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THE ECONOMIC IMPERIALISM OF THE ROYAL NIGER COMPANY*

The Royal Niger Company was a British chartered company, active from 1886 through 1899 in the territory bordering the Niger and Benue Rivers in contemporary Nigeria, that parlayed its administrative powers into a successful commercial monopoly. Such foreign-owned chartered companies played a significant role in the history of economic imperialism in sub-Saharan Africa.[1] But there is considerable disagreement among economic historians over the profitability of these companies for investors in imperial nations. On one side is the growing group of scholars, many from formerly colonial African nations, who feel that chartered companies were exploitative and profitable for foreign investors (see, for example, *1*, p. 319). On the other side are the economic historians who conclude that chartered companies in tropical Africa were generally economic failures, at least from the narrow viewpoint of those who invested in them.[2] A. M. Kamarck, for example, states: "The chartered companies that went out of existence before World War II in no case had given positive returns on the invested capital" (*22*, p. 190).

The purpose of this study is to analyze economic aspects of the operations of the Royal Niger Company in order to demonstrate that this chartered company was unquestionably a commercial success and that its economic profitability had important ramifications in the colonization of Nigeria. In an introductory section factors affecting the establishment of the Royal Niger Company as a chartered company with governmental responsibilities as well as commercial privileges are reviewed. The second section contains a history of the commercial and administrative operations of the Company, with emphasis on the successful implementation of a monopoly policy and the circumstances that led to revocation of the Company's charter. The third section is an economic interpretation of Company operations, culminating in a comparison of the declared profits of the

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[1] Kamarck's book contains a summary of the importance of chartered companies in Africa (*22*, pp. 189–95). D. S. Landes' definition of economic imperialism—"the establishment or exploitation of such dominion [the dominion of one group over another] for continuing material advantage"—is employed here (*24*, p. 496). For a reinterpretation of the economic aspects of imperialism in West Africa, see A. G. Hopkins (*20*, pp. 580–606).

[2] R. J. Hammond's subtitle of his study of Portuguese investment in Africa during the nineteenth century is indicative of his parallel conclusion for foreign investment that was not undertaken strictly by chartered companies (*17*). See also *16*, pp. 582–98.

Company with its mark-up surplus, a gross measure of gain to the Company. The final section comprises concluding observations.

FACTORS AFFECTING THE ESTABLISHMENT OF THE ROYAL NIGER COMPANY

By the mid-nineteenth century, British governments had gradually terminated the formerly widespread practice of issuing royal charters to private joint stock companies. This change reflected a combination of factors including the rise of British liberalism, the waning support of colonization, and the enhanced status of the doctrine of international free trade. Yet during the 1880s the policy of granting royal charters was resurrected for the British North Borneo Company in 1881, the Royal Niger Company in 1886, the Imperial British East Africa Company in 1888, and the British South Africa Company in 1889. Several influences underlying the granting of a charter to the Royal Niger Company also apply in greater or lesser degree to the two other African chartered companies.

Among the most important of these influences were a succession of technological changes that occurred in Europe during the second half of the nineteenth century.[3] Prominent among these was the invention and increased use of the steamship. After 1852, when the first steamship company for trading with West Africa was formed, the journey from Britain to West Africa was cut from 35 days to 21 days or less. Costs went down and traffic was increased and regularized, allowing the tonnage of British shipping to West Africa to more than double every decade between 1854 and 1904 (*26*, p. 71).

These technological changes and others influenced Britain's demand for palm oil and palm kernels, by far the Niger area's two major exports in the late nineteenth century. In addition, the British substituted newly discovered petroleum and other fats and oils for palm oil and thereby shifted downward the demand schedule for this product. Potential increases in the quantity of palm oil consumption resulting from this change appear to have been offset by downward shifts in the supply schedule for palm oil facing Britain associated with lower transportation costs; in any event, the quantity of palm oil exports from British West Africa remained static at less than 50,000 tons annually throughout the second half of the century. Both of these shifts helped to cause the price of palm oil in Great Britain to fall by 50 per cent between 1860 and 1890.

The decline in value of palm oil exports, however, was approximately offset by an increase in the export value of palm kernels. In a stroke of good technological fortune for the Niger area, Loder discovered how to manufacture vegetable margarine at about the same time that petroleum was cutting into the demand for palm oil (*26*, pp. 34–35). The previously unused palm kernel oil was a good substitute for animal oleo in the Loder process, and soon exports of palm kernels exceeded those of palm oil in value.

A second category of influences concerns political factors in Great Britain. Even before the scramble for the partition of Africa began in earnest, British traders were clamoring for governmental protection. But until Joseph Chamber-

[3] This interpretation is consistent with Landes' view that "technological changes . . . increased the disparity of force between Europe and the rest of the world and created the opportunity for and possibility of dominion" (see *24*, p. 511).

lain became Colonial Secretary in 1895, there was no all-out imperialist in any of the late-Victorian Conservative or Liberal governments. The revival of the chartered company was in large part an effort to extend British control to colonial areas at little or no expense to the British government.[4]

Along with trade-inducing technological changes and domestic political aversion to imperial spending, depressed economic conditions and legal innovations in Great Britain facilitated the rebirth of the chartered companies.[5] The most significant legal change was the introduction of the limited liability concept to companies in 1855 and to banks in 1862 that encouraged indirect investment by small as well as large investors and a greater overall mobilization of capital (*23*, pp. 20–21).

In addition, special circumstances in the lower Niger basin influenced the establishment of the Royal Niger Company. A highly competitive commercial system existed in this area during the 1870s. But the arrival on the scene of George Goldie Taubman, who was later to become Sir George Goldie, had a remarkable impact. Goldie was so much the propelling force behind the formation and running of the Royal Niger Company that his name can be used almost synonomously with that of the Company. From the time he first set foot in the Niger basin in 1877 until the Company was granted a charter in 1886, Goldie worked assiduously toward the establishment of a trading monopoly maintained by political control.

John Flint, Goldie's biographer, has described how Goldie managed through a combination of business acumen, personality, and guile to monopolize the palm products trade in the Niger basin.[6] Goldie's family bought one of the smaller firms operating in the basin in 1875, and in 1879 Goldie merged it with three other firms to form the United Africa Company with a nominal capital of £250,000 of which £106,000 was fully paid. This company soon achieved a virtual monopoly in its limited area of operation. It was reorganized and expanded in 1882 as the National African Company, with £1,000,000 nominal capital of which £316,675 was allegedly fully paid.[7]

Between 1882 and 1884, the National African Company expanded at the expense of smaller traders in the area and obtained new concessions of trading and political rights from tribal chiefs. It carried on a significant trade war with two small French companies and with the large and important *Compagnie française de l'Afrique équatoriale* and was able to drive out or to absorb all three—the last just two weeks prior to the opening of the Berlin West Africa Conference of 1884/85. This feat allowed Great Britain to obtain at Berlin the right to proclaim a protectorate over the Niger districts in June 1885.

[4] J. D. Hargreaves, for example, states (*18*, p. 106): "In explaining how these Companies [the Royal Niger Company and the Imperial East Africa Company] secured their privileges, the real starting-point is not the financial power of their promoters, but the government's political problem, the need to establish token administrative control of areas of national interest without cost to the Treasury."

[5] For a discussion of economic conditions in Great Britain during this period, see *28*, pp. 199–228.

[6] See *6*, pp. 1–87. In this study Flint's biography is drawn on extensively in setting the background for an economic analysis of the Royal Niger Company's operations.

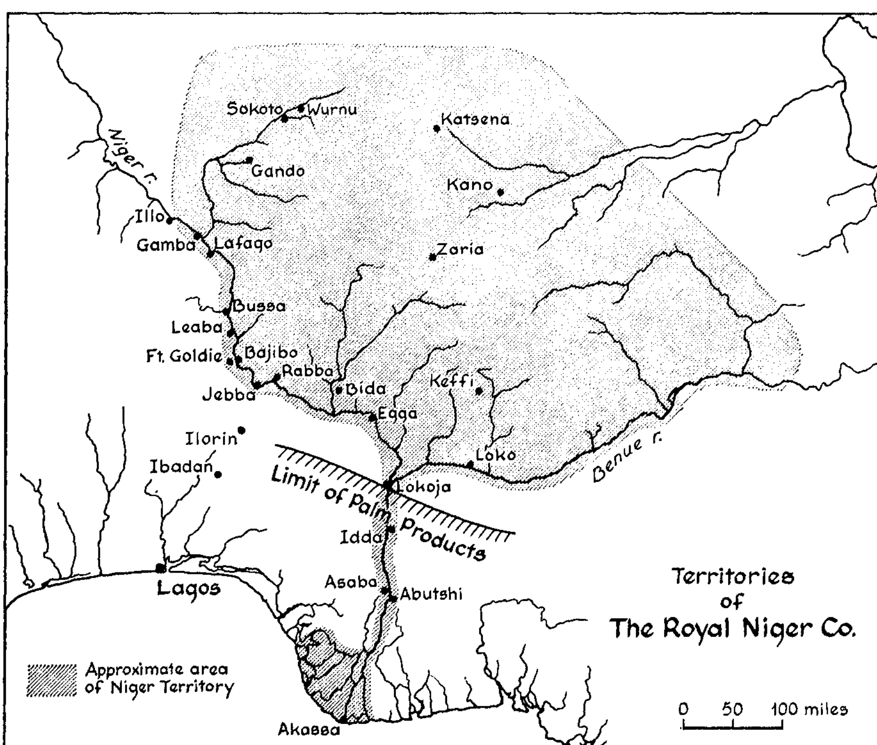
[7] See *6*, pp. 44–45. Supposedly fully paid National African Company shares totaling £250,000 were actually watered since they were based on United Africa Company assets worth only £110,274.

At the same time, Goldie was pressing hard for a royal charter, having been influenced by the granting of a charter to the British North Borneo Company in the beginning of the decade. With the declaration of the protectorate, the British government had boxed itself in. Because its paper protectorate was threatened by French and German expansionist desires for trading outlets on the Niger-Benue system, the British had to take some action to protect and administer their territory. An early historian of the Company put it this way: "If the British Government hesitated to grant the company the charter they asked for, it was clearly incumbent on the Government to set up an efficient administration of its own to afford the company protection" (7, p. 1,299).

After some delay, Goldie received his charter in July 1886. The newly christened Royal Niger Company was thereby organized into two parts—one administrative, the Niger government, and the other commercial—in order to govern and trade in a partly undefined area roughly coinciding with lands contiguous with the Niger and Benue Rivers and expanding indefinitely northward.

THE COMMERCIAL AND ADMINISTRATIVE OPERATIONS OF THE ROYAL NIGER COMPANY

The accompanying map shows the important T-shape of the Niger-Benue river system, the major towns and British political divisions, and the limits of the palm products belt. With some exceptions, the inhabitants of this area can be divided into three major groupings from the viewpoint of external trade: the



coastal tribes who earlier served as middlemen in the slave trade and then converted to the palm products trade in the nineteenth century; the interior tribes who produced the palm oil and kernels from naturally growing trees; and the tribes surrounding and to the north of the two major rivers who provided shea butter and ivory for export.[8]

The Royal Niger Company specifically attempted to change existing arrangements by circumventing the coastal middlemen (2, p. 438). During most of the century, the African middleman in the delta was an independent, capitalistic operator whose commercial success depended on his ability to prevent direct exchange between European traders and African producers (*5*, p. 103). The Company crushed the very profitable trade of this small group of Africans who operated in its trading concession and thereby undercut the commercial activities of the Liverpool merchants who were trading through these middlemen. Company efforts to move into the interior along the Niger and Benue Rivers aroused constant concern on the parts of the British administrators in the Crown Colony of Lagos and in the Niger Coast Protectorate who feared that their access to hinterland trade might be impaired.

The commercial strategy underlying the operations of the Royal Niger Company was worked out well in advance by Sir George Goldie and then applied with great ultimate success. Article 14 of the Company's charter prohibited the Company from establishing a monopoly of trade and stated that trade was to be free for all British subjects and foreigners and subject only to customs duties for revenue purposes (*31*, pp. 334–35). But in practice the Company acted as a monopsonist vis-à-vis the African producers from whom it purchased exportables, mostly palm products but also including ivory and shea butter, and drove the producers' prices down to levels well below what was being paid in contiguous areas where the monopsony was not in effect. Moreover, it acted as a monopolist in supplying imported goods to the African producers.[9] Flint has catalogued the major imports (*6*, p. 80):[10]

> Spirits, especially gin and rum, were the standard barter goods offered in exchange for palm oil and kernels. Liquor was practically a currency in this trade, without which it was impossible to obtain palm oil in any quantity. Above the palm oil region the Emirs would not allow trade in shea-butter or ivory unless arms and ammunition were given as barter goods, or at least presented to the rulers as "dash" for permission to trade. Any trader who tried to break into the Niger without liquor or arms to offer the African in exchange for his produce would make little headway. A little salt, some tobacco, and minute quantities of Manchester cotton goods were the only other European imports of any significance.

The favorable prices and consequent high profit margins for the Company on both accounts naturally attracted other African and European traders to the

[8] Shea butter is a solid fat, obtained from the seeds of the shea butter tree (*Butyrospermum Parkii*), which is used in making food, soap, and candles.

[9] The general term, monopoly, is used hereafter to refer to both the Company's monopsonistic and monopolistic behavior.

[10] Regrettably very little documented evidence exists regarding imports into the Niger Territory. Flint's statement, insofar as it plays down the probable importance of textiles, is at variance with a great deal of more general evidence, however. See, for example, *21*, pp. 35–60 and especially p. 38.

Niger Territory. The Company forestalled this influx through a variety of measures, ranging from manipulation of its right to levy customs on imports and exports to outright purchase of competitors.

From the Company viewpoint, optimal commercial operation in the early stages required a successful monopoly policy. In addition to varied groups within the United Kingdom who opposed the Company on principle, two opposition groups threatened the monopoly policy on the scene of trade—African small traders, usually termed middlemen, and competing European firms, including British and foreign traders. The Company established relatively high customs duties and a licensing system and thus successfully shut the Africans out of the trade that for many had been theirs or their ancestors throughout much of the century. Trading licenses alone cost £150 per annum; this cost was usually more than enough to prohibit African traders from operating in the Niger Territory.

More sophisticated and often costly devices were needed to discourage European firms from encroaching on the Company's lucrative trade. A system of collecting an additional round of customs duties including a second 100 per cent duty on war materials at Lokoja, a major town at the confluence of the Benue and Niger Rivers, effectively prevented other Europeans from trading in the northern part of the Company's concession. But 23 of the Company's 40 trading stations, including nearly all of the important ones, were located between Lokoja and the coast, mostly in the palm belt. In this area the major control mechanism was the restriction on ports of entry and exports. Flint has summarized the results of the Company's restrictive activity: "It was thus impossible to land, moor, set up market, or erect stores, without the company's assistance" (6, p. 98).

Among British traders, the arch enemies of the Royal Niger Company were the Liverpool merchants who had long traded with African middlemen and continued to do so in the Oil Rivers Protectorate (after 1893, the Niger Coast Protectorate) outside of the Company's area of jurisdiction. These traders complained not only that they were excluded from the Niger Territory but also that many of their traditional middlemen were prevented from tapping established sources of supply in the hinterland. Between 1887 and 1889 the Liverpool group entered into a series of complicated negotiations with Goldie and with the British government to extend the charter of the Royal Niger Company to the Oil Rivers Protectorate in order to enlarge the monopoly and bring advantages to all trading firms involved. Implementation of the scheme failed in large part because of the strong opposition of the powerful shipping lobby in Great Britain which foresaw, probably correctly, that shipping companies would be frozen out of the carrying trade if a huge, integrated company were set up in the lower Niger basin and delta (6, p. 99 ff.).

Following the failure of the scheme to extend the charter, nine British firms trading in the Oil Rivers Protectorate formed the African Association and competed indirectly with the Company by raising barter rates to encourage the smuggling of palm products from the Company territories to the Protectorate. Buoyed by the appointment of an anti-monopoly consul-general in the Protectorate in 1891, the Liverpool group moved into the Niger Territory and traded at a loss in an attempt to break the grip of the Company. In June 1893, Goldie met this threat in characteristic fashion by purchasing all of the African Association's assets on the Niger. The two companies then agreed to cease all competition allowing each to have sole control in its own territory (6, p. 196). Thereafter the monopoly was secured.

Unhappily for the Royal Niger Company, a combination of internal and international events caused its unhampered trade to be short-lived. In 1895, one of the coastal tribes which had been most severely afflicted by the Company policy of excluding African middlemen, the Nembe of Brass, attacked the Company's principal port facilities at Akassa and easily took temporary control of the practically undefended station. To Goldie's chagrin, British public opinion turned not against the Brassmen but against the Company whose policies caused them to riot. Sir John Kirk investigated the uprising for the government and submitted a neutral report on the question of who was to blame for the riot. Of great interest, however, was an appendage to Kirk's report—the Kirk plan for transforming the Company into a purely administrative body. The reformed Company would have £400,000 working capital on which it would pay an annual dividend of 5 per cent by collecting a small surplus of revenues over expenditures. Goldie was strongly in favor of this scheme, and he told the Company shareholders: "I am not content . . . that the sacrifice to a national object of all the best years of my life . . . should result in my name being remembered only as that of a monopolist, who blocked the road to civilisation and commerce in the Niger Basin" (6, p. 213).

Goldie's support of the Kirk plan was not surprising. The French to the north and west and the Germans to the east were changing the rules of colonial administration in Africa. The signing of treaties and bribing of chiefs backed by some vague international stamp of approval were no longer sufficient to provide legal claim to an area. The French and Germans were actually occupying their territories through military conquest and construction of forts. Since boundaries were still undefined, a competitive race was evolving to occupy claimed territory effectively. And in this race the Royal Niger Company could ill afford to compete with the French or German governments. Goldie, who had a deep knowledge of the territories nominally under Company control, saw this transition in colonial administrative practices taking place in the mid-1890s. During the second half of the decade, Goldie's policies—a combination of caution mixed with brash taking of chances—reflected his understanding of the realities of the situation and his desire to get the best settlement possible when the end that was in sight finally came.

Opposition to the Royal Niger Company and its holding of a royal charter was centered in four widely disparate areas: among African middlemen; among Liverpool merchants and their representatives in Parliament; among French and German merchants and their governments; and in the person of Joseph Chamberlain, who in 1895 deliberately refused higher positions to become Colonial Secretary in order to pursue his own peculiar version of imperialism.[11] This opposition was reactivated during and after the British public's demonstration of empathy for the Brassmen, and it continued until the Company finally lost its charter in 1899. Chamberlain had his own reasons for wanting to do away with

[11] For a discussion of Chamberlain's approaches to economic imperialism, see S. B. Saul, *32*, pp. 173–92.

the privileged position of the Company. According to one observer: "The possibility of building up the 'undeveloped estates' appealed strongly to Mr. Chamberlain, who was very definitely of the opinion that Nigeria was a most suitable place to try out his theories of colonial development" (*3*, p. 149).

By 1897 the Niger Company had clearly spread itself too thin. The main part of its constabulary force was still tied up in the Akassa area in anticipation of more attacks by disgruntled African middlemen. At the same time the French were testing the whole concept of colonial control based on treaty-making without military occupation by establishing a force at Bussa on the Niger. The Company had claimed this area for more than a decade. Bussa was particularly important because its control would give the French access to a portion of the Niger basin from which the Niger was navigable to the coast. And as if all this were not trouble enough, the British government, on behalf of its governor of the Crown Colony of Lagos, was pressuring Goldie to undertake a punitive expedition against the slave-raiding Emir of Ilorin. Perham has put the dilemma succinctly: "Goldie's problem was . . . the need to thrust out and occupy expensively vast areas of land for political reasons when the commercial interests of the Company demanded a slow cautious advance from the coastal bases of trade" (*29*, p. 539).

Goldie bowed to the most immediate pressure. Risking the Company's future, he personally led an expedition against the Emirs of Nupe and of Ilorin, and won victories in both instances. Nevertheless, the West African Frontier Force was formed and placed wholly under control of the British government, not the Royal Niger Company. This signalled the beginning of the end for the Company's administrative powers. No one realized this better than Goldie who refused to cooperate with the Frontier Force until he had been secretly promised what he felt were adequate terms for the financial settlement following revocation of the Company's charter. In March 1898, the Chancellor of the Exchequer gave Goldie surreptitious assurance that favorable terms—terms that in fact became those of the actual settlement—would be forthcoming in return for his cooperation against the French.[12]

Meanwhile, the crisis with the French had subsided just short of war. The Anglo-French Convention of 1898 (the Borgu Convention) put the final seal on the Company's fate, for among other things it gave the French trading rights on the Niger, although the British retained sole access to the Niger below the rapids, i.e., from the area north of Bussa to the coast. The document that finally revoked the charter of the Royal Niger Company, a letter from the Foreign Office to the Treasury in June 1899, cited the Borgu Convention as the principal factor behind the revocation.[13] Other factors mentioned in the letter were the need

[12] The Chancellor later told Parliament while defending the settlement terms that ". . . although the Chartered Company might be the best means of dealing with that region [the Niger Territory] as far as the natives were concerned, it was not the proper instrument with which the obligations of this country could be performed with regard to anything affecting our civilised neighbors in Europe." See *15*, p. 1294.

[13] "The state of affairs created by this Convention [the Borgu Convention] makes it incumbent on Her Majesty's Government to maintain an immediate control over the frontier and fiscal policy of British Nigeria such as cannot be exercised so long as that policy is dictated and executed by a Company which combines commercial profit with administrative responsibilities." See *12*, p. 399.

for imperial control of the Frontier Force, complaints of other firms against the Company's monopoly, and the effect of the monopoly on African traders. The Company's charter was revoked effective 1 January 1900, and the Royal Niger Company, Chartered and Limited, became the Niger Company, Limited, a wholly commercial concern.

The terms of the financial settlement given to the Company by the British government were the following (*14*, p. 697):

> In redemption (at £120 per £100 stock) of the Public Debt of the Niger Territories—£300,000; Price of Land and Mining Rights, and Compensation for Interruption of Business, etc.—£150,000; In repayment with Interest of Sums Advanced by the Company in Excess of the Revenue, to develop the Territory—£300,000; For Stores, Buildings, Steamers, etc.—£106,895.

The total appropriated by the British Parliament was £856,895 of which £556,895 was paid directly to the Company. In addition, the government agreed to pay the Company one-half of all royalties on minerals produced in much of the former Niger Territory for a period of 99 years. On the other hand, the settlement stipulated that (*12*, p. 399):

> The company shall be relieved of all its administrative powers and duties, and shall assign to Her Majesty's Government the benefits of all its treaties and all its land and mining rights of whatever sort and however acquired, but shall retain—except as hereinafter specified—its plant and trading assets, and its stations and waterside depots, with customary rights of access, buildings, wharves, workshops, and the sites thereof.

A total of £444,330 of the financial settlement was divided among the Company's shareholders, with £1.8 per share distributed to holders of the 66,675 shares, nominally valued at £10 each but for which only £2 each was paid, and £9 per share to holders of the 36,035 £10 shares which were fully paid. Then the Company reorganized, exchanging £1 and one new share for each £10 share, £2 paid, and £5 and five new shares for each £10 share, fully paid (9, p. 1494).[14]

AN ECONOMIC INTERPRETATION OF THE OPERATIONS OF THE ROYAL NIGER COMPANY

How the Company attained a commercial monopoly in spite of the prohibition of monopoly in its charter can be better understood through a more detailed analysis of its operations. In order to gain control of the producers of exportables, the Company's agents contracted treaties with chiefs of tribes in the Company territories. In these treaties the chiefs typically consigned "the whole of our [their] territory" to the Company and "gave to the Company and their assigns, for ever, full jurisdiction of every kind."[15] In return the chiefs received a promise of reasonable protection, compensation for property taken

[14] Thus, for example, an individual owning 10 fully paid shares of the Royal Niger Company would have received £90 from the settlement and £50 plus 50 new £1 shares of the Niger Company from the reorganization.

[15] See *12*, p. 428. The quotations are taken from one of the standard treaty forms used by the Company.

TABLE 1.—NIGER GOVERNMENT REVENUES FROM DUTIES AND FEES 1887–1898*
(£ British)

Year	Import duties paid by		Export duties paid by		License fees paid by	
	Royal Niger Company	Others	Royal Niger Company	Others	Royal Niger Company	Others
1887	23,039	998	15,446	1,335	620	660
1888	33,188	1,279	19,110	805	540	410
1889	28,968	1,642	24,094	1,826	570	360
1890	33,833	2,935	22,477	2,179	580	190
1891	48,226	5,541	27,397	3,801	560	200
1892	39,753	11,895	42,839	7,433	530	190
1893	56,023	874	46,308	6,016	450	190
1894	26,228	153	46,867	—	450	—
1895	40,397	217	46,260	—	460	—
1896	44,320	142	51,556	—	470	—
1897	47,320	232	45,330	—	450	—
1898	62,794	260	48,981	—	480	—

* Data from Gr. Brit., *Accounts and Papers*, 1899, LXIII, c. 9372, "Royal Niger Company," pp. 49–60.

by the Company, and an annual subsidy. The subsidies were small relative to total Company expenditures. For example, for 209 treaties undertaken in territories located between Akassa, the Company's main port, and Lokoja, annual subsidies ran to only £1,284.[16] And the 1885 treaties with the Sultan of Sokoto and the Emir of Gwandu, upon which the Company rested much of its later claims to much of its territory north of the Niger-Benue river system, were compensated by annual subsidies of only £3,780 and £2,520 respectively (*27*, p. 25).

The Company derived its revenue on administrative account, i.e., Niger government account, from import and export duties and from trading licenses. Import duties were levied on most of the more important traded goods, including liquor, war materials, tobacco and salt, whereas export taxes were collected on all four major commodity exports—palm kernels, palm oil, shea butter, and ivory —and on all other native produce (*11*, p. 763). The Company did not maintain a sterile set of constant export duties. As Goldie once admitted in private correspondence, "the Company plays a sort of game of backgammon with the duties, clapping a duty in front of each article of export as the demand for it arises" (*6*, p. 122). Goldie executed a classic maneuver in 1888. With the price of palm kernels at £4 per ton in the Niger Territory and £6 in the neighboring British territories, he raised the export duty on kernels from 2 pence to 2 shillings per hundredweight, a twelvefold increase, to equalize the Niger area price with the higher price in contiguous areas (*6*, p. 122).

Table 1 gives a complete record of revenues collected by the Niger government for all but the first and last year of the Company's chartered period. The

[16] See *8*, p. 1371. For a comparison with total expenditures by the Company, see below, pp. 80, 81.

TABLE 2.—VALUES OF IMPORTS AND EXPORTS FOR THE NIGER TERRITORY 1887–1898*
(£ *British*)

Year	Imports	Exports
1887	73,819	223,450
1888	120,878	230,073
1889	139,465	260,846
1890	180,692	286,200
1891	224,729	335,000
1892	181,012	341,800
1893	159,989	405,935
1894	(99,000)	(342,000)
1895	(152,000)	(337,000)
1896	(167,000)	(376,000)
1897	(179,000)	(330,000)
1898	(236,000)	(357,000)

* Data from Gr. Brit., *Accounts and Papers*, 1901, LXXXVI, Cd. 751, "Statistical Abstract for the Several Colonial and Other Possessions of the United Kingdom, 1886–1900," p. 338; and author's estimates.

Figures in parentheses are estimated figures. See text for explanation of basis of estimates.

table provides evidence that after 1893, when duties and license fees paid by others in the Niger Territory were at or near zero, the Company had a complete monopoly of the export trade and virtually total control of the import trade.

Data are available for import and export values of the Niger Territory only for the years 1887–93. None of the records of the Royal Niger Company contained in the *Parliamentary Papers* makes sufficient reference to values, quantities, or prices of imports into or exports from the Niger Territory to allow one to put together annual series for these items. The Statistical Abstract contains import and export values for 1887 through 1893 but says that such values for 1894 through 1898 "cannot be stated."[17] Table 2 includes the 1887–93 data along with estimates for 1894–98. The extrapolations of import values are based on the assumption that the ratio of import values to import duties derived from data for 1887–93 remained constant during the period 1894–98. The accuracy of the estimated import values for 1894–98 naturally depends on the relative shifts in the quantity composition of goods imported, in import prices, and in import duty rates. No data exist regarding prices and quantities but partial information indicates that the main import duties did not alter importantly.[18]

For exports the extrapolation ratio was calculated on the basis of 1892/93 export values to 1892/93 export duties, because export duty rates were radically altered in July 1891 (6, p. 194). The estimates of export values are, of course, subject to sources of error analogous to those for import values. Again no direct

[17] See *13*, p. 338. Patrick Manning has made estimates of quantities and values of exports of palm oil and palm kernels from the Niger Territory, apparently without knowledge of the Statistical Abstract data. His estimate of £220,000 for the average annual value of exports of the Royal Niger Company during 1891–98 is considerably less than the actual average of £361,000 for 1891–93 and the estimated average of £353,000 for 1891–98 based on actual and extrapolated data from Table 2. See *25*, pp. 229–34.

[18] See, for example, two separate reports giving duties for 1887 and 1891, both entitled "Return of Import and Export Duties Levied in the Niger Territories" (*10*, p. 141; *11*, p. 763).

TABLE 3.—REVENUE AND EXPENDITURE ACCOUNTS OF THE NIGER GOVERNMENT 1887–1898*
(*£ British*)

Year	Revenues	Expenditures
1887	42,396	71,324
1888	55,771	73,830
1889	57,652	82,870
1890	62,430	92,258
1891	89,667	107,975
1892	103,155	107,115
1893	110,756	99,255
1894	74,160	104,001
1895	87,806	108,963
1896	102,330	117,905
1897	94,045	135,637
1898	113,305	135,093

* Data from Gr. Brit., *Accounts and Papers*, 1899, LXIII, c. 9372, "Royal Niger Company," pp. 49–60.

evidence is available on prices and quantities, though the export duty rates apparently were not changed in the extrapolation period (25, pp. 231–32).

The available data on total annual revenues and expenditures of the Niger government are set forth in Table 3. The revenues column is the sum of the columns in Table 1. Since expenditures exceeded revenues in all years but one, the Company had to subsidize the Niger government account to make up the annual differences. But the British government later reimbursed the Company with interest for all such transfers as part of the financial settlement accompanying revocation of the charter.

Expenditures quite naturally comprise a wide variety of items. The major expenditure headings for a representative year, 1892, are presented in Table 4. Interestingly enough, it was not until 1897 that expenditures on the constabulary force began to exceed those on steamers, the largest item until then.

A final and totally undocumented aspect of the operations of the Royal Niger Company is the extent to which commercial expenditures were borne by the Niger government. Because of the nature of the operation, some of this practice was inevitable, for agents often wore two hats. There was nothing to stop the Company from sending an agent up the river to conclude a treaty on the administrative account and then having him do some trading on the side. In any event, the existence of the Niger government account probably allowed the Company to write off expenses that it would have incurred had it been operating purely on a commercial basis.

Data presented in the foregoing discussion can be employed to indicate roughly the degree to which the Royal Niger Company was able to use its monopoly and monopsony powers to its own advantage and to the disadvantage of African producers with whom it traded. Lack of data needed to estimate the relevant demand curves for importables and supply curves for exportables prevents precise measurement of monopoly and monopsony profits. Some indication of the magnitude of these profits can, however, be gained from an alternative

TABLE 4—EXPENDITURES OF THE NIGER GOVERNMENT 1892*
(£ British)

Subsidies and special administrative missions	12,166
Constabulary force	24,062
Interest	12,500
Stations	5,870
Steamers	30,921
Salaries and maintenance of staff in Africa	16,520
Miscellaneous expenses and home administration	5,076
Total	107,115

* Data from Gr. Brit., *Accounts and Papers*, 1899, LXIII, c. 9372, "Royal Niger Company," p. 54.

course of action—calculation of the mark-up surplus associated with Company operations in the Niger Territory.

As a trading enterprise, the Company purchased goods in Great Britain, bartered them in the Niger Territory for African exportables, and then sold the African produce in Great Britain. Its profit was made from merchandising mark-ups on both British goods sold in the Niger Territory and African commodities sold in Great Britain. In a competitive situation, these mark-ups would have been only as large as competition in both markets would have allowed. Under the actual circumstances, the Company was able to realize a mark-up surplus by wielding its monopolistic and monopsonistic bargaining powers.

In each year of its trading operation, the Company, including its administrative wing, the Niger government, had total revenues approximately equal to the sum of its exports from the Niger Territory plus its revenues on Niger government account. Annual total costs were made up of the value of Company imports into the Niger Territory and expenditures on Niger government account, but also included costs of buying and selling, transportation costs, annual capital costs, and fixed costs not included elsewhere (e.g., administrative overhead in Great Britain). In addition, the Company had incurred certain initial capital costs in establishing its operation.

In light of constraints imposed by the availability of data, the mark-up surplus of the Royal Niger Company for the years 1887–98 can be approximated by using data on revenues, expenditures, exports, and imports from Tables 2 and 3. This procedure overstates the mark-up surplus to the extent of buying and selling costs, transportation costs, annual capital costs (i.e., those occurring between 1887 and 1898), and costs not included elsewhere. An additional source of bias may result from the valuation of exports and imports. It appears that the trade statistics are correct for purposes here, i.e., that exports are valued f.o.b. Niger Territory and imports are valued c.i.f. Niger Territory, but the methods of valuation are not stated explicitly (*13*, p. 338). Finally, the transfers from the British government to the Company arising from the revocation settlement are omitted from this calculation since they had no impact on African producers and probably influenced the operations of the Company, if at all, only at the end of the period under consideration.

Table 5 contains the data and partial results for two calculations of mark-up

TABLE 5.—PARTIAL CALCULATION OF MARK-UP SURPLUS AT SELECTED DISCOUNT RATES*
(*Thousands £ British*)

Year	Exports (1)	Imports (2)	Expenditures (3)	Revenues (4)	Mark-up surplus, undiscounted (5)	Mark-up surplus, discounted at 10 per cent (6)	Mark-up surplus, discounted at 6 per cent (7)
1887	223	74	71	42	120	109	113
1888	230	121	74	56	91	75	81
1889	261	139	83	58	97	73	81
1890	286	181	92	62	75	51	59
1891	335	225	108	90	92	57	69
1892	342	181	107	103	157	89	111
1893	406	160	99	111	258	132	172
1894	342	99	104	74	213	99	134
1895	337	152	109	88	164	70	97
1896	376	167	118	102	193	74	108
1897	330	179	136	94	109	38	57
1898	357	236	135	113	99	32	49
Discounted Totals						899	1,131

* Data from or calculated from Tables 2 and 3.

surplus, using illustrative discount rates of 6 per cent and 10 per cent.[19] In both instances the annual stream of surpluses is discounted back to an 1886 present value. On the basis of a discount rate of 10 per cent, the discounted mark-up surplus, gross of initial capital costs, is nearly £900,000, whereas at 6 per cent it is over £1,130,000. From these figures one must subtract a value for the 1886 present value of capital expenditures undertaken by the Royal Niger Company's predecessors prior to 1887. There is unfortunately no good estimate of this item. An upper limit is provided by the value of fully paid shares of the Company in 1887 since the Company was then debt free. Equity in the Company at that time was £443,350 (*12*, pp. 394–405). Subtracting this figure from the gross figures presented in the table gives a range for the mark-up surplus of about £450,000 to £700,000. Economic profits could be found if data on the omitted costs mentioned above were available.

For sake of comparison, the range of mark-up surplus can be contrasted with declared profits. Table 6 is a summary balance sheet of the Royal Niger Company based on data reported to stockholders for the period 1887–98. Most of the

[19] The expression used in calculating mark-up surplus is

$$S = \sum_{t=1}^{12} \left([X_t + R_t - M_t - E_t] \frac{1}{(1+i)_t} \right) - K_0$$

where S $\equiv$ the 1886 present value of the mark-up surplus for 1887–98, with year 1 = 1887;
$X_t \equiv$ value of exports from Niger Territory in year t;
$R_t \equiv$ revenues of Niger government in year t;
$M_t \equiv$ value of imports into Niger Territory in year t;
$E_t \equiv$ expenditures by Niger government in year t;
$i \equiv$ assumed rate of discount; and
$K_0 \equiv$ present value in 1886 of capital costs incurred prior to 1887.

TABLE 6.—SUMMARY BALANCE SHEET OF THE ROYAL NIGER COMPANY 1887–1898*

(*£ British unless otherwise indicated*)

Year	Authorized capital	Fully paid shares	Profits	Profits as a percentage of fully paid shares	Dividends paid	Dividends as a percentage of fully paid shares	Interest on Niger government 5% stock
1887	1,000,000	443,350	46,766	10.55	—	—	—
1888	1,000,000	443,350	58,681	13.24	11,084	2.5	—
1889	976,750	443,350	60,095	13.55	26,601	6.0	6,650
1890	976,750	443,350	66,364	14.97	26,601	6.0	6,650
1891	976,750	443,350	51,891	11.70	26,601	6.0	6,650
1892	976,750	443,350	43,168	9.74	26,601	6.0	6,650
1893	1,027,080	493,680	69,293	14.04	22,168	4.5	6,650
1894	1,027,080	493,680	64,090	13.15	40,453	8.2	6,650
1895	1,027,080	493,680	56,974	11.54	17,279	3.5	6,650
1896	1,027,080	493,680	65,398	13.25	29,621	6.0	6,650
1897	1,027,080	493,680	68,555	13.89	44,431	9.0	6,650
1898	1,027,080	493,680	94,532	19.15	29,621	6.0	6,650

* Data from Gr. Brit., *Accounts and Papers*, 1899, LXIII, c. 9372, "Royal Niger Company," pp. 37–48.

vicissitudes concerning Company operations are naturally reflected in these figures. The Company's declared profits rose between 1887 and 1890 during the relative moratorium with the Liverpool firms, dipped severely in the next two years when the trade war was being waged, and then climbed to a plateau level for five years when growth was inhibited by increasing administrative expenditures, part of which the Company financed out of its commercial account. Profits were very high in 1898 when the British government assumed a large share of the defense burden and the Company, faced with the approaching loss of its charter, concentrated almost entirely on commercial operations.

Turning to the dividend side of the picture, a more mixed case is presented. But, of course, changes in the Company's reserve position must be considered alongside dividends declared. Although complete information is not available for reserve changes, the general outlines can be sketched. The National African Company had unwisely paid dividends from its inception in 1882 through 1884, notwithstanding the great expansion in steamships and plant undertaken at that time. The Company suffered a loss of £400,000 in 1885 and by the end of that year its total debit position was about £150,000. The Royal Niger Company showed a profit in 1886 and again in 1887, but no dividends were declared until 1888. In the leaner years in the early 1890s, the Company temporarily had to dip into its reserves to maintain a dividend close to 6 per cent, and by 1893 the reserve fund was exhausted. Large additions were made to reserves in the last years of the Company's chartered operations, however, and by the end of 1899 reserves stood at £113,000 (*34*, p. 1608). At that time market prices of the Company shares ranged between £3.5 and £4.5 for the £10 shares, £2 paid, and between £17 and £22 for the £10 shares, fully paid (*36*, p. 1427).

Interest on Niger government 5 per cent stock, reported in the final column of Table 6, was the result of a maneuver whereby Goldie persuaded the British government to authorize the issuance of £250,000 of Niger stock in 1889, £133,005 of which was taken up by the public and £116,995 retained by the Company (*34*, p. 1609). The stock was redeemable in 50 years and paid 5 per cent interest. The purpose of the transaction was to reimburse the Royal Niger Company for administrative expenses it had incurred prior to receipt of its charter. Interest was paid through the annual transfer of £12,500 from the Company's administrative account to its commercial account. This bookkeeping transfer, incidentally, was Goldie's rationalization for increasing the export tax on palm kernels in 1889.

In short, from its stockholders' point of view the Royal Niger Company was no bonanza, yet it managed to declare a fair profit during each year of its chartered era. Dividends were not exceptional, especially for a company that was higher risk than many British investments, but they were steady. Including the special distribution of part of the revocation settlement in 1900, an investor purchasing shares in the National African Company in mid-1882 would have received dividends and distributions amounting to 282.2 per cent of his investment by 1900 (of which 90.0 per cent arose from the revocation settlement). The implied internal rate of return for this 18-year period is slightly over 7 per cent. If the investment had been when the Royal Niger Company was formed in mid-

1886, the total yield over 14 years would have been 259.7 per cent, implying an internal rate of return of 8 per cent. In contrast, during much of this period consols in Britain yielded only about 2¼ per cent annually (*23*, p. 22).

It is also of interest to contrast the Company's mark-up surplus with its declared profits over the period of comparable data availability, 1887–98. As in the calculation of mark-up surplus, discount rates of 6 per cent and 10 per cent provide a relevant range. If straight-line depreciation is assumed for the initial capital expenditures, i.e., those occurring prior to 1887, the 1886 present value of the mark-up surplus lies in a range between £680,000 and £865,000 (discounted at 10 per cent and 6 per cent, respectively). In contrast, the present value in 1886 of the stream of declared profits for 1887–98 amounts to about £400,000 (at 10 per cent) or £500,000 (at 6 per cent). The discrepancy between the two ranges results partly from the omission of certain costs in the calculation of mark-up surplus and partly from conceptual and accounting differences between the businessman's and the economist's view of profitability. Yet it must be remembered that the Company was in the early building and growth period so that neither of these concepts correctly reflects its earning potential. In fact, the Company later became a much larger and more profitable enterprise.

CONCLUDING OBSERVATIONS

From a commercial standpoint, the important question for the Company was the extent to which the administrative responsibilities conferred upon it by the royal charter benefited its trading operations. Since the Company was eventually reimbursed for all deficits on administrative account, no financial burden was involved during the charter period.

Instead of falling like a house of cards after 1900, the Niger Company turned advantages obtained and secured during the chartered period into a near monopolistic control of trade under early British colonial administration. [20] To the great frustration of the Liverpool merchants, the former Company territories did not open up for intense competition after the revocation of the charter. The Company used £100,000 of its settlement from the government to replace steamers, stores, buildings, etc., with new plant and equipment. Moreover, the locational advantages of the Company were very significant since it controlled all of the major trading centers. New entrants faced the joint problem of having to pay heavy rents to the colonial government for land and then of taking their choice of competing directly with the Niger Company or attempting to open new areas to trade. Under the terms of the revocation agreement, Niger Company stations and wharves were not subject to government charges. The Company received a further advantage in not having to pay customs duties on the sizable stocks of goods imported before 1900 (*6*, p. 266). Some of the Liverpool group even claimed that the new colonial policies strengthened the Niger Company's earlier monopoly.

From 1900 to 1918 the Niger Company declared dividends of 10 per cent in every year but one (*35*, pp. 2759–60). And in spite of a couple of financially bad

[20] For the economic history of Nigeria from 1900 through independence in 1960, see G. K. Helleiner, *19*, pp. 1–43; and W. F. Stolper, *37*, pp. 391–413.

years in 1919–20, the Company, whose authorized capital had been increased to £3,000,000 in 1914, was purchased by Lever Brothers in 1920 for £8,500,000, six and one-half times the nominal value of its fully paid shares.[21] Since the Company never really lost its commercial monopoly after its charter was revoked, this rapid increase in value is not surprising.

The Company's profitability after losing its charter was in large part a result of its earlier administrative powers. The power to follow a commercial policy conducive to the creation and maintenance of a trading monopoly allowed the Company to build up its extensive control of trade and trading stations. Additionally, the Company's success can be traced to its ability to spread certain expenditures over an administrative as well as commercial account and to the reimbursement with interest for administrative shortfalls. The chartered period came to a close before administrative, especially military, expenditures mounted drastically. The Royal Niger Company was thus a successful chartered company from a commercial point of view because it was able to construct and protect a trading monopoly through skillful interpretation of its administrative powers. Its successor, the Niger Company, was fortunate to be relieved of administrative powers, which under changed conditions were becoming too much for a commercial company to handle, and was able to thrive commercially on the solid monopolistic foundations laid during the charter period.

In summary, the flag definitely followed trade in the British takeover of the lower Niger-Benue basin. Commercial interests preceded and lobbied for effective administration. Economic pressures were at the heart of Britain's decision to colonize the Niger area, although other factors such as international power politics and humanitarian desires to put a stop to the slave trade and to spread Christianity played important contributory roles. The British government took the path of least resistance in establishing the Niger government within the Royal Niger Company to administer territory that Great Britain was able to lay claim to at Berlin as a result of the Company's commercial treaties. Despite its financial and administrative success, the Royal Niger Company's political usefulness in extending the British empire soon became obsolescent as conditions for African colonization radically changed. Commercially, however, the Company and its successors continued to be profitable since its administrative manipulations during the chartered days allowed the fostering of a very strong trading base. Receipt of the royal charter was therefore surely of great economic benefit to the Company.

The question of whether the Royal Niger Company was a profitable venture for British investors has been answered affirmatively. While declared profits were not exceptionally large, economic profits, as roughly approximated by the concept of mark-up surplus, were undoubtedly much greater. But shares of the Royal Niger Company represented only a very small proportion of total British foreign investment, and hence profitability in this instance cannot necessarily be generalized to other British investments in West Africa or to other chartered companies (compare *33*, pp. 566–81).

[21] See Margery Perham, *30*, p. 61. The Niger Company was later merged into the United Africa Company, a Unilever concern that is still of considerable economic importance in contemporary Nigeria and in several other African countries. See Kamarck, *22*, pp. 191–93.

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