

# Remittances, Welfare Solidarity, and Monetization: The Interaction between Personal and Economic Relations in Cape Verde during the Colonial Period

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**Abstract.** This article proposes a reading of the colonial monetary phenomenon in Cape Verde through the interaction of personal relations and formal economic relations. It begins by analyzing the genesis of colonial money and its affirmation as an autonomous institutional phenomenon, as well as the impacts of emigration on the archipelago's economy, in order to consider the effects of remittances as an instrument of welfare solidarity, monetization, and the stabilization of Cape Verdean money. The combination of these effects generated a complex whole of personal and economic relations, whose interaction supported the expansion of money and its social acknowledgment as a universal measure of value. There was, therefore, a degree of complementarity between personal relations and formal economic relations, which was synthesized through Cape Verdean money.

## Introduction

The phenomenon of colonial money was created externally and corresponded to a process involving currency unification and the monetary integration of the colonies by the metropolis. In the Portuguese African colonies, monetary circulation was unified throughout the second half of the nineteenth century and the supply of money was entrusted to banking institutions, thus establishing a close relationship between the currency of the colonies and the currency of the metropolis. The colonial monetary system, developed from the start of the

twentieth century, functioned in a relatively stable manner, and its evolution led to the creation of particular currencies in each colony, with their own reserves, their own means of issuing money, and their own circulation space, but where each currency was merely a simple manifestation of the metropolitan currency.

Researches on currency in Portuguese colonies have always been almost exclusively based on the problem of adapting the monetary and banking system to the needs of colonization, with the debate being centered on a discussion concerning the advantages and disadvantages of the choice offered between a single currency and a particular currency for each colony. Only more recently have other aspects of the colonial monetary phenomenon begun to be analyzed.

Torres analyzed the currency in Angola as revealing “social gaps and the distribution of economic and political power both within Angola, as well as its relationship with the metropolis” (257). In “Moeda e monetarização” and *Moeda e sistema monetário*, Estêvão studied the colonial monetary system in the Portuguese colonization of Africa (1852 to 1974) and concluded that the colonial currency, although being just a “representation” of the metropolitan currency, achieved the status of a “perfectly identifiable institutional phenomenon and a socially recognized measurement instrument of value and circulation” (“Moeda e monetarização” 226).

The approach carried out by Estêvão in the two above-mentioned texts, in particular the analysis of the monetarization process in Cape Verde, brought up some important questions concerning the role of emigration and remittances as part of this process. One aspect underlying this analysis was the role that remittances played in the construction of relationships, both relationships between the emigrants and their communities of origin as well as the relationships within the communities. But given that remittance is a monetary flow, firstly in the form of foreign exchange and then converted into local currency, it involves a more complex framework of relations in which it is necessary to understand the way the personal relationships interact with the formal economic relations established both between emigrants and their community and within their own community.

To understand this interaction, this article traces a path leading from the nature of the colonial monetary system to the role that emigration and remittances had in the construction of those relationships and in the stability of the colonial money. Thus, the first section provides a synthesis of the construction process of the monetary system in the Portuguese African colonies, showing

that the system not only enabled its use as an instrument of sovereignty and economic integration but also led to the emergence of colonial money as a formally autonomous institutional phenomenon and a socially recognized measurement of value. The second section briefly considers the effects that Cape Verdean emigration has had on the structure of landholding, on the reconfiguration of personal and economic relations, and on the expansion of the monetary and mercantile space within the archipelago, effects that have led to a greater development of monetary structures and a deepening of monetary relationships between individuals. The third section analyzes the interaction that has developed in Cape Verde between the dimension of economic relations and the dimension of personal relations, based on a three-level approach to analyzing remittances from emigrants: as an instrument of welfare solidarity between the emigrants and their family members; as an instrument involving the mercantilization and monetarization of society; and as an instrument to stabilize the Cape Verdean currency. The last section presents some concluding remarks concerning the complementary nature of formal economic relations and personal relations in the monetarization process of the Cape Verdean economy.

### **Money and the colonial monetary system<sup>1</sup>**

Until the end of the nineteenth century, monetary circulation in the Portuguese colonies had never shown the same unitary nature nor the institutional dimension that it would come to possess during the twentieth century, due mainly to the permanent shortage of metal coins and the absence of a monetary policy specified by the colonial power.<sup>2</sup> But with the colonial system having been implanted from the second half of the nineteenth century onward, the situation changed completely. The currency was gradually unified and its supply entrusted to banking institutions created for this purpose, thus establishing a close relationship between the currency of the colony and the currency of the metropolis.

With the establishment of the new colonial system, it became necessary to guarantee the homogeneity and regularity of monetary circulation, as well as its immediate exchangeability into the metropolitan currency at a fixed rate. The currency thus gained an institutional dimension, with a status of its own, and became an important instrument of economic integration and commercial protection. The evolution of the colonial monetary and banking system accompanied the deepening of relations between the metropolis and

the colonies, reflecting not only the expansion of the monetary relationship, but also the need for a system of credits and capital mobility within the imperial economic space. Besides this, the system was shown to possess great stability down through the years (Schuler 5).

The first attempts at harmonizing monetary circulation within the Portuguese African colonies date from the second half of the nineteenth century and involved a vast set of colonial policy measures that sought to globally ensure and protect the actual occupation of possessions and to construct a colonial commercial infrastructure—measures establishing a customs policy (commercial protection), establishing a public and financial administration, and steps towards monetary unification. An important instrument for the unification of monetary circulation was the creation of the Banco Nacional Ultramarino (BNU), in 1864, seeking to combine its condition of being a commercial bank in the metropolis with its exclusive role concerning banking activities within the colonies. It was patterned on the French model of colonial banks, with the difference that it was a private bank, with its head office and board in Lisbon, and it was given a set of privileges extending through all the colonies with the exception of Macao.<sup>3</sup> The BNU was introduced and argued for as being an instrument to bring together capital for the colonies, with the ability to resolve serious problems involving credit and to dynamize the development of the colonies. However, it was also seen as an important instrument for the unification of the colonial currency, above all through the exclusive right that it had been granted to issue fiduciary money.

Despite all the steps taken, the monetary situation experienced in the colonies had practically not undergone any change by the end of the century. The failure of these measures, which corresponded to a slow progression of the colonial monetary area, was a symptom of the difficulties of Portuguese commercial advances, the fragility of the Portuguese commercial system itself, and the difficulties of military penetrations and effective occupation of the territories.

From the 1890s onward, there was a significant change in currency intervention mechanisms. There was in fact an attempt to increase the circulation of paper money issued by the BNU, to increase the circulation of Portuguese silver currency, and to completely substitute the foreign metal currency that was in circulation in the colonies. The main objective was to make silver currency the basis of the monetary system of the colonies, as would come to be approved in 1901. The monetary system was thus established, based on the Law of 27 April and the contract signed between the Portuguese State and

the BNU, which contained the following fundamental features: circulation of the same silver currency as legal tender in the metropolis and in the colonies; circulation of banknotes exchangeable into silver currency and as legal tender restricted to the colonies in which they were issued; exchange of banknotes at the headquarters in Lisbon, with a transaction fee based on the level of the freight and insurance costs.<sup>4</sup> This is similar to that of the international gold standard, adapted to the Portuguese empire, with the free circulation of the same silver coinage and with the silver convertible to the banknotes issued by each of the colonies. I named it the *silver standard colonial monetary system* (“Moeda e monetização”; *Moeda e sistema monetário* 48–52).

The system functioned between 1901 and 1914, during which time the BNU would always guarantee the exchange of banknotes. This situation was possible because the volume of colonial commerce was relatively modest, because, furthermore, the importance of the BNU as a commercial bank in the metropolis enabled it to guarantee the convertibility of the paper money which it kept in the colonies in circulation, and because, whenever necessary, the BNU would transfer reserves from some colonies to others, in order to cover the existing deficits. With the disappearance of the silver currency in 1914, however, the system entered into a period of decadence that lasted until 1929.

In 1929, a new contract was signed between the Portuguese State and Banco Nacional Ultramarino, with some important consequences for the colonial monetary system.<sup>5</sup> The contract maintained the privative nature of the issuing of banknotes, the circulation limit of which was to be separately established for each colony; the exchange with Lisbon was maintained, now dependent on the financial and economic condition of each of the colonies; but a new system of monetary reserves was established, made up of banknotes from the Bank of Portugal and some others with unlimited discharging power, money assets from the BNU on order to any credit institution, and the gold-bonds of the Caixa Nacional de Crédito. However, the BNU was still obliged to establish, by August 1935, a reserve fully made up of gold-values, but preferably with gold-exchanges.

The objective was thus the construction of a gold-exchange standard system. However, the impossibility of establishing reserves as laid down led in 1943 to the first amendment of the 1929 contract, which stated that the banknotes represented *escudos* (the Portuguese currency) and were reimbursable in banknotes from the Bank of Portugal, after deducting the transaction fee. In practice, this led to an *escudo-exchange monetary system*.

A new contract between the Portuguese State and Banco Nacional Ultramarino, in 1953, introduced important changes concerning the monetary standard and the exchange regime.<sup>6</sup> Colonial banknotes became representative of gold, but reimbursable in bills of exchange based on the metropolitan *escudo*, after deducting the transaction fee. The BNU had to establish a single monetary reserve to cover all the colonial circulation it was responsible for, made up of banknotes from the Bank of Portugal, securities from the Portuguese State, and gold and fine silver. However, the reserve had to be chiefly made up of metropolitan *escudos*, or values representing these, in accordance with the rule of the third.<sup>7</sup> As regards the regime of currency exchange, the contract abandoned the principle of a feeless exchange of banknotes between the colonies of Western Africa, with these now being covered by the legislation concerning transfers; in addition to the fee, there was a commission established in accordance with the Government Commissioner for the Bank.

Another important modification was the establishment of an Exchange Fund (*Fundo Cambial*), a public fund operating freely within the BNU, which was awarded its management and the responsibility for the amounts contained therein. The Exchange Fund was an instrument to centralize foreign exchange received by each colony, which was exclusively earmarked to assure their external payments. But the BNU operated it exclusively as an exchange mechanism, exchanging foreign currency for colony banknotes and vice versa, making foreign currency available in exchange for banknotes of the colony. The Fund gave the BNU the possibility of modifying the amount of currency besides the rule of the third, increasing the money supply with an increase in foreign exchange inflow, or reducing it with an increase in the demand of foreign exchange by the economic agents of the colony.

Legislation concerning the Escudo Zone reaffirmed the nature of the colonial monetary system, defining the *escudo* as the monetary unit for all the colonies and the convertibility of colonial *escudos* into metropolitan *escudos*, a convertibility that should have been assured by the issuing banks, with suitable currency corrections and, where necessary, with the mutual support of the exchange funds.<sup>8</sup> There was a notable worry concerning exchange and assuring the external solvency of the national currency, which led to the reinforcement of the centralization tendency of the reserves begun with the legislation of 1953—the creation of a system established by the Central Reserve Bank (the Bank of Portugal) and by a network of all the Exchange Funds.

An important modification introduced by the set of laws of 1961–63 (Escudo Zone) was, indeed, the autonomy granted to the Exchange Fund and its institutionalization as a central reserve bank of the colony, with functions concerning the centralization of monetary reserves, guaranteeing the value of the currency, and the coordination of external payment operations. The issuing of colonial banknotes continued to be carried out through credits from the Fund, up to its own amount, after which a reserve would be established of at least a third, preferably in metropolitan *escudos*, or values representing these. What is more, the banknotes continued to be reimbursable in metropolitan *escudos*, the unit of account of the Portuguese economic space. The external assets obtained by the Fund, insofar as they were not necessary for the liquidation of operations concerning external payments, could be kept in the BNU, or handed over to the Bank of Portugal to credit the reserves account of the colony.

We can highlight three main aspects in this story: the progressive transformation of the monetary system into a system in which the metropolitan currency was established as the objective standard—*escudo standard colonial monetary system* (Estêvão, “Moeda e monetarização”; *Moeda e sistema monetário* 73–77); the existence of a process involving the centralizing of foreign exchange that did not affect the monetary standard; and, furthermore, the power of the BNU through the Exchange Fund to issue money beyond the rule of the third absolutely guaranteed by the foreign exchange acquired by the colony. Such power of issuing became an essential element of the monetary stability in Cape Verde, because the colony benefited from the entry of a significant quantity of foreign exchange mainly due to the remittances of its emigrants.

The metropolitan exchange standard system was such that it simultaneously enabled its use as an instrument of protection and sovereignty as well as an instrument of economic integration. However, the system also allowed for the emergence of colonial money as a perfectly identifiable institutional phenomenon and a socially recognized measure of value and circulation instrument, while, in essence, it was nothing more than a simple *representation* of the metropolitan currency.<sup>9</sup> Its social recognition and its convertibility into the metropolitan *escudo* contributed not only to support the process of economic integration with the metropolis but also to promote a relative integration with the rest of the world (Schuler 4), thus favoring the development of an intense relationship between emigrants and their families, which would result in important economic and social consequences for Cape Verdean society.

### Remittances, monetary expansion, and monetarisation

Emigration has been a permanent feature in the history of Cape Verdean society. However, it was during the early nineteenth century onward that it became an important factor of social and economic change (Estêvão, “Cabo Verde” 185), not only due to its size and ongoing flux, but also due mainly to the link established between the archipelago and the “economies” of the Atlantic Ocean. The deep causes of this migratory movement were the sharpening of the economic decline of the islands as well as the increasing social conflict associated with it. Crises relating to drought and the lack of crops had worsened the economic decline and, as they became more frequent, they contributed to deepening the rupture of the ecological balance and to a fall in agricultural production, thus drastically increasing the poverty of the archipelago. The mid-century decades were particularly affected, and it was precisely in this period that emigration started to become a large-scale movement.

The first phase of modern Cape Verdean emigration extended throughout the middle of the nineteenth century until the second decade of the twentieth century, a period characterized by the large size of the migratory flux that headed toward the United States of America. The available statistical data (for just the twentieth century) show that, between 1900 and 1920, departures to the United States of America represented 61.7 percent of the total, much greater than the flux to any other region.<sup>10</sup> Emigration to North America was not only the most important in quantitative terms, but also that which most contributed to a permanent flow of financial transfers (emigrant remittances) to the archipelago, having a decisive effect on the evolution of the Cape Verdean economy and society.

This emigration phase affected Cape Verdean society in three different ways: In the first place, the transfers were an essential instrument for the monetarization<sup>11</sup> of the agricultural islands and for the expansion of internal trade; in the second place, they formed an indispensable support for external payments and an important source of currency stability for the colony; and, in the third place, the income obtained through emigration enabled many returning *americanos*<sup>12</sup> to be able to purchase part of the lands of the former *classe senhorial* (“landlord class”), whose decline had significantly increased in the first decades of the twentieth century.

The first of these effects was decisive in the reconfiguration of the personal relationships that Cape Verdean society experienced from the first decades of the twentieth century onward, this within a framework of the expansion of the mercantile economy. An illustrative example of this reconfiguration was



the market of foreign exchanges that took place beyond the formal supervision of the Banco Nacional Ultramarino and which led to new forms of relations that took root, above all, in the agricultural islands, the main centers of emigration for the United States of America.<sup>13</sup> The parallel market of foreign exchange functioned on the basis of the personal relationship that was established between the local merchant and the emigrant, leading to an almost exclusive commercial relationship. The emigrant (or his family members) paid for their purchases in foreign exchange, or, indeed, opened a current account with the merchant, which enabled them to purchase their supplies and groceries and, whenever necessary, obtain money in the form of colonial currency to carry out other family or market operations. In return, they gave the merchant the legal power of attorney to receive and open their correspondence and to credit their checks in their current account. This was a commercial relationship that was able to avoid formal supervision very easily.<sup>14</sup> However, this type of relationship was decisive in the expansion of local commerce, and the development of a new layer of merchants who flourished with the growth of the emigrant remittances and with the widening of monetary relations (monetarization) in the various agricultural islands, and at the same time established a very particular complementary relationship between personal and mercantile relationships in the development of Cape Verdean society.

The foreign exchange received by the colony through the remittances, along with others that entered in return for the rendering of services (port services and submarine cables), were always very important to ensure the stability of the Cape Verdean currency and to assure its external payments. A typical example of this situation was the inflow of a great number of Angolan banknotes to Cape Verde at the beginning of the 1920s. The strong devaluation that had taken place with the Angolan currency saw its banknotes move to other African colonies, and in particular to Cape Verde, in search of foreign exchange and taking advantage of the fact that colonial banknotes were mutually exchangeable without the payment of a fee. Following an evaluation of the effects on the Cape Verdean *escudo*, *Portaria* No. 50 of the Government of the Colony, of 30 May 1924,<sup>15</sup> concluded that Cape Verdean currency could no longer continue to be harmed by the devaluation of the Angolan currency, given that it was the only legal tender in the colony and that it was well protected through the size of its existent holdings of foreign exchange. According to the *Portaria*, more than 8 million Angolan *escudos* had entered Cape Verde, at a time when the average circulation of Cape Verdean banknotes was in the

order of 4.5 million *escudos*. What is more, the colonies' external balance represented a surplus of around 4 million Cape Verdean *escudos*, the result of an important volume of foreign exchange generated from the submarine cables and coal companies, tax revenue received in the Porto Grande of the city of Mindelo, and, above all, from the remittances of Cape Verdean emigrants, which made up around 41 percent of the total foreign exchange revenue.

The third effect mentioned was a consequence of the increase in revenue arising from emigration, and also from the decadence of the landlord class, which had been taking place since the second half of the nineteenth century. The successive droughts and the loss of importance of the main agricultural exports of the archipelago had led to a prolonged economic decline of the former *classe senhorial*. Furthermore, the abolition of the *morgadio*<sup>16</sup> in 1864 had introduced the possibility of the purchase and sale of land and opened the way to eventual changes in the legal structure of property. But it was at the turn of the century that those changes started to be visible, when the major landholders, greatly indebted, had to sell parts of their land to rich merchants and to emigrants returning from America. As Henrique Teixeira de Sousa has stated, it was a highly favorable situation for the emigrants: "With the money saved in America, they bought properties, built tiled houses, dug reservoirs, purchased livestock and a mule for traveling" ("A estrutura" 44).

The second emigration phase lasted from the 1920s until the end of the Second World War and was mainly characterized by a significant fall in the number of departures. However, the flows to South America, Europe, and Africa increased, though far from corresponding to the fall in departures to the United States of America. It was in fact the restrictions imposed by the North American authorities on the entry of new immigrants that were the main reasons for the decline in Cape Verdean emigration, to which could be added other factors such as the economic crisis of 1929 and, later, the Second World War.

After 1946, emigration once again became a major factor in Cape Verdean society, being transformed into a "great exodus" (Carreira 107) at the end of the 1960s. Around 142,100 people left the archipelago between 1946 and 1973<sup>17</sup>: with large annual fluctuations between 1946 and 1962 (around 3052 people a year); a visible growth trend between 1963 and 1969 and a quite high average annual departure rate (around 5438 people per year); and there was a dramatic rise from 1970. In that year 11,802 people left Cape Verde, rising to 17,029 in 1973, with an annual departure average of 15,143 people.<sup>18</sup> A fundamental characteristic of this third phase of Cape Verdean

emigration was its strong movement towards Western Europe, in particular Portugal, Holland, France, and Italy, with the departures to the United States of America amounting to considerably fewer people.

Emigration during this phase had an even greater impact on the Cape Verdean economy. Above all, it reflected an accentuated growth in the inflow of private currency transfers: Between 1967 and 1972, for example, the transfers accounted for in the balance of payments went from 89 to 169 million Cape Verdean *escudos*—that is, they increased almost 90 percent (Estêvão, “Moeda e monetarização” App. 4). Besides this, the growth in transfers brought about a greater increase in foreign exchange and, as a result, a growth in demand for local currency and a major increase in the money supply.

Whilst there was a relatively stagnant production rate, monetary circulation started an interrupted growth cycle, which received an important increased impetus from 1963 onward. In 1929, the contract between the Portuguese State and Banco Nacional Ultramarino had fixed a maximum limit of 20 million *escudos* for the circulation of banknotes in Cape Verde, at a time when the annual average circulation was of the order of 11 million *escudos*. In 1950 alone this limit was reached, with the circulation of banknotes a little more than 20.01 million *escudos* and with the money supply being 27.5 million. From then on, growth was swift and the money supply almost tripled between 1950 and 1960. However, it was after 1963 that the major acceleration in growth occurred, to such an extent that in 1973 the money supply was around sixteen times larger than that in 1950, having quadrupled between 1963 and 1973 (Estêvão, “Moeda e monetarização” 276–277).

As has been observed above, the contract in 1953 between the State and BNU enabled the bank to issue the necessary banknotes for the payment of foreign exchange credited in the exchange fund, independently of the circulation limit in force. The 1963 contract altered the nature of this issue, establishing the Exchange Fund and specifying the amounts credited in its account as the main counterpart to the issuing of banknotes. That is, the BNU had to issue banknotes secured by the foreign exchange credits up to their amount, and was obliged to establish a monetary reserve (of a third) just for the values above this amount. Data show that it was the credit expansion of the Exchange Fund that was the main element responsible for the increase in money supply in Cape Verde in the final decades of the colonial period. In 1963, the Exchange Fund credits represented 17.5 percent of the money supply, and this became 42.8 percent in 1964 and rose up to 69.3 percent in

1971 (Estêvão, “Moeda e monetarização” 280). The emigrant transfers were a main contributor to the growth in the credit values of that fund.

Cape Verdean monetarization during the colonial period was essentially due to external sources and associated with the development of the balance of payments, with emigration being one of its most dynamic elements. Emigration created a flow of transfers to the colony, which led to an important inflow of foreign exchange and, as a result, a growth in demand for local currency. This growth in turn led to an expansion of the monetary space and created excessive purchasing capacity in relation to the domestic productive capacity, which made possible the expansion of commerce in general and import trade in particular. On the other hand, the expansion of commerce was reflected in the greater development of monetary structures within the domestic economy and, through this, a deepening of monetary relations between individuals.

#### **Remittances, welfare solidarity, and monetary stability**

Just as we have seen above, the monetary system established in Cape Verde allowed the emergence of colonial money as an institutional phenomenon and a socially recognized measure of value, which favored the development of economic and personal relationships between individuals and their communities. What is more, it was these relationships, and in particular the relations between the emigrants and their communities that were very important in deepening the monetarization of Cape Verdean society, so as to guarantee monetary stability and to increase the social recognition of the colonial money.

Considering the evolution of the monetary phenomenon in Cape Verde and the role that the remittances have played in this process, we can distinguish three levels of analysis that help us to understand the interaction between economic and personal relationships: the analysis of remittances (1) as an instrument of welfare solidarity between the emigrants and their families; (2) as an instrument of mercantilization and monetarization; and (3) as an instrument of monetary stabilization.

The literature analyzing the remittance determinants has been oriented toward the individual motivations of emigrants and it is usual to distinguish three main elements: *altruism*, *self-interest*, and *implicit family contractual arrangement*.<sup>19</sup> These motives are of course not mutually exclusive, given that the remittances may simultaneously involve the three elements, each partially explaining the value of the transfer. They all, to a greater or lesser degree, reflect the solidarity nature of emigrant remittances.

The first motive, *altruism*, occurs when emigrants send remittances to their families with the immediate objective of improving their well-being. With the additional income they receive, their family members can increase their consumption level and, in the case of rural family members, increase their integration into the mercantile economy. The expansion of domestic trade, the increase in the activity of local merchants, and the strong growth in the import of consumer goods, mainly from the beginning of the 1960s, perfectly illustrates the consumer effect of emigrant remittances in Cape Verde.

The second motive, *self-interest*, occurs when the emigrants send part of their savings to purchase durable consumer goods, real assets (houses, lands, etc.), or even financial assets. The acquired assets can be managed by the family, which acts as trustworthy agents, especially when the emigrant considers the possibility of returning. As was mentioned in the previous section, this emigrant behavior played an important role in the transformation of the structure of landholdings in Cape Verde, both following the emigration to America and, later, in the context of post-war emigration. However, it also played an important role in the urban expansion witnessed from the 1960s onward, with the construction of dwellings in the main cities of the archipelago and the consequent migration of family members to the cities. All this means that the impacts of remittances associated with this second objective occur essentially through their investment effect in the local economy.

The third reason involves different variations on a *mutually beneficial contractual arrangement* (Stark and Lucas 904) implicit in the relationship between the emigrant and his family members. Some studies have taken the family—instead of the individual—to be the main unit of analysis, leading to an approach that sees the remittances as part of an implicit and intertemporal contractual arrangement between the emigrant and his family. A variant of the theory considers an investment (Stark and Lucas) or a loan element (Poirine) in the relationship between members of the family, so as to explain the reason for the remittances. In such a case, the transfers act as a repayment of expenses made by the family to finance both the education of the emigrant and the cost of his emigration. However, the remittances may also form an important financing element to assure the education of other members of the family (children, or younger brothers and sisters, for example), prolonging family solidarity into the successor generations, such as has happened in Cape Verde in recent decades. Another variant of the theory introduces an element of co-insurance (Stark and Lucas) into the relationship between the emigrant and his family. In this case, the emigration is seen as

a strategy for economic risk diversification (or sharing). Just as capital and insurance markets are incomplete, the emigration of some members of the family may constitute a strategy to find alternative sources of income in such a way as to diversify risks. The emigrant members may thus support the family in the more difficult moments and, reciprocally, this may constitute an element of insurance for those who have emigrated, if they find themselves in a difficult situation.

Besides the remittances as an important instrument of welfare solidarity between emigrants and their families, they also had significant effects on the mercantilization and monetarization of Cape Verdean society.

As was mentioned above, one of the most visible aspects of the evolution of the Cape Verdean economy at the end of the colonial period was the accentuated growth in the money supply, mainly from the beginning of the 1960s. The issuing of money based on the credits of the Exchange Fund brought about a strong expansion of local currency, accompanying the growing inflow of foreign exchange originating mainly from emigration. It was indeed this monetary expansion that sustained the growth and enlargement of commerce in the archipelago: On the one hand, the emigrant transfers increased the purchasing power of families who increasingly utilized domestic commerce, which thus grew and expanded to rural areas; on the other hand, the growth in domestic trade led to pressures on importation, which grew rapidly because the foreign exchange surplus was able to guarantee external payments. This effect of the remittances on monetary expansion and the monetarization of the Cape Verdean economy can be analyzed on two levels, that of the formal emigrant-bank-family relationship and that of the informal emigrant-merchant-family relationship.

The first type of relationship is developed at the level of the formal economy, in which the relationship between the emigrants and their local families was intermediated by the banking institution, both when a transfer was directly carried out through the formal banking system, and when the family received the remittance in an informal manner and went to the bank to exchange it for local currency. Here, the personal relationship between the emigrant and the family is directly expressed through the formal economic relationship (transfer and discounting by the bank), which is to say that the personal relationship is synthesized through money, as a universal measure of value that is based on a formal and impersonal legal system.

The second type of relationship includes, on the one hand, the relationship between the emigrant and the local merchant and, on the other, the relationship between the local family and the merchant. The latter would receive the

remittances and establish a current account with the emigrant's family, thus supplying it with the groceries that they needed and, whenever necessary, local currency that would be needed to carry out other economic operations. This involves a combination of personal relationships that are intermediated and synthesized by money. The informal relation between the merchant and the family was completed by a set of formal relations established by the merchant with the bank, which provided in local currency the counterpart of the *foreign exchange*, and with the import trade, which provided him with the necessary consumer goods to be sold to the community. The personal and economic relations were thus complementary with each other.

Finally, the remittances constituted an extremely important instrument for the stabilization of the Cape Verdean currency. From a macroeconomic point of view, remittances have two kinds of effects on the domestic economy: they increase the inflow of foreign exchange, and they allow the disposable income of the households to grow. Both effects introduce modifications in the structure of domestic demand (consumption and investment) and, in this way, they have a significant influence on economic growth and the structural change of the economy.

As we have seen above, the significant volume of remittances that Cape Verde received following post-war emigration enabled it to guarantee the stability of the money, insofar as the foreign exchange assured the external payments caused by the growth in the imports of consumer goods. The money was stable because the remittances were concentrated and held by the banking system in the form of foreign exchange (North American dollar, Dutch *florin*, Portuguese *escudo*, etc.) and, through the Exchange Fund, they formed a stable counterpart to the issuing of local currency. In other words, the growing supply of *escudos* that was circulating in the Cape Verdean economy kept a stable value relationship with the other currencies and this stability was chiefly ensured by the remittances of the emigrants.

The private transfer flows directly increase the income of the households. This increase has a short-term effect concerning economic growth due to consumption, the growth of which raises domestic demand and leads to an increase in supply (domestic and imported). It furthermore has a long-term effect due to the growth in savings and investment in the economy. Given the conditions of a small island economy, the consumer effect is much more significant than the investment effect and usually leads to a rapid growth in domestic commerce and in import trade. This growth, as we saw above, corresponded in Cape Verde to a simultaneous process of market enlargement

and monetarization deepening—that is to say, it reflected the growing social recognition of the Cape Verdean currency as a universal measure of value.

We can, in fact, consider two kinds of effects from the remittances on the Cape Verdean money. As the expression of the foreign exchange received and held by the banking system, the remittances constituted a source of stability for the Cape Verdean *escudo*, as a universal measure of value, or *money-of-account* for the colony.<sup>20</sup> Converted into local currency and as values of exchange, or medium of exchange (*money-proper*), the remittances were a basis for the development of economic and personal relationships within the community.

### Concluding remarks

This article proposes a reading of the colonial monetary phenomenon in Cape Verde through the interaction of personal relations and formal economic relations and the way in which this interaction was influenced by the flows of remittances.

The starting point was that the monetary system established at the beginning of the twentieth century led to the emergence of colonial money as an autonomous institutional phenomenon and as a socially recognized universal measure of value, but that the main source of monetary stability observed throughout the century came from the ongoing flow of foreign exchanges received by the colony. Given that the remittances from emigrants constituted a main element of these flows, they did play a key role in stabilizing the colonial economic and monetary system.

The monetary transfers that Cape Verde received led to three main kinds of effect: First, they functioned as an instrument of welfare solidarity between the emigrants and their families, driving the expansion of domestic consumption and, to a lesser degree, the growth of the investment; second, they played their part in nurturing the mercantilization and monetarization of the archipelago, through the growing integration of the emigrants' families in the mercantile economy and the intensification of formal monetary relations; thirdly, the transfers were the main source of the stability of the Cape Verdean *escudo*, through the accumulation of foreign exchange, which acted as the main counterpart to the issuing of money. The combination of these effects generated a complex whole of relations, whose interaction enabled the system to be balanced.

The remittances thus constituted a base for the development of personal and economic relations, which intertwined and sustained the expansion of the colonial money, thus contributing to consolidate its recognition at a social level. There did, however, exist a degree of complementarity between



(informal) personal relations and (formal) economic relations, a complementarity that was synthesized through the money. We can thus state that Cape Verdean money, as a universal measure of value, was an abstraction, whose social recognition resulted in its capacity to involve the actual relationships that it mediated and, due to this very fact, to synthesize complex relationships.

## Notes

I would like to thank Jochen Oppenheimer and Joana Pereira Leite for their helpful comments and Maria João Estêvão for her support.

<sup>1</sup> This section summarizes some of the results of a research project carried out some years ago on the Portuguese colonial monetary system in Africa and on its implications concerning Cape Verdean monetization at the end of the colonial period. The key elements of these results are to be found in Estêvão's "Moeda e monetização" and *Moeda e sistema monetário*.

<sup>2</sup> See, for example, both Vilar and Galbraith concerning the colonies of North America, Ramos concerning Argentina, and Romano regarding Chile.

<sup>3</sup> The Portuguese colonies included Cape Verde, Portuguese Guinea, São Tomé and Príncipe, Angola and Mozambique in Africa, Goa, Damao, and Diu in India, and Macao and Timor in East Asia.

<sup>4</sup> See "Contrato entre o Governo e o Banco Nacional Ultramarino para a emissão de notas e obrigações prediais no Ultramar" (Banco Nacional Ultramarino, *Leis, estatutos e normas* 1: 102-121).

<sup>5</sup> See "Cláusulas e condições do contrato celebrado em 3 de Agosto de 1929 entre o Governo e o Banco Nacional Ultramarino para o exercício do privilégio e exclusivo da emissão de notas nas colónias de Cabo Verde, Guiné, S. Tomé e Príncipe, Moçambique, Índia, Macau e Timor" (Banco Nacional Ultramarino, *Leis, estatutos e normas* 1: 131-154).

<sup>6</sup> See "Cláusulas a que se refere o artigo único do Decreto-lei nº 39221" (Banco Nacional Ultramarino, *Leis, estatutos e normas* 3: 126-140).

<sup>7</sup> The volume of reserves being at least equal to one third of the banknotes in circulation.

<sup>8</sup> See the *Decreto-Lei* 44.016 of 8 November 1961 (*Decreto da integração*) and the set of complementary laws published between 1961 and 1963. The 1961-63 measures underwent significant changes during the 1960s, and they were later incorporated in the *Decreto-Lei* 478/71 of 8 November 1971, which reformulated some aspects of the system's functioning without altering its main mechanisms.

<sup>9</sup> On the nature of colonial money, see for example Estêvão (*Moeda e sistema monetário* 171-186).

<sup>10</sup> Percentage calculated on the basis of data from Carreira, Table XLIII (284). An English version of this book is available with the title *The People of the Cape Verde Islands: Exploitation and Emigration*, published in London by C. Hurst (1982) and in Hamden (Connecticut) by Archon Books (1983).

<sup>11</sup> The concept of monetization here expresses the effect of the extension of the monetary space, both as a consequence of enlarging the mercantile sphere of the economy, as well as the consequence of the development of monetary functions (reserve value, credit). See Estêvão ("Moeda e monetização") and Saint-Marc (*Monnaie* and "Notes").

<sup>12</sup> The Cape Verdean emigrants in the United States of America were usually known in Cape Verde by the name of *americanos* ("Americans").

<sup>13</sup> This reconfiguration may be captured through the reports of the subsidiaries of the Banco Nacional Ultramarino and through the various letters that the subsidiaries addressed to the Governor of the BNU, from the first decades of the century until the beginning of the 1960s, protesting against the informal market of foreign exchanges that was carried out by the merchants of the islands (Estêvão, “Moeda e monetarização” ch. 7).

<sup>14</sup> A letter from one correspondent on the island of Fogo to the subsidiary in Santiago put it thus: “As for its supervision, as has previously been communicated some time ago, this is almost impossible, because each competitor has the power of attorney of its clients to receive their correspondence, whether normal or registered mail, just as we have, and thus to open the letters containing checks, and to pass these on to any destination, without knowledge of this or the ability to fiscalize” (qtd. in Estêvão, “Moeda e monetarização” 237–238).

<sup>15</sup> Between 1923 and 1924, the governor of the colony published a set of decrees on the situation concerning the circulation of Angolan banknotes, which resulted in the decision to ban the circulation of these notes. These decrees have been reproduced in Paixão (*Cem anos do Banco Nacional Ultramarino IV*: 612–617).

<sup>16</sup> Form of inalienable and singular landholding only transferable to the first masculine heir (the *morgado*), the siblings of whom only had the right to a part of the income of the *morgadio*. This system was mainly laid down in the first inhabited islands, but entered into disuse with the economic decline of the *morgados*. Usage of the land had been gradually shared with the *mestiços* (“mestizos”) and *libertos* (“free slaves”), who in this way acquired land as tenant farmers.

<sup>17</sup> The statistical information concerning emigration is again based on Carreira.

<sup>18</sup> The total population of the archipelago was around 182,000 people in 1940 and 271,000 in 1970. In 1970, those leaving amounted to around 4.4 percent of the total population, whilst in 1973 they represented 6.2 percent. The data of total population are from the Cape Verdean Institute of Statistics.

<sup>19</sup> References of this literature are, for example, Lucas and Stark, Stark and Lucas, Poirine, Brown, and McNabb and El-Sakka.

<sup>20</sup> *Money-of-Account* and *Money-Proper* are concepts defined by Keynes in *A Treatise on Money*: “[M]oney-of-account is the *description* or *title* and the money [*money-proper*] is the *thing* which answers to the description” (Keynes 1: 3–4).

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