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MILNER AND THE MIND OF IMPERIALISM

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Let me say at once that ... I attach far more importance to the general prosperity of the Transvaal, to the development of its industry and its agriculture, to making it a great country, the home of thousands of working British people, carrying on an ever-increasing trade with their fellow-workers over here.

Milner, The Nation and the Empire, 106.

... to direct a steady outflow of men of British stock to the younger countries of the Empire must thus be a constant object of Imperial policy. Of greater importance still is the quality of the emigrants. And that depends upon the character of the nation from which they are drawn. Thus the consistent Imperialist is inevitably led to concern himself with those influences which affect the condition of the mass of our people here at home. He cannot help being a zealot for social improvement.

ibid, xl.

Capitalist development in Southern Africa, particularly in Kimberley and on the Rand, was very much the result of the penetration of British and foreign capital as well as the rapid growth of commercial interests. The continued expansion of the mining industry, with its huge amounts of initial capital outlay, particularly after 1893 when the deep levels came into operation, depended upon the state of the capital markets of Europe: speculative booms in "kaffir" shares not only lined the pockets of investors but also provided new working capital, for little capital was raised by the issue of debentures. (1)

This meant, at the South African end, that mining companies often had to operate under constraints inherent in their financial structure; short-term profit maximization was needed to create new working capital and pay out dividends, thus raising the company's speculative appeal, enabling it to raise yet further working capital by share issues. In addition, the Rand was a fast growing urban and industrial market, which attracted a wide variety of commercial interests and export-orientated industries, many of which had progressively been excluded by tariffs from some of the more remunerative industrialized European or North American markets.

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At the London end, however, the very ability of the various mining houses and holding companies to play the London stock market and raise working capital depended upon the state of the British economy and the predilections of portfolio holders. (2) This also applied to some of the British export-orientated industries with interests on the Rand, whose performance depended very much on their ability to raise working capital through new share issues, thus allowing them to manufacture new product-lines attuned to the needs of the market.

The state of the British economy, however, was not robust, particularly with respect to trade and the manufacturing industry. The effects of the Great Depression had been the subject of a Royal Commission in 1896, but even so between 1883 and 1913 the share of world trade in manufactured goods in British hands dropped from 37.1 per cent to 24.4 per cent, whereas Germany's proportion rose from 17.3 per cent to 23 per cent, and America's from 3.4 per cent to 11 per cent. (3) Throughout the 1880s and 1890s neither government nor industry were unaware of this trend; Chamberlain in particular made British trade and export performance the subject of yet another number of enquiries and commissions. (4) The national press, too, exploited the theme of Britain's relative economic decline to the full and more often than not Germany was portrayed as both the country's main trading and, by implication, political rival. (5)

As world industrialization proceeded at a high rate of some 3.8 per cent per annum between 1870 and 1913, the rate of growth of British exports and trade was bound to be subject to pressure (the T/Y ratio of foreign trade as a percentage of National Income declined from 59.0 per cent in the 1880s to 55.8 in the 1890s). (6)

It can be argued that this pressure, however, could have been diluted in a number of ways. Firstly, Britain could have developed new export categories and/or produced specialized and high-grade types of existing goods. This strategy required a high propensity to innovate and a resources-transfer from old established into new sectors, such as electrical engineering, at home.

Secondly, industry could have attempted to improve competitive ability in existing trading goods by reducing costs. In the European markets, however, such a cost reduction would have been cancelled out by higher tariffs and in any case price competition was not the only form of competition. Indeed, in the case of the Rand market, marketing techniques, after-sales service, packing, etc., were regarded by many agents as far more important than the undoubted quality of British manufactures. (7)

The third solution to the challenge of industrialization abroad was to continue to produce the same goods in more or less the same way, but to redirect exports to new markets such as the Rand with the assistance of capital exports. Indeed, it is arguable that the declining relative importance of industrial markets in favour of an expansion of trade in certain primary producing markets over the period 1890-1914 helped to maintain the obsolescent structure of Britain's export-orientated industry and failed to provide opportunities for long-term growth, partly because the absence of rivalry from other exporters in these markets was only temporary and existed as long as world trade continued to grow. (8) The massive influx of German and American manufactured products to the Rand after 1895 illustrated the volatile and unprotected nature of Britain's "new" markets. (9)

The link between Britain's industrial performance between 1880 and 1914 and the rate and direction of British overseas capital investment is more than just a tenuous one. In January 1899 Rothschild advised Rhodes, who apparently had an excess cash fund of £500,000, to invest in a whole host of long-term, fixed return bonds and Consols, including the Ottoman 4% 1891 and the India 3½% rupees 1854-5. Rothschild's timely advice may undoubtedly have reflected the general apprehension felt in financial circles about the state of affairs on the Rand, for he did not believe that any gold mining company was worth investing in; his recommendations were, of course, "a list of what I should buy for a favoured client if he entrusted me with the investment ...". (10)

In fact, Lord Rothschild, who was no mean speculator, echoed more than anything else a broad trend within British foreign portfolio investment. The rates of return on British overseas investment portfolios during the period 1880-1914 averaged about 4 per cent, which is consistent with the description of the aggregate portfolio as bond-laden (usually railways or local government) and chosen to suit the tastes of both conservative rentiers and evidently, if Rothschild is to be believed, of speculators. Although many domestic industrial equities generated higher average rates of return - though, of course, they were correspondingly riskier - investors generally preferred the decidedly less risky foreign portfolios. (11)

That the risk preferences of British investors directly affected the performance of British industry is particularly noticeable when one considers that during periods when foreign investment was temporarily less remunerative, e.g. 1890-1 and 1895-6, rentiers increased either their consumption, their holdings of money balances or their mortgage investments. (12) At no time was a slackening in overseas investment reflected in a corresponding upswing in domestic equity investments, which, after all, were the main means of access by companies to new working capital. Unable to increase their capital formation, British export industries could not develop new export lines or meet the varying demands of new markets.

Finally, patterns of foreign investment also affected the structure and level of domestic demands. Foreign investment importantly affected the export sector and directly, or indirectly, large amounts of foreign lending were translated into extensive orders for exports. (13) However, as the main beneficiaries of increased demand for exports were generally well established industries, foreign investment reduced the incentive to diversify through the creation of new lines of goods, because new lines usually depended on domestic markets for initial developments and marketing appeal. Generally speaking, the tendency for export production to be less diverse than production for domestic use was further reinforced by the concentration of, for example, engineering export markets in the less industrialized countries with their more rudimentary requirements, at least during the initial stages of their capital development.

By reducing the level of demand for British engineering goods and by deflecting what demand there was away from new, market-orientated lines, British foreign investment thus depressed the profitability and retarded the expansion and diversification of domestic engineering firms relative to what might have been reached with more extensive domestic investment. The incomplete structural development of Britain's engineering industries with regard to new lines is particularly noticeable when one considers the industry's performance on the Witwatersrand market; by the early 1900s British companies, which had been unable to raise sufficient working capital to switch their production of rock drills based on the reciprocating piston principle to axial-feed water drills, had lost their earlier near-monopoly to American manufacturers. (14)

In other words, by the 1890s British capitalism was confronted by a structural crisis with a severe lack of capital formation at home compounded by a slack export performance even in the less industrialized markets, where, like in South Africa, a standard line of products was actually being pushed out altogether by foreign competition. Continued domestic capital accumulation was jeopardized by the risk preferences of investors, who remained unenthusiastic about pouring funds into domestic equities. (15)

Both Chamberlain, as a Midlands industrialist, and Milner, as an economist, former secretary to the Chancellor of the Exchequer and a Chairman of the Board of Inland Revenue, were aware of at least some of the structural problems hampering sustained economic growth. Chamberlain, in particular, recognized that if the industrialized markets of America and Europe were being progressively closed to British trade by the imposition of tariffs, then this trade would have to be directed towards the less industrialized formal, or informal, empire, where competition was slight and consumer demands less at variance with what British industry could, and would, produce. (16)

I have argued elsewhere that the desire to incorporate a burgeoning Rand market more firmly into the British commercial orbit was, at least, a contributory cause of the outbreak of the Anglo-Boer conflict: a British administration on the Rand would not only safeguard the existence of a more open market for British manufacturers but would also guarantee long-term uninterrupted capital accumulation within the mining industry, which was largely dominated by British capital interests. (17) Indeed, it was argued that, with the establishment of British rule over the Rand, "costs per ton of ore milled would be reduced by 5/- to 6/- and the immediate effect of such an action would be a) to increase the total tonnage and gold value by reason of the addition of Main Reef ore, the grade of which in the past fell below the pay limit b) excess profits attributable to this cost reduction would be upwards of £350,000 ...". In addition, the Rand would bring "some comfort in view of the uneasiness about the future of British trade"; the total Transvaal import-export trade in 1899 was estimated at £30,000,000 per annum and, in view of the exhortation that "the English people should spread themselves out and get elbow-room", the obvious implication was that this trade was at least potentially secure for British industry. (18)

In 1900 Chamberlain expressed himself in a similar enthusiastic vein about the future of British trade in South Africa, when he informed a meeting of the Imperial Institute that

there will be great numbers going to develop not only the mineral resources of this country which have already been opened up, but those still greater resources which we know to exist. In every kind of business occupation - manufacturing, industrial, mining - there must of necessity be great development and this country will be drawn upon for the majority of those who will carry out that development ... (19)

Milner wholeheartedly agreed, and added that the Transvaal was "a magnificent estate which has been woefully mismanaged ... it requires no extraordinary statesmanship, it simply requires ordinary, decent government and a reasonable liberality in public finance". (20) Milner's optimism was mirrored in a flurry of publications and reports by governmental commissions to South Africa.

Both W. Bleloch's The New South Africa. Its Value and Development (1901) and Henry Birchenough's government report, The Present Position and Future Prospects of British Trade in South Africa (Cd 1844, 1903) described in fulsome terms Britain's commercial and industrial opportunities on the Rand. Ben Morgan's influential Report on the Engineering Trades of South Africa for the National Industrial Association (1902) was, however, rather more pessimistic and tended to reflect the tenor of domestic trade reports such as the one published in 1903 by the Board of Trade on British and Foreign Trade and Industry. Both Morgan and the Board of Trade dwelt on the nature and vigour of foreign competition, the noticeable lack of new machinery and products by British manufacturers and, more importantly, the fact that many British manufacturers refused to market products attuned to the specific and varied needs of local consumers. (21)

In Britain the national press was aware of the country's precarious economic position and proceeded to publish, throughout the period 1900-4, numerous articles on "Doomed British Shipping", "The Economic Decay of Great Britain" and, of course, "The Growth of German Exports". (22) In so doing the press was instrumental in fostering the emergence of the ideology of "national efficiency" which lambasted the relatively poor export and trading performances of Britain.

At the same time, this "efficiency" ideology provided a framework within which notions about Imperialism and the need to "protect" the Empire against unfair commercial competition as well as semi-scientific concepts about race superiority, strong administration (e.g. Milner's regime in South Africa after 1900), social reform, militarism à la Wilhelman Germany, etc., could flourish. (23)

Efficiency was also a kind of ideological response to the laissez-faire individualism which had been the hallmark of British capitalism for several decades. State interventionism in both the economy and social relations in the form of a redirection of productive capital's markets, urban planning (Milner's particular fad) or state pensions, became ideologically respectable among hard-pressed Midlands industrialists and certain sections of the ruling class. The methodical application of state intervention required a carefully structured administration, necessitating, in Milner's words, "a prescient mind and resolute will" (24), but which would then be able successfully to confront the generally acknowledged socio-economic crisis facing the country.

Within Britain the government's response to the crisis in productive capital was lack-lustre and led to a number of commissions on shipping, foreign competition, etc. (25) Within the context of the newly conquered South African colonies, however, Whitehall's response after 1900 was of an entirely different and radical nature. Chamberlain's most forceful attempt to drag British industry screaming and kicking into the twentieth century was by ensuring that Milner pushed several multi-million pound orders for the newly established Central South African Railways (CSAR) and the land settlement schemes via the Crown Agents in the direction of British industry.

As "the purchases of the New Colonies ... will be exceptionally large, British manufacturers shall have preference, other things being equal, in the expenditure of funds". (26) Considerable sums of money were involved in these purchases; originally some £10 million had been earmarked for "development purposes" in the Transvaal, which largely meant railways, and although by 1904 this sum had been whittled down to £7 million - "precious little" in Milner's opinion (27) - the South African Mines, Industries and Commerce Journal did note, in 1903, that "large and important orders have recently been placed by the Crown Agents in England for rolling stock and rails for the CSAR. Seventy-four locomotives ... are now in course of construction". (28)

In fact, in order to ensure that the CSAR's orders would only benefit British industry, Chamberlain informed both Milner and Sir Percy Girouard, the initial head of the CSAR, that only the Crown Agents and its sub-agents in Birmingham (sic) should be contacted. The Milner regime and the CSAR were "not [my italics] to purchase goods from local (i.e. South African) agents and store-keepers as all our experience is against an arrangement of this kind unless in exceptional circumstances". (29)

By 1903 both Chamberlain and Milner had become convinced that Tariff Reform would greatly assist British trade and industry and give it the apparently necessary protection and guaranteed markets against foreign competition. In May 1903 Milner told Chamberlain: "I need hardly say that personally I watch the struggle at home [over tariffs and preferential trade] with the deepest interest and, of course, with the heartiest sympathy with the line you have taken ..." (30) In fact, Milner promised to "push for a preference of 25 per cent in favour of products of the British Empire" at the Bloemfontein Inter-Colonial Conference of early 1903. Although his policies on preference were strongly supported by the Rand and opposed only by "a few Cape Town and Port Elizabeth merchants of the mugwump variety" (31), their reception in Great Britain was one "of apparent complete indifference ..." (32)

With respect to the British explosives industry, however, both Chamberlain and Milner were slightly more successful. Prior to 1899 the mines had been obliged to purchase their explosives from the Nobel-owned Zuid Afrikaansche Fabriek voor Ontplofbare Stoffen (ZAFOS) at highly inflated prices. (33) After the Boer War, the mining industry, anticipating correctly that, in the words of Georges Rouliot in 1902, the British administration would "lead to a proper application of local laws" (34), successfully called for the immediate abolition of the ZAFOS monopoly. In 1903 the mines were consuming some £750,000 worth of explosives per annum. As many companies were still developing their mines for production and did not operate any ancillary plant as yet, their main working costs were in the mine; this meant that for many mines, particularly those marginal low grade ore deep-levels opened up during the brief 1902 boom, the cost of explosives was a much higher proportion of their total working costs. (35)

Having arbitrarily abolished the ZAFOS monopoly in 1901, however, Milner soon discovered that he could not really afford to alienate either Nobels or its emissary to South Africa, Lord Ribblesdale. (36) The Nobel Trust and its Glasgow subsidiary managed to pressurize Chamberlain and Milner into keeping its old ZAFOS Modderfontein works open "as a British-run concern" at least until 1905, when De Beers' Cape Explosives Works finally managed to dislodge Nobels from its predominance over the Rand market.

In spite of both Milner's and Chamberlain's earnest attempts, British commercial and industrial interests did not move into the Transvaal at an accelerated rate after 1900. In April 1901 Milner strongly supported Sir David Barbour's recommendation of the total abolition of all  $7\frac{1}{2}$  per cent ad valorem duties on imports, which would undoubtedly have helped to make British imports more competitive. (37)

Nevertheless, the structure problems confronting British industrial performance, with its low rate of capital formation and its inability to exploit successfully varying market opportunities, defeated all attempts at official assistance even within the confines of the Rand market, where agents and engineers, if the South African Mines, Industries and Commerce Journal is to be believed, had a high propensity for purchasing British goods. (38) In 1900 British exports to South Africa comprised 64.05 per cent of total imports (inflated because of the war), but by 1907 this percentage had declined to 56.75 per cent. In absolute terms, too, imports for the corresponding period had declined from £14,778,017 to £14,331,654. In 1908 British imports into South Africa declined even further, to £13,313,289 or 56.19 per cent of total imports. (39)

In 1907 S. J. Truscott, in The Witwatersrand Gold Fields: Barket and Mining Practice, noted that the vast majority of machine drills were either made by Ingersoll Sergeant, or the Rand Drill Co, both of New York, and that the "Climax" drill by R. Stephens, Sons, of Cornwall, was no longer as popular as before. (40) In fact, as early as 1903, the Goch Mine, clearly intent on profiting from the anticipated rise in production after the imminent arrival of Chinese labour, purchased the five largest boilers south of the equator from the Sachsische Maschinenfabrik, Chemnitz. (41) Later in the year, the South African Mines etc. noted that "the outlook for electrical plant is as encouraging as that for almost any line of manufacture. The strongest bidder for the trade, however, is Germany ...". (42) Much of British industry's inability to re-establish its pre-war predominance over the Rand market was due not only to its insensitivity to market opportunities but also to the persistently sluggish and recession-ridden performance of the Transvaal economy throughout the period up till 1914. As late as 1912 Britain still accounted for only 58.03 per cent of all imports into South Africa and the Board of Trade Commissioner noted that growth-related imports of mining machinery, electrical wires and cables, iron and steel piping, etc., were dominated by Germany and America, with 17.99 per cent of total imports. (43)

## II

It is the indefiniteness of our aim which is at the root of our troubles. At present it is really quite difficult to say what we are driving at with all this immense expenditure of money and energy ... (44)

Any possible "indefiniteness" in the clear pursuit of restructuring capitalist relations of production in the post-war Transvaal was quickly brushed aside by Milner's administrative freneticism. His concern to frame his actions in accordance with a long-range and comprehensive objective and his opposition to the traditional empiricism, which he stigmatized derisively as "drift", was firmly rooted in the Edwardian ideology of national efficiency as well as in his own experiences as an administrator in Egypt. (45)

Milner had been the Egyptian Under-Secretary of State for Finance between 1889 and 1892. In 1891, in a lengthy interview with The Scotsman, he pointed out enthusiastically that "the British administration had removed the whip, interrupted the bribe, controlled the water supply ...". Mindful, as ever, of the considerable economic benefits for Britain of Lord Cromer's benign rule in Cairo, Milner quickly added that "two-thirds of Egypt's exports are taken to British ports. Nearly one-half of her imports are derived from British factories. Agricultural revival in Egypt means a larger and cheaper supply of cotton for the British market ..." (46) Undoubtedly Milner viewed the Transvaal of the 1900s as analogous to the Egypt of the 1880s. Certainly Milner's main apologist, Basil Worsfold, extensively touched upon the many similarities between Egypt and the Transvaal and noted the need for strong administration in both countries. (47)

Central to his resuscitation of the "woefully mismanaged estate" and any subsequent economic benefits accruing to Britain, however, was the development of the Transvaal gold mining industry. In early 1903 the mining industry was, once again, in the throes of a depression. Many of the mining houses had been left with a large number of newly opened deep-levels which were unworkable because of their low-grade properties. The share markets of London and the Continent were "kaffir"-weary and so such losses could not really be recouped through manipulation of the stock-market, though, of course, a sizeable reduction in working costs with the aid of the Milner regime might ease the most pressing production problems.

Milner was only too pleased to assist the mines. As early as 1902 he had agreed not to make the new Gold Law retrospective and allowed the mining companies to deduct war costs from the next year's (1903) tax liabilities. During the same year, Patrick Duncan had commented that "whatever stimulates the mining industry is an indirect benefit to the whole community". (48) With this resounding aphorism in mind, Milner set out to assist in every way the mining industry's attempts to restructure its productive process along more cost-effective lines. Aware that "what water was to Egypt, unskilled labour was to the Transvaal" (49), Milner vigorously supported the Chamber of Mines' attempts to reduce African wages and import Chinese labour. (50) Indeed, he cajoled the initially reluctant Colonial Office and lambasted local opposition, claiming that "industrial development, irrigation, railways, etc., and the loyalty of the Dutch all depended upon Chinese labour ...". (51)

While some of the constraints under which the mining industry had to function during the period 1902-6 have been more extensively dealt with elsewhere (52), an additional and important constraint inherent in the financial structure of the mining houses made it imperative for capital to call upon the Milner regime in its attempts to effect cost minimization and control over its labour force.

Prior to the Boer War, a great many of the gold mining companies were, in part, speculative ventures and additional working capital was largely raised by the continual issue of new shares. A considerable proportion of these shares, however, were vendor's shares held at, or below, par. In 1899, for example, out of £15,989,395 worth of equities issued, a mere £6,085,081 was actually expended on new capital developments, while the remainder was held as immobile, speculative capital.

As the market started moving "upwards", the vendors and insiders tended to release their shares, thus capitalizing further on their initial outlays. Moreover, the retention of this immobile share capital led to the creation of a highly leveraged capital structure, giving relatively meagre profits to the many and large profits to the privileged few. It is not surprising therefore that Beit could inform Rhodes in 1891 that "I rather invest in properties here [Rand] where I can make 15 to 20 per cent with money without the risks which are apparent in the diamond mining industry ...". (53)

During the kaffir boom of 1895-6 some £12,282,660 worth of capital raised externally was working capital, while a hefty £23,810,229 was speculative vendors' capital. (54) After 1902, following the untimely demise of the post-war boom, the

mining companies found it increasingly difficult to float new ventures. (55) Indeed, there is evidence to suggest that the overall shortage of externally raised capital for much-needed further deep-level developments and, of course, speculation persisted until at least 1906, when Lionel Phillips informed Selborne that "the cost of desirable improvements and extensions will, in most cases, have to be provided out of the profits of the concern ...". (56)

In fact, a certain amount of additional working capital had, of course, been raised internally within the industry; during the period 1887-1900 some £4,906,392 or 34 per cent of available profits had been appropriated from revenue for reinvestment. After the war, however, as part of a broad statistical trend it can be discerned that between 1900 and 1914 £17,941,824 worth of working capital was raised internally, which, compared to a pre-war figure of £4,906,392, represented an increase of no less than 261 per cent (my italics). (57)

This trend, which points to both an absolute and a percentage increase in internally raised working capital, undoubtedly had important repercussions for the mining industry. Post-war dividend payments did not register a decrease, but the annual appropriation from revenue for reinvestment did show this substantial increase, which meant that the mining industry was caught in a vice. On the one hand, the industry had to maintain a modicum of returns, if only to satisfy investors and stabilize the market. (58) On the other hand, their output had to be increased substantially to cover both these returns and the enlarged amount of internally raised working capital, for little new capital was raised externally. Only an additional 1.3 per cent, or £472,841 worth of working capital, was raised externally after the war, compared to pre-war figures.

Working costs had to be reduced, and Milner's efforts undoubtedly made a considerable impact. A straightforward 10 per cent tax on mining profits, a more efficient and enlarged railway network, reduced tariffs, an increased ability to write off depreciation of machinery against tax returns, etc., all helped to reduce the industry's considerable overheads. The mines' largest single cost component, however, was still labour, and the additional pressure to raise essential working capital internally resulted immediately in the mines attempting to raise further output per unit of labour by, in the case of Chinese face-workers, piece-work. (59) Indeed, capital, with the aid of the Milnerite regime, had generally to increase coercion at the point of production in order to raise output, hence Milner's acquiescing to the flogging of Chinese labourers in the compounds. (60)

While both Chamberlain and Milner showed a remarkable lack of understanding of the workings and structure of the mining industry and failed to appreciate the critical problems which shortages of working capital immediately raised, the latter was aware that cost minimization could be effected partly by a reduction in both the costs of imported machinery and the overall cost of living. (61) In fact, both these objectives, Milner noted, could partially be achieved by a reliable railway network. (62) The British administration had set up the CSAR and the railway budget formed the largest single item of the Guaranteed Loan of £35,000,000. Some £10,000,000 was to be spent on the "new development" of the two former republics, and of the latter sum one-half was assigned to the construction of the new railway lines. Not surprisingly, therefore, Milner could enthuse, in 1903, that "we have £5 millions to spend between the Orange and the Limpopo. The question is how best to spend it? What lines are needed most?" (63) Quickly pre-empting any unsolicited answers to his rhetorical questions, Milner ensured that the Bloemfontein Railway Extension Conference unanimously decided that yet another coal line along the Rand had to be constructed, at a cost of £740,000. Moreover, Milner also pushed through the building of the £956,000 "Grain Line" from Bloemfontein to Johannesburg.

Any reservations Chamberlain might have had about this scheme, which would only benefit the Rand as well as the OFS and Cape farmers, were resolutely brushed aside by the High Commissioner, for "the lines themselves are greatly wanted ... to promote the economic development of the country". (64)

### III

Central to Milner's attempts at assisting the mining industry and strengthening the "British element" was his creation of an administration from which directives on the reconstruction of the Transvaal were supposed to emanate. A strong administration with clear policy objectives was, of course, linked to the ideology of "efficiency" as well as to notions of Imperialism - as Milner once remarked, "this country [England] is a country rich in men who have an instinct for governing backward races. As long as our Public Schools turn out such Men we shall not be under pressure to give up our Empire ..." (65)

At first he had attempted to attract Uitlanders to his new Transvaal administration, but after a number of gaffes he decided to play it safe and return to culling his administrators from the ranks of the Oxbridge élite. (66) Accordingly, in 1902, Milner drew up an exhaustive list of potential Transvaal administrators: without avail men such as James Watt and Edward Grogan, a Balliol man and recommended by Patrick Duncan, had a "bad degree" but were "rowing men who felt that their salary was immaterial". (67) His penchant for Oxbridge-educated administrators was, of course, not unusual other than that, once in South Africa, the proliferation of these administrators led to the emergence of the "Kindergarten" mythology. (68)

Throughout the early 1900s numerous magazine and newspaper articles, as well as speeches by politicians such as Lord Rosebery and Asquith, publicly bemoaned the wide variety of ills that had apparently befallen Britain; Germany and America were stronger economically, and the physical health of the British race had been painfully exposed by the high rate of infant mortality and the poor recruitment figures during the Boer War. (69) One comprehensive answer to a number of these seemingly insurmountable problems lay in a properly governed country free from squabbling politicians and run by efficient administrators. A policy of "national efficiency" was called for and its main advocate was Arnold White, whose book, Efficiency and Empire, had a tremendous impact on early Edwardian ideology. (70) Indeed, in 1903, the Daily Mail even editorialized that it would only support Parliamentary candidates who "best fulfilled the demands of the great principle - Efficiency". (71)

Milner and his administration in the Transvaal were soon viewed as the embodiment of this efficiency principle: "what the Empire needs now ... is a man, if possible, who has thought, who has seen and who knows, a man with an iron will." (72) Milner, with his experience as a bureaucrat in Cairo, regarded Empire and administration as complementary, if not synonymous, and his beliefs blended in naturally with those of the efficiency ideologues, whose considerable social and political impact was enhanced by adherents such as Sidney and Beatrice Webb, H. G. Wells, Grey, Rosebery, Lyttleton Gell and George Bernard Shaw. (73)

The empire played a fundamental ideological role; it would enable Britain to withstand foreign competition by providing the country with secure "natural" markets. Tariff Reform was, in part, an inevitable offshoot of efficiency. In addition, the empire would halt the continued physical degeneracy of the British race by allowing emigration to the healthier climes of the Antipodes or South Africa. (74)

The Kindergarten and Milner showed how, like in Egypt, an efficient British administration, free from the shackles of party politics, could attempt to transform a country overnight; the Kindergarten graduates were applauded, for "the aristocracy is nothing more than the most efficient people in the nation". Indeed, "the upper classes", Arnold White noted, "are fundamentally sound". (75) Milner, who consistently kept in close touch with developments in England, was quickly enveloped by the enthusiasm for efficiency and informed Lady Edward Cecil in 1903 that the Cabinet was "unwieldy" and that administrative responsibility should be graded efficiently so that vital Imperial issues would not become mixed up parish pump issues such as "a row in the Guards". (76) In fact, as early as 1900 Milner had been involved with Lyttleton Gell and Birchenough in setting up the Administrative Reform

Association with the aid of the editor of The Nineteenth Century, Sir James Knowles. (77)

Milner also felt that "Joe might have to give way to the pressure of parliamentary necessities, of Party and of a rotten public opinion". (78) His contempt for party politics was quickly picked up by some members of the efficiency cult: Lord Rosebery mused about "putting the British Empire on a business footing" (79), while Philip Lyttleton Gell wrote to Milner in 1904, in the aftermath of the Russo-Japanese conflict which had greatly excited the efficiency ideologues (80), that

I shall turn Japanese for they at least can think and act and be reticent. I fail to see any Western people in a position to set the Japs an example in their diplomacy, their strategy, their virile qualities, their devotion and their self-control. Above all, their national capacity for self-reliant self-sacrifice and their silence [sic] ... (81)

Milner undoubtedly concurred, and during the same year he returned to the themes of reticence, devotion and control, in a letter to F. H. Congdon, the Secretary of the Imperial Federalist Association, when he also said that what was needed in Britain and South Africa was "a powerful body of men, and it would have to be very powerful, determined at all times ... to work regardless of any other consideration, against the man or the party who played ... with the cause of National Unity. I shall always do that ... (82)

Milner's fervent belief in the efficacy of administration was not the only policy which found sustenance in the ideology of efficiency. His myriad policies on emigration, afforestation, land settlement, etc., also had their tap-root in efficiency, though the broader interests of the mining industry were never far from the surface.

Milner hoped that increased emigration to South Africa would numerically swamp the Boer element, thus ensuring continued British political supremacy. He predicted confidently that, within some five years of the end of the war, the British population would be more than doubled. In other words, what he required was nothing less than a large-scale exercise in social engineering; again, the mechanism he counted upon was "the certainty of a vast and immediate expansion of mining and of other enterprises after the war which would enable the economy to support a vastly increased population of British workmen". (83) Unfortunately, this economic expansion never materialized.

As he regarded emigration primarily as an arithmetical exercise at the best of times, Milner failed to conceive of the possibility of a split among the British population along class lines on such issues as Chinese labour. This, however, did not prevent him from taking a very keen interest in emigration, and in March 1903 he noted with satisfaction that during the first three months of that year South Africa, with 11,616 emigrants, was the third most popular immigrant country after the USA and Canada. (84)

Emigration and Empire went together; "if the British population did not increase fast enough to fill the empty spaces of the empire, others would". (85) In other words, emigration would not only swamp the Boer element but also keep potential competitors at bay and help to incorporate the country more firmly into the British economic orbit. Unfortunately, although the national press abounded with articles on "population is power" and the "future of the Empire and country", which depended upon a numerically large population, the birth rate had been declining and infant mortality had been rising in Britain ever since the 1870s. (86)

Not only the future of the empire but of the British race was threatened by these particular trends. Here again, a programme based on national efficiency was needed, for

what is the use of Empire if it does not breed and maintain in the truest and fullest sense of the word an Imperial race? What is the use of talking about Empire if here, at its very centre, there is always to be found a mass of people, stunted in education, a prey to intemperance, huddled and congested beyond the possibility of realizing in any true sense either social or domestic life? (87)

These sentiments readily found their response in Milner. He had been involved in social reform, however peripherally, since his early days as a lecturer on Socialism - "there is nothing terrible or unwanted in it" (88) - in Whitechapel. Milner eventually rejected socialism and believed that the evils of contemporary society could best be mitigated by efficient administration. He admired Bismarckian Germany, where administration and planning provided workers with houses, welfare, pensions, etc. (89) In 1904, one of the efficiency ideologues, T. C. Horsfall, even wrote a popular publication on Germany's superior town planning, entitled The Improvement of the Dwellings and Surroundings of the People: the example of Germany. One of his other publications, The Relation of National Service to the Welfare of the Community, was carefully annotated by Milner in 1904 for "improved ... imperial government, to put an end to the slums, the existence of which ruins the physique of vast numbers of our people ...". (90)

In fact, Milner's concern with National Service, emigration, etc., was enthusiastically shared by a number of South African mining magnates and their cohorts. C. S. Goldman, a director of several mining companies of the Anglo-French Farrar Group, and Henry Birchenough, Board of Trade Commissioner and director of the British South Africa Company, were on the National Service League's Executive Committee. (91) In 1905 Goldman, in conjunction with such representatives of the Milner-mining industry axis as Lionel Phillips, Owen Thomas (Milner's educationalist), J. L. Garvin, etc., published a remarkable volume entitled The Empire and the Century, which explicitly revealed at both an ideological and a practical level the extent of social engineering mining capital and Milner were prepared to indulge in during the so-called reconstruction of the Transvaal. Women's and workers' emigration, land settlement, closer Anglo-Transvaal trade, municipalization, etc., were all to be encouraged and supported by both government and "interested parties". Indeed, considering the true extent of mining capital's involvement in the emigration and land settlement schemes, the argument that at least some mining interests regarded Milner's social engineering as a quid pro quo for "the great losses incurred by the industry during and after the war ..." (92) appears to be a reasonably valid one.

In 1903 Chamberlain informed Milner that women's emigration was now government-aided and supervised by a specially appointed Government Secretary who, in turn, liaised with the South African Expansion Committee (SAEC). In fact, by January 1903, the SAEC (in mid-1903 it became the South African Colonisation Society [SACS]) was apparently sending out some 100 women a month to South Africa. (9) The London committee of the SAEC numbered amongst others as its members Mrs C. S. Goldman and Mrs Lionel Phillips, while the Johannesburg advisory council included Sir Percy Fitzpatrick, Mrs Drummond Chaplin and Mrs Sidney Jennings. (94) The SAEC's Johannesburg Secretary, Miss Russell, frequently called upon Milner to discuss and iron out any unforeseen problems in the otherwise relatively smooth but limited flow of women emigrants to the Rand. (95)

The activities of the SAEC were indirectly financed by Rhodes and Rothschild; the mining industry had quickly realized that the emigration of women, both as domestics and as wage-earners, would not only ease the demand for domestic labour and push out the African house-boys into the mining labour pool but would also help to stabilize the transient White labour force. (96) The mining industry's close involvement with emigration was apparent as late as 1906, when Lionel Phillips informed Selborne that Wernher Beit would no longer financially assist the emigration

of British labourers to the Rand until the political climate had become more conducive to the industry's interests. (97)

In 1900-1 both Rhodes and Abe Bailey were prepared actively to support Milner's land settlement schemes, which had been the subject of a Lands Settlement Commission. (98) The mining industry evidently felt that British settlers in the countryside would help to increase the so-called "British element". At the same time it was assumed that the settlers would farm intensively, thus providing at least some of the foodstuffs for the Rand market, while paying rent for the extensive landholdings of the mining companies. (99) In spite of extensive propaganda both in England and the Transvaal, land settlement was a manifest failure. (100) Milner's land settlement organizer, Owen Thomas, in a fit of hyperbole, even remarked that "migration from one part of the Empire to another should involve no greater uprooting, no further loss of English sentiment to a colonist than the transference of residence from London to a village in Hertfordshire ...". (101) Potential settlers were evidently unimpressed, for by 1906 there were still only 517 in the Transvaal. (102)

In fact, much of the government-owned land which was actually allocated to the settlers was agriculturally useless; moreover, the wages on the Rand mines were far more attractive than the anticipated returns on isolated farms in the veld. As with the majority of Milner's schemes, land settlement suffered from acute shortages of funds almost from its inception - "the plain fact is that the Thirty-Five Million Loan is insufficient to do what it was intended to do ...". (103)

Both Milner and the mining industry had noted that much of the wood needed for railway sleepers and supports in the mine-shafts had often to be imported from abroad (104), and accordingly, in 1904, the Department of Agriculture recommended the planting of vast forests as the railways alone "require 30,000 sleepers yearly ...". (105) By this time, however, the Chamber of Mines was evidently too involved in the Chinese labour issue, which in any case would result in a more substantial reduction in operating costs than a more effective supply of timber. This left Milner musing about afforestation in the sure knowledge that, had it succeeded, he would have "done something of real momentum when one's paltry efforts and struggles are forgotten ...". (106)

Milner's activities in the Transvaal had, of course, been far from "paltry". His intimate liaison with mining capital in its attempts to control the labour supply and restructure its modes of production now that access to large amounts of cash was rather restricted, set the pace for the further development of state-capital relations via the 1907 strikes to the Rand revolt and beyond. At the same time his overall desire to co-operate with capital, which in any case has only selectively been touched upon in this paper, was not total in that at all times throughout his sojourn in South Africa Milner kept in close touch with British political and economic developments. He shared with Chamberlain a reasonably clear perception of the crisis of British productive capital; indeed, he was probably, as a former Secretary to Goschen, aware of the severe shortage of gold bullion in the Bank of England prior to 1902, and the impact that this had upon the Discount rate and domestic capital formation. (107) To a certain extent he also shared with Chamberlain, who, in 1899, called for "an alliance between the Teutonic race and the two branches of the Anglo-Saxon Race ..." (108), the belief that the British race was enfeebled and that vigorous administration was the key answer to this problem and a whole gamut of related issues, from eugenics to falling birth rates and emigration.

As such, even though a certain amount of what he had set out to achieve in 1900 never fully materialized, his enthusiasm for administrative reorganization for covering the hills of the veld with tree plantations, or, more importantly, for promoting British economic interests on the Rand, were, to a certain extent, reflections of both an ideological and an economic crisis in Britain.

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- 31) *ibid.*
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FOOTNOTES

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- 57) These figures should be used with caution and can only indicate a trend, as they have been computed from two different sets of statistics with their own variables.; see Herbert Frankel, op.cit. Table 14 and 15, 95-97.
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