45,000</td>
<td>0%</td>
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<td>N/A</td>
</tr>
<tr>
<td>1904</td>
<td>£1,225,000</td>
<td>4%</td>
<td>98</td>
<td>1929/54</td>
</tr>
<tr>
<td>1913</td>
<td>£1,000,000</td>
<td>4%</td>
<td>97</td>
<td>1938/63</td>
</tr>
</tbody>
</table>

Source: Gardner (2015); Sunderland (2004); Investors Monthly Manual
Table 2 1871 bonds issued by countries on the periphery

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
<th>Interest rate</th>
<th>Price</th>
<th>Redemption Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>£6,122,400</td>
<td>6%</td>
<td>88.5</td>
<td>1892</td>
</tr>
<tr>
<td>Queensland</td>
<td>£765,600</td>
<td>6%</td>
<td>106</td>
<td>1896</td>
</tr>
<tr>
<td>S. Australia</td>
<td>£140,000</td>
<td>5%</td>
<td>100</td>
<td>1915-20</td>
</tr>
<tr>
<td>Brazil</td>
<td>£3,375,000</td>
<td>5%</td>
<td>89</td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>£500,000</td>
<td>6%</td>
<td>72</td>
<td>1895</td>
</tr>
<tr>
<td>Jamaica</td>
<td>£367,600</td>
<td>4%</td>
<td>104</td>
<td>1897</td>
</tr>
<tr>
<td>Japan</td>
<td>£1,000,000</td>
<td>9%</td>
<td>98</td>
<td>1882</td>
</tr>
<tr>
<td>Liberia</td>
<td>£100,000</td>
<td>7%</td>
<td>70</td>
<td>1886</td>
</tr>
<tr>
<td>Montevideo</td>
<td>£3,500,000</td>
<td>6%</td>
<td>72</td>
<td>1893</td>
</tr>
<tr>
<td>Paraguay</td>
<td>£1,000,000</td>
<td>8%</td>
<td>80</td>
<td>1893</td>
</tr>
</tbody>
</table>

Source: *Investors Monthly Manual*

Table 3 Liberian foreign debt, 1871-1914

<table>
<thead>
<tr>
<th>Year issued</th>
<th>Amount</th>
<th>Interest rate</th>
<th>Price</th>
<th>Redemption date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871</td>
<td>£100,000</td>
<td>7%</td>
<td>70</td>
<td>1886</td>
</tr>
<tr>
<td>1907</td>
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<td>1912</td>
<td>$1,700,000</td>
<td>5%</td>
<td>97</td>
<td>1952</td>
</tr>
</tbody>
</table>

Source: Corporation of Foreign Bondholders, *Annual Reports*, and Suter (1992)
Fig. 4 Prices of Liberia 1871 7% bonds

Source: Investors Monthly Manual
Fig. 5 Sinking fund payments (Sierra Leone) vs accrued interest (Liberia)

Source: CFB Annual Reports; Sierra Leone Blue Books
Fig. 6 Exports per capita (1913 pence)

Source: Gardner (2015)
Fig. 7 Government revenue per capita (1913 pence)

Source: Gardner (2015)

Fig. 8 Indices of Liberian revenue and exports (1850s = 1)

Source: Gardner (2015)
References:


