The International Monetary System and the Rhodesian economy: Impact of the move from a fixed to a floating currency system in the formative years, 1965-1970.

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Introduction

My interest in financial history was inspired by the episode of hyperinflation that bedeviled Zimbabwe from the turn of the 21st century until demonetization of the country's currency in 2009. According to Steve Hanke's Hyperinflation Index for Zimbabwe (HHIZ), the inflation rate peaked at 6.5 quindecillion nomendecillion percent (i.e 65 followed by 107 zeros).[1] To borrow one Professor Robertson's analogy, "a monetary system is like a liver: it does not take up very much of our thoughts when it goes right, but it attracts a good deal of attention when it goes wrong."[2] In his 1954 article, Arthur Hazlewood further commented that, "[p]erhaps some feeling that all is not well is responsible for the recent growth of interest in the monetary system of the British colonies."[3] Although such sentiments were made in 1954, they are still relevant. Frederick Cooper aptly notes that, "…history is not a dead past, but a basis for making claims that are very much of the present…"[4] Not doing so "is to risk missing the way change lurches in different directions"[5] to inform even the dynamics of the contemporary. This interest

[1] Steve H. hanke, "RIP Zimbabwe dollar", on www.cato.org/zimbabwe. Although Zimbabwe's financial system imploded under the weight of some internal impetus, the nature of the IMS and how it influenced the shaping of the country's financial arrangements is very important in understanding the monetary experience. Following the demonetization of the more flexible exchange rate (or floating) system of the Zimbabwe dollar, the country adopted a multi currency system dominated by the United States (US) dollar and, to a lesser extent, the South African (SA) rand. This effectively placed Zimbabwe in the less flexible US dollar and SA Rand monetary areas.

[2] Quoted in Authur Hazlewood, "The economics of colonial monetary arrangements" in ***Social and Economic Studies***, vol 3, No. ¾, Sir Authur Lewis Institute of Social and Economic Studies, 1954, p.291. Accessed on www.jstor.org

[3] ***Ibid***.

[4] Frederick Cooper, ***Decolonization and African society: The labour question in French and British Africa***, Cambridge University Press, Cambridge, 1996, p. 41. See also Frederick Cooper, ***Colonialism in question: Theory, Knowledge, History***, University of California Press, Berkeley, 2005

[5] ***Ibid***.

has, in fact, been sustained by the increasing instability of the International Monetary System (IMS) to date.

Many economic historians in Zimbabwe have focused on some aspect of agriculture, labour, politics and other social and economic dynamics but very few studies exist on the development of what is arguably a central lubricant in any economy, the financial system. Patrick Bond reiterates that,

> Notwithstanding the diversity of experiences of this stretch of …colonial history, the outcomes are comprehensible in theoretical, not merely contingent, terms. Of profound importance was the way in which control of space passed from merchants, miners, and farmers into the hands of foreign capital, landed speculators, and financiers. At the global scale, flows of finance ratified and often aggravated the various local processes.[6]

Perhaps the challenge emanates from, as Paul M Horvitz succinctly observes that, "We must accept that monetary theory and hence monetary policy, is still controversial. The controversy over theory appears even in general publications and daily newspapers. This is recognition of the fact that economic policy issues cannot be resolved, or even intelligently debated without some theory of how money affects the economy."[7] However, Bond stresses that from the onset of colonization, "…uneven development emerged as a systematic though continually evolving characteristic of the local economy. All of this is well known. What is less understood, however, is the systematic influence of financial flows, of the political power of finance, and subsequently of financial vulnerability upon capital accumulation."[8]

Money, for Horvitz, "…is not easy to define"[9] although it has been in use for centuries. For him, "It will be easy if we can pinpoint the essential characteristics of money."[10] It has been defined as, among other definitions, "the complex of those objects which… in a given economic system have as their normal purpose the facilitation of economic intercourse (for the transfer of values) between economic individual."[11] It is generally characterized by the functions it

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[6] Patrick Bond, ***Uneven Zimbabwe: A study finance, development and underdevelopment***, Africa World Press, Trenton, 1998, p. 15

[7] Paul M Horvitz, ***Monetary and the financial system***, Prentice Hall, New Jersey, 1979, p. 6

[8] Patrick Bond, ***Uneven Zimbabwe: A study finance, development and underdevelopment***, p. 15

[9] Paul M Horvitz, ***Monetary and the financial system***, p. 9

[10] ***Ibid***.

[11] ***Ibid***.

performs such as mediating exchange, storing value, storing wealth and as a unit of account. As already noted, money is a concept that should be understood beyond the functions it is perceived to perform. Horvitz simplifies the scope of what money is, noting that, "The heart of all definitions is simply that, 'money is what we use to pay for things'".[12] Yet it is more than that. Money goes beyond mere specie, that is, the notes, coins and other representatives such as cheques and credit cards used in transactions. In fact, it emanates from an international system meant to facilitate trade.

Money can defined according to the context in which it operates as well as the historical and even administrative period. In my earlier work focusing on the establishment and operation of a colonial monetary and banking system from 1890 to 1938, I observe that;

> Going by examining the monetary system from the position of the political and economic dispensation of the time and the interests of those who controlled and benefited from it, it can be viewed as follows; It was a tool for colonial intrusion and displacement of indigenous modes of exchange in order to subjugate the indigenous economic traditions to the interests of imperial capitalism for the benefit, at the colonial level, of the white administrative class and settler community in SR, and at the grander and most important scale, the interests of imperial capital and the British economic system. Such was the position of the SR monetary system by the time the SRCB was created.[13]

Thus, money is a representation of a society's mode of political, economic and social reproduction as well as an instrument for international economic interaction.

In essence then, money was among the tools used in the process in which, to borrow the words of Ibbo Mandaza, "…white settler colonialism was almost complete in its domination: political, economic, social and cultural."[14] In fact, it had "pre-empted the development of an African bourgeoisie of any significance, and determined that even the profit… would be weak."[15] Also, it had "disorganized and rendered incoherent the African wage-earning class, and caused the most serious impoverishment and proletarianization of the peasantry."[16] Mandaza generalized

[12] ***Ibid***.
[13] Tinashe Nyamunda, "The establishment and operation fo a colonial monetary and banking system in Southern Rhodesia, MA dissertation, Department of Economic History, University of Zimbabwe, 2007, p 108
[14] Ibbo Mandaza (ed), Zimbabwe: The political economy of transition, 1980-1986, Codesria, Dakar, 1986, p. 47
[15] ***Ibid***.
[16] ***Ibid***. p. 48

this characterization of the colonial economy to the whole colonial period. However, one can come up with a particular characterization in a particular setting and in this case, a crisis monetary system during the Unilateral Declaration of Independence (UDI) period in Rhodesia (colonial Zimbabwe). The monetary system implemented in that period was demonetized about 45 years later.

Prior to demonetization, Zimbabwe operated an autonomous floating currency (or flexible exchange rate) system in which she competed with other international currencies. The floating currency system had been adopted in 1965, following the expulsion of Rhodesia (colonial Zimbabwe) from the sterling area to which she was fixed from the onset of colonialism. The expulsion was part of the sanctions package imposed in retaliation of the colony's Unilateral Declaration of Independence (UDI) in 1965. As part of a broader study on the experiences the Zimbabwean economy under the floating currency system from 1965 to demonetization in early 2009, this paper focuses on the formative years. It locates itself within the first five years in which Rhodesia's 100 percent link (or backing) with the sterling was cut off, to the point when the country abandoned the sterling system of using pounds, shillings and pence in favour of decimalizing, that is, using dollars and cents in 1970.

Moving away from the sterling system marked a decisive shift from the previous monetary regime towards vastly different monetary arrangements. Under the sterling backing, the exchange rates, in fact the broader fiscal and monetary policies were heavily determined in London.[17] Decimalization in Rhodesia also coincided with the collapse of the Bretton Woods monetary system that had been in place from 1945 to 1970. The monetary experiences of the country were inextricably linked to global developments. Thus it is important to appreciate briefly how the IMS evolved, at least, until the 1970s.

The pound sterling system was imposed on Southern Rhodesia at colonization. Samuel Knafo has noted how the classical gold standard laid the foundations of a modern IMS "with its

[17] Admire Mseba, "The Establishment and Operations of the Southern Rhodesia Currency Board: A Study of Monetary Dependence in Southern Rhodesia, 1938-1956", BA Honours in Economic History dissertation, University of Zimbabwe, 2005,p. 9. See also Reem Heakal, "Currency exchange: floating versus fixed" on Http://www.investopeia.com/articles

distinctive forms of crisis and regulatory frameworks" as well as its introduction of fiduciary money.[18] For him,

> The gold standard thus consisted in an attempt to institutionalize the creation of fiduciary money by imposing the convertibility of banknotes and establishing a central bank. It was born out of a desire to make the creation of money a public matter and subject its management to a certain control by the state. The institutions of the gold standard first emerged in England where the parliament sought to regulate the issue of banknotes by a banking sector becoming increasingly volatile.[19]

The system became more widespread in Europe in the 1870s and then spread to the rest of the world through the process of imperialism. As such, all colonies adopted their imperial centers' currencies. This was meant to facilitate, "…unrestricted capital mobility as well as global stability in currencies and trade…."[20] This is the process by which, of course, Southern Rhodesia was cast into the sterling monetary area. Internally, Southern Rhodesia's monetary and banking experience came to be largely defined by commercial farming production and mineral wealth which became the basis of the country's credit worthiness through the expatriate banks that were headquartered in London.[21]

The Bank of England thus controlled the financial system in the British Empire, largely on the basis of primary production, and kept all the sterling balances of the colonies until they gained their political independence.[22] However, the dominance of the gold standard, which stabilized international exchange and currencies as fixed to the flow and value of gold, was compromised by the episode of the First World War. Whereas the strength of the classical gold standard system was based on Britain's reserves of the precious metal, the war forced them to liquidate

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[18] Samuel Knafo, "The gold standard and the origins of the modern International Monetary System", in ***Review of International Political Economy***, vol 13, no. 1, Taylor and Francis Limited, Britain, February 2006, p. 80. The premodern monetary systems emerged in the late medieval period based on bimetallic systems of silver and gold and governed through some form of mercantilist policy. See Knafo, p. 86. See also GLM Clauson, "The British Colonial Currency System" in ***The Economic Journal***, No 213, Vol 54, Royal Economic Society, London, 1944, p. 19

[19] ***Ibid***.

[20] Harry G Johnson, ***Further essays in monetary economics***, George Allen and Unwin ltd, England, 1972,p. 205

[21] See Tinashe Nyamunda, "The establishment of a colonial monetary and banking system in Southern Rhodesia, 1890-1938", MA dissertation, Department of Economic History, University of Zimbabwe, 2007,p.29. In fact, the decline of the Zimbabwean dollar accelerated more rapidly following the challenges associated with the land redistribution programme such as insecurity of tenure, undercapitalization, political instability etc. in post year 2000 and consequent decrease in agricultural production.

[22] See Ann Seidman, ***Money and Public Finance in Africa***, London, Zed Books, 1986.

the resource in order to finance and sustain the war effort. The ultimate beneficiary who then acquired vast reserves of gold and steadily strengthened was the emerging United States economy. Consequently, the major currencies of Europe were forced to temporarily suspend the classical system between 1914 and 1925 and eventually abandon it by 1932.[23] Tied to their imperial masters, the colonies were thus subjected to the direct impact of the metropolis experiences.

The decline of the classical gold standard system raised a need to sustainably restructure the IMS. Such a programme would be spearheaded by the US whose economy had exploited the inter-war opportunities to acquire gold and, although she did not have the guaranteed advantage of colonial markets, benefited from a huge domestic market. This culminated in a conference held at Bretton Woods in 1944, ultimately leading to the creation of the World Bank (WB) and International Monetary Fund (IMF) which would govern the financial fortunes of the world until the 1970s.[24] The classical gold standard which had very decisive classical economic influences was thus replaced by the Bretton Woods modified gold standard system which was strongly influenced by Harry Dexter White (of the US treasury) and John Maynard Keynes' ideas.[25] The conference delegates made, "an effort to generate global economic stability and increase global trade, (and they also) established basic rules and regulations governing international exchange."[26] As such, "…an international monetary system, embodied in the IMF, was established to promote foreign trade and maintain the monetary stability… of the global economy."[27]

Under the modified gold standard, most countries settled their international debt in US dollars. In turn, the US government would redeem central bank holdings of currency for gold at a fixed

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[23] Tinashe Nyamunda, "The establishment of a colonial monetary and banking system in Southern Rhodesia, 1890-1938". Following the end of WW1, the gold standard system never really recovered succumbing to inflationary pressure in 1925 and finally declining in the wake of the global depression in the 1930s.
[24] Robert Z Aliber, ***The future of the dollar as an international currency***, Paul Mall Press, London, 1966, p. 8
[25] Benjamin J Cohen, "Bretton Woods System," www.polsci.ucsb.edu
[26] ***Ibid***, p. 9
[27] Paul M Horvitz, ***Monetary and the financial system***, p. 17

price.[28] According to Robert Z Aliber, the Bretton Woods conference "…provided for much more comprehensive and formal agreements."[29] Any country wishing to readjust the value of its currency had to approach the IMF to adjust the pegged value. For Aliber, "The dollar became an international currency… because it met various needs of foreign official institutions and foreign private parties more effectively than any other financial assets."[30] Consequently, from 1944, "the formulation of …systematic payments imbalance and financing of imbalance primarily involve(d) the US, some countries in W. Europe, Canada and Japan."[31]

Colonies remained subject to the developments within the colonial currency areas and the modified gold standard system was maintained until the US dollar could no longer maintain or hold the value of the pegged rate at US$35 per ounce of gold.[32] As such, this system persisted well into the 1960s when questions arose as to the sustainability of the systems in the face of emerging economic shocks. Walter Tessier Newlyn and D. C Rowan studied how, among other things, monetary arrangements were altered to cope within the global financial dynamics in eight British African territories.[33] The compromised gold peg also coincided with the attainment of independence by former colonies which also adopted their own currencies moving out of former imperial monetary areas. With the inception of newer and 'independent' currencies, it became imperative to revisit the regulatory mechanisms of the IMS. These and other factors led to the abandonment of the Bretton Woods modified US gold standard system making way for the emergence of floating currency systems.

The Rhodesian monetary system was heavily influenced by these international developments in its formative years. Rhodesian independence had been unilaterally declared in November 1965 by Ian Smith's Rhodesian Front led government on the basis of white minority rule, defying the

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[28] Michael D Bordo, "Gold Standard", in ***The concise encyclopedia of Economics***, Liberty fund, 2008 or see www.econlib.org/library/enc/goldstandard.html
[29] Robert Z Aliber, ***The future of the dollar as an international currency***, p.11
[30] ***Ibid***.
[31] ***Ibid***.
[32] Jean Francois Ponsot, "The Obsession of credibility: A historical perspective on full dollarization and currency boards", ***International Journal of Political Economy***, vol 33, no 1, 2003. See also http://en.wikipedia.org/wiki/floating_currency
[33] W. T Newlyn and D.C Rowan, ***Money and Banking in British Colonial Africa: A Study of Monetary and Banking Systems of Eight British African Territories***, Oxford, Clarendon Press, 1954.

interests of the British colonial masters and African nationalist leaders.[34] This prompted the imposition of sanctions. Among other things, Rhodesia was expelled from the sterling area in the hope that it would force the colony to comply with British and rising African nationalist interests.[35] Instead, it created a platform for the establishment of an autonomous monetary system which the Rhodesian Front had started preparing for during the dissolution phase of the Central Africa Federation conferences that would yield independence for the two Northern neighbours of Malawi and Zambia. Consequently, Southern Rhodesia emerged from the sterling system to which it had been historically tied and was forced to adopt a floating currency.

Rhodesia thus adopted autonomous floating currency arrangements even earlier than some newly independent African states which would gradually remove colonial links after a transitional period. The imperial powers had designed a package for African political independence which would not compromise Britain's economic links with her former colonies. This would be insured by, among other means, the commonwealth.[36] Through UDI, Rhodesia had avoided this dynamic and instead adopted an autonomous financial system before the final abandonment of the US gold standard system in 1970. It is thus imperative to appreciate how, under the weight of sanctions, the Rhodesian economy managed to reorganize monetary arrangements in an autonomous context after the colony had been fully backed by the sterling from monetization in the early 1890s.

Reorganizing Rhodesia's financial machinery towards the establishment of a Floating Monetary System

The study was handicapped by the fact that most UDI documents on finance were destroyed or transferred to other archives in England with the fall of the Rhodesia. There remains, however, some material on trade and exchange control from which one can decipher currency arrangements. Tight controls on the monetary system had very important implications on

[34] See P. Godwin and I. Hancock, ***Rhodesians never die: The impact of war and political change on white Rhodesia, c.1970-1980***, Baobab books, Harare, 1995. See also Admire Mseba, "Money and finance in a closed economy: Rhodesia's monetary experience, 1965-1980", MA dissertation, Department of Economic History, University of Zimbabwe, 2007

[35] ***Ibid***

[36] J. D Hargreaves, ***Decolonization in Africa,*** Longman, London, 1988, p.45-46

general economic management and performance. Following 1965, productivity on commercial farms and the volume of domestic and foreign trade intensified as the most important determinants of the value of currency. In essence, if the balance of payment was positive, currency would have a tendency to become stronger and the opposite was true.

Utilizing daily monitored flexible exchange rates determined by market forces became the basis of a floating monetary system.[37] If the country traded weaker on a particular day, it would reflect on the financial indicators. These were reported daily under financial highlights through available media such as newspapers and finance people had to take a keen interest in order to follow the fortunes of their investments. As noted earlier, the fixed currency network that had hitherto been fixed to and controlled by the Bank of England was less prone to balance of payment pressures. Given the nature and size of the Rhodesian economy in relation to the international exchange system, the departure from sterling had very important implications. This section discusses how structures of a new monetary regime were reorganized to support the demands of the new floating system under the UDI economy.

The decolonization process which started in the 1940s reached its penultimate stages through the dissolution of Federation of Rhodesia and Nyasaland in central Africa. In Southern Rhodesia, the settler administration under Garfield Todd was viewed by some white extremists as too liberal on the subject of granting independence to Africans. As such, these extremists were wary about conceding to an African administration because they feared, as Godwin and Hancock have noted, the “evils” of socialism and also wanted to protect white minority interests and the “Rhodesian way of life”.[38] Using the racially biased electoral process, the RF government under the leadership of Winston Field ascended to power on the platform of defending and sustaining those interests. These developments had an important bearing on the direction that the financial system would take.

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[37] Issues on Banking accounts, weekly information, monthly focus of revenue expenditure etc are discussed in some circulars and correspondence in NAZ S3605/2/1-5, Prime Minister's Office, for example, Treasury Circular Minute no. M, 22 addressed to all accounting offices, from V. V Mannix, for Secretary to the Treasury, 23 June 1967.

[38] Peter Godwin and Ian Hancock, ***Rhodesians never die: The impact of war and political change on white Rhodesia, c.1970-1980***, p

Emerging from the metropolitan monetary system, being independent of the sterling meant abandoning the structures of the sterling currency block. These include the relative hedging against inflation and the cover needed to protect any economic developments taking place in the absence of competition in the sterling market. Financial independence would occur in either of two ways; through a transitional process under majority rule as the colonial office appeared to support, or through white minority rule as the RF government desired.[39] Either way, the whole system would undergo a certain level of restructuring. Among other things, access to finance could be reorganized in such a way that would facilitate the state to influence and even determine, to some extent, those who would have access to the tools that create wealth.

In the first option, a transitional period would be required in which the administrative machinery would be transferred and the new majority elected government would become conversant with the systems. It also meant that under majority rule, the exclusionary element of the financial system under resident white administration would be compromised. R. A Butler, the British secretary of state captured this noting that, "…before independence is granted in practice to any country there are inevitably a number of matters of mutual interest which have to be considered and discussed if the transfer of sovereignty… is to be effected in an orderly and proper manner."[40] It was, in part, these fears that influenced RF supporters' actions. The second option, which was the least popular in Whitehall and among African nationalist leaders, would be strongly defended by its proponents. The RF and its supporters successfully defended it for fifteen year after UDI. No doubt, problems would be encountered anyhow, but the RF government enforced the second option and thus designed a system meant to benefit their constituency.

The alternative would be defending sectorial interests while controlling administrative machinery under a new set up. Although dependency on the sterling had its downside, among which include the ability given to the colonial office to determine what was produced in the colony, for whom and at what price, it nevertheless provided the stated guarantees. After all, it

[39] ***Ibid***.
[40] NAZ SRG 4, Letter from R A Butler to Winston Field, 2 May 1963

was this system that had injected the country into the global financial system and sculptured the colonial economy to the position it was in 1963. Nonetheless, different movements in the country wanted it changed. The new currency would have to be supported by a competent economic system that would sustain and even improve its value.

Another problem was that during the Federal period, a number of functions were shared. These include the railways, Kariba hydroelectric power station, the Central African Airways, taxation and currency among other things.[41] Dissolution and thus the transition towards independence for some of the partners meant transferring functions to the different territories. However, the northern partners, as discussed at one of the dissolution conferences, were hoping for prolonged inter-territorial collaboration beyond federation through, for instance, "the possible need for interim joint arrangements in such matters as currency."[42] They had recognized that moving from the sterling presented a number of challenges for ex-colonial currencies as they would be, for the first time, exposed to the competitive international exchange system. All delegates recognized that, "satisfactory arrangements for the transfer of money and taxation functions were essential prerequisites to the transfer of essential services."

The main requirements for the post federation as well as the post sterling financial arrangements were that they were to be as simple as possible. Also they "must provide a firm basis for the general financial settlement."[43] Although the RF government wanted transference of these functions, the inter-territorial collaboration would be compromised by its position as a minority governed state. As such, it began to put measures in place to sustain its position and protect its economy. They knew that it would be isolated, derogated and even sanctioned for taking that position. So even before the close of the discussions on dissolution, the Rhodesian government had begun putting measure in place in preparation for any eventualities.

The restructuring process involved creating a relatively protected economy. This was essential given the centrality of Rhodesia domestic and international economic performance as measured by foreign currency reserves. Although the institutions and legislative tools where

[41] NAZ SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963, p. 9
[42] ***Ibid***, p. 12
[43] ***Ibid***.

already there, they needed to be altered to meet the new circumstances. Firstly, exchange control had to be intensified as it was the most sensitive area that could compromise domestic currency value. Admire Mseba writes that exchange control measures had already been in place for some time before the UDI, although their application would differ in intensity and extent in the post 1965 period.[44]

During federation, movement of goods was relatively less controlled within the region and parts of the empire. According to the Control of Goods Act of 1954, on import control specifically quotas and licensing, "…goods originating in the sterling territories do not require import licenses."[45] In 1963, as the original arrangement fell away, an order in council was published, stating that the public and relevant departments, "…on the day following the day in which Federation is dissolved… The control of goods (Import and Export) order 1960… is amended by the omission of "the Federation" wherever it occurs and by the substitution of "Southern Rhodesia" in place thereof…" this was then followed up by correspondence surrounding the "rules and requirements for importation of merchandise"[46] into the country, the most important being the tightening of the tariff system. The Control of Goods (import) amendment provided for an Open General License (OGL) which became effective soon after dissolution of Federation.[47] This was provided at the discretion of the Ministry of Trade, Industry and Development to whoever wished to import anything into the country.

The politics of the dissolution of the Central African Federation in 1963 reveals the dynamics surrounding the decline of the British colonial empire to which the country's financial system was historically tied. Dissolution, the penultimate part of the decolonization process of especially Northern Rhodesia and Nyasaland, resulted in independence in 1963 and 1964 respectively. Yet independence constitutes a complex concept as the colonial links and "legacies" remain entrenched. As Frederick Cooper aptly comments, "Africa's present did not

[44] Admire Mseba, "Money and finance in a closed economy: Rhodesia's monetary experience, 1965-1980, p. 4
[45] Quoted in NAZ S 3279 "Imports of Sterling Origin in Southern" in ***Memorandum for information of importers***, 1954.
[46] NAZ S3605/1/1/1, cited as The control of goods (import and export)(commerce) Amendment Order 1963 (no. 5) in Southern Rhodesia Government Notice of 1963.
[47] ***Ibid***.

emerge from an abrupt proclamation of independence, but from a long, convoluted, and still ongoing process."[48]

In 1963, the Prime Minister of Southern Rhodesia, Winston Field, to R A Butler, the British secretary of state that,

> Europeans resident in Rhodesia over the years have accumulated the balance of the capital resources of the country. Investment in Agriculture is substantial, and has been accumulated as the result of ploughing-back of profits into development over a long period of years. Many of our mines, industries, shops and commercial establishments have been built up and developed by the same method. The relatively high development of the economy has been largely due to European immigrants who have made their homes here. Over a long period of years, the savings of Rhodesians over two or three generations who plough the greater part of their profits back into their businesses rather than invest them abroad, have played a large part in capital development.[49]

Field was making a case for granting independence to the colony on the basis of minority rule. Emphasized in the letter were the contributions of the resident white community. They were represented as having "accumulated… capital" and "invested" in all sectors of the economy.

According to J. Mtisi, M. Nyakudya and T. Barnes, "…while Britain claimed she was committed to the attainment of majority rule, white Rhodesians were determined to safeguard their economic and political privileges and move towards consolidating Southern Rhodesia as a 'white man's country'" to which the majority of Africans contested.[50] Consequently, "These conflicting visions of the future led to a complex, and often violent, power struggle as various forces sought to define and redefine the political, social and economic boundaries of the desired nation."[51] In the end, the UDI government was responsible for designing the colony and defining its general economic parameters. Giovanni Arrighi notes that the early economic developments that Field noted in his letter to Field were underscored by "primitive capital

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[48] ***Ibid.***

[49] NAZ SRG 4, Letter from Winston field to R A Butler, 20 April 1963, in Miscellaneous Reports, Southern Rhodesia, 1963-1966.

[50] Joseph Mtisi, Munyaradzi Nyakudya and Teresa Barnes, "War in Rhodesia, 1965-1980", in Brian Raftopolous and Alois Mlambo, ***Becoming Zimbabwe: A history from the pre-colonial period to 2008***, Weaver Press, Avondale, p. 141

[51] Peter Godwin and Ian Hancock, ***Rhodesians never die: The impact of war and political change on white Rhodesia, c.1970-1980***, p. 9

accumulation"[52], undercutting African productive capacity and banking on ultra cheap African labour and a discriminatory colonial state. In as much as the above was expressed in general economic terms, it has a very strong bearing on the concept of money. Gideon Gono comments that,

> … the country persisted under the yoke colonialism…. In this context… the distribution of income and the tools of wealth creation were heavily skewed in favour of a white racial minority with British origins. This backdrop does set unique initial conditions that have structural vulnerabilities and receptivity of the Zimbabwean economy to given sets of macro-economic policy challenges.[53]

It was these tools that were effective in the proletarianization process itself, which was exploitative and which in effect cast the whole economy into the global financial system.

Field's letter was written amidst the demand for immediate independence. In fact, he argued that,

> …Southern Rhodesia has successfully managed its own internal affairs for forty years and that it cannot be granted less than Nyasaland which will not have more than one year before attaining its complete independence. The second point is that so long as the last remaining links remain and the impression persists that the United Kingdom has the right to interfere in our internal affairs there is danger of a series of serious incidents of disorder being encouraged from outside in order to compel such intervention by the British government.[54]

In this instance, the letter demonstrates divergent perceptions towards what independence meant and how it could be granted.

While Field emphasized how responsible government had "managed its own internal affairs for forty years" and now demanded "complete independence" as would be granted Nyasaland, Butler noted that, "Her Majesty's Government accepts in principle that Southern Rhodesia, like

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[52]see Giovanni Arrighi, "Labour Supplies in Historical Perspective: A Study of the Proletarianisation of the African Peasantry in Rhodesia", in G. Arrighi and J.S Saul (eds), ***Essays on the Political Economy of Africa***, London, Monthly Review press, 1973

[53] Gideon Gono, ***Zimbabwe's casino economy: Extraordinary measures for extraordinary challenges***, ZPH publishers, Harare, 2008, p. 17

[54] NAZ SRG 4, Letter from Winston field to R A Butler, 20 April 1963

other territories, will proceed through the normal process to independence."[55] He further reiterated that,

> Her Majesty's Government have (sic) also made clear their view that before any changes are made there should be discussions not only about the broad lines of a future relationship between the territories but also the transitional arrangements that will be required. In the view of Her Majesty's Government it is only when these discussions have taken place that the future course of events can be clarified and that Southern Rhodesia, having regard to her membership of the federation, may expect to be in the constitutional position to move to independence. In any case Her Majesty's Government, in accordance with normal precedent, would expect to convene a conference to discuss financial, defense, constitutional and other matters, which have to be settled before self governing dependencies are granted independence.[56]

The debate was based on one principle, whether minority or majority rule would be the basis of granting independence, which would determine the country's financial future among other things.

It must be noted that Britain was not advocating for majority rule on the basis of philanthropy or comradeship with Africans. They were pursuing their own interests which, however, conflicted with those of the settler colonial government especially the Rhodesian Front. Cooper and Stoler note how the tensions of empire were now weighing down on the British fiscus.[57] According to Cooper,

> In 1957, Prime Minister Harold Macmillan asked his officials to give him "something like a profit and loss account of our colonial possessions." The colonial office had not dared to ask such questions before. The answers that came back revealed a cold calculation that the benefits and costs of continuation of colonial rule had to be set against the economic and political advantages of good relations with ex-colonial states. If defending colonial rule would be expensive, the key to policy would be managing the transition: "during the period when we can still exercise control in any territory, it is most important to take every step open to us to ensure, as far as we can, that British standards and methods of business and administration permeate the whole life of the territory." Officials' best hope was that ex-colonial states would become western-style nations.[58]

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[55] NAZ SRG 4, Letter from R A Butler to Winston Field, 2 May 1963
[56] Ibid
[57] F. Cooper and A Stoler (eds), ***Tensions of Empire: Colonial cultures in a bourgeois world***, University of California Press, Berkeley, 1997
[58] Frederick Cooper, ***Decolonization and African society: The labour question in French and British Africa***, p.

Even the imperial colonial project was guided and lubricated by money. Such considerations are what make capitalism work. Decolonization on the basis of majority rule was simply removing what had become a burden to the colonial office. Moreover, this burden was compounded by, according to J D Hargreaves, the intensification of the cold war and African resistance to colonialism.[59]

Cooper further reiterates that,

> The historical sequence… brought into being states that had all the trappings recognized around the world as "sovereignty." But the particular characteristics of those states were consequences of the sequence, not merely the sovereignty. Colonial states had been gatekeeper states. They had weak instruments for entering into the social and cultural realm over which they presided, but they stood astride the intersection of the colonial territory and the outside world.[60]

Also, "The development effort of the late colonial regimes never did provide the basis for a strong national economy; economies remained externally oriented and the state's economic power remained concentrated at the gate between the inside and the outside."[61] For Rhodesia, the development path was somewhat different. Being a rebellious state, she could not retain the links and thus had to craft her own model, which at first differed from the "trappings recognized around the world as sovereignty."[62]

The British position as represented by Butler in his response to Field can also be analyzed from Hargreaves' impression of the economic causes of federal dissolution and decolonization. He noticed that,

> Despite the presence of unreconstructed imperialists in the conservative party (and some old fashioned attitudes in Downing Street) there was widespread consensus about the need to change empire into commonwealth, and about the essential contribution of the commonwealth to Britain's claim to remain a Great Power. If there had been hesitation in the CRO of 1947 about the admission of India and Pakistan to the magic circle, Ministers emphasized that the goal of African advancement was self-government *within the commonwealth*, those unresolved doubts about the commonwealth structures might be changed by enlargement notwithstanding. Even though African

[59] J. D Hargreaves, ***Decolonisation in Africa,*** p.50
[60] Frederick Cooper, ***Decolonization and African society: The labour question in French and British Africa***, p 43
[61] ***Ibid***.
[62] J. D Hargreaves, ***Decolonisation in Africa,*** P.51

> members might… hesitate to accept any formal alignment in the cold war, commonwealth links might help to ensure their general benevolence.[63]

So, the concept of African majority rule did not emanate from Britain's own benevolence. Instead, it was inspired by the desire to sustain and perpetuate "relations" which were more beneficial to the ex, or even, neo-colonizer. Although R. Butler, the British Secretary of State admitted that, "It is clear that the two issues of independence and dissolution are very clearly interconnected. In these circumstances I am prepared to accept your suggestion that discussion on Southern Rhodesia's independence should begin without delay…", he was only prepared to consider marjority rule.

Such British interests conflicted with general Rhodesian feeling and threatened what Peter Godwin and Ian Hancock characterized as the "Rhodesian way of life."[64] This found expression in Field's resistance to the idea of majority rule and his commitment to maintaining what was being constructed as the Rhodesian identity and the Rhodesian nation. In a response to Butler, he stressed,

> I find some contradiction between the United Kingdom government's acceptance of the principle of secession for the three territories within the existing federation, and its insistence that discussions on the broad lines of a future relationship should be held before any such secession is implemented. In view of what has happened to the present federation, it is quite unrealistic to think in present day circumstances any form of association here will be lasting unless it is entered into by territories each of which has complete control of its own affairs.[65]

He further argued,

> You go on to say that the UK government, in accordance with normal procedure and before granting independence to Southern Rhodesia, would expect to convene a conference to discuss the financial, defense, constitutional and "other matters" which have to be settled before self governing dependencies are granted independence. Apart from the fact that I have already shown that Southern Rhodesia is not a dependency, and never has been, I think this procedure is quite inappropriate for a self governing country like that of Southern Rhodesia's status….your suggestion amounts to a proposal to hold a constitutional conference, a proceeding which we could no longer accept. Southern Rhodesia has over the years been responsible for its own financial affairs, and

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[63] ***Ibid***.

[64] Peter Godwin and Ian Hancock, ***Rhodesians never die: The impact of war and political change on white Rhodesia, c.1970-1980***, p

[65] NAZ SRG 4, Letter from Winston field to R A Butler, 16 May 1963

> has never received any financial help or contribution from the UK government other than loan moneys.[66]

Tied into this argument are the de-linking elements of dependency theory although the context worsens the position of the colonial African. In essence, Field was resisting the procedure suggested by the United Kingdom government, using such arguments to defend minority Southern Rhodesian white interests. With the RF government at the helm of state apparatus and machinery, administering the institutions that facilitated production, it would distribute the economic rewards in the nation to favour its constituency.

There are some inconsistencies in Field's argument. Firstly, the colonial government could never make important decisions without royal assent. Secondly and more specifically in the area of currency, the colonial financial system had always been 100 percent tied to the sterling. It is thus imperative to dissect what informed these debates between Butler and Field in light of the financial dependence which was long established in the colony of Southern Rhodesia. For Godwin and Hancock, "According to the official rhetoric of the 1960s and 1970s, Rhodesia existed in order to defend Western civilization from the evils of communism and to preserve civilized standards from the anarchy and corruption of black Africa. The election of the Rhodesian Front in 1962 and the Unilateral Declaration of Independence (UDI) in 1965 symbolized these objectives."[67] Moreover, most 'Rhodesians' wanted, as Mandaza put it, "…the retention of white settler economic power as a safeguard for the continued efficient exploitation of material and human resources…."[68]

The debates between Southern Rhodesia and the United Kingdom continued for the better part of 1963 with the colony resisting the designs of the colonial office. Eventually, Butler managed to impress upon Field, after a lot of correspondence and visits between their two delegations, the need for the conference to be held. It would be used as a platform to iron out their differences. Moreover, the conference was meant to make arrangements for a "speedy transfer of federal responsibilities to the territories. There were many difficult and complex problems to

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[66] ***Ibid***.

[67] Peter Godwin and Ian Hancock, ***Rhodesians never die: The impact of war and political change on white Rhodesia, c.1970-1980***, p

[68] Ibbo Mandaza (ed), ***Zimbabwe: The political economy of transition, 1980-1986***, Codesria, Dakar, 1986, p.

be solved which could not be dealt with fully at the conference. It would be the task of the conference to set up the necessary machinery for a detailed study of these problems and to get a timetable for the process of dissolution."[69] Collaboration between the colonial office and the inter-territorial committee of the federation was necessary to "work on the basis of seeing… the reallocation of functions… assets… and apportioning liability, including public debt among the three successor governments…"[70]

In consequence,

> The essential core of this association lay in the shared economic arrangements, such as the common market in goods and labour, and the joint banking, credit, exchange and currency facilities. There were here issues of great complexity and vital importance to each territory, which called for the most thorough and searching examination by each government. This was essentially a matter for their territories, and their decisions would have far reaching effects on their future finances and economy.[71]

Although the language of the conference that was eventually held and the post conference machinery that was put in place to work on the "broad conclusions… on how inter-territorial issues were to be tackled" in the "interest of the territories and the future prosperity of the region"[72], the beneficiaries were not limited to central Africa.

The 'benevolent' successor governments, it was hoped by the United Kingdom, would join the commonwealth and benefit from an enlarged economic unit. The United Kingdom could also benefit in terms from such arrangements when they traded, especially if they retained a common currency system. They had realized that, "colonialism on the cheap was no longer possible… and social costs were escalating….They faced the difficulties of ruling Africa as it was." Interestingly, "For British officials, self- government presented a way out: each colony would be led step by step along a path that increased the power of the legislature and eventually resulted in the appointment of members to cabinet positions, including eventually a prime minister." These British designs would aid in their post colonial relations.

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[69] Quoted in NAZ SRG 4, Report of the Central African Conference held at Victoria Fall, July 1963, p. 1
[70] ***Ibid***.
[71] ***Ibid***, p. 9
[72] ***Ibid***, p. 14

Dissolution, coinciding with decolonization, was clearly an essential process, but one which espoused different interests. These ranged from Britain's desire to establish strategic perpetual influence in the region, Africans' goal to attain independence, and the efforts of especially the general white community to maintain their privileged position in Rhodesia. The condition laid by Britain, and supported by African nationalist leaders of, "NIBMAR: No Independence Before Majority Rule, was critical in leading to UDI in November 1965." This position was therefore not feasible for Field, and his successor Ian Douglas Smith in 1965, who claimed that, "…Southern Rhodesia is not a dependency, and never has been…" He found no problem in de-linking from economic arrangements that had been entrenched and perpetuated from the onset of the colonial project. Nonetheless, the complex nature of transferring machinery of government, at one level from the federation, and at another from the colonial set up forced them to submit to the process of dissolution which set the pace for independence. It was at the conferences held in this regard that systems of administration, including the monetary, were divided and redesigned in a way that would determine the future dynamics of the former territories.

Such measures as restructuring the control of goods and creating and managing an OGL, mentioned earlier, were taken to encourage domestic production while protecting the economy from outside competition. Previously, this was done but only to a degree that attempted to ensure continued relations with the country's trading partners and also because the threat of exposing the currency to intense international completion and thereby compromising its value was largely remote because of the sterling cover. In recognizing responsible control authorities, the Secretary for Law and Order observed in 1965 that,

> It is necessary for various reasons for the import and export of certain goods to be controlled and provided that the legal means exist to exercise control it is of little or no interest to police which ministry may be technically responsible for supervising the control. It would appear to be logical that where any control is for commercial or trade reasons the Ministry of Trade, Industry and Development should be responsible thereof and where any control is for some other reason the ministry primarily concerned with the commodity in question should be responsible thereof.[73]

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[73] NAZ 3605/1/1/1, Letter from the Secretary for Law and Order to Secretary to the Ministry of Ministry of Trade, Industry and Development, 11 March 1965.

In the post federal period, that need was overtaken by the drive towards self sustenance through agricultural production and import substitution industrialization (ISI).

In terms of exchange control to facilitate ISI and protection of domestic investments, the OGL, mentioned earlier, had important implications. Firstly, no-one was allowed access to foreign currency from the banks without possessing an OGL. Secondly, the government determined who qualified for it for reasons of controlling what was imported.[74] The government wanted to remove the possibility of people importing luxuries in a situation where foreign currency reserves had increasingly become the lifeline of the local currency's performance. Only those who wanted to import productive capital good like spare parts for agriculture and industries, especially those that improved the export earning capacity of the country would get the licenses. This was a protective measure restructuring meant to reorganize the Rhodesian economy to become more competitive on the international market while self sustaining on the domestic front.

The discretion applied by the Ministry of Trade, Industry and Development excluded Africans from the mainstream economy. I failed to locate in my research an African who was granted an OGL in the period my paper focuses on from 1963 to 1970. In fact, most applications I came across where those made by white business people. The impression I got is that the system was largely exclusive to whites in this period. As such, those who benefited where already largely pre-determined by the state. Effectively, certain import businesses' operations would be compromised if they failed to access the OGL for their operations as they could not easily acquire foreign currency they needed. For Africans, this appears to have been a given. Access to foreign currency thus became exclusive and those whose interests ran parallel to those of the state suffered.

Whereas the 1954 Control of Goods Act explicitly stated that, "subject to sections 2 and 4, goods originating in the sterling territories do not require import licenses."[75] In preparation for

[74] There is a lot of correspondence to this effect in NAZ S3605/1/4, ***Imports Administration: Other countries- non sterling area***.
[75] Quoted in NAZ S 3279 "Imports of Sterling Origin in Southern" in ***Memorandum for information of importers***, 1954.

UDI and the dissolution of federation, this stipulation was reversed and controls extended into these areas. However, the 1963 Exchange Control Act was too variegated and posed the problems illustrated in the letter from the Secretary of Laws below;

> The difficulty is that, if one is not careful there is a multiplicity of authorities issuing import and export permits and this serves to confuse importers and exporters, the public generally and to some extent the police. Moreover the ministry primarily concerned with a commodity is not always the one to have direct interest in control. For example, rain making rockets mentioned by the acting secretary of Trade, Industry and Development, presumably the ministry responsible for these would be Mines and Lands if they are explosives or Internal Affairs if they are ammunition, but one of the main objections of them is that they are dangerous to aircraft. Surely it would not be suggested that the import of such things should be controlled by the Ministry of Transport and Power (Civil Aviation) or by the Ministry of Defense (RRAF). It is inevitable that there is considerable overlapping of interests and in many instances Ministries will have to work on the views of every Ministry.[76]

As such, responsibility for "import and export controls (was) neither centralized nor logically de-centralized."[77] The direction the economy was taking required "centralizing responsibility for these controls and prohibitions."[78] Unlike before, the need to restructure the country's economy and protect it from various external forces manifested with these developments.

In the end, the controls came to be established through three main ministries. Firstly, goods were to be controlled by the Ministry of Trade, Industry and Development which later became the ministry of Commerce and Industry. They were directly responsible for determining the customs tariffs and which goods made the import list under the new amendment to the Exchange Control Act of 1966.[79] To get an OGL, individual companies would apply to the ministry stating the intended use of the license. It was left to the discretion of the ministry whether to grant it or not. The ministry had to work with other ministries to determine which goods were controlled and which ones were needed. If an importer felt their imports were essential, they could also use their respective ministries to make their case with the ministry of

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[76] NAZ 3605/1/1/1, Letter from the Secretary for Law and Order to Secretary to the Ministry of Ministry of Trade, Industry and Development, 18 May 1965

[77] ***Ibid***.

[78] ***Ibid***.

[79] NAZ S3605/1/1/1, cited as The control of goods (import and export) Amendment Order 1966.

commerce and industry.[80] The customs and excise department thus operated under the direction of the Ministry of Commerce and Industry.

On the monetary front, the Ministry of Finance and central bank was very important in enforcing the exchange control measures in the interests of the economy.[81] In fact, when the Rhodesian front government came to power, the deputy Prime Minister, who happened to be Ian Douglas Smith, also functioned as the Minister of Finance. When he became the Prime Minister, his deputy, J. J Wrathal also became the Minister of Finance reflecting how central this ministry had become than ever before. The Ministry of finance began a process of restructuring the financial arrangements, especially through circulars, in all government departments to suit the new floating system. These new arrangements were also moving away from the federal financial arrangements that had been in force for over a decade. The country was moving to a new monetary regime based on a floating Rhodesian pound and all essential departments were to facilitate a transition to the adoption of this system.[82] The paying of bills to the public for essential services, for instance, needed to be facilitated smoothly.

To do so, the secretary to the treasury issued quarterly circulars that determined the currency the reserve bank had approved as legal tender. The main currency was the Rhodesian pound, but in the first few years, a few multi currencies were accepted in payment for essential services. The currency was then collected by the central bank which was the repository for the country's foreign currency reserves.[83] The exchange rate was to be monitored on a daily basis. This signaled a change from a fixed rate regime that would remain unchanged even for years as opposed to one that could move within just day.

The daily monitored shifts in the exchange rate, however slight, were captured in the quarterly circulars. Payment in multi currency for government accounts continued to be made in the following currencies; Rhodesian pounds, South African rand, British sterling, Malawian pound,

[80] Many applications can be found in NAZ S3605/1-22, Import and Export control/ Currency miscellaneous.
[81] See NAZ S3279, Money, Accounts General, Noted in letters/circulars from V J Handley to all heads of department or other officials, for example as noted in Treasury circular no. 53 of 1966.
[82] NAZ S3279 Treasury circular no. 50 entitled Acceptance of Payment on Government account, from V. J Handley to all Heads of department, 9 August 1966
[83] ***Ibid***.

Austrian shillings, Belgian francs, Canadian dollars, Danish kroner, West German deutsh mark, French francs, Italian lire, Japanese yen, Netherlands guilders, Norwegian kroner, Portuguese escudos (metropolitan only), Spanish pesetas, Swiss francs and the United States dollar.[84] These currencies were now accepted although some were from the non-sterling area. This was prompted by the sudden need to obtain a large reserve off all international currencies for purposes of international trade in the more market driven system. This was in contrast to the previous regime under sterling were the Southern Rhodesia colony was concerned more with sterling balances than non sterling currencies because most of her trade was structured to occur within the sterling area.

If payment was in cheques, bank drafts and negotiable instruments they had to meet the following conditions. Cheques had to be drawn on a bank in Rhodesia. Bank drafts denominated in the mentioned currencies had the condition that the drafts did not carry any endorsements restricting payment to an account outside Rhodesia.[85] This was direct a busting reaction to sanctions. Travelers' cheques were only accepted provided they were not restrictively endorsed to exclude payment in Rhodesia.[86] Especially after 1967, it was explicitly stated that circulars would be sent quarterly informing of an alterations to the exchange rate unless any major shift or change had occurred before the time the circulars were due.[87] For the public, it became necessary when accepting payments in bank notes or travelers' cheques to obtain details of exchange rates and commission charges from a bank.

The exchange control measures were thus becoming more centralized and the economy more controlled. The basic idea was to acquire as much foreign currency as possible in order to maintain a strong national currency. In line with the idea of a Rhodesian identity, the currency had to meet those criteria. It had to reflect the strength of an independent and competitive currency. The Rhodesian state sought to prove that they could manage their local economy without retaining economic links with the British. To do so meant maintaining an economically

[84] ***Ibid***.
[85] See NAZ S3605/1/6, Treasury circular minute no. M 33 and M32 of 1968, from A H Hasler, for Secretary to the Treasury to all Haeds of Departments and Accounting Heads, 11 September, 1968.
[86] ***Ibid***.
[87] ***Ibid***.

sustainable reserve of foreign currency. The exchange control regulations facilitated the payment in foreign currency but restricted the paying out of the same to the public. While the public could settle accounts in foreign currency, it quickly found its way to the central bank but it was difficult to acquire it once it was in state coffers.[88] The central bank governor from 1963 to 1973, Bruce Noel, had a very decisive policy in this regard.[89]

Although maintaining a foreign currency reserve had the effect of sustaining the country's currency value, it had other implications on commerce. These implications were both positive and negative. The biggest challenge was sustaining such controls, especially under sanctions for a prolonged period. In the end, I argue, such restrictive exchange controls had the effect of creating an illusion of prosperity to some extent in the period 1965-1970. No doubt, some positive developments took place for the economy, but the question was over sustainability. The major problem emanated from the fact that the economy needed to sustain a huge reserve of currency. Sustaining such reserves was directly related to the value of the currency. Unfortunately, the demands on the forex far outweighed supply and this caused a lot of discontent in the public.

Those who had access to the relatively little forex resources were very limited also determined by the Ministry of Finance. Foreign currency was used, not just for domestic purposes , but it could be used for purchasing capital goods and spare parts. However, the ratio of productive demand began to outweigh supply. In essence, those with access to it, which could be equated to capital for some business who managed to get access through the OGL and ministerial approval. In the end, the people who accessed it would better placed in terms of their investments and tended to make more profit than those who lacked such advantages.

By 1969, the currency system in the country had transformed in a big way on the basis of tight control measures. However, it still used the sterling standard. This system of currency continued to decline, succumbing to continued inflationary pressures. Nonetheless, the global financial system, the Bretton Woods system, in place was also facing numerous challenges. The

[88] NAZ S3605/2/1, Financial Policy reports 1967-1969.

[89] This is reflected in the numerous correspondence in NAZ 3601/1, Currency allocation, import control, correspondence and other papers: 1963-1975.

international trading community was questioning the feasibility of sustaining the US dollar gold standard. The country was facing numerous fiscal challenges and confidence in the Ronald Reagan administration was diminishing, especially in the wake of the Watergate scandal. Moreover, the US dollar was facing pressure to devalue the gold standard or liquidate because of the pressure of financing the Vietnam War effort. In spite of these challenges to the US economy, it remained the relatively more stable.

The Rhodesian government had to consider its position within these developments. The ultimate decision was to decimalize and adopt a dollar standard. This move resulted in the complete severing of any remaining links with the sterling. It was a confirmation of the autonomy that the Rhodesian government claimed to have acquired and was committed to defending. Moreover, given the direction the global financial system was adopting of flexible exchange regimes in the wake of the decline of the Bretton Woods system, Rhodesia would become more competitive by adopting the more popular and relatively more stable standard. As such, coupled with the reorganization through tighten exchange controls of the financial system that had taken form in the five years following UDI, the Rhodesian economy could now adopt a decimal currency that would fare better in a world of floating currencies.

Conclusion

The dynamics in the monetary system thus had a direct bearing on the Rhodesian economy. Emerging out of a declining sterling network, Rhodesia had the task of establishing an autonomous economic system that would not be perpetually dependent on the imperial master. One way of doing this was to reorganize the country's financial system. However, the country was not subject only to its historical ties with the sterling, but the colonial process had cast the colony into the web of the global trading system. As such, the development in the IMS became increasingly important in shaping the domestic financial system. Within the country, there were other important factors. While Rhodesia sought to establish a workable system with a Rhodesian character, it neglected the interests of the African majority. However, in spite of the African nationalist protests, the RF government at least managed to discern financial arrangements that suited the IMS changes towards a floating currency regime and severed links with London. It also managed to sustain the Rhodesia economy in the period under study. However, given the pressures emanating from international sanctions, African nationalist struggle for liberation and impending economic recession in the 1970s, the sustainability of the system was seriously compromised. Although in the post 1970sthe system was disrupted by the mentioned factors, it managed to survive through to the political liberation of the country. the paper has thus attempted to demonstrate how the floating currency system that post colonial Zimbabwe inherited was designed in the first five formative years.