Merchant Capital and Underdevelopment: The Process whereby the Sierra Leone Social Formation Became Dominated by Merchant Capital 1896-1961

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INTRODUCTION

The aim of this paper is to initiate a discussion on the nature and development in peripheral capitalist societies, in particular in Sierra Leone. We shall be concerned with an examination of the process whereby the social formation[1] became dominated by merchant capital and try to show that it persists through the neo-colonial period. We shall try to answer such questions as: What happened to the pre-capitalist modes of production[2] as a result of the spread of capitalist relations of production from the metropolis? Did this result in the destruction of those modes? Did it produce a transition to capitalism? Or were they conserved to serve the reproduction of capitalism of the centre? We shall also look at how transitional modes were implanted into the Sierra Leone formation and what became of these modes of production.

The approach of the paper will be largely historical. The period under review will be divided into four: I) the early colonial period, 1896-1920, II) the middle colonial period 1920-1930; III) the late colonial period 1930—1945; and IV) the period of the transition to neo-colonialism 1945-1956.

CAUSES OF UNDERDEVELOPMENT

In contrast to the modernisation theorists[3] who see underdevelopment as the primordial stage in socio-cultural metamorphosis, the dependency **theorists**[4] see capitalist development and underdevelopment as part and parcel of the same historical process. Thus Andre Gunder Frank noted:

> underdevelopment is not due to the survival of archaic institution and the existence of capital shortage in regions that have remained isolated from the stream of World history. On the contrary, underdevelopment was and still is generated by the very same historical process which also generated economic development. The development of capitalism itself.[5]

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The dependency theorists further hold that the penetration of capitalist relations of production into Third World social formations has resulted in the latter becoming capitalist. Frank has been quite unequivocal on this point:

> A mounting body of evidence suggests, and I am confident that future historical research will confirm, that the expansion of the capitalist system over the past centuries effectively and entirely penetrated even the apparently most isolated sectors of the underdeveloped world....[6]

And again he observed:

> My study of Chilean history suggests that the conquest not only incorporated this country fully into the expansion and development of the world mercantile and later industrial capitalist system but that it also introduced the **monopolistic metropolis-satellite structure and development of capitalism into Chilean domestic economy and society itself. ...**[7]

We can see that for Frank (as for most dependency theorists) the penetration of capitalism into pre-capitalist social formations *always* leads to the dissolution of the pre-capitalist modes and the emergence of industrial capitalism. Recently several writers have questioned this caricature of third world formations by the dependency theorists. Ernesto Laclau in his critique of Frank[8] noted that he (Frank) has tended to conflate two separate issues: that between "involvement in the world capitalist economy" and the "capitalist mode of production." This confusion has far-reaching political effects. For example, if a social formation is dominated by a feudal mode of production, then it is right and proper for progressive forces to join with the national bourgeoisie in order to effect a bourgeois democratic revolution. Such a revolution would have the bourgeoisie as its vanguard, while the feudal lords would become the target of the revolution. By contrast, in a social formation dominated by the capitalist mode of production, only the proletariat, the most exploited sector of the population, can provide the vanguard for any revolutionary change.

We can pose the question: how can a social formation be capitalist and yet underdeveloped? As critics of the dependency model have noted it is only Frank's loose conceptualisation of capitalism that has led him into this thoerietical cul de sac. For Frank capitalism is defined by participation in exchange relationship; more specifically by production for a market, whilst feudalism is seen as **a closed or subsistence** system. Clearly this conceptualisation of capitalism and feudalism is lacking in rigour and is also alien to Marxism. For Marxists, capitalism like feudalism is above all a mode of production defined by a specific articulation or forces and relations of production structured by the dominance of the relations of production.[9] Under the capitalist mode of production, the appropriation of surplus labour constitutes antagonistic relations of production and a social division of labour between a class of labourers and class of appropriators, the owners of the means of production. Here surplus labour takes the form of surplus-value, and is appropriated through commodity exchange.

By contrast the feudal mode of production is defined by a unity of the direct producer to his means of production, and the appropriation of surplus labour assumes the form of extra-economic coercion: the legal obligation on the part of the direct producer to pay rents; to offer part of his produce; and to work on the land of the feudal lord. In short, the direct producer under feudalism is *not* a free labourer who offers his labour power to the capitalist in return for wages.

Laclau's critique of Frank as well as the work of the French Marxist anthropologists[10] have provided the basis for a new approach in analysing third world social formations, namely the articulation of modes of production. Laclau pointed out that the accumulation of commercial capital is perfectly compatible with the most varied modes of production and that this does not by any means pre-suppose the existence of a capitalist mode of production. Pierre-Phillipe Rey has argued that the incorporation of third world formations into the world capitalist system resulted in an articulation of various modes of production, initially with the pre-capitalist modes dominant; but later with the capitalist mode dominant.[11] He noted that during the early trading period the capitalist mode supplied manufactured goods and even injected money into the pre-capitalist sector in return for raw materials. But this did not undermine the basis of the pre-capitalist mode. Indeed, this exchange did not promote capitalist relations of production, but rather reinforced the pre-capitalist mode. Later, the coming of colonialism marked the period when capitalism *took roots* subordinating the pre-capitalist modes but still making use of them. According to Rey the final stage (not yet attained in the third world) involves the disappearance of the pre-capitalist mode even in agriculture.

MERCHANT CAPITAL AND UNDERDEVELOPMENT

J.G. Taylor in a recent work[12] has distinguished three types of capitalist penetration with varying effects on the pre-capitalist formations. The first is that of penetration under the dominance of merchants' capital. He noted that the major economic effect of this form of penetration is the "reinforcement of already existing forms of extra-economic coercion in agricultural production in the non-capitalist mode of production."[13] In other words, this form of penetration tends to intensify the pre-existing unity between direct producers and their means of production, which tends to act as a barrier to capitalist development.

The second type is that of penetration under the dominance of commodity export. This tends to strengthen production for exchange — value in order to satisfy the productive needs of the capitalist mode. This form of penetration, unlike the earlier merchantile stage, does *not* reinforce the unity of the direct producer to his means of production, but begins to break this down. In Taylor's view, this state marks the beginning of the process whereby one system of production (pre-capitalist) is replaced by another (capitalist) whose reproduction would depend on the continued dominance of foreign capital within the economy.

The third type of penetration is that of penetration under the export of capital. This results in the separation of the direct producers from their means of production, which according to Taylor marks "the development of capitalist forms of production in non-capitalist social formations."[14] Penetration under the dominance of commodity export is simply an attempt to insert capitalist into the reproduction of the non-capitalist mode; by contrast imperialist penetration (i.e. export of capital) started the destruction of the pre-capitalist mode by attacking the very means by which it was reproduced, i.e., "by undermining the reproduction of its determinate relation of production."[15]

One important problem with Taylor's analysis is his distinction between merchant's capital and commodity export. This distinction as we shall see presently is quite superfluous, since merchant's capital can take the form of commodity export. This is true of both the mining industry and agricultural production in Sierra Leone. In the next section we shall see how the Sierra Leone formation became dominated by merchant capital and the role the latter has played in the loss of value from the social formation. But before we embark on this task we want to be clear about the term merchant capital (or merchants' capital) since it is our key theoretical concept. Here we shall draw mainly from the work of Geoffrey Kay.[16]

Kay's argument is that though labour in the periphery may be subject to extra-economic coercion and also may be paid a much lower real wage than the wage-earners of the metropolis, yet it does not follow from this that they are more exploited. The rate of exploitation is determined by the relative rates of surplus value as well as the organic composition of capital (i.e., the ratio of constant to variable) at the centre and the periphery. Kay went on to suggest that the explanation of capitalist underdevelopment is really historical and structural, and could be found in the special characteristics of merchant capital. But what is merchant capital? How does it operate? How does it generate and maintain underdevelopment?

Merchant capital is trading capital, and operates in the sphere of circulation rather than production, as is the case with industrial capital. It has no direct control over the labour process, even where it dominates this class. It derives its profit by engaging in unequal exchange in order to appropriate the surplus product of society. In non-capitalist society, merchant capital is the only form of capital, and thus has an independent class existence. By contrast in capitalist society it is only a moment in the circulation of capital and is subordinated to productive capital. Merchant

capital whilst encouraging the development of commodity production, thereby dissolving existing social relations, yet accumulates and invests in the sphere of exchange which withdraws value from the sphere of production, with the result that merchant capital itself is unable to effect the transition to capitalism. In other words, by destroying the pre-existing social frameworks in the periphery, merchant capital actually created conditions inimical to the investment of industrial capital.

Kay drew attention to one important paradox of merchant capital: whilst it encouraged the dissolution of pre-existing social relations, yet merchant capital in its role as agent of industrial capital tended to maintain the forms of pre-capitalist production and social relations in order to maximise the production of commodities for metropolitan markets.[17]

We can see, then, that for Kay (as for Laclau) the underdeveloped formations are neither simply capitalist, as the dependency theorists have argued, nor traditional and dualistic as the modernisation theorists have argued. There is an implicit recognition in Kay's schema that the peripheral social formation constitutes an articulation of modes of production. It is the premise of this paper that only an analysis based on **this assumption can help us understand and explain the development and maintenance of underdevelopment within third world formations.**

Now, we have pointed to Kay's emphasis on the role of merchant capital as an agent of industrial capital. It is in this role that the development of underdevelopment occurs, and unequal exchange[18] is an essential part of this mode of operation. Merchant capital from the advanced countries purchases raw materials, for example, from their non-capitalist producers in the underdeveloped world, and sells them to productive capital in the developed countries. These are then used to produce manufactured goods, some of which merchant capital purchases for sale to the underdeveloped countries. This entire operation can be represented by the following form:

$M — C — M^{I} — C^{I} — M^{II}$

$M — C$ merchant capital purchases raw materials from the underdeveloped countries.

$C — M^{I}$ merchant capital sells these raw materials to productive capital in the developed countries.

$M^{I} — C^{I}$ — merchant capital buys some of the output of productive capital.

$C^{I} — M^{II}$ — the circuit is completed with its sale in underdeveloped countries.

In what follows an attempt will be made to utilise the concepts of articulation of modes of production and in particular we shall draw attention to the fact that merchant capital both in agriculture and mining failed to add value to the products they "purchased" or "mined." This in fact would be our crucial distinction between merchant capital and industrial capital.

MODES OF PRODUCTION IN THE EARLY COLONIAL PERIOD 1896-1920

The dominant mode of production at the time of the declaration of the Protectorate in 1896 could be defined as the *subsistence* mode of production. Here the means of production (land and implements of production) were collectively owned. In the case of land, a single individual (the chief or clan leader) held it on behalf of the group. Production was still within the family, and the technology was rudimentary. The implements of production consisted mainly of the hoe, pick and axe; and production was mainly for consumption.

Economic activities within the subsistence mode included agricultural products, as well as the production of tools, beds and clothes, some of which may have been intended for the local market. Furthermore, there was an obligation on the part of the direct producers to render tribute to the principal chiefs.[19] However, this tribute was not separate from the subsistence mode.

There was also a slave mode[20] defined by the fact that the direct producer as well as "his family, his labour, his time and his skill all belonged to his master.[21] Slaves were used primarily as cultivators on farm land; but were also used as carriers of goods. That the use of slaves as porters was widespread in the Sierra Leone Protectorate could be seen from the following quotation from the contemporary observer:

> Up to the present every bushel of palm kernels we have had from the country has been brought to the riverain towns by slave labour.[22]

Similarly T.J. Alldridge, who spent many years in Sierra Leone as trader and District Commissioner, drew attention to the "great dependence" of trade on slave porterage and the expense and inefficiency of the system.[23]

The role of chiefs in the articulation of these productive relations was crucial. Not only were they representatives of tribal unity; but they were custodians of the "people's land;" and also had judicial authority over their subjects. Many chiefs were warriors and in consequence several became prominent slave raiders. Furthermore, the chief's position became the focus for the expression of the contradictions inherent in the articulation.[24] In other words, despite the **far-reaching** political changes that followed the imposition of colonial rule, changes which were meant to facilitate the exploitation of the peasant producers, yet the chief's position as the representative of the continuing system of production and security of the land for the people was never challenged.[25]

The earliest form which capitalism from the centre assumed in Sierra Leone was that of *trading capital.* This involved the buying of cash crops from the peasant producers and the sale to them of manufactured goods. The local agents of trading capital were the colonial trading companies. This operation of trading capital ante-dates considerably colonial rule.[26]

In the period up to 1930, agriculture and trade remained the twin pillars of economic growth of the territory.[27] The agricultural exports included palm kernel, palm oil, piassava, kola nuts, gum-copal, hides, rice and ginger. Most of these items, in particular kola nuts and palm kernels, were obtained through forest gathering. In many cases these extra — subsistence produce were gathered by women, thus transforming the sexual division of labour.

However, family labour has not always been sufficient to produce "legitimate" crops. E.A. Ijagbemi has argued that during the nineteenth century the need for more labour to cultivate, gather and transport crops to the coast intensified slavery in the Sierra Leone hinterland.[28] He attributed much of the fighting in the interior to competition for the control of the trade routes and to slaving.[29]

Grace has also argued that because Europe paid very low prices for tropical products, it is difficult to see how the Africans could have afforded not to use slave labour. He noted that the payment of wages to their labourers and porters would have priced their produce right out of the European market.[30] Grace furthermore noted that because Freetown had become rich from the export/import trade, there were fears that the abolition of slavery would have resulted in a sudden rise in the price of the colony's export, thus pricing her out of the world market. Thus he observed:

> ... this colony for liberated slaves apparently had a vested interest in the continued use of slave labour in the interior.[31]

We could see then that the initial impact of capitalism resulted in the conservation of the pre-existing modes, by intensifying the extra-economic forms of coercion. We have also drawn attention to the fact that one reason why slave labour was used could be found in the low prices which tropical products fetched in the European market. In short, the pre-capitalist modes within the Sierra Leone formation by this time had started to serve the interests of capitalism of the centre by providing it with raw materials.

The role of merchant capital within the social formation became more widespread as a result of two important developments. The first was the construction of a railway network, and the second, the introduction of new cash crops in the 1920's and 1930's. We shall return to look at the effect of these new crops presently.

The main line of the Sierra Leone Government Railway extended from Freetown to Pendembu in 1908, a distance of 227 miles. There was a branch line from Boia Junction to Kamabai a distance of 104 miles; and also a mountain line some 6 miles long, which ran from Freetown to Hill Station. The latter was mainly for the use of British colonial personnel who lived at the mountain retreat of Hill Station. The construction of the railway system was the main economic activity of the colonial government during this period.

The European trading houses were quick to seize the opportunity which the railway system provided. They started establishing branches in provincial towns almost immediately after the railhead reached these towns.[32] The most important beneficiary of the railway was the produce trade. The railway[33] had an immediate impact on the territory's foreign trade. Exports rose from 362,471 pounds in 1900 to 1,249,367 pounds in 1910; reaching a record level of 1,516,871 pounds in 1918. Similarly, imports rose from 558,271 pounds in 1900 to 1,162,470 pounds in 1910 and reached a record level of 1,680,336 pounds in 1918.[34]

The contruction of the railway inspired new optimism in European traders.[35] Prior to the construction of the railways, the trading companies were satisfied to buy their goods through African middlemen, and sell their manufactured goods through the same medium. Now the companies moved in to control the source of supply of the produce, and the means of distribution for their imported goods.[36] This meant that there was now little or no room for the African middlemen, who could not afford the capital and personnel to set up branches in the interior. However, this was not the only difficulty to beset the Sierra Leonean trader. As Alldridge has noted, by the turn of the century a new and more formidable rival, the Lebanese trader, had arrived. From being mere pedlars, the Lebanese were able within twenty years to grow into a strong competing merchant class, buying produce from the producers.

Even the Lebanese traders could not compete favourably with the European traders. The latter with their access to greater capital resources were soon to edge the African out of the produce business.[37] Furthermore, in order to realise economies of scale, a number of the trading companies amalgamated to form larger concerns. The best known was the United Africa Company (U.A.C.), a subsidiary of Unilever. Many companies followed the example of the U.A.C., and soon the dominant trend in the produce trade was towards oligopoly.

Now, we must try to answer two important questions: What was the nature of the trading companies? How did they operate? Many of the larger companies were branches of manufacturing interests in Europe. This was the case with the U.A.C., P.Z., S.C.O.A. and C.F.A.O. These companies are the examples *par excellence* of merchant capital. They buy produce from the Sierra Leone producers below their value (i.e. the value of M^1 is less than that of C^1), and sell them above value to productive capital in the metropolis (i.e. the value of M^1 exceeds that of C^1). The profit obtained in the first transaction is a direct deduction of the surplus from the producers of the raw materials; that on the second an indirect confiscation of surplus value from productive capital.[38]

The money that the merchant capitalist obtains from these transactions is used to purchase manufactured goods from productive capital in the developed world for sale to the Sierra Leone consumers. In this case, the profits of the merchant capitalist will be determined by the price at which he buys from productive capital.[39] This part of his profit is a direct deduction from the surplus value of productive capital. His profits will also be determined by the price he charges his customers in Sierra Leone. If this price exceeds the value of the commodities he sells, this is an indirect form of exploitation.[40] This is an indirect deduction from the surplus produced within the Sierra Leone formation. Thus we can see that merchant capital has two sources of profits: the surplus value of productive capital in the developed world, and the surplus product of non-capitalist producers in Sierra Leone.

In practice, however, the merchant capitalist acquires profit from only one source, from the surplus product of the peasant producers in Sierra Leone. This occurs through the purchase of raw materials and the sale of manufactured commodities in Sierra Leone. His transactions with productive capital in the developed world take place at value and no profit is realised.[41] Kay has drawn attention to this point:

> In this case profits come entirely out of the surplus produced in the underdeveloped world and he is unable to get hold of any of the surplus value of productive capital in the developed countries.[42]

One important feature of merchant capital is its drive for monopolistic control of the market. The trading companies in Sierra Leone also showed this quality. Through the process of mergers, "pools" and other informal agreements, these firms were able to create territorial monopolies for the purchase of the export crops. Furthermore, during the period under review they had a free hand in fixing the price they offered the Sierra Leone producers. Profits realised from their operations in Sierra Leone went to their shareholders in Europe. No attempt was made to process these raw materials locally and little or no attempt made to train local personnel for the jobs carried out by Europeans.[43]

In his work on merchant's capital, Marx made a subtle distinction between commercial capital and money-dealing capital.[44] He warned against confusing these two elements of merchant's capital as well as the latter with industrial capital. He observed:

> Merchant's capital or trading capital breaks up into two forms or subdivisions, namely commercial and money-dealing capital ... This (distinction) is all the more necessary, because modern political economy ... throws trading capital and industrial capital indiscriminately together and in effect, wholly overlooks the characteristic peculiarities of the former.[45]

Now, money-dealing capital refers to "the purely technical movements performed by money in the circulation process of industrial ... and commercial capital. ..."[46] In order for these trading companies to operate successfully in Sierra Leone, it was necessary for certain financial agencies to have made their presence felt locally to aid the activities of these companies. Thus the geographical expansion of the companies was accompanied by the growth of metropolitan-based financial institutions.

The first successful bank to be opened in British West Africa was the Bank of British West Africa (B.B.W.A.).[47] The rapid growth of this bank

has been noted by Hopkins, who wrote that:

> By 1910 it had established branches in most of the leading commercial centres in the British colonies, as well as in Monrovia, the capital of Liberia. The bank's paid up capital, a mere 12,000 pounds in 1894, had grown to 200,000 pounds; the number of its employees had increased from six to 114; its depositors from a few dozen to 4,410; and its deposits from about 30,000 pounds to just over 1 million pound.[48]

Though joined in 1926 by Barclays Bank (D.C.O), B.B.W.A. remained the leading bank in British West Africa throughout the Colonial period. The operations of these financial institutions tended to generate underdevelopment and to foster financial dependence on the metropole. This is clear from the policy of transferring the reserves to the London Head Office to be invested in the London Money Market.[49] This tended to deprive the territory of potential investable funds. Furthermore, as Hopkins has argued, the banks were willing to accept deposits from Africans, but bank loans were confined mainly to large expatriate firms. This policy tended to reinforce the latter's dominance in commerce.[50] These banks acted as instruments for siphoning the surplus from the periphery to the centre.

THE MIDDLE COLONIAL PERIOD 1920-1930

The period was marked by three important developments: (i) the consolidation of the trend towards European oligopolies (ii) the rise of the Lebanese traders, (iii) the introduction of a number of new cash crops; all of which helped to reinforce the hold of merchant capital within the social formation.

Though the dominant feature of the European trading regime towards oligopoly was becoming apparent in the early years of colonialism, it was in the middle colonial period that it took momentum. Now the dominant trend among the European trading houses was towards rationalisation and the concentration of power in the hands of a small number of important trading companies. This oligopolistic trend was largely a response to the fall in prices of raw materials. For example, the price (per ton) of palm kernels fell from 15.75 pounds in 1924 to 5.50 pounds in 1931.[51] During the depression of 1921 and 1929-35 (see below) most of their rivals were eliminated. Their elimination meant that a large firm operating exclusively in one area could offer the peasant producer the price that was in line with the company's policy of profit maximisation. The fact that the companies had complete freedom to fix the prices they offered to the peasant producer during this period renders credence to this conclusion. The middle colonial period (because of the need for rationalisation) unlike the preceding period was one that favoured large scale enterprises. Large purchases could made all the difference between profit and loss. Furtheremore, the fact that the larger companies were allied to manufacturing interests in Europe gave them an advantage over the smaller companies as well as the African traders.

The important point to not is that the operation of these companies remained unsophisticated. According to Crowder, these companies:

... bought the peasant's export crop for processing in the factories of Europe and sold to him only goods imported from those factories... these firms created area and even territorial monopolies for the purchase of the export crops: their capital investment was nearly all short term and the profits from it went mainly to their European share-holders. The European export-import firm did nothing to improve the quality of the cash crops which were vital to their livelihood.[52]

In short, the trading companies operated what the Leverhulme Trust Commission called "simple form of export and import trade."[53] They had no interest in revolutionising the productive forces of the periphery, since they did not have control over the production of the export crops.

European competition was not all that the Africans had to face. By the middle colonial period a new and highly competitive rival, the Lebanese trader, had made his presence felt. This "new" group had been involved in the produce trade since the turn of the century, but its impact on the African trader was not felt until the 1920's. Among the factors which accounted for the success of the Lebanese were their low-costs, vis-a-vis European and African traders as well as their collective support.[54] However the key to their domination over their African rivals was capital. The Lebanese were able to obtain credit from the banks and also from the large expatriate firms. Crowder has argued that the failure of most companies and the banks to offer credit to African traders struck a deadly blow at any attempt at commercial initiative on the part of Africans.

During this period, the authorities vigorously encouraged the planting of new crops such as coffee and cocoa. This was done through the chiefs, but these crops did not have an immediate effect upon the territory's total domestic export. In 1920 this figure stood at 2,247,743 pounds; but fell to an all time low for the decade at 1,069,803 pound in 1922, rose to 1,627,916 pound in 1925; but fell again to 1,047,339 pounds in 1930.[55]

By the middle colonial period, the Sierra Leone economy had started to show all the classic features of a dependent economy. Firstly, it responded readily to external influences because it depended greatly on a few export items.[56] Economic prosperity depended considerably on exports, which in turn determined the capacity of local people to consume imports.[57] Secondly, Sierra Leone's export in the period went mainly to three markets: U.K., U.S.A., and Germany. These three countries accounted for over 70% of her exports.[58] As M.H.Y. Kaniki has noted, the dependent nature of the economy and the disadvantages this entailed were well illustrated during the economic crisis of the 1930's, when Sierra Leone became a hopeless victim of forces she could not influence. Thirdly, few restrictions were placed on imports and most of it came from the U.K. Finally, as we have seen, foreign private enterprises had come to play a significant role in the export sector of the economy. Since these companies

epitomised the activity of merchant capitalist it meant that by this time the territory was already dominated by merchant capital.

THE LATE COLONIAL PERIOD 1930-45

This period was a marked contrast to the preceding periods. The economy was transformed from one dominated by the export of peasant produced cash crops to one where large scale mining industries predominated. Furtheremore, the hegemony of the colonial trading companies was partially challenged by the emergence of Colonial Marketing Boards.

This period coincided with the world depression, which was marked by a fall in demand for and prices of raw materials. However the crisis was only in the export sector, production of food for the domestic market increased and prices were generally low.[59] One consequence of the depression is that it forced the colonial authorities to reconsider the policy of making the colonies pay for their own development. The result was the Colonial Development Act, 1929, under which the British Government took general powers to lend money from its own resources (the Colonial Development Fund) for the economic development of its colonies. Sierra Leone's share went to support the activities of the Sierra Leone Development Company (Delco).

The geological survey of 1926/27 had established a number of minerals in commercial quantities. These included platinum, gold, iron ore, chrome, and diamonds. The first mineral to be mined in Sierra Leone on a commercial basis was platinum. In 1929, one mining licence and eleven exclusive prospecting licences were granted to European firms and individuals. The mining licence was issued to the African and Eastern Trading Company, which had been very active in the produce trade. Platinum mining shared similar features to gold and diamond mining. European and African capital operated in both industries; the exhaustion of the rich deposits led to *tributing*.

The form which tributing took was very similar in the three industries. It consisted of a licence holder, who employed other people to win gold within his lease. Tributors were organised in gangs of about five under a headman. All gold won by the tributors was sold to the owner of the mining lease at half price. From 1937 onwards all the important firms and syndicates in the gold field employed tributors. Tributing has been described as a symbiotic relationship.[60] The employer being relieved of the burden of paying wages to labourers who did not contribute to his output; thus keeping down overheads and enabling relatively poor deposits to be mined. The tributors in turn were induced to work as hard as possible since earning depended on output and not on mere physical presence on the working grounds.

In reality tributing is a very exploitative system with the incidence of the exploitation falling on the tributor. This can be seen from the mode of renumeration which later emerged in the diamond industry. If the licence holder himself has recruited his labour force, then the winnings are divided as follows: two-thirds for the licence holder and one-third goes to the tributors. Where a gang-master is involved, 60% goes to the licence holder, 30% for the tributors, 10% for the gang master. (The latter is like a personnel officer to the licence holder). The value which is usually put on the winnings tends to be far below the true value at which they are sold. The latter is usually with-held from the tributors. At times, even the gang-master was ignorant of the market value of such winnings. However, in most cases the gang-master and the licence holder connived and deliberately under-valued the winnings. Little wonder then that tributors all too frequently withheld large stones from the licence holder and the gang master. In spite of the widespread tributing that took place in the mining industry, there were a number of large scale mining ventures organised along conventional mining methods. In what follows we shall discuss two of these organisations: Delco and the Sierra Leone Selection Trust (S.L.S.T.).

Sierra Leone's share of 500,000 pounds from the Colonial Development Fund was loaned to float a new company, Delco, which was formed by the Northern Mercantile Corporation and the African and Eastern Trading Company at a 5½% rate of interest. The terms the new company obtained were so generous that Kaniki has suggested that:

> It is difficult to imagine how these terms could be more generous. The Government of Sierra Leone was aware that the terms they offered were extremely generous, but believed the development of the concession would benefit both Sierra Leone and British industry.[61]

In order to aid its mining activities, the company under-took to build a railway line from the mine at Marampa to the port of Pepel, where a jetty would be constructed for exporting the ore. The first commercial export of iron ore from Sierra Leone was made in 1933. By 1940 iron ore was not only an established foreign exchange earner, but had outstripped gold as the second leading export sector.[62]

In the early years of its operations, Delco's employees were hired for specific tasks and once these were completed they were laid off. This point has been spelt out by Kaniki:

> In this way the company created job opportunities and temporarily alleviated the unemployment problem. It also created unemployment by its free dismissal of employees who had just begun to appreciate wage employment, and who might be unwilling to return to the rural areas.

In short, at this point not only was Delco dependent on migrant workers, but capital had not developed to the point where labour could be separated from the means of production.

The Sierra Leone Selection Trust was formed in 1934 as a wholly

controlled subsidiary of Consolidated African Selection Trust (C.A.S.T.) to exploit Sierra Leone's deposits of diamonds. The company had a monopoly to prospect and mine diamonds in the country for a period of 99 years. C.A.S.T.'s belief that only one party (meaning itself) could mine Sierra Leone's diamonds successfully meant that in the early years it had to enlist the support of both the colonial administrators and local chiefs. In the case of the latter financial inducements were offered in exchange for an undertaking to refuse the entry of strangers into the diamondiferous chiefdoms. The company's officials rather ingeniously tried to convince local people that diamonds if touched without having been treated could severely burn one's fingers.[63]

Like Delco, S.L.S.T. spent most of its initial investments on infrastructure e.g. staff houses and private roads. However, once production started the rate of exploitation was quite intense. For example, total diamonds recovered in 1933 was 10,546 carats, by 1943 it was 1,098,132 carats.[64] Similarly, like Delco, SLST was heavily dependent on migrant labour in the early years of operation and, like Delco, the level of capitalisation was very low.

One important consequence of the emergence of the mining economy was the growing importance of the traditional rulers in the monetised sector. We have seen how their position was enhanced in the 1920's when they helped in introducing new crops like cocoa and coffee. With the coming of the mining economy, the chiefs were able to use their positions as guardians of traditional land tenure to appropriate ground-rent. For example, the concession agreement with the African and Eastern Trading Company in 1927 stipulated that the Tribal Authority of Marampa Chiefdom was to receive 250 pounds as annual rent. There was a similar agreement with the SLST in 1933, which provided that the company should pay 7,000 pounds into the Mining Benefits Fund, which was to be administered by the Tribal Authorities in the Mining areas. There were also numerous informal agreements between mining companies and local chiefs.

statutory marketing boards. These were introduced in 1939 throughout British West Africa. For the first time the large expatriate commercial houses were subject to control by the colonial government. The latter now purchased the cash crops, with the former acting as its agents. Prices for these crops were determined by the Ministry of Supply, and their export was controlled in each territory by a supply board, which was in turn directed by a West African Produce Marketing Board. The nature of the Board's operation meant that considerable profits were accumulated by the British Ministry of Food. In 1949 Sierra Leone Marketing Board inherited Sierra Leone's share, and continued with produce buying on behalf of the government. In the years that followed the Board accumulated considerable profits which were either invested in British Government securites,[65] used in promoting agricultural education[66] or spent on improving the physical infrastructure.

THE PERIOD OF TRANSITION TO NEO-COLONIALISM 1945-61

This period was marked by three important developments: (i) The expansion of the mineral sector to the point where it surpassed the agricultural sector as the leading export sector. (ii) The implantation of a pre-capitalist form, the Alluvial Diamond Mining Scheme (A.D.M.S.). The net effect of all this was to strengthen the hold of merchant capital within the social formation. (iii) Finally, the implantation of capitalist forms of production in the import substitute manufacturing sector.

The transition to neo-colonialism was accompanied by the emergence of the mining sector as the leading export sector. In 1931, minerals accounted for less than 5% of total domestic exports. This figure rose to 73% in 1940,[67] and by 1961, it stood at 86.7%[68]

By the early 1960's it was becoming clear that the peripheral dependent economy of Sierra Leone was coming under increasing strain. The flow of capital out of the country was being felt, and the pinch was particularly severe since no new capital of significance had entered the country since the mid 1930 "mining boom." The government found it increasingly difficult to balance the budget. This led the colonial government to abandon the policy of letting the colony pay for its administration. For the first time the colonial authorites thought of systematically planning the future of the territory as well as expanding the economic role of the government.

Meanwhile the colonial trading companies continued with the programme of rationalisation and streamlining of activities. Many concentrated on specific activities, others like the UAC withdrew completely from the produce trade. By 1956, the oligopolisitic nature of the produce trade was more or less complete, with six European trading houses controlling between 82% and 95% of the trade.[69]

In 1956, the Alluvial Diamond Mining Scheme (ADMS) was introduced enabling capital other than SLST's to move into the industry. It was thought that this would combat smuggling and pilfering from SLST's lease. The ADMS shared a number of features in common with SLST: both used migrant labour with strong roots in the agricultural sector; their level of capitalisation was very low; and their operations marked the beginning of a chain of exchange, whereby the price of the commodity is increased without increasing its value — i.e. labour is not put to work on the goods. In the case of the ADMS, the exchange process is longer. It starts with the sale of the stones by the licence holder to a dealer (it could go from dealer to dealer), and from the dealer it is sold to the Government buying office.

In his discussion of the crisis of merchant capital Kay noted:

> The crisis of merchant capital can be posed in different terms. ... as the rate of exploitation ceased to grow merchant capital faced a crisis. Initially it sponsored an increase in productivity by encouraging commodity production and with it an extension of the division of labour; but subsequently it was unable from its situation in the sphere of circulation to increase it any further.
> As its profits dwindled merchant capital began to lose the last remnants of independence and was forced to act simply as the agent of industrial capital. But even here it ceased to serve either its own interests or those of industrial capital. To survive as capital it was forced out of trade directly into the sphere of production; that is, it was forced to act as productive capital openly. At the same time productive capital which had previously restricted its activities to the developed world, finding its rate of profit from the underdeveloped countries ceasing to grow if not actually decline, was obliged to intervene directly. The result was a new phase in the history of underdevelopment: the inception of a capitalist mode of production proper in the underdeveloped world. ...[70]

This phase to which Kay refers started in Sierra Leone during the period of the transition to neo-colonialism. During this period capital started moving into the manufacturing sector. The first capital to enter this sector came from the United African Company, one of the leading colonial trading companies. In 1954, UAC moved into cigarette manufacturing through its *Aureol Tobacco Company* and into beverage brewing with its *Sierra Leone Brewery*. Two years after moving into the manufacturing sector, UAC withdrew completely from the produce trade.

CONCLUSION

In this paper I have tried to examine the process whereby the Sierra Leone social formation became dominated by merchant capital. I have tried to show that during the period 1896-1961 the dominant form of capital was trading capital. This is true of the activites of the European trading companies which dominated economic activities in the country.

With regards to the mining companies the situation is much more complicated. Now if we use Kay's caricature of mining activities in the underdeveloped world it is easy to characterise the mining companies that operated within Sierra Leone as merchant capital. This is what he had in mind when he warned:

> ... In other countries exporting agricultural commodities, production was undertaken by expatriate controlled plantations which appear at first sight to be a form of fully developed capitalist production. In these countries which exported minerals we again encounter what appears to be capitalist production. For both mines and plantation employed wage-labour, and in many cases the firms involved were subsidiaries of productive firms in the developed countries. In some ways it would be wrong not to recognise these undertaking as capitalist, for they possess all its formal qualities. On the other hand, they have certain features which suggest that it would not be completely correct to treat them in this way.[71]

Kay then went on to note two important reasons for not treating these undertakings as capitalist: (i) reliance on migrant labour; (ii) low degree of capitalisation.

We have seen that virtually all the mining companies that operated in Sierra Leone during this period relied to varying degrees on migrant labour rooted in the agricultural sector. Furthermore, we have pointed to the low level of capitalisation that characterised the operations of these companies. We have also pointed to the fact that most of their (Delco & SLST) initial investments went on infrastructure — railway, private roads and houses for expatriate personnel. The question now arises: Is it right to characterise these mining operations as merchant capital and hence pre-capitalist? This question is pertinent when we realise that Delco was tied to the multinational William Bird group; and that SLST was tied to the Selection Trust group and hence to the giant De Beers empire. It is true that these companies were not *capitalist* in its fully developed form; it is also true that these companies did very little to revolutionise productive forces in Sierra Leone. But is this not the *modus operandi* of multinationals in the periphery?

Now, the reason why Kay conceptualised units of production dominated by capitalist relations of production as pre-capitalist is **because he uses a restricted concept of mode of production. In other words, the concept is premised on two elements: relations of production and productive forces. As Wolpe has indicated: "the concept does not include a specification of the mechanisms of reproduction or the laws of motion of the 'economy' as a whole. ..."[72]**

FOOTNOTES

1. Social formation refers to concerete organised structures marked by a dominant mode of production and the articulation around this of a complex group of modes of production that are sub-ordinated to it.
2. By a mode of production one designates, "an articulated combination of a relations and forces of production structured by the dominance of the relations of production. Relations of production define a specific mode of appropriation of surplus labour and the specific form of social distribution of the means of production corresponding to that mode of appropriation of surplus labour." B. Hindess and P.Q. Hirst, *Pre-capitalist Modes of Production,* R.K.P., 1975, pp. 9-10.
3. This school which has been voguish in Western Political Science is by now very much discredited. Their key unit of analysis has always been "causes of development" rather than why certain nations became underdeveloped. Modernisation theorists treat African societies either as traditional societies or see them as belonging to stages through which the now developed world has already past. See W.W. Rostow, *Stages of Economic Growth: A Non-Communist Manifesto,*C.U.P., 1960.
4. This is a very diversified school. It varies from the structuralist perspective of the Economic Commission for Latin America on the one hand, to the neo-Marxism of Paul Baran on the other. The latter's concept of economic surplus remains the key "unit of analysis" of most dependency theorists.
5. A.G. Frank, "The Development of Underdevelopment" in R.I. Rhodes, (ed.) *Imperialism and Underdevelopment,* Monthly Review, New York and London, 1970, p. 9.
6. *Ibid,* p. 6.

7. *Ibid,* p. 8.
8. E. Laclau, "Feudalism and Capitalism in Latin America," *New Left Review,* No. 67, May/June, 1971 pp. 19-38.
9. Hindess and Hirst, *op. cit.* p. 9.
10. Such S. Meillassoux, "From Reproduction to Production," *Economy and Society,* Vol. 1, No. 1, 1972; G. Dupre and P.P. Key "Reflections on the Pertinence of a Theory of the History of Exchange," *Economy and Society,* Vol. 2, No. 2, 1973; E. Terray, *Marxism and "Primitive" Societies,* Monthly Review, New York, 1972.
11. P.P. Key, *L'Anthropologie Economique des Gouro de Cote D' Ivoire,* Paris, 1964. See also A. Foster-Carter, "The Modes of Production Controversy," *New Left Review,* Jan/Feb. 1978, pp. 47-77, for a summary of Rey's argument.
12. J.G. Taylor, *From Modernisation to Modes of Production: A Critique of the Sociologies of Development and Underdevelopment,* Macmillan, London, 1979.
13. *Ibid,* p. 187.
14. *Ibid,* p. 207.
15. *Ibid,* p. 209.
16. G. Kay, *Development and Underdevelopment: A Marxist Analysis,* MacMillan, London, 1875.
17. *Ibid.* p. 105-7.
18. Unequal exchange in this sense refers to the unequal reward of factors between social formations (and modes of production) and notably the "labour factor" which of necessity tends to produce an "inequality in exchange" between developed and underdeveloped formations. For a more elaborate discussion of the concept see A. Emmanuel, *Unequal Exchange: A study of the Imperialism of Trade,* New Left Books, London, 1972.
19. C. Fyfe, *Sierra Leone Inheritance,* O.U.P., London 1964, p. 91.
20. For a detail analysis of domestic slavery in Sierra Leone see J. Grace, *Domestic Slavery in West Africa: With particular reference to the Sierra Leone Protectorate 1896-1927,* Frederick Muller Limited, London, 1975.
21. *Ibid,* p. 3.
22. W. Vivian, *"The Mendi Country," Journal of the Manchester Geographical Society,* XIII, 1, Jan. 1896, p. 12, as quoted in Grade, *Ibid,* p. 12.
23. T.J. Alldrige, *The Sherbro and its Hinterland,* London, 1901, p. 35-38, quoted in Grade, *Op. cit.,* p. 12.
24. H.C. Jones, *The Articulation of Capitalist and Pre-Capitalist modes of production: A Theoretical Reappraisal of the Mambwe's participation in labour migration,* Development Studies Discussion Paper, No. 16, May 1977. East Anglia, p. 19.
25. *Ibid,* we shall see below how the chiefs used their position as custodians of the "people's land" to accumulate capital in the middle colonial period.
26. C. Mcillasseux, *The Development of Indigenous Trade and Markets in West Africa,* Oxford, 1971, p. 408.
27. N.A. Cox-George, *Finance and Development in West Africa: The Sierra Leone Experience,* London, Dobson, 1961.
28. E.A. Ijagbemi, *A History of the Temne in the nineteenth century,* Ph.D. Thesis, Edinburgh, 1968.
29. E.A. Ijagbemi, "The Freetown colony and the development of legitimate commerce in the adjoining territories," *Journal of the Historical Society of Nigeria,* V, 2, June, 1970, pp. 243-56.
30. Grade, *Op. cit,* p. 41.
31. *Ibid,* p. 41.
32. B.L. Isaac, "European, Lebanese and African Traders in Pendembu, Sierra

Leone 1908-68," *Human Organisation*, Vol. 33 No. W, Summer, 1974, p. 112. See also H.L. Van der Laan, *The Lebanese Traders of Sierra Leone*, Mouton, The Hague, Paris 1975.

33. The Freetown — Songo branch was completed in 1898, but the Pendumbu line was not completed until 1908. See Isaac, *Op. cit*, and C. Fyfe, *A Short history of Sierra Leone*, Longmans, 1968, p. 135.
34. Figures from C.W. Newbury, *British Policy Toward West Africa Selected documents 1875-1914*.
35. Van de Laan, *Op. cit.*
36. T.J. Alldrige, *A Transformed Colony*, London, 1910, p. 73-81.
37. Many Lebanese traders realising the futility of trying to compete with the European trading companies decided to play junior partnership by obtaining goods on credits from the companies. See Van derLaan, *Op. cit.*
38. This is possible because the capitalist in the metropolis is forced to purchase raw materials at prices that exceed their value.
39. The lower the price at which he buys from productive capital the greater the profits.
40. Indirect because it occurs in the sphere of consumption and not production.
41. This is not surprising, as an appendage of productive capital, merchant capital has to secure profit for itself as well as for productive capital.
42. Kay, *Op. cit*, p. 121.
43. M. Growder, *West Africa* Under Colonial Rule, Hutchinson, London, 1970, p. 467.
44. K. Marx *Capital* Vol. III, Part LV, Chapters XVI to XIX, p. 267-337.
45. *Ibid*, p. 267.
46. *Ibid*, p. 315.
47. A.G. Hopkins, *An Economic History of West Africa*, Longman, 1975, p. 267.
48. *Ibid*, p. 207.
49. *Ibid*, p. 209. Also profits from the Bank's activities accrued to the metropolitan power and not to the colony in which it was circulated. See Crowder, *Op. cit.*, p. 279.
50. Hopkins, *Op. cit*, p. 209.
51. G. Sayler, *The Economic System of Sierra Leone*, Durham North Carolina, 1967, p. 66.
52. *Ibid*, pp. 299-313.
53. The Leverhulme Trust, *The West African Commission 1938-1939: Technical Reports*, London, 1943, p. 5, quoted in Crowder, *Op. cit*, p. 299.
54. Crowder, *Op. cit.*
55. Figures from M.H.Y. Kaniki, *The Economic History of Sierra-Leone 1929-39*, Ph.D. Thesis, University of Birmingham, 1972, p. 42 and 83.
56. In the period 1920-28, palm kernels alone accounted for between 65.7% to 72.6% of total value of exports. The figure for kola nuts ranged from 12.0% to 20.1%. Figures from Kaniki, *Ibid*, p. 39 and 41.
57. N.A. Cox-George, *Finance and Development in West Africa: The Sierra Leone, Experience*, London, Dobson, 1971.
58. Kaniki, *Op. cit*, p. 22.
59. Saylor, *Op. cit.*
60. Kaniki, *Op. cit.*
61. *Ibid*, p. 90.
62. In 1940 production of iron ore was valued at 493,269; diamond export was 780,770 pounds; and gold export stood at 243,398 pounds. See Kaniki, *Ibid*, p. 173, 190 and 199.
63. Interview with the Rev. Paul Dunbar, 9/3/77.
64. S.L.S.T. Accounts Department Records. I am grateful to Mr. Gordon Percy, N.D.M.C., Yengema.

65. I.M.F. Surveys of African Economies, Vol. 6, p. 393.
66. F.A.N. Lisk, The Polical Economy of Sierra Leone, Unpublished Ph.D. Thesis, University of Birmingham, 1974.
67. Kaniki *Op. cit.*, p. 372.
68. Saylor, *Op. cit*, p. 128.
69. H.L. Van der Laan, *Lebanese Traders in Sierra Leone*, Mouton, Hague, 1975, p. 53.
70. Kay, *Op. cit*, p. 124.
71. *Ibid*, p. 102.
72. H. Wolpe (ed), *The Articulation of Modes of Production*, R.K.P., 1980, Introduction.