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1984-08-27
http://hdl.handle.net/10539/9068

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African Studies Seminar Paper to be presented at Seminar in RW 319 at 4,00 pm on Monday, 27 August 1984.

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RECESSION AND ITS AFTERMATH: THE CAPE COLONY IN THE EIGHTEEN EIGHTIES

by Alan Mabin

The urban and industrial transformation of South Africa is commonly considered to have begun with the discoveries of diamonds in 1867 and of gold in 1886. Among the components of that transformation were the reorientations on two occasions of the economies of the coastal colonies of the Cape and Natal towards 'emerging economic centres of gravity' at Kimberley and Johannesburg.(1) The diversion to the interior of capital investment in the late nineteenth century has been paralleled by the focus of much late twentieth century historiography, which has - with exceptions (2) - been concerned more with events after than before the opening of the Witwatersrand gold fields, and which has seldom explored the economic conditions prevailing in the coastal colonies prior to that moment. It seems to be taken for granted that the mineral 'discoveries' should have been followed by so unusual a reorientation of the pre-existing geography: not once, but twice: first to the diamond fields, then to the Transvaal. The geological occurrence or geographical location of minerals substitutes for explanation of movements of money, people and materials.(3) Yet as Atmore and Marks hinted, following a theme suggested by Blainey, minerals were discovered 'by no means entirely accidentally' at particular moments in the sixties and the eighties.(4) The timing and the geography of the economic expansions of which mineral discoveries and development formed a part are subjects which both history and historical geography have left uncharted.

This paper is concerned with the economic conditions prevailing in the Cape Colony in the early eighties, immediately prior to the opening of the Witwatersrand mines. Its first section charts the course of recession from 1881 to 1886. The remainder of the paper considers the consequences of the depression in the Cape Colony and its association with certain other factors in South African development at the time. Its last two sections analyse the various forces, arising before and during the recession, which both encouraged and opposed northward expansion from the Cape Colony.

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The Course of Recession

By 1879 the concentration of claims was proceeding rapidly in all the Kimberley diamond mines. For example, the 1600 claimholders of Kimberley mine had been reduced to 300 between 1872 and 1877. Of these, twenty, mainly diamond merchants, owned half the claims. A number of companies were formed. One, the Cape of Good Hope Diamond Mining Company, was floated publicly in Port Elizabeth in September 1879. Its capital of £100 000 was subscribed locally by merchants.(5)

Most of the initial capital for diamond company formation came from two sources in the Cape: claimowners, merchants and professionals in Kimberley, and the established commercial community of the rest of the colony, through whom funds from outlying areas were channeled.(6) The method of company flotation was highly inflationary and claim values were boosted for speculative purposes. By the end of 1880 some twenty companies had been formed, but the 'share mania' really took off in the first half of 1881. Over seventy companies were formed, mostly registered at Kimberley, and sharedealing took place in the stock exchange established there in February that year. As speculation grew, shares were increasingly purchased on credit advanced through the banks, 'the Cape of Good Hope Bank taking the bulk of the business but being helped out with credit from the Standard Bank'.(7)

Finally becoming disturbed at the inflationary conditions, the banks refused to accept scrip as collateral in April 1881. From June the inflated share prices began to fall, and with them they dragged down numerous people. Even experienced Kimberley merchants like A.A. Rothschild were 'ruined', and it is hardly surprising that large coastal firms were also reduced to insolvency by their overextension on diamond shares. The best-known individual bankruptcy was that of A.R. McKenzie, Cape Town stevedoring agent and building contractor. Like many others he was unable to pay his bank bills. When the banks called in debts from such speculators late in 1881 they were forced to declare insolvency. McKenzie had lost £200 000; many others had lost lesser sums.(8)

These insolvencies, of course, reflect an enormous transfer of capital from a large number of investors in the 'old' colony into the control of 'diamond magnates' in Griqualand West. Over half of the £12 million capital invested in the diamond mining industry by 1881 had been subscribed in the Cape Colony.(9) This capital did not simply disappear, though that is no doubt how it appeared to insolvent speculators in Port Elizabeth and Cape Town. On the contrary, the money facilitated both the enrichment of the magnates and their purchase of still more claims. This concentration of wealth emphasised the redirection of capital from the old colony to its new province, a process begun during the mineral prospecting of the depression of the sixties, fostered by the capital investments controlled by the colonial government, and completed by the subsequent depression.

As early as the winter of 1880 Cape Town firms were facing severe financial difficulties in increasing numbers. M.L. Bensusan and Co., Barry, Arnold and Co., and several other merchant houses collapsed as the extension of easy credit began to catch up with them. H. Fisher, of L. Alexander and Co., asked the Standard Bank to release him from liabilities for 'fictitious bills' and F. Smale, a middle-sized draper, had to meet his creditors 'in consequence of the dullness of business'.(10) Despite the rapidly growing speculation in shares - which of course included those of suspect diamond companies - inflation helped to give an appearance of buoyancy to trade. Normally cautious observers like the Standard Bank's inspectors could comment in mid-1881 that

> Recent failures in Cape Town afford evidence of the great desire Merchants here exhibit in pushing trade, but there does not appear to have been much in the shape of rash speculation in this place, and I believe business to be fairly healthy.(11)

Predictions of prosperity proved to be illfounded, for by the second half of 1881 the bubble of diamond share mania had burst. The setback to trade caused by the resulting insolvencies and bankruptcies combined with a number of other adverse factors to precipitate a general commercial depression.

Several weaknesses had developed within the commercial system over the course of the boom which came to an end in 1881. The maintenance of large wholesale stocks in upcountry towns, a practice indulged in both by small inland and large port merchants, was increasingly rendered unnecessary by the completion of telegraphs, particularly the cable to Europe, as well as the colony's railways. The rapid execution of orders made possible by these new means of communication meant that large quantities of unsold merchandise could build up in the warehouses of some traders. The overstocking was made that much more embarrassing by the general decline in trade with African polities and then by the sudden cessation of wars involving British troops in southern Africa in 1881.(12)

The last general war in the Eastern borderlands of the Cape Colony, begun in 1877-78, was brought to a close by 1879. It was followed by the disarmament war waged against the Basotho under Sprigg's government. Meanwhile, British troops had been engaged, with a variety of allies, in the defeats of Zulu and Pedi polities in 1879. Following the defeat of the Pedi, the burghers of the Transvaal rose against the unwanted British annexation of 1877. A British army sustained a series of defeats on the Natal-Transvaal border, and the new Liberal government entered into negotiations towards restoring the independence of the Transvaal.(13) The effects on the economy of the Cape were immediate.

> The country had become so accustomed to war that the sudden cessation of the struggle in the Transvaal embarrassed the mercantile community who had accumulated large stocks in the expectation of its continuance. The embarrassment was augmented by the execution of indents previously arranged.(14)

As commercial stocks built up in the towns of the colony, merchants searched for customers. The search was made more difficult by the losses sustained by their prospective customers in the Kimberley share collapse. The agricultural situation was also bleak.

A variety of pressures had adversely affected the output and consequently the exports of the Cape farms. Cape wool exports fell unevenly from 1873 onwards, and their fall was not compensated by the increasing value of ostrich feathers or other rural produce. Falling prices were dampening the production and marketing of other commodities too. For example, during the seventies the prices of wheat and flour had declined, and by the early eighties the Cape was importing three quarters of a million pounds worth of these breadstuffs a year. If the decline in wheat prices and the poor yield of the 1881 crop was injurious to Western Cape farmers, the shrinkage in the Kimberley market for other Western Cape products - wine, brandy, dried fruit - was equally damaging. Wine farmers who had speculated in diamond scrip were especially hard hit by falling demand for Cape brandy.(15) The local banks and merchants of Western Province towns like Paarl and Worcester were forced to tighten their credit as they sustained losses through insolvencies, in turn precipitating further individual crashes.

It was in the Western Province that the commercial crisis first became severe. A contemporary observer remarked that

> At first the brunt of the crisis was undoubtedly borne at Cape Town and in the South Western Districts, where trade had been pushed with little discretion. Business at Port Elizabeth was relatively on a much sounder footing, the depression in fact, with few exceptions, left the position of the merchant houses there virtually unimpaired.(16)

At this early stage of recession, business in the Eastern Province was less severely affected than at Cape Town; wages reflected the regional difference, remaining high at Port Elizabeth (Table 1). Insolvencies of merchants and farmers during 1881 were concentrated in the Western Province and that part of the colony was viewed as the 'weakest' well into 1882.(17) The price and quantity of wool exports declined only slightly in 1882, and the banks and merchants continued to do relatively well in the East.(18) But this regional buoyancy was not to last. A decline in foreign markets affected the Cape. The spread of staples - wool, diamonds and ostrich feathers - was of little avail, for Cape wool was of poor quality and luxuries tend to be early and severe casualties in slumps. The 'moderate recession' in England and America in 1882-83 had an immediate and devastating impact on diamond prices.(19)

While the spark to the Western Cape's commercial crisis of 1881 was the collapse of diamond share mania, it is misleading to describe the depression as a 'diamond crisis' (as Schumann did).(20) The Cape's economy was less dependent on diamonds than is usually believed.(21) Despite the gathering depression, Cape exports rose in 1881 and 1882 (Table 2) But while 'continued prosperity' could be reported in Kimberley in February 1882 amid a building boom and the installation of electric light, 'stagnation of trade upon the Diamond Fields' had begun by June.(22) The average price for diamonds from Griqualand West was about 30s. in 1882; in 1883 it dropped to below 23s.(23) In addition, mineowners faced difficulties in recruiting labour, high costs of fuel for steam machinery and enormous problems of falling 'reef' in the mines (which are further discussed below). By early 1883,

> the course of the crisis ... veered in a pronounced manner towards the Diamond Fields.(24)

Sharpened competition in diamond mining led both to tightened control over labour and to concentration of capital through the amalgamations of companies. In the conflict between labour and capital, which was sharpened by the depression, the latter asserted its dominance in part through compounding and the manipulation of a hierarchical, racial and geographical division of labour.(25) In the conflict between companies, the monopoly of power in Kimberley was brought closer to completion.

During the recession, difficulties faced by some companies led to proposals for amalgamation of working, at least within each of the Kimberley diamond mines. Most of the stages in the 'struggle for control of the diamond industry' have not been examined in detail by historians, and only the 'last stages ... have been dealt with in any detail'.(26) The legendary (or perhaps mythological) battle between Barnato and the Kimberley Central Company on one side, and Rhodes and the De Beers Company on the other, has been the subject of a number of accounts and, more recently, some demystification by Turrell.(27) It is not proposed to describe the course of amalgamation in detail here, but the origins of the process in the depression are worthy of mention, since the process itself contributed to the availability of capital for investment elsewhere.

It was not long before depression encouraged attempts to improve the conditions of the mines. J.B. Robinson, whose holdings were in companies which faced severe difficulties, called a meeting of companies in July 1883 at which he

Table 1. Sample daily wages, Cape Town and Port Elizabeth, 1883

	Cape Town		Port Elizabeth	
	Coloured	White	Coloured	White
Carpenters & Joiners	5/0	7/0	?	10/0
Day labourers	1/6	3/6	3/6	4/0

(Source: Cape Blue Book 1883)

argued for regulation of production. He was opposed by Rhodes, who wanted producers to agree merely not to sell diamonds below an agreed floor price based on the cost of production.(28) The companies which were able to produce in quantity did not face a crisis of overproduction, contrary to the position espoused by Turrell.(29) It was only with monopoly in sight that Rhodes, able to regulate total output, reduced production to maintain market prices. In 1883 competition, not monopoly, characterised the diamond trade, and low prices affected poor producers more severely than companies like De Beers or the Compagnie Francaise.

The involvement of bankers in attempts to merge companies at Kimberley was largely due to their desire to recover losses incurred through speculation in poorer companies. For some, like Rothschild's, the losses were direct (though through European share markets); for others, in particular the Standard Bank, the losses were indirect, through advances to share purchasers.(30) J.X. Merriman's ideas on amalgamation gelled with those of the Standard Bank, and he spent several months in early 1885 trying to negotiate a merger on behalf of the Standard Bank in Du Toit's Pan mine. When the scheme failed, Merriman acted as broker for the Standard Bank's attempt on the Kimberley mine. The purpose was the liquidation of the Mining Board's debt of over £400 000. Through defaults by its debtors the Cape of Good Hope Bank had come to control a portion of the mine, but unlike the Standard was itself a debtor of the Mining Board. Opposition from the Cape bank, together with that of Robinson and others involved in the mine, led to another failure.(31)

Merriman failed a third and last time as amalgamation broker in the colossal scheme for the 'Unified Diamond Mines Limited'. Once more this scheme was primarily aimed at regulating production. As a result it was opposed by De Beers and the Kimberley Central, though not by the Compagnie Francaise since its major shareholders were involved in the Unified scheme as promoters. De Beers and the Kimberley Central were engaged in the development of underground mining, and were prepared to compete with the lesser producers by 'swamping them with production'.(32) The inability of the promoters to draw the largest companies into the 'Unified' led to its failure. Each of these schemes can be viewed as a response to depression in the diamond industry.

The enormous reduction of diamond exports as the recession developed (cf. Table 2) placed great strain on the commercial system of the Cape; imports fell dramatically (Fig. 1) and government revenue suffered accordingly. The influx of foreign capital both privately and publicly raised became constricted. While the recession had first severely affected the western Cape, and then Kimberley, these

Table 2. Selected Cape Colony Exports 1880-1887 (£000).

	Wool		Ostrich feathers		Diamonds	
	lb(000)	£(000)	lb(000)	£(000)	carats	£(000)
1880	42 468	2430	163	884	3140	3368
1881	42 771	2181	194	894	3090	4176
1882	41 690	2062	254	1094	2660	3993
1883	38 029	1993	247	931	2414	2742
1884	37 270	1745	233	966	2264	2807
1885	34 433	1426	251	585	2440	2490
1886	47 454	1581	289	546	3135	3505
1887	44 758	1676	269	366	3599	4242

(Sources: Cape Blue Book and Statistical Register 1880-1887; Turrell, Capital ..., App. II.4)

further developments affected the Eastern Cape adversely, and Port Elizabeth in particular.(33)

The failure of Barry and Nephews, large merchants of Swellendam and Cape Town in July 1882, was a sign of the generalisation of the crisis. By the end of 1882, one of the nine remaining local banks, the Cape Commercial, was in liquidation, having sustained heavy losses in the Transvaal as well as during the diamond share crash. Early in 1883, as the effects of years of drought were telling on the Eastern Province, business declined in that region.(34)

Nevertheless, it was not until the collapse of wool and ostrich feather prices in 1884 and 1885 that the recession in the Cape Colony plumbed its depths. The northern hemisphere recession reduced the price of ostrich feathers from some £5 8s. per pound in 1880 to £2 6s. in 1885.(35) The long drought in the Eastern Province led to deterioration in the quality of wool, ultimately affecting even the best Border districts, so that by April 1885 both Port Elizabeth and East London were in the grip of depression. What made matters worse was that farmers had sold sheep and invested in ostriches; the ostrich industry had not been as profitable as some had anticipated and the fall in the value of the birds affected farmers' credit. Conditions had seemed at their worst in Cape Town in 1883, and although an improvement in the 'tone' of business at Kimberley was reported in 1884, 1885 was the year of deepest depression.(36)

The crisis had now become general. The diamond mines had not recovered from the slump (cf. Table 2); trade in the Western Province was considered 'very poor'; discouraged by the lowest London wool prices in 35 years sellers withdrew half their produce from colonial markets. Nevertheless, the turning point had been reached. Although there was no rapid recovery, in 1886 most observers saw improving trends. Insolvencies and sequestrations began falling rapidly in the course of the year.(37) Improvement in the European wool market and good rains in the Eastern province helped exports through Port Elizabeth to rise by eight per cent. The Port Elizabeth Chamber of Commerce spoke of 'recovery' and the general managers of the Standard Bank wrote in August 1886 that

Figure 1. Cape Colony imports and exports, 1880 - 1889



(Source: Cape Blue Books and Statistical Registers 1880-1889).

> The mining industry at Kimberley has recovered its position in a most marked and gratifying manner since the commencement of the year.

With the elimination of so many weaker firms - culminating in the liquidation of the South African Bank at Cape Town in March and the disappearance of associated firms - the commercial system had been reformed.(38) The Cape Colony was on its way to another boom. The new phase of expansion was to be more revolutionary than any that had gone before.

Within the Cape Colony itself, one remarkable phenomenon associated with recovery was the near-total amalgamation of diamond mining companies. Rhodes made initial proposals for buying out the companies in the De Beers mine to the De Beers Company board in January 1886. He had initially appeared to go along with the Unified scheme, but perhaps used it as a cover for his own plans. Once the De Beers proposals were published in February Merriman's efforts disintegrated.(39) Dropping its share exchange scheme De Beers proceeded to acquire other companies mainly through purchase, and with the achievement of control in the Victoria Company via the London share market, became the first company wholly to own one of the mines late in 1887. Going beyond their own mine, De Beers succeeded in acquiring the Compagnie Francaise in Kimberley mine. The Central Company had meanwhile absorbed the Standard, Kimberley United, North East and North Block companies, and with its purchase of the De Beer's portion (ex-Compagnie Francaise) acquired full control of Kimberley mine in November 1887.(40)

It was generally held that with the whole of the richer Kimberley mine in one company, it was merely a matter of time before that concern would be able to absorb De Beers.(41) But Rhodes and his co-directors had prepared a number of tactics which placed them in a superior position. In selling the French Company back to the Central, they had been paid in Kimberley Central Company shares, yielding a presence in that concern. It seems that some of the Central's directors had already agreed to join Rhodes, in particular Barnato, by the end of 1887. With convict labour De Beers was able to work more cheaply than the Kimberley Central Company. Its managers pushed the workers to the limit and beyond, culminating in the great fire disaster of 1888 in which over 200 miners died (the company refused to shut down the mine for eight hours after the fire first broke out). By these means they were able to maintain a high volume of production, generating the profits necessary to attract European financial backing to enable De Beers Company to acquire the Kimberley Central, rather than the other way around.(42)

The main amalgamations of diamond mining companies took place in 1886 and 1887, though the final consummation of the De Beers Consolidated only took place in early 1889. By then the largest investments in South Africa were no longer being made in the Cape, but in the Transvaal gold fields. The profits made by numerous individuals in the process of amalgamations in Kimberley were redirected northwards. The financial structures and experience available to those who had control of amounts of money capital previously unheard of in the Cape allowed a rapid movement of capital to take place in search of new opportunities. Investment opportunity was not the only attraction which led Kimberley capitalists to look northwards during the eighteen eighties, however. Before considering the antecedents of the shift of capital further into the interior those other forces, which themselves affected the mobility of capital, require examination.

The Imperial Factor and Cape Expansion

The recession in the eighties followed a trajectory which steadily engulfed the whole Cape Colony and much of the rest of South Africa in its toils. Among responses to that recession were attempts both to restructure and to intensify economic activity in the Cape, and to search for new sources for profit beyond the colony. The economic environment within which such experiments were made had been transformed by the communications system, the growth of towns, substantial rural changes, and the beginnings of industrial diamond mining, as already described. The political environment within which these varied endeavours were conducted also differed substantially from that of the previous depression in the sixties. The annexation of the Transvaal to Britain in 1877, the wars in Pedi territory, Zululand, Basutoland and elsewhere, the entry of Portugal and Germany as interested parties in southern Africa as well as internal changes such as the emergence of the Afrikaner Bond as a political party provide examples of the changes. The complex interplay of local and foreign economic interests with South African and imperial politics conditioned the pace and character of northward movement of people and capital from the Cape Colony. There was an enormous increase in the area subjected to rule by the settler states, particularly the Cape, or direct rule from London. At the same time this expansion was neither even nor consistent. There were more advances than retreats, but there were nevertheless withdrawals, both by British 'imperialism' and by Cape 'colonialism' These two forces were sometimes in accord with one another and on occasion in conflict. The significance of this interplay was recognised by De Kiewiet in his classic Imperial Factor in South Africa, and it has been elaborated more recently by Schreuder.(43)

The coincidence of the 'imperial factor' with internal, mainly economic, forces, has been stressed by Atmore and Marks. They do not go so far as to suggest that the internal forces of 'colonialism' were always coincident with imperial

policy. There was enormous conflict within the Cape over imperial proposals for confederation with other territories, over the annexation of the Transvaal, and on the Basutoland, Transkei and Bechuanaland issues.(44) It was this pattern of conflict, and the insistence on an autonomous role for the Cape in its own expansion, which lent a complex appearance to the widening of colonial boundaries.

Both colonial and imperial policy and debate were informed by internal questions. Atmore and Marks and Etherington have demonstrated how imperial policy was influenced by local officials' views on the labour needs of mines and farms. Other recent literature has supplemented this analysis in helping to detail the relationship between the mobility of labour and the 'imperial factor'.(45) These studies form an exception to a singular gap within the literature on the 'imperial factor' in South Africa between 1875 and 1885. This literature has generally been silent on the internal economic forces at work, not so much in terms of their own coincidence or otherwise with imperial politics, but with a view to their own dynamics of expansion. The main events of 'political' expansion and contraction must be considered in relation to their economic context.

Whatever the chemistry of the confederation policy initiated by the British colonial secretary, Carnarvon, in 1875, the question of economy of administration was certainly among its elements.(46) Carnarvon's fears that the costs of divided colonies faced with disrupted and therefore hostile indigenous populations on all sides would be very large, were justified over the next few years. He noted the 'danger of widely extended disaffection' among African polities in his well-known confederation dispatch to the Cape Governor, Barkly, in May 1875. Other prompting factors were the express fears of Griqualand West (and Natal) officials over labour supplies.(47) As Kimble has pointed out, migrant labour depended on the 'conditions prevailing at both the point of supply and that of demand'.(48) Conditions in the Transvaal seemed to threaten that supply. The refusal of the Cape government to participate in the proposed conference on confederation; the arbitration award of Delagoa Bay to Portugal in July 1875; the financial weakness of the republican government; the unsuccessful republican war against the Pedi in 1876; all strengthened imperial resolve. In April 1877 Britain annexed the Transvaal.(49)

There was a strong commercial lobby in the Cape Colony in favour of Transvaal annexation. That republic had first been viewed as a potential source of substantial wealth during the seventies. Apart from labour migration which underpinned the diamond fields, gold discoveries in the Eastern Transvaal proved payable and attracted attention. A commentator at the Cape in 1875 held that

> The whole course of past, recent and passing events seem to indicate, with a probability nearly amounting to certainty, that a few years, indeed, will see the Transvaal territory occupy a most important position in South Africa.(50)

Cape colonists held extensive interests in the Orange Free State and in the Transvaal. At least one Cape bank had investments in the Transvaal. Through lending £60 000 to the government of President Burgers, the Cape Commercial Bank had been allowed to open branches in the republic in the early seventies. The financial problems of the Burgers government led the bank to press for the annexation in 1876.(51) Once it occurred, Cape-based financial interests were not far behind. On May 2, 1877, the Standard opened in Potchefstroom, and on May 16 in Pretoria. The imperial bank, kept out of the Orange Free State since 1868, was eagerly awaiting the chance to enter the new British territory.(52) Reflecting these financial links, the telegraph system was extended from the Cape through the Orange Free State and into the Transvaal, the line to Pretoria being opened at the beginning of 1880.(53)

While the Cape government was not enthusiastic about the annexation, which helped to stimulate the rise of a Dutch-speaking political movement in the colony, it was not averse to territorial expansion. Labour supplies, the prospect of 'unrest' and the expansion of trade all encouraged the Port Elizabeth Chamber of Commerce to press for the annexation of the Transkeian territories in the mid-seventies.

> We believe it would be wise of Her Majesty's Government to ... (annex) ... the tribes and their country lying between Natal and the (Cape) colony.
>
> The long unsettled condition and warlike desires of the natives have seriously retarded the advancement of public works, greatly increased the rise in wages, the cost of living, and the public expenditure for internal protection and frontier defence, and made it necessary for the government at the Cape to confer with Parliament now in Session how best to provide against a native uprising and against attempts at invasion.(54)

The adoption of a more 'vigorous' policy towards Africans in the borderlands of the Cape - Ciskei, Transkei, and Basutoland - included the passage in 1877 of a 'Permissive Act' providing for Transkeian annexation. More ominously, Sprigg's government - brought to power by the governor's dismissal of Molteno, and disposed to expansionism - began to pursue a policy of disarmament of Africans. It was partly successful in the Border area but disastrous in Basutoland. 'Disturbances' led to war in 1877-78 within the colony and beyond the Kei; parts of the Transkei and the large and productive area of Griqualand East were annexed. By contrast, the 'gun war' against Basotho chiefdoms in 1880-81 was enormously expensive and quite without rewards. The Cape had agreed to take on Griqualand West, which had a large public debt, in 1880; but the needs of 'economy' led to a retreat: a temporary cessation of annexation across the Kei, and the return of Basutoland to the status of a British protectorate - where the chiefs maintained declining powers - in 1884.(55)

This setback for Cape expansionism coincided with the defeats of British forces in the Transvaal; Gladstone's government rediscovered its electoral intentions and the independence of that republic was restored by negotiation in late 1881. Both imperialism and Cape colonialism entered the eighties in retreat. The linkage between these setbacks and the recession has been mentioned in the first section of this paper. But this was not the end of expansionist designs in the Cape. The same forces which had encouraged the former officials of Griqualand West to look northwards were still present: labour migration from the Transvaal and territories to its west and north continued to maintain the diamond fields. With a gathering recession in the early eighties, the smooth passage of that labour to and from the fields was crucial to its cost. Politicians from Kimberley were vociferous in their concern to secure the 'road to the north'.

Immediately north of the Vaal River and within a relatively short distance of Kimberley lay a territory which had been disputed for decades. The emergence of two small republics in the area complicated the passage of labour from the north, and posed a threat to the labour supplies of the Kimberley mineowners. Rhodes, one of the four new Griqualand West representatives elected to the Cape parliament in 1881, told the House of Assembly in a pitch designed to gain merchants' support:

> I look upon this Bechuanaland territory as the Suez Canal of the trade of this country, the key of its road to the interior.(56)

On the recall of the British resident in Bechuanaland, Rhodes managed to gain the appointment to this post in August 1884.(57) Within six months a new boundary had

been fixed for the Transvaal, the area between Griqualand West and the Molopo River had become a British crown colony, and the rest of Bechuanaland was a British protectorate. The road to the north was in British hands.

The change had been brought about by a number of factors. Maylam stresses the strategic motive: control of the interior was necessary to British retention of the coast and its supposed command of the route to India. A further element is said to have been the apparent threat of German occupation of the vast territory inland of what is now the Namibian coast, as well as a general concern in the 'official mind' with Portuguese and South African Republic expansionism.(58) While Schreuder claims that 'the German factor was not yet involved',(59) almost the whole coastline of South West Africa was annexed to Germany in August 1884, and recognised as German territory by Britain in September - the month in which Rhodes became involved in Bechuanaland and sought troops to help secure control. If the direct impact of the German action was limited, it certainly helped to increase concern over the future of Bechuanaland in the Cape Colony. Schreuder himself has pointed out that the Cape's trade with the territories accessed by Rhodes's 'Suez Canal of the country' was worth more than £250 000 a year. The colony's merchants were also deeply involved in South West Africa, which had motivated a struggle to exclude Germany from the territory and in the course of which Merriman had even suggested a 'precolonizing chartered company' to Rhodes. It was Cape politicians and commercial groups, unable to pay the cost of militarism themselves, who pressured Britain to provide the 4000 troops of the Warren expedition which resulted in the creation of a crown colony to the south of the Molopo, and a protectorate beyond.(60)

In the course of the early eighties commercial interests in the Cape had sought to expand into new territories yet again, but their prospects were limited by at least two political considerations. One was the German annexation in South West Africa, which operated to exclude colonial traders from the concessions and commercial rights they had sought with the indigenous people. The other was the resumption of Transvaal independence. The latter served to discourage Cape investment immediately, especially under the nationalist aura of the monopoly concessions granted by the republican government.(61) The Cape Commercial Bank had succumbed to the added pressure which diamond share lending had placed on it, but primarily to its earlier and continuing losses in the Transvaal, and went into liquidation in 1882. The Standard Bank pursued a policy of reducing its business in the republic from 1881 to 1883. By the latter date, however, the Cape recession had taken its toll in turn of the Western Province and Kimberley, and was clearly weakening business in the Eastern Province as well. Political conditions in the Transvaal were judged to be less problematic than Cape merchants had previously thought - perhaps in comparison with the economic problems of the 'old colony' where 'new large failures' were reported from Cape Town. It was with the beginnings of 'gold mania' in that territory that interest in its potential for expansion was renewed. By mid-June 1883 the Standard Bank was proposing to reopen its closed branches in the Transvaal.(62) An economic rather than strictly political expansion to the north was once more underway.

In this renewed expansion of colonial capitalism into the Transvaal in the eighties, it was forces largely internal to the Cape which engineered the movement of capital in that direction. It is thus to the interplay of those forces and their relationships in the further interior that the last section of this paper is devoted.

Protection and Prospecting

In the first part of this paper the course of the recession in the Cape was outlined. It was noted that the impact of this recession was considered to be deeper than that of the sixties. The economy in the eighties was, of course, larger in scale and quicker in pace; it had a far more complex structure, with companies in Kimberley beginning to play a role unthought of years earlier, and government involvement through railways in particular being an entirely new factor. The Cape's economy had become more deeply inserted into foreign trade, and at the same time more diversified. As the slump deepened, a new range of responses both possible and realised was therefore to be expected. Nevertheless, in broad terms those responses can be treated once more as contributing either to the geographical intensification or to the spatial expansion of economic activity. In either event, it was the nature of the response which would shape the development of the colony in the boom which followed. Outward expansionist responses will be considered in the light of attempts to intensify economic activity within the Cape and their outcomes, which are discussed first.

The recession affected farmers in the Cape particularly severely; in many respects it was caused by the decline in rural production, which in turn caused storekeepers, port merchants and banks to shorten credit, particularly after the losses sustained in the collapse of diamond share mania. The combined effects of poor seasons, falling prices and restricted credit produced a large number of insolvencies among Western Cape wheat farmers in particular. As the Argus put it,

> The immediate causes of these agricultural insolvencies are twofold - pressure from the storekeepers, who in turn have been pressured by the town merchants, and unexpected pressure from the banks.(63)

Farmers in the Cape were not unorganised. Hofmeyr's Farmers' Protection Association increasingly merged with the more nationalist Afrikaner Bond in the early eighties.(64) The Bond, apart from preparing to support candidates at the elections, began to organise on an economic front too. The banks were viewed as a major cause of distress among farmers; the easiest target among them was the Standard Bank, the largest and besides, British-based. The government was criticised for maintaining an exclusive account with the Standard, for this was held to divert funds from banks more disposed to support farmers, such as the South African Bank in Cape Town and the surviving district banks in the Western Province. The Standard Bank was accused of 'draining the country'.(65) Partly in response to these attacks, the Standard Bank changed its name in early 1883, dropping the 'British' from its full title.(66)

The Bond employed more than rhetoric alone on economic issues. In an attempt to expand credit available to farmers, Bond branches tried to sponsor new local banks. At Stellenbosch the old local bank was revived as the Stellenbosch District Bank, which was well-supported in that wealthy farming area and survived into the twentieth century. In outlying districts where the necessary financial support was limited, such attempts were less successful. The Hopetown Boer Bank, for example, opened in mid-1882 but had collapsed by the end of the year.(67)

One of the central problems faced by farmers was the expense of transport especially away from the railway lines, a phenomenon which militated against competing with imported wheat and otherwise hampered their attempts to deal with the slump. Insolvencies in the Western agricultural districts had reached their peak in 1882, and the wealthier farmers pressed for railway building to help restore prosperity. Appeals for branch lines were to become a 'hardy annual'.(68) In the face of falling revenue the colonial government was not prepared to countenance

new schemes: even the line to Kimberley was not sanctioned until the imperial government provided a guarantee. As a result, the only railway proposal to win approval in the early eighties was a private scheme to build a a line from Worcester down the Brede River valley to Ashton. With the support of the Bond a bill providing for a government subsidy to be paid on completion of this line was approved in 1883, and a company was floated in London to carry out the work. The 43 mile line was not completed until 1887, however.(69)

The 'plight' of Cape farmers formed the focus of much political debate during the recession. Scanlen's ministry, which had replaced Sprigg's government in 1881, suffered a setback in the 1883-84 elections and finally resigned over an apparently minor defeat in May 1884. Embattled over his Transkei and Bechuanaland policies, which were opposed by the Bond, Scanlen's ministry was censured for partially lifting an embargo on plant imports. The purpose of the restriction was to prevent further contamination by the vine disease phylloxera, but the Bond's core in the wine districts was not convinced that the amendments were safe.(70) However 'minor' the issue might have appeared to later historians, it captures the concern of the Bond with the situation of Cape farmers during the depression.

It was in this context of depression that the issue of protection for colonial producers arose.(71) In part this related to existing interests: it was agricultural, not industrial protection which was mooted at the Bond congress in 1882. Thus the Bond expressed concern over imported liquor which threatened Cape brandy producers, particularly given competition both within the colony and from the protectionist South African Republic. Moreover, Cape farmers found it difficult to compete with cereals imported from Australia, Basutoland, Bechuanaland and the Orange Free State. De Waal, a Bondsman representing Piquetberg, moved in parliament for higher import duties on grain and flour in 1885.(72)

It was not only with respect to agriculture that protection was sought in the Cape. One reason for interest in manufacturing industry was the fear that as in the sixties a proportion of the Cape's white population would emigrate. Noting that import duties on raw materials were often higher than on finished products, a select committee on colonial agriculture and industries recommended tariff changes and a system of bonuses to encourage the establishment of manufacturing in the colony. The committee included a number of Bond representatives (Hofmeyr, De Villiers and Marais).(73)

Manufacturing was particularly undeveloped in the Cape at the time. The Statistical Register for 1883 listed hundreds of 'manufactories and works', but few employed more than a handful of workers.(74) Several witnesses to the 1883 select committee urged various forms of government assistance to industrial development. For example, a senior railway official recommended the establishment of a scrap iron mill at the coal fields in the Albert district, through which the Border railway passed. Merchants, however, tended to oppose protection of industry; Searle, president of the Cape Town Chamber of Commerce, was opposed to protection generally, while Twentyman, a Cape Town merchant, held that

> If commodities can be imported cheaper than they can be made here, I should say that they should be imported.

The recommendations of the committee were hardly 'protectionist'; the limited system of bonuses was the strongest encouragement proposed for manufacturers.(75) In any event no legislation was introduced to implement the bonus system.

The Afrikaner Bond always maintained an ambivalent attitude to protection and assistance for colonial industries. With a constituency mainly of farmers, and

to a degree of merchants and financiers in the towns, the increases in taxation and the probable rise in commodity prices which could be expected to result from protectionist policies were counterposed by the 'nationalist' position which the Bond tended to adopt. The new member for Grahamstown, Douglass, introduced a motion calling for protective duties on a series of commodities. On being supported by the Bond the motion was carried, but the threatened resignation of Upington's government required its dilution.(76) When the House of Assembly adopted a resolution in favour of bonuses for manufacturers in July 1885 it was not at the instigation of the Bond, and it was opposed by merchants' representatives such as Barry. One of its authors was again Douglass, whose interests in ostrich farming had been devalued by recession and who hoped for benefits from the government not only for manufacturers but also in the experimental agriculture in which he, among others, was interested. Cotton, olive oil, rope fibre and silk were among the products whose cultivation he wished to see rewarded. Once more, although the resolution was adopted by the House and supported by Sprigg, Treasurer at the time, legislation was not introduced to provide for its implementation.(77)

The subject of industrial protection reappeared in parliament in 1886 and by that time elicited still less interest from the government. Far from advocating protection, merchants in Port Elizabeth were pleading for customs duty rebates on traffic in transit to the northern republics to meet competition from Natal importers.(78) It was partly this competition which discouraged a colonial response to Orange Free State President Brand's call for a customs conference to negotiate a sharing of coastal revenue with his state.(79) In the Cape the Bond was playing an increasingly powerful role and although its acknowledged leader, Hofmeyr, was not a minister, it was widely believed that he 'held the whole Ministry in his hands'. Hofmeyr had spoken against protection in 1885, and no great enthusiasm greeted a renewed protectionist motion from Douglass in 1886.(80) With easier credit being allowed once more by merchants, the issue of protection for agriculture was silenced for several years. The slump had not turned the colony towards a more intensive development of its own productive resources in agriculture or industry.

Another opportunity for colonial production to which attention was turned during the depression was mineral resources. A wide variety of mines and quarries opened in the early eighties; new equipment was imported and installed. For example, a manganese mine in Du Toit's Kloof, near Paarl, was reopened during 1883-1884.(81) More significant was the development of coal mining in the Cape Colony. There were two main sources of the burgeoning demand for fuel: the government railways and the mines at Kimberley. At the diamond mines the high and increasing cost of fuel coupled with falling diamond prices led mineowners to seek sources of cheaper fuel. The lack of local coal had forced the use of timber, and for up to a hundred miles in all directions the sparse tree cover of the area around Kimberley had been completely destroyed.(82) Before the recession had bitten deeply at Kimberley, about 30% of working expenditure in companies using steam machinery was on fuel. The search for coal which could be transported cheaply to the diamond fields led to the formation of a company to work coal mines in the Orange Free State. Rhodes and Rudd of De Beers were on the board of the Kimberley Coal Mining Company, which hoped to deliver coal to Kimberley by wagon at a few pounds a ton. Poor resources of coal in the Winburg district where the company planned to mine were one source of its failure, although other Transvaal and Free State coals were being used 'extensively' at Kimberley in 1882.(83)

The existence of coal in the Stormberg series of the north-eastern Cape had been known for some time but supplies at Kimberley were erratic. Colonial coal was competitive for use in stationary steam engines, although it was usually only about 65% as efficient as English coal, since in 1881 it cost approximately £12

per ton at the diamond fields as opposed to £17 10s. for the imported article.(84) The chief difficulty was the unreliable and costly nature of its production and transport.

In late 1881 and early 1882 several companies were floated to work the coal of the Stormberg area. An incentive in this connection was the construction of the railway from Queenstown northwards. These companies included the Cyphergat, Great Stormberg, Indwe and Paarde Kraal Coal Companies. Some fared better than others. By 1884 only the Cyphergat and Indwe companies survived, and only the Cyphergat company, whose property was on the railway, was producing coal.(85)

The existence of the coal mines led to pressure on the Cape government to use colonial coal on the railways, to reduce the rates on its transport and to build a 'junction' line between the Eastern and Midland railway systems.(86) Trials of Cyphergat coal were carried out, and its use was gradually adopted on the Eastern system. But the tight finances of the government militated against building a junction line. Cyphergat is about 220 miles from Kimberley; Indwe was a week's journey by ox wagon even from the Eastern railway. With the completion of the railway to the Orange River in 1884 and to Kimberley in 1885, the cost of imported English or Welsh coal was cut in half at Kimberley. Fuel costs in the diamond mines dropped to about 16% of working expenditure. It was not until the nineties that colonial coal again became competitive anywhere beyond the Eastern railway, after the completion of the junction to the other systems.(87)

If the greater exploitation of colonial coal was prevented by government inaction (or inability to act), there were other avenues open both to individuals and to companies to pursue mineral ambitions. As in the sixties, attention was easily turned to precious metals in the 1880s. Very little is known of prospecting in the Cape during this period, but it certainly occurred. A new feature was that it depended less on individual actions than before. Reports of gold in Namaqualand, along the Swartberg and in the Ceres district encouraged the formation of prospecting companies in the early eighties. For some reason Worcester seems to have given rise to at least six such companies by 1883.(88) The survival of the local bank in Worcester, which played a central role in the flotation of a number of later companies involved in the Witwatersrand gold fields is perhaps a clue to the channeling of local capital into these ventures. Among other towns where gold prospecting became more than merely a topic of conversation was Oudtshoorn, where a company was formed in 1883 to prospect in the Knysna area. Exploration in the Cape was not entirely without rewards, for gold was discovered near Knysna in the mid-eighties, and was worked on a small scale later in the decade.(89)

It was during 1883, as the deepening recession spread to Kimberley and threatened to engulf the entire colony, that the Standard Bank remarked on an increase in speculation in the Cape. The reason for this turn of events was not success in finding new payable minerals in the Cape Colony. It was the continuing growth of rumours of the mineral wealth of the Transvaal.(90)

There had already been a number of minor gold 'scrambles' in the Transvaal, and one event which could be described as a small gold 'rush'. In the speculative period beginning in 1883 remarked on above, companies were floated to work the Lydenburg gold area, but failed 'to answer expectations'. It was the discovery of the Pioneer Reef on Moodie's farm in the Kaap Valley that initiated the more rapid development of the Transvaal gold fields.(91) Thorough prospecting in the Kaap Valley turned up numerous sources of gold, including the Sheba mine; companies were floated in Natal and the Cape Colony and a large variety of people set off to investigate the prospects of the new - and the older - gold fields to the north.

In early 1884 Cape interests were involved in ventures like the Transvaal Gold Company, formed to work at Pilgrim's Rest and in the Kaap fields. Leading merchants such as Ebden of Dunnell, Ebden and Co. were interested in properties such as the Ceylon mine in the Eastern Transvaal. The Cape Town Chamber of Commerce was 'watching the gold fields in the Transvaal with great interest and anxiety'. Among the pressures encouraging this interest in Transvaal minerals were the long drought in the Eastern Province, and the prospect of the 'gold connection' being monopolised by Durban merchants, who were geographically much closer to the Kaap gold fields than any of the Cape ports. There was also the possibility that Delagoa Bay in Portuguese territory and closest port of all to the new goldfields would capture much Transvaal trade.(92) In March 1884 the Standard Bank noted that

> Reports from the gold fields continue to excite much interest and organised parties to proceed to the Transvaal are in course of formation at Port Elizabeth, East London and other centres.(93)

The willingness of the Standard Bank to extend credit on Transvaal activities had been increasing in 1883, as noted above, and its attitude continued to change in favour of business there in early 1884. Despite signs of recovery, the depression in the Cape continued into 1885 and with the 'falling off' of trade at Port Elizabeth and East London more and more people were encouraged to look elsewhere for opportunities.(94)

It was not only in the Cape that the prospects of payable minerals in the Transvaal were receiving increasing attention. About three quarters of the gold exported from South Africa between 1882 and 1886 went through Natal, not the Cape Colony. When Moodie's farms were sold into a company with a nominal capital of a quarter of a million pounds in 1883, the flotation was in Pietermaritzburg, the Natal capital. Vigorous prospecting by Natal-based interests was responsible for several of the 'finds' in the Kaap area. Nevertheless, most shares in companies operating in the Transvaal were, according to the Cape Town Chamber of Commerce, held in the Cape.(95)

At least two small companies formed to prospect in the Witwatersrand area acquired farms between 1882 and 1884. The first stamp battery for rock crushing in the vicinity of the Witwatersrand was installed on a local farm in June 1885.(96) One of the sources of credit for these prospectors on the Witwatersrand was the Standard Bank. It was thus to the Bank that the Strubens sent the first sixty ounces of gold extracted from crushing conglomerate in February 1886.(97) The significance of this new development - gold had nowhere been extracted from rock of this type before - was not yet apparent, however.

Attention was thus readily diverted to the share boom at Barberton in the Kaap fields, where, following in the footsteps of Cape investors - including his brother - one of the general managers of the Standard Bank, L.L. Michell, opened a new branch in April 1886.(98) It has been observed above that from 1883 people and money from the Cape were involved in the Barberton area. The most successful were perhaps S. Marks and I. Lewis, Kimberley storekeepers and claimholders who had merged their diamond claims into the Compagnie Francaise in 1880. In 1881 they had been bought out, and with their proceeds had purchased farms on the Transvaal bank of the Vaal River from where they supplied firewood to Kimberley. They were among the first to sell coal from the vicinity of the Vaal River to Kimberley in 1882. Through trading Lewis and Marks acquired a large area of land in the Transvaal, and were among the company promoters active in Barberton in 1886. Their investments spread into the building boom in the town. Their greatest fortune, however, was to be involved in the promotion of the Sheba Gold Mining Compa-

ny, which proved to be the only really productive mine in the Kaap Valley.(99) In the boom of 1886,

> £1 shares rose to over £100 ... while shares in other Barberton mines, on which absolutely no work had been done, rose to twenty or thirty times their nominal value. Disappointment and ruin naturally followed.(100)

The money which produced this boom came primarily from the coastal colonies, and through them, in late 1886 and early 1887, from London. The involvement of J.X. Merriman at Barberton illustrates the nature of the process. A syndicate was formed in Cape Town and Merriman went to Barberton to represent it there. Fooled by faked gold panning, he recommended the purchase of the Gem mine to his backers. They floated a company which paid £80 000 for the property. In March rumours spread that no gold had been found and the shares became worthless soon afterwards.(101) Cape Town merchants were also involved in the Highland Reef Gold Mining Company, formed to work a mine near Barberton in 1886. Companies were also formed in other towns in the Cape to invest at Barberton. In 1886 several directors of the Stellenbosch District Bank were involved in the Ophir Gold Mining Company, while the Union and the Thomas Reef Gold Mining Companies - the latter with a paid-up capital of £170 000 largely subscribed by merchants such as H. Christian, Salomon, and Dunnell - were floated in Port Elizabeth.(102) Once again, money capital was being siphoned from Cape investors into the interior.

Much of the investment in Barberton came from Kimberley, as indicated by names such as the Kimberley Imperial Gold Mining Company. While Barnato and other Kimberley interests had been involved in investigations of the Eastern Transvaal gold fields in 1882, the depression in Kimberley initially focussed attention on restructuring labour control, techniques of production and finances in diamond mining. It was through the agency of those who, like Lewis and Marks, were forced or bought out of the diamond mines that resources from Kimberley began to enter the Transvaal. The trickle flowed more swiftly with the Barberton boom. During 1886 the smaller mineowners' resources were increased by rising share prices and their ability to sell out on the wave of amalgamations. The proceeds, originating in Kimberley and European funds channelled through share markets, often found their way to the Transvaal. A record of this process exists in the letters of Hermann Eckstein, diamond merchant, representative of London interests and manager of the Phoenix Diamond Mining Company, written from Kimberley in the second half of 1886.

Speculating in the shares of companies which were prime amalgamation prospects, Eckstein realised 'suitable profits' and took out claims at Barberton in July and August 1886. He participated in the flotation of Barberton companies, writing to an agent that

> I need hardly tell you that with my connections both here and abroad I can insure (sic) success to the undertaking.(103)

Eckstein felt that the best speculative opportunities at Barberton had passed by August, but by that time new possibilities were opening for investment and speculation on the Witwatersrand, which he had visited en route to Barberton in September.(104)

Samples of Witwatersrand gold and of conglomerate ore began to reach Kimberley in mid-1886. In June, a Kimberley merchant named Alexander travelling in the Transvaal acquired some samples from Bantjes. Back in Kimberley he had the rock crushed and invited some 'prominent Kimberley men' to see a panning on 16 July 1886. The Barberton boom and developments in Kimberley itself still occupied the attention of many involved in diamond mining. But some who had been severely

affected by the recession had become interested in the potential of the Witwatersrand. One was J.B. Robinson.(105)

Robinson had few liquid assets in 1886. He was deeply indebted to the Cape of Good Hope Bank. He had tried to secure support from the Standard Bank and from Cape Town sources without success. On the basis of gold prospects in the Transvaal, he appears to have formed a syndicate with Beit and an old associate, Marcus, in July 1886. With about £20 000 from Beit, who was profiting extensively from his role in the diamond mine amalgamation process, Robinson proceeded to the Witwatersrand in late July, and purchased a number of farms. This was the first significant infusion of money from the Cape colony to the Witwatersrand gold fields.

Much of the literature on the origins of mines, companies and towns on the Witwatersrand professes surprise at the 'slowness' with which Kimberley or other Cape capitalists developed an interest in the Witwatersrand.(106) Roberts, 1972, pp. 224, 249; Cartwright, 1965, p. 5). This view suggests that what has to be explained is why the response in the Cape was slow, whereas from the point of view of the Cape Colony, the more rewarding enquiry is into why, and how, it came about at all. At the same time the effects of the gold discoveries are taken to have been almost instantaneous on the whole economy of southern Africa. From the sketch presented here, the history of varied but quickening interest within the Cape Colony in the productive possibilities of the Transvaal can be seen to have developed over a long period. Particularly during the depression of the eighties this interest gained intensity in the Cape. It focussed on Pilgrim's Rest, Barberton, and only then on the 'Rand' (Witwatersrand). Furthermore, when the Rand gold fields were first proclaimed, in September 1886, the majority of Cape speculators or investors were still involved in the Barberton boom. It was only at the end of 1886 that financial community attention in the Cape was increasingly focussed on the Rand.

By that time large areas on the Witwatersrand had been purchased by Robinson on behalf of his syndicate, by Beit on his visit in September, by Rhodes and Rudd during August, and by others. The amount of actual mining remained limited, and the new town of Johannesburg was the centre of speculation, claim and land deals and promotion.(107) Barberton was still the gold town of the Transvaal. Nevertheless, as interest increasingly turned to the Rand, the Standard Bank's caution gave way to a desire to open an office there. As rumours spread of the fickleness of Barberton's riches, companies began to be formed in the coastal colonies (and particularly at Kimberley) to purchase claims and (in some cases) to work Rand gold. Among the earliest were the Witwatersrand Gold Mining Company, formed in Kimberley in September 1886 with a capital of over £200 000 to acquire a farm and 64 claims on the main reef; the Jubilee Gold Mining Company, formed in Natal in December 1886; and the Vierfontein Farm and Gold Mining Company, formed by merchants in Kingwilliamstown in the Eastern Cape in January 1887 to acquire property near the Rand gold outcrops, and for exploration, in January 1887.(108) The crash at Barberton came in mid-1887, when mining authorities reporting to Kimberley, such as J.B. Taylor, demonstrated the worthlessness of many properties there.

> Never previously at Kimberley nor subsequently at the Rand was there anything like the number of bogus flotations that there was in Barberton.(109)

From that time on the number of Rand gold mining companies formed in the Cape, and the amount of money capital subscribed, rose very rapidly. Apart from the companies formed at Kimberley in 1887 (for example, the Bantjes Reef, Evelyn, Roodepoort, Wemmer and Wolhuter Gold Mining Companies), groups in various other colonial towns were eagerly engaged in share purchasing and company flotation.

The Paarl Ophir Gold Mining Company was registered in Cape Town in 1887 with a capital of £10 000; on a larger scale the Worcester Exploration and Gold Mining Company, on the board of which were several local farmers, merchants and directors of the Worcester Commercial Bank, was floated with a capital of £100 000. Those already in the Transvaal could count on Cape investors as subscribers to new companies, as the origins of the Cape-Transvaal Gold Mining Association and the Paarl-Pretoria Gold Mining Company reveal. The National Gold Mining Company of Paarl, with a capital of £120 000, was controlled by Kimberley emigrés in Johannesburg. Almost all of these companies were formed through the sale of claims into them, the vendors taking payment in shares and the cash subscribed by share purchasers going sometimes into the purchase of machinery and equipment for the development of the mines and, more often than not, to the credit of successful speculators. Whichever outcome resulted, the overall impact was to withdraw an enormous sum of money capital from the Cape to the Transvaal, probably reaching several million pounds in the first few years of Rand gold mines.(110) The depression had prepared the conditions for a rapid transfer of money capital to the north; persistent effort, largely financed from the Cape, produced the results of new gold fields, and capital flowed to this new and attractive investment opportunity.

By comparison, new companies floated to pursue activities within the Colony were scarce. Colonial gold rumours aroused their own interest, and on the strength of early speculation in South African mining shares in 1887, local companies were able to attract foreign capital to the Knysna area (as in the case of the London Knysna Gold Prospecting Association, floated in London in 1887). A few companies were formed in connection with agricultural interests in the Western Cape, such as the Paarl Berg Wijn, Brandewijn en Spiritus Maatschappij in 1885, and the Colonial Brandy Company at Worcester in 1887. In Port Elizabeth a group of merchants floated a company to work the Zwartkops salt pan in 1887. Kingwilliamstown interests invested through the Kaffrarian Steam Mill Company (1887) in the expansion of productive activity in the area - not least with an eye to the Witwatersrand market as its growth raised prices for colonial produce.(111)

All these Cape companies were small in comparison with the sums invested in the flight of money capital from the Cape to the Transvaal. A substantial movement of people as well as money was also developing. The emigration which had been in evidence during the recession was now more clearly a northward movement towards the Transvaal - a movement of what the Standard Bank's general managers saw as a 'redundant population'. Perhaps insofar as recession had rendered it so, this was not an inaccurate description. Farmers in the northern districts of the colony again turned to transport riding with oxen and wagons: not since the Western and Midland railway systems had been linked at De Aar had so large a potential traffic presented itself as the burgeoning import trade of the Transvaal.(112)

In 1885 and 1886, the Cape Colony's economy had begun to quicken. In a public lecture in 1886, James Easton, an official of the Cape government, remarked that

> we are all, Micawber-like, waiting for something to turn up; the Colony's eyes are on the Knysna Gold Fields and the boring operations for the discovery of coal.(113)

Apart from diamonds and copper, coal appeared to provide the best opportunity for mineral development within the Cape. In mid-1886, prior to their first mention of the Witwatersrand gold fields in their London correspondence, the general managers of the Standard Bank were intrigued by samples of coal from the Eastern Pro-

vince, which they hoped might augur the development of new colonial industry. With gold 'turning up' in the Transvaal, this hope receded:

> Colonial coal field development is likely to be retarded by the excitement attaching to gold.(114)

The recession had produced diverse responses, but none was more marked than the northward search for profitable opportunities. With the efflux of capital to the Transvaal, new opportunities did indeed become available. They involved a geographical expansion of what was still essentially a commercial economy in the Cape, rather than an intensification of development in the colony itself.

The last section of this paper has examined, in the context of depression in the early eighties, the forces affecting the Cape's economy making for internal intensification on one hand and external economic expansion on the other. The failure of attempts at intensification through new internal railway development, local banking, coal mining and protection of colonial production has been reviewed. The forces of expansionism, encouraged by the 'imperial factor' and generated by internal political developments as well as the concentration of capital in Kimberley and the problems of commercial communities, became dominant during the depression. The immediate result was a probing of the potential of territories to the north, particularly the Transvaal. The restructuring of the colonial economy produced by the recession was thus extended to a northward reorientation of trade and investment. In the longer term these forces of geographical expansion involved the Cape inextricably in the new industries of the South African Republic.

Gold mining in South Africa did not develop 'consistently' from the early seventies (contra Richardson and Van-Helten, 1980, p. 18). The early exploration and development of the Barberton and Witwatersrand gold fields must be placed against the background of the recession in the entire area, and particularly in the Cape Colony. Recession did not simply produce a condition of 'waiting for something to turn up', as Easton put it. It spurred a variety of responses, some directed to internal investment, others to geographical expansion of the economy. As in the sixties, the economy of the 'old colony' had already begun to pick up prior to the excitement of precious minerals. But in the eighties, there were important differences. The concentration of capital, particularly at Kimberley but also elsewhere in the colony, meant that the diversion of capital to the Transvaal was more rapid and more decisive than that to Kimberley had been. The results of these new developments were thus more immediate, more dramatic than the story of the diamond industry. Within a decade and a half, they proved cataclysmic.

Notes

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8. SBA, 3/1/9, GMO (12), 2.6.1881, p. 294, and JAH 6/2/1, GM-LO, 26.11 and 3.12.1881.

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16. Amphlett, op. cit., p. 11.

17. SBA, GMO, 3/1/9 (12) 3.12.1881, pp. 471 ff.; and JAH 6/2/1, GM-LO 6.5.1882.

18. For wool exports, see Cape Blue Book (Cape BB), 1881 and 1882. Deposits at the Standard Bank in Port Elizabeth rose by 8% between January 1882 and February 1883, while the volume of other business rose similarly; cf. SBA, IR, Port Elizabeth 30.1.1882 and 13.2.1883, Abstracts of General Ledgers. See also SBA, JAH 6/2/1, GM-LO, 8.7.1882. That the buoyancy of the Eastern Province was relative is revealed by failures of several Port Elizabeth firms in early 1882. By this time it was obvious that the recession was the worst since the sixties; see SBA, JAH 6/2/1, GM-LO 11.2.1882.

19. Schumann C.S. (1938) Structural Change and Business Cycles in South Africa 1806 - 1936 (London: Staples Press), p. 86.

20. ibid., p. 85.

21. Mabin, op. cit., pp. 106-126.

22. SBA, JAH 6/2/1, GM-LO 10.2, 24.6 and 1.7.1882.

23. Turrell, op. cit., Appendix II.4.

24. Amphlett, op. cit., p. 11.

25. Turrell R. (1982) Kimberley: labour and compounds 1871 - 1888, in Marks S. and R. Rathbone (eds.) Industrialisation and Social Change in South Africa (London: Longmans); Mabin, op. cit., pp. 200-207.

26. Roberts B. (1972) The Diamond Magnates (London: Hamilton), p. 181.

27. cf. Chilvers H. (1939) The Story of De Beers (London: Cassell); Roberts, op. cit; Flint J. (1974) Cecil Rhodes (Boston: Little, Brown); and Turrell, Capital, class and monopoly, Chapter 9.

28. Roberts, op. cit., p. 170.

29. Turrell, Capital ..., pp. 220 ff.

30. Henry, op. cit., pp. 63-65.

31. ibid., pp. 66-76; Lewsen P. (1960) Selections from the Correspondence of John X. Merriman 1870 - 1890 (Cape Town: Van Riebeeck Society), pp. 205-208; Turrell, Capital ..., pp. 356-360.

32. Lewsen, op. cit., p. 209; Turrell, Capital ..., p. 365; South African Library (SAL), Merriman Papers, Merriman to Posno, 22.10.1885 (also cited in Turrell, Capital ..., p. 366). Turrell failed to note that the 'overproduction' which threatened the inefficient companies whose costs were high was not viewed as a problem by De Beers or the Central Company.

33. The resultant decline of Port Elizabeth ended its merchants' period of dominance in colonial trade; cf. Mabin A. (1984) Class as a local phenomenon: conflict between 'Cape Town' and 'Port Elizabeth' in the nineteenth century, paper presented at History Workshop, University of the Witwatersrand, February 1984.

34. SBA, JAH 6/2/1, GM-LO 7.10, 15.7.1882 and 6.1.1883; Amphlett, op. cit., p. 5.

35. Gresswell W.H.P. (1892) Geography of Africa South of the Zambesi (Oxford: University Press), p. 235.

36. SBA, JAH 6/2/2, GM-LO 9.8.1884, 27.4 and 11.5.1885. Also IR, Cape Town, 29.9.1883, 1.3.1887; IR, Graaff-Reinet, 5.4.1879, p. 112; 15.5.1880, p. 129.

37. Cape Statistical Register 1886.

38. SBA, IR, Cape Town 13.9.1884; 14.9.1885; 1.3.1887; JAH 6/2/2, GM-LO 9.11.1885, 2.8.1886. Port Elizabeth Chamber of Commerce (PECC) Report 1886, pp. 3, 8.

39. Votes and Proceedings of the Parliament of the Cape of Good Hope: Annexures (Cape V&P, Ann) G.28-'87, Report ... Vooruitzicht Estate, 1886, p. 4. A copy of Rhodes's amalgamation scheme dated 15.1.1886 is in UCT, BC 635, Smalberger Papers, B16.5, De Beers Diamond Mining Co., Daily Minutes Book 2, 5.2.1886, pp. 13-20, in which it is noted that 'Mr Rhodes's proposals' were 'unanimously approved', p. 21. See also Diamond Fields Advertiser (DFA). 13.2.1886. and Lewsen P. (1982) John X. Merriman: Paradoxical South African Statesman (Johannesburg: Donker), pp. 118-119.

40. Cape V&P, Ann G.28-'88, Reports of Inspectors of Diamond Mines (RIDM) 1887, pp. 5, 10.

41. ibid., p. 95.

42. cf. Turrell, Capital ..., pp. 358-376; Worger, op. cit., pp. 255-310.

43. De Kiewiet C. (1937) The Imperial Factor in South Africa (Cambridge: University Press); Schreuder, op. cit.

44. Atmore A. and S. Marks, op. cit.; Lewsen P. (1942) The first crisis in responsible government in the Cape Colony. Archives Year Book for South African History II, pp. 205-265.

45. Etherington N.A. (1979) Labour supply and the genesis of South African confederation in the 1870s. Journal of African History 20 (2), pp. 235-239; Kimble J. (1982) Labour migration in Basutoland c. 1870 - 1885, in Marks and Rathbone (eds.), op. cit., pp. 119-141; Delius, op. cit.

46. cf. R. Cope, 'Carnarvon and Confederation', unpub. ms., University of the Witwatersrand, Chapter 5.

47. British Parliamentary Papers C.1244, no. 1, Carnarvon to Barkly, 4.5.1875; Immelman R.F.M. (1955) Men of Good Hope 1804 - 1954 (Cape Town: Cape Town Chamber of Commerce), p. 227; Etherington, op. cit., pp. 235-239, 247.

48. Kimble, op. cit., p. 136.

49. Delius, op. cit., p. 212; De Kiewiet, op. cit., pp. 73-83).

50. General Directory 1876, p. 100a.

51. Trapido S. (1980b) Reflections on land, office and wealth in the South African Republic, 1850 - 1900, in Marks S. and A. Atmore (eds.) (1980) Economy and Society in Pre-Industrial South Africa (London: Longmans), p. 353; De Kiewiet, op. cit., pp. 104-105.

52. SBA, GMO 3/1/9 (7), 25.5.1877; Amphlett G.T. (1914) History of the Standard Bank of South Africa 1862 - 1913 (Glasgow: University Press), p. 45.

53. Cape V&P, Ann G.34-'80, Report ... Telegraphs, p. 1.

54. PECC Reports for 1874, p. 26; 1875, p. 43.

55. Beinart W. (1982) The Political Economy of Pondoland 1860 - 1930 (Cambridge: University Press), p. 31; Thompson, The subjection ..., pp. 259, 270.

56. Williams B. (1921) Cecil Rhodes (London: Constable), p. 73.

57. Maylam P. (1980) Rhodes, the Tswana and the British: Colonialism, Collaboration and Conflict in the Bechuanaland Protectorate 1885 - 1889 (Westport, Connecticut: Greenwood Press), pp. 18-19.

58. cf. Maylam, op. cit.; for a review see Schreuder, op. cit., pp. 145-149.

59. Schreuder D.M. (1981) How the historians of 'free trade imperialism' lost their way in southern Africa. In N. Garson (ed.) Southern African History: New Perspectives (Johannesburg: University of the Witwatersrand), p. 19.

60. Pearson P. (1984) Social structure of the Rehoboth Baster Community (unpublished M.A. thesis, University of the Witwatersrand), pp. 48-50; Lewsen, John X. Merriman, pp. 111-115; Schreuder, Scramble, pp. 169-177.

61. Lewsen, John X. Merriman, p. 113; Reunert T. (1893) Diamonds and Gold in South Africa (Cape Town: Juta), p. 83.

62. SBA, JAH 6/2/1; GM-LO 7.10.1882 and 31.3.1883; also 6.1, 24.4, 2.6 and 16.6.1883.

63. Argus 14.1.1882.

64. Davenport T.R.H. (1966) The Afrikaner Bond: the History of a South African Political Party 1880 - 1911 (Cape Town: Oxford University Press), pp. 54-70.

65. SBA, JAH 6/2/1, GM-LO 18.3, 13.5, 30.9 and 14.10.1882.

66. ibid., 14.4.1883.

67. ibid., 16 and 30.12.1882. See also Gilliomee H.B. (1984) Farmers and ethnic politics: the Cape boers during the late nineteenth century with special reference to the wine farmers and the Standard Bank, paper presented to the Conference of the Economic History Society of South Africa, Durban, July 1984.

68. Davenport, op. cit., p 98.

69. Lewsen, John X. Merriman, p. 110.

70. Knowles L.C.A. and C.M. Knowles (1936) The Economic Development of the British Overseas Empire Vol. 3: The Union of South Africa(London: Routledge), p. 296.

71. Purkis, op. cit., p. 256; Argus Annual 1897, p. 118.

72. Hofmeyr J.H. and F.W. Reitz (1913) The Life of Jan Hendrik Hofmeyr (Cape Town: Van de Sandt de Villiers), p. 264; Davenport, op. cit., p. 98; Hansard

29.7.1885, pp. 491 ff.; 10.8.1885, p. 531. On Bechuanaland and Basutoland as the 'granary of Kimberley', see Kimble, 1981; also Merriman in Hansard 29.6.1888, p. 293.

73. cf. Cape V&P, Ann A.3-'83, Select Committee (SC) on Colonial Agriculture and Industries, Evidence, J.H. Hofmeyr, QQ. 1972-1981; A.3-'83, SC ... Report, p. iv ff. The general concern over emigration is expressed in Easton, op. cit.

74. Cape SR 1883, pp. 615-616.

75. A.3-'83, SC ... Report, p. iv; Evidence, QQ. 452, 634, 1564, 1963.

76. Hofmeyr and Reitz, Hofmeyr, pp. 264-266.

77. Hansard 11.6, 8.7 and 29.7.1885, pp. 168, 375-376, 491. The politics of protection were also evident in the elections of 1884; cf. advertisement placed in support of R.M. Ross's campaign for the Legislative Council, Argus 21.4.1884.

78. Cape V&P, Ann A.6-'84, Petition of the Mercantile Community of Port Elizabeth, 7.6.1884.

79. Davenport, op. cit., p. 99.

80. Hansard 20.4.1886, p. 60, speech by Douglass.

81. Cape SR 1883, p. 617.

82. Reunert, op. cit., p. 14.

83. Prospectuses of Kimberley Companies (DI, Kimberley, 1881), pp. 33-34; SBA, JAH 6/2/1, GM-LO 5.8.1882.

84. Cape V&P, Ann G.11-90, RIDM 1889, p. 5.

85. SBA, JAH 6/2/1, GM-LO 25.2.1882; ibid, 6/2/2, GM-LO 9.2.1884; Cape SR 1883 p. 618.

86. Cape V&P, Ann A.3-'84, SC on Coalfields Railway, Evidence, passim.

87. Turrell, Capital ..., p. 39; see also Mabin, Making of colonial capitalism, Chapter 6.

88. Cape SR 1883, p. 617.

89. SBA, JAH 6/2/2, GM-LO 25.11.1885, 19.5.1886; see also General Directory 1884.

90. SBA, JAH 6/2/1, GM-LO 7.8 and 29.12.1883.

91. Reunert, op. cit., pp. 83-84.

92. Cape Town Chamber of Commerce (CTCC) Report for 1883, p. 8; SBA, JAH, 6/2/2, GM-LO 2, 6 and 16.2 and 19.5.1884. See also Immelman, op. cit., p. 228.

93. SBA, JAH 6/2/2, GM-LO 8.3.1884.

94. ibid. 5.1.1884; 27.4, 9.11.1885; SBA, IR, Cape Town, 14.9.1885, p. 366.

95. Reunert, op. cit., pp. 84, 220; Immelman, op. cit., p. 228.

96. Fourie J.J. (1978) Afrikaners in die Goudstad Deel 1. In E.L.P. Stals (ed.) Afrikaners in die Goudstad (Pretoria: Haum), pp. 11-13.

97. Henry, op. cit., p. 91.

98. SBA, JAH 6/2/1, GM-LO 21.4.1886.

99. Cape Times 8.4.1880; the early wood and coal interests are mentioned in the Dictionary of South African Biography Vol. 1, 1968, p. 515; see also Emden P.H. (1935) Randlords (London: Hodder and Stoughton), pp. 94, 282.

100. Reunert, op. cit., p. 84.

101. Lewsen, John X. Merriman, pp. 129-131.

102. Company information derived from Argus Annual 1891, pp. 670, 680, 687.

103. Barlow Rand Archives (BRA), HE 124, Eckstein Correspondence, Private Business Letters; Eckstein to Wernher, 2.8.1886, pp. 90-91; to Littlejohn, 31.7.1886, p. 99; to Sharpe, 7.8.1886, pp. 101-102.

104. ibid., Eckstein to Sharpe, 23.10.1886, p. 171.

105. Cartwright A.P. (1965) The Corner House (Cape Town: Purnell), p. 30; Roberts, Diamond Magnates, pp. 249-255; DFA 17.7.1886; SBA, JAH 6/2/2, GM-LO 25.8 and 15.9.1886; South Africa 23.12.1893; Kubicek R.V. (1979) Economic Imperialism in Theory and Practice: the Case of South African Gold Mining Finance 1886 - 1914 (Durham, North Carolina: Duke University Press), p. 126, n. 17.

106. Roberts, op. cit., pp. 224, 249; Cartwright, op. cit., p. 5.

107. Roberts, op. cit., pp. 219, 251-253; Kubicek, op. cit., pp. 42, 57, 87; Emden, op. cit., p. 231.

108. SBA, JAH 6/2/2, GM-LO 25.8 and 15.9.1886; company information derived from Goldmann C.S. (1892) The Financial, Statistical and General History of the Gold and Other Companies of Witwatersrand, South Africa(London: Effingham Wilson), pp. ii-xxv, 101, 247, 259.

109. Emden, op. cit, pp. 95-96.

110. Goldmann, op. cit., pp. 182, 238 and 268; Argus Annual 1891, pp. 649, 691. Labouchere, editor of Truth, estimated that company flotations had absorbed about £10 million on the Witwatersrand by 1889; Truth, 18.3.1897. See also Mabin, Making of colonial capitalism, Chapter 6; and Mabin A. (1984) The course of economic development in the Cape Colony 1854-1899: a case of truncated transition, paper presented to the Conference of the Economic History Society of South Africa, Durban, July 1984.

111. Goldmann, op. cit., pp. 662, 672, 675, 680, 692; SBA, JAH 6/2/2, GM-LO 2.8.1886.

112. ibid., 2.8. and 6.10.1886.

113. Easton, op. cit., p. 46.

114. SBA, JAH 6/2/2, GM-LO 2.8.1886. 24.6, 7.7 and 2.8.1886; also, for first mention of Witwatersrand, 14.7.1886.

Cape Politics.

THE "CAPE LANTERN," AUGUST, 1884.



RETRENCHING THE CAPE CIVIL SERVICE.

Two Sides of a Question.