

SC 69. P4

Two theses, "The Administration of Dr. Jameson as Prime Minister of the Cape Colony (1904-1908)", by Miss P. Guthbert, and "A Study of Politics in the Cape Colony from January, 1908 to May 1910", by B. K. Ross, embody close studies of the politics of the Jameson and Merriman administrations respectively, and while, as I have endeavoured to show in the following pages, Jameson was forced by the depression to modify his policy on many points so as eventually to lose the confidence of the House, and while little of the legislation of the period during which

THE EFFECTS OF THE DEPRESSION
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A wealth of statistics is available in parliamentary debates and papers, newspapers, the by and published works.

The basis of a study of the politics of the period is the record of parliamentary debates, and a thesis such as this inevitably deals with subjects and the figures as they contain.

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The latter, in so far as estimates of revenue and expenditure are concerned, will probably be preliminary only; the final estimates may represent a better point not found in the records.

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P R E F A C E

Two theses, "The Administration of Dr. Jameson as Prime Minister of the Cape Colony (1904-1908)", by Miss P. Cuthbert, and "A Study of Politics in the Cape Colony from January, 1908 to May 1910", by B. K. Ross, embody close studies of the politics of the Jameson and Merriman administrations respectively, and while, as I have endeavoured to show in the following pages, Jameson was forced by the depression to modify his policy on many points so as eventually to lose the confidence of the House, and while little of the legislation of the period during which Merriman was in office was not affected by the depression, it was outside the scope of these theses to consider directly the effect on Cape politics of the depression which set in during the latter half of 1903 and lasted until the Cape entered into Union with the other South African colonies - a depression so severe as to enter into almost every aspect of government and politics. While I have drawn from these theses to a limited extent, I have not always agreed with the conclusions they contain, as indicated below on pages 54, footnote 136; 74, footnote 85; 83, footnote 127 and Appendix IV ; and 120 footnote 116.

General histories treat the period in broad outline, though biographies give more detailed information. The economic aspect has been dealt with by Drs. de Kock and Schumann in fairly detailed works covering a longer period, and the whole of South Africa.

A wealth of statistics is available in parliamentary debates and papers, newspapers, theses and published works.

The basis of a study of the politics of the period is the record of parliamentary debates, and a thesis such as this inevitably deals with Budgets and the figures they contain. The latter, in so far as estimates of revenue and expenditure are concerned, will probably be preliminary only; the final estimates may represent a third print not found in the recorded

debates, and the next year's Budget statement in comparing estimated with actual revenue, may give an entirely different figure for the former.

In the case of the so-called Cape Hansard, however, the young and inexperienced research student faces difficulties from another source. His consternation increases when he discovers, for example, that on page 173 of the Hansard for 1906, the deficit for the first financial year of the Jameson Government is stated to be £949,110, and that for 1904-5 as £677,495, a total, according to Hansard, of £1,626,205 from which, subtracting the surplus for the current year, £4,628, a net accumulated deficit of £1,621,578 is obtained. Now the Hansard figures for the first two years actually total £1,626,605, a difference of £400. This difference is accounted for within £1 as follows:

£949,110 should properly read £949,011 and £677,495 should be £677,195. (~~See Appendix~~). Taking these figures, £1,621,578 is proved to be arithmetically correct as follows:

£949,011
£677,195
£1,626,206
£ 4,628
£1,621,578

An inspection of the figures, and a comparison of them with those from other sources, reveals how these errors were made.

At page 373, the Hansard for 1905 gives the estimated general expenditure for 1905-6 as £4,560,620, which, with the estimated railway revenue, £4,768,369, is claimed to total £8,929,489, which is £399,500 short of the total which these figures yield. The error in this case concerns railway expenditure, stated on page 374 to be £4,368,869, a figure which, if added to that for general expenditure, yields the total printed on page 373. Other examples could be quoted.

Errors are not confined to figures of revenue and expenditure. The Hansard for 1904 (p. 42) reports Walton as giving the percentage share in the Transvaal trade of the ports of the Cape, Natal and Delagoa Bay, in January, 1903, as follows: Cape, 32%; Natal,

40%; Delagoa Bay, 19%, totalling 91%! One can overlook the fact that the figures for December, 1903 total 99%, due, no doubt, to fractions being ignored.

These examples could be multiplied and others, not involving statistics, could also be given. Many of the errors may have been made by the speakers concerned, and to that extent the reported debates may truly record what was said. However, as is well known, the Cape Hansard owes its existence to journalists on the staff of a daily newspaper, sitting in the Press Gallery of the House. That acoustics were poor and that difficulty was experienced in hearing the debates is attested by the "Cape Times", 22nd August, 1902, and by various entries in the Cape Hansards such as "Mr. Malan said it was very difficult to hear replies in the Press Gallery, as it was at present situate [sic]" (1906, page 411), and "Mr. Sauer, whose remarks were, in the main, inaudible in the Press Gallery..." (1909, page 23).

It need hardly be stated that such conditions were not only inconducive to accurate reporting of figures, a difficult enough task when a speaker may, in the space of a dozen lines, reel off a considerable number of amounts, each of several millions, but also to the reporting of speeches generally.

Whatever the explanations for their many errors, the researcher comes to approach the Cape Hansards with caution.

In the following pages, therefore, Cape Hansard figures have been quoted only when, on the face of it, they appeared to be correct, or after being checked against other figures in the Hansard or from some other source. Unless clearly stated otherwise, estimates of, and actual revenue receipts, expenditure and deficits, represent the amounts for the particular year as finally ascertained and frequently bear a reference from a Statistical Register or a Parliamentary paper. (1)

(1) At this juncture, for the benefit of those who may use the figures without noticing the errors, perhaps I may be permitted to refer briefly to two arithmetical errors in the theses mentioned. On page 86, Miss Cuthbert has given the following information, the subtraction in which is incorrect:

Sir Gordon Sprigg's Estimate of Revenue	£11,695,886
Actual Revenue (probable)	£10,309,881
Shortage in Estimate	£1,414,121 (sic)

(cont. p. (iv) inf.

In broad outline, the plan of the thesis is as follows.

The Introduction contains a brief account of South African depressions during the previous twenty years - with their causes and relations to conditions in other countries - showing shortly how that from 1903-1909 differed from them; a suggestion that, in its economic aspects, the depression may be analysed into five constituent parts; and also a short explanation of the political situation in the Cape Colony in 1902.

It is submitted that the boom was essentially part of the depression to which it led, and so treatment of it has been included in Chapter One, which ends with the close of the Sprigg administration and the ensuing general election, when the pinch of the depression began to be felt.

As originally planned, Chapter Two deals with the Budgets and matters arising directly therefrom, such as taxation and retrenchment; matters affecting the cost of living, and the distress caused in the Cape by the depression - all matters which, broadly speaking, affected the pocket of the elector during the Jameson Administration. The outstanding importance of the railways throughout the depression, however, led to the inclusion of a section to show their political implications.

Chapter Three deals with other political matters relevant to the depression during the Jameson Administration, and as in the second chapter, attempts to show particularly how the depression forced Jameson to abandon his policy on several points and eventually drove him from office.

Chapters Four and Five deal with the period from the fall of Jameson until Union. The former deals with the estimates, the Customs Convention, the diamond slump of 1908 and the Budgets of 1908 and 1909.

The fifth chapter concerns the bearing of the depression on

(1) cont. from p. (iiv) sup.: (A "Cape Times" reference is given.) On p. 38, Ross also commits an error in subtracting the numbers of staff on the railways between 30th April 1910 and 15th February, 1908. (The Merriman papers are quoted as the source.) An error of fact is referred to on p. 99 below.

the political machinations of the wine and brandy farmers, on the Education Acts of 1908 and 1909 and closes with a consideration of the depression in relation to Cape politics and Union, at the date of the formation of which, this thesis ends.

A few explanations are felt to be necessary.

After considerable hesitation, "Dutch" has been used where to-day "Afrikaner" or "Afrikaans" would be employed: "Dutch" was used by the English-speaking section of the population at that time, as parliamentary records and newspapers reveal.

Even to-day, when, for example, the aeroplane and the wireless speedily bring alternative viewpoints, the newspaper plays an important part in moulding the public's political opinions. It is felt that in those days, when means of communication were slower, the newspaper was probably even of greater importance in the direction mentioned, and therefore fairly close critical attention has been paid to newspaper comment.

Also, considerable attention has been paid to reports of the deliberations of Chambers of Commerce, for several reasons. Some eminent Parliamentarians, such as J. W. Jagger, Stuttaford, Withinshaw and MacIntosh, were also leading commercial figures, and would naturally tend to strive for government policies beneficial to commerce. No Western Government can, in fact, be carried on without reference to the commercial structure on which society so largely rests to-day. Furthermore, the depression being largely a commercial one, a political study of it cannot neglect the important part played by the influential commercial associations in many ways by the trade policies they adopt. Finally, the Government frequently sought the advice of leaders of commerce. See for example Walton's statement in 1908 in defence of his over-estimates of revenue, that the Government had been guided by the opinions of experienced business men (Cape Hansard, 1908, p.103). Another example is provided by the Cape Government's asking representatives of commerce to attend the Customs Conference of 1908 to assist the Cape delegates in regard to the tariff.

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The world being, as it were, one economic unit, occurrences in one part often profoundly influence those in another; thus, wherever necessary, reference has been made to overseas events which affected the depression in the Cape Colony.

Concerning Appendices, the two theses mentioned contain several which would appropriately have found a place at the end of this thesis - appendices relating to revenue, expenditure, loans and the liquor excise, for example - but it seemed pointless to duplicate them, so the list of appendices below is shorter than it would be otherwise.

In conclusion, it may be of interest to historians to mention that the depression was responsible for the abolition of the posts of Colonial Historiographer in 1905,⁽²⁾ and Keeper of the Colonial Archives in 1908,⁽³⁾ both "in the interests of economy".

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(2) "The Cape Times", 23.9.1905

(3) Cape Hansard, 1908, p. 406

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Malan:	"Die Konvensie-Dagboek van F. S. Malan".
Malherbe:	"Education in South Africa, 1652-1922", E. G. Malherbe.
Merriman:	"The Life of John Xavier Merriman", Sir Perceval Lawrence.
N. C. Minutes:	"Minutes and Proceedings with Annexures (selected of the South African National Convention.
Newton:	"Select Documents Relating to the Unification of South Africa", vol. 2, A. P. Newton.
O.L.:	"One Land", date indicated as in case of "The Cape Times".
O.R.C.:	Orange River Colony.
Pol. Sc. Quar.:	"Political Science Quarterly", vol. 23, 1908.
R.C.I.:	"Proceedings of the Royal Colonial Institute", according to the year or volume stated.
Rosa:	"A Study of Cape Politics in the Cape Colony from January, 1908 to May, 1910". Thesis by B. K. Rosa.

A B B R E V I A T I O N S

(For further details, e.g. of publisher and year of publication, kindly see Bibliography)

- Ann. Register: "The Annual Register. A Review of Public Events at Home and Abroad" according to the year stated.
- C.T.: "The Cape Times". The number is indicated thus: 2.10.1902 for 2nd October, 1902.
- Cuthbert: "The Administration of Dr. Jameson as Prime Minister of the Cape Colony, 1904-1908". Thesis by Patricia Cuthbert.
- De Kock: "Selected Subjects in the Economic History of South Africa". M. H. de Kock.
- Econ. Journal: "The Economic Journal", vol. XVIII, 1908.
- G.1.-1904: Report of the Controller and Auditor-General, 1902-3.
- G.1.-1908: Report of the Controller and Auditor-General, 1906-7.
- G.30-1905: Report of the Western Province Board of Horticulture on the Wine and Brandy Industry.
- G.62.-1903: Estimate of Revenue for Financial Year 1903-1904.
- Hallack: "White Labour Policy in South Africa, 1900-14". Thesis by R. K. Hallack.
- Hofmeyr: "The Life of Jan Hendrik Hofmeyr (Onze Jan)". Hofmeyr
- Hansard: The Record of Debates in the Cape House of Assembly according to the year stated.
- Jameson: "The Life of Jameson", vol. II, Ian Colvin.
- Malan: "Die Konvensie-Dagboek van F. S. Malan".
- Malherbe: "Education in South Africa, 1652-1922", E. G. Malherbe.
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ABBREVIATIONS (cont.)

The South African sub-continent had known other depressions in the two decades before the Anglo-Boer War.

Schumann: depression "Structural Changes and Business Cycles in South Africa, 1806-1936". C. G. W. Schumann.

Selborne Memo.: "A Review of the Present Mutual Relations of the British South African Colonies". Lord Selborne.

Statistical Register

or Stat. Reg.: The Statistical Register of the Cape Colony, according to the year stated.

which accompanied the withdrawal of imperial troops who had fought in the Transvaal War of Independence. The slighter depression of 1889-93 arose from speculation in gold-mining shares after the discovery of the rich Transvaal gold-fields, aggravated by unwise banking policy. (3) It was also affected by a world-wide depression which included among its features the failure of the great London firm of Barings (1890), (4) a serious railway recession in America, and banking disaster in Australia (1893). (5) From 1896, drought, pests and disease dealt severe blows to agriculture, and the Jameson Raid of the previous year, as well as the collapse of the gold share market, created an atmosphere of uncertainty not conducive to prosperity, so that between 1897 and the outbreak of war in 1899, South Africa lapsed into depression again, (6) Britain experiencing a boom during the same period. (7)

That which affected the Cape from 1903-1909, however, was not the result of share speculation, nor, for most of its course, was it a part of a world-wide depression, for until the international recession in 1908, the rest of the British Empire, Germany, and the United States of America were enjoying great prosperity. This depression, the most severe, and the most far-

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- (1) Structural Changes and Business Cycles in South Africa, 1806-1936, Schumann, p. 64.
 (2) Selected Subjects in the Economic History of South Africa, De Kock, p. 110.
 (3) Schumann, pp. 86-88. (4) Ibid., p. 90.
 (5) England 1870-1914, Ensor, p. 283.
 (6) Schumann, p. 91. (7) Ensor, p. 302.

I N T R O D U C T I O N

The South African sub-continent had known other depressions in the two decades before the Anglo-Boer War.

The depression that lasted from 1882 to 1886 was a direct outcome of the discovery of diamonds, and resulted from over-speculation in diamond shares⁽¹⁾, being intensified by credit restrictions by the banks,⁽²⁾ drought, a depression in England and America, and the decrease in the volume of money in circulation which accompanied the withdrawal of Imperial troops who had fought in the Transvaal War of Independence. The slighter depression of 1889-93 arose from speculation in gold-mining shares after the discovery of the rich Transvaal gold-fields, aggravated by unwise banking policy.⁽³⁾ It was also affected by a world-wide depression which included among its features the failure of the great London firm of Barings (1890),⁽⁴⁾ a serious railway recession in America, and banking disaster in Australia (1893).⁽⁵⁾ From 1896, drought, pests and disease dealt severe blows to agriculture, and the Jameson Raid of the previous year, as well as the collapse of the gold share market, created an atmosphere of uncertainty not conducive to prosperity, so that between 1897 and the outbreak of war in 1899, South Africa lapsed into depression again,⁽⁶⁾ Britain experiencing a boom during the same period.⁽⁷⁾

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(4) Ibid., p. 90
(5) England 1870-1914, Ensor, p. 283
(6) Schumann, p. 91
(7) Ensor, p. 302

reaching in its political effects, resulted mainly from the war, the first in which all four members of the later Union of South Africa had been engaged.

"Mainly" is used advisedly, in so far as the Cape is concerned, as an analysis of the overall depression reveals five constituent parts, related in some ways, yet each possessing distinctive features. First in chronological order was the depression in agriculture, resulting partly from the war but mainly from the drought which started in 1901 and ended in 1905, when agriculture recovered. Then there was the depression in viticulture, of longer duration than the others, arising partly from natural causes such as drought and disease, but mainly because the viticulturists could not dispose of their wares, owing to the prohibition of the sale of liquor to Natives and to the inability of Cape wines to compete in the markets of Europe. The commercial depression was the focal point of the others economically, although it is submitted that, politically, it took second place to the viticultural during Merriman's administration. The diamond slump of 1908 dealt a quick but sharp blow to the Cape when the latter was making a determined effort to end the depression. Finally, there was the financial depression, not only in regard to Government and municipal finances, but also in regard to the money market generally: on the one hand, Government and municipal debts and deficits increased; on the other, a considerable quantity of money was lying idle instead of being invested.⁽⁸⁾ There was interplay between these depressions and they all figured prominently in the political sphere.

Indeed, the very fact of the five divisions of the depression suggests that it seeped deeply into the economic life of the Cape and that it would have far-reaching effects on the politics of the day. It is the aim of this thesis to examine those

(8) See the quotation from "The Economist" on p. 33 below, Merriman's statement, p. 92, and consider e.g. the great success of Merriman's loan raised in the Colony in 1908.

effects until the Cape entered into union with the other South African colonies.

As the matter is not referred to hereafter, a few words are necessary to explain the state of Cape politics at the end of the Anglo-Boer War. Parliament did not meet between 13th October, 1900 and 20th August, 1902,⁽⁹⁾ the Constitution being suspended, owing to the fear that the Africander National Party majority would outvote the English-speaking section to the detriment of the Cape's part in the war. Sprigg, who was elected leader of the Progressive Party when Rhodes died, opposed suspension, thus alienating his supporters but winning the support of the Africander National Party (which, towards the end of 1902, adopted the name of the South African Party).⁽¹⁰⁾ Thus Sprigg was kept in office by the Opposition, and it only required an event such as Burton's ill-judged motion⁽¹¹⁾ to cause his downfall.

which aggravated the difficulties that followed and prevented the adoption of measures which, if applied timely, would necessarily have alleviated them.

The pay of the Imperial troops had increased the volume of money in circulation, so that trade flourished; the unemployed were few; immigration increased. For the year 1902-3, revenue of £10,350,000 had been estimated, but this figure was exceeded by over £1,351,000,⁽³⁾ the return being nearly £2,700,000 more than for the previous year. Although expenditure, at over £10,738,000, was nearly £37,000 more than had been estimated, the year ended with a net surplus of over £500,000.⁽⁵⁾ In anticipation of an even greater boom

(9) Hansard 1902, p. 1

(10) The Life of Jan Hendrik Hofmeyr (Onze Jan), by J. H. Hofmeyr and F. W. Reitz, pp. 575-6

(11) See p. 20

(3) G.I. - 1904, p. 11
(4) The Administration of Dr. Janssen as Prime Minister of the Cape Colony, 1904-1908, I. Gubbart, Appendix 1A, quoting Statistical Register
(5) Hansard 1903, p. 208. This total is consistent with calculations based on figures on the same page and on p. 209 (contd.)

CHAPTER ONE

THE BEGINNING OF THE DEPRESSION, 1902-3

The apparent commercial prosperity in Cape Colony in 1902 - Its superficial nature - The depression in agriculture - The rising cost of living - Monopolies - The Customs Convention - The storm over the proposed importation of Chinese for the Witwatersrand gold mines - The entry of organised Labour into Cape politics - The depression and the elections of 1903-4 - Summary.

A flushed cheek may be a sign of glowing health; it may also be the portent of a fever which will soon prostrate its victim. The metaphor is applicable to the commercial condition of the Cape Colony immediately after the Anglo-Boer War. With few exceptions, merchants and politicians alike misunderstood the nature of the bubble prosperity that prevailed, heralding as healthy that which contained the germ of the economic prostration that ensued. The misunderstanding itself contributed to the severity of the depression, for it both led to spending which aggravated the difficulties that followed and prevented the adoption of measures which, if applied timeously, must necessarily have alleviated them.

The pay of the Imperial troops had increased the volume of money in circulation, so that trade flourished; ⁽¹⁾ the unemployed were few; immigration increased. ⁽²⁾ For the year 1902-3, revenue of £10,350,000 had been estimated, but this figure was exceeded by over £1,351,000, ⁽³⁾ the return being nearly £2,700,000 more than for the previous year. ⁽⁴⁾ Although expenditure, at over £10,738,000, was nearly £537,000 more than had been estimated, the year ended with a net surplus of over £500,000. ⁽⁵⁾ In anticipation of an even greater boom in trade consequent upon the rebuilding and re-stocking of the defeated Republics, merchants imported heavily, thus

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- (1) Selected Subjects in the Economic History of S. A., M. H. de Kock, p. 122
 - (2) Structural Changes and Business Cycles in S.A., 1806-1936, C. G. W. Schumann, p. 93
 - (3) G.I. - 1904, p.(i)
 - (4) The Administration of Dr. Jameson as Prime Minister of the Cape Colony (1904-1908), P. Cuthbert, Appendix IX, quoting Statistical Register
 - (5) Hansard 1903, p. 288. This total is consistent with calculations based on figures on the same page and on p. 289(cont. p. 5)

swelling the Customs receipts which for 1902-3 exceeded those of the previous year by £710,310 and were under-estimated by £517,800.⁽⁶⁾

Small wonder, then, that there was a spirit of optimism in the columns of the newspapers, in the banks that extended liberal credit,⁽⁷⁾ in the streets, and in Parliament! Small wonder that, in announcing that the estimates of expenditure amounted to an unprecedentedly high figure, the Governor-General saw fit to add:⁽¹²⁾

"Any apprehension, however, that you may entertain as to the capacity of the Colony to meet the proposed additional expenditure will, I am sure, be relieved by the assurance that, owing to the large, continuous expansion of trade, the fair anticipations of the revenue to be collected during the current year sufficiently justify the increased expenditure."⁽⁸⁾

No less a person than the Prime Minister, Sir Gordon Sprigg, said in a debate on the Harbour Boards Loan Bill, that "he wished he could impress upon the House that we were going to have a continuous expansion of trade in the coming years sufficient for all the ports in the Colony, a fact of which he felt as sure as that he stood there that day."⁽⁹⁾

This spirit of optimism was oblivious of the fact that the money received by the Imperial troops was payment for non-productive services and therefore inflationary in effect;⁽¹⁰⁾ that with the withdrawal of most of the troops, the volume of

(5) (cont.) Nevertheless the Statistical Register, as reflected in Cuthbert's Appendix IX, gives the total as £11,198,000. The latter figure was no doubt arrived at later, when the true position could be ascertained.

(6) G.1-1904, p. 16

(7) Between 1899 and 1902, although the capital and reserves of all banks in S.A. increased from £6,162,000 to £9,739,000 and coin and bullion from £8,077,000 to £11,472,000, total deposits increased from £25,153,000 to £47,222,000 and advances and discounts from £19,684,000 to £34,985,000.

Schumann, p. 95

(8) Hansard 1902, p. 2

(9) Ibid., p. 627

(10) Schumann, p. 122

trade would decline below the level then prevailing; that the merchants were over-stocking and would for several years be unable to dispose of their goods, thus causing trade stagnation, their difficulties increased by the sale of large quantities of military stores.⁽¹¹⁾ It could not be foreseen that the Russo-Japanese War which broke out early in 1904 would drain the European money market of much of the capital which would otherwise have been devoted to the development of the South African colonies.⁽¹²⁾ Sprigg, in his optimistic utterance, did not anticipate that trade through the Cape ports would decline so as to bring the Cape into bitter competition with other coastal territories of Southern Africa. So great was the prevailing optimism that although Customs and Railway receipts between them were expected to yield £9,100,000 of the estimated £11,724,000 revenue for 1903-4,⁽¹³⁾ the danger resulting from a failure of these sources of revenue was not realised, and so no thought was given to provision of others - and such a failure of revenue would clearly be serious for a Colony that in one year imported £5,000,000 worth of foodstuffs.⁽¹⁴⁾

Not only was the prosperity of 1902-3 a thin fabric, but it was also confined to the commercial centres: agriculture presented a different picture.

From 1901 until nearly the middle of 1905, the Cape Colony was subject to the worst drought for forty years.⁽¹⁵⁾ Much of the Colony's cattle had been confiscated during the war or had perished in the military protection camps:⁽¹⁶⁾ whereas in 1898 the Colony had exported about £250,000 of livestock to the Transvaal, in one year after the war it imported nearly £2,000,000 of meat.⁽¹⁷⁾ According to a Member of Parliament, the military authorities had commandeered between 10,000 and 12,000 horses

(11) Schumann, p. 93

(13) G.62-1903, p. 3

(14) Hansard 1904, pp. 364-5

(16) Hansard 1902, p. 161

(17) Hansard 1903, p. 342

(12) Hansard 1905, p. 442;
Schumann, p. 93

(15) 'The Times' History of the War in South Africa 1899-1902, Vol. VI, p. 100 and Hansard 1905, pp. 372 and 659

during the war; ⁽¹⁸⁾ glanders, imported into the Colony with the military horses, affected many others. ⁽¹⁹⁾ Lung sickness was widespread towards the end of 1902; ⁽²⁰⁾ rinderpest, which had already caused great losses, was not entirely eliminated; ⁽²¹⁾ legislation to combat scab in sheep was not properly enforced, so the disease was general throughout the Colony except in the Eastern Province. ⁽²²⁾ In addition, the farmers faced a grave shortage of labour. ⁽²³⁾

The depression in agriculture, therefore, arose partly from the war and partly from natural causes. It entailed less spending by the farmers. Traders who in 1902 and 1903 anticipated eager buying with the advent of peace were to find that they had overstocked in relation to the demand. Having large stocks which they could not sell, they stopped importing, so trade tended to become dormant and Customs and Railway revenue declined. ⁽²⁴⁾ In this way, the agricultural depression gave impetus to the commercial and financial.

Amid the general urban optimism, however, warnings were sounded by men who looked below the surface of things. As early as September, 1902, in the debate on the Budget speech, Merriman, probably the ablest economist in the House of Assembly, advised Sprigg to be cautious and to curtail expenditure. He criticized the increase in the number of Civil Servants, ⁽²⁵⁾ as did Sauer, who also drew attention to the serious effects on the Cape's revenue if more of the traffic to the Transvaal was diverted from the Colony's ports to Delagoa Bay. ⁽²⁶⁾ In the same debate, Oats urged the imposition of an Income Tax and a tax on brandy instead of raising revenue by means of the railways. "History has shown," he is reported to have said, "that

(18) Hansard 1902, p. 202 (19) "The Cape Times", 1.8.1902
(20) Hansard 1902, p. 533 (21) Ibid., pp. 567 and 576
(22) C.T. 27.9.1902 (23) Hansard 1903, p. 455
(24) 'The Times' His., p. 101 (25) Hansard 1902, p. 165
(26) Ibid., pp. 166-7

scarcity has always followed upon a great war; and he believed that at the present time of prosperity the people would be willing to accept taxation, and could do so with more ability than hereafter might be the case."⁽²⁷⁾ On 5th November, with reference to optimistic words by Sprigg, Merriman said that "... the reason for the depression at present troubling Australia was over-borrowing because of over-optimism", and that "if they in this country laid that lesson to heart, it was the most valuable lesson he thought they could learn from Australia".⁽²⁸⁾

But so long as the majority of people equate the shadow of plentiful money with the substance of prosperity, such warnings will be regarded not as wise counsel so much as the outpouring of morbid pessimism; and so the words of these responsible parliamentarians were for the most part unheeded.

Soon, however, the inflation of prices forced even the optimists to realise that all was not so well as they had supposed. In a debate on 5th November, 1902, Runciman found occasion to mention "the high cost of living".⁽²⁹⁾ On 5th June, 1903, in his speech at the opening of the House of Assembly, the Governor-General referred to "the increased cost of living, which has for some time prevailed in the Colony, and appears likely to continue".⁽³⁰⁾ It is not surprising, therefore, to find that on 30th of the same month, Dr. Vanes asked Sprigg if inquiry would not be made as to the reasons for the phenomenon,⁽³¹⁾ a matter, as Merriman said, germane to the whole state of the Colony.⁽³²⁾ Surprising indeed was Sprigg's answer, implying that such an inquiry would be a waste of time, and attributing the cause to increases in wages and salaries.⁽³³⁾

The high cost of living had therefore passed through the streets into Parliament. Added to inflation in the two years

(27) Ibid., p. 170

(29) Ibid., p. 629

(31) Ibid., p. 184

(33) Ibid., p. 184

(28) Ibid., p. 632

(30) Hansard 1903, p. 1

(32) Ibid., p. 343

immediately following the war, was the high price of meat resulting from higher prices of livestock in the Cape and in Australia, which latter country, a supplier of much of the Cape's imported meat, was subject to foot-and-mouth disease at the time. (34)

Commodity prices were also kept high by various monopolies. The most powerful of these was a combination of shipping companies which had almost complete control of the trade to South Africa. If a merchant imported only by means of the Conference line ships, as they were called, he was allowed a rebate. In practice, however, this rebate was usually paid not less than nine months later; if the merchant decided to send goods by another line, he forfeited the rebate, which might amount to a large sum of money; if he thereafter returned to the Conference line ships, he was charged a higher freight rate than previously. Cape merchants complained that by its high freight charges, the shipping ring was responsible for the high cost of living. (35) The directors of the Ring averred that their charges were comparable with any in the world, adding that ships often left Cape Town for England with little cargo, thus making the return trip unprofitable. (36)

This defence did not satisfy those who, directly or indirectly, had to pay the freight charges. On 26th September, 1902, Vanes asked Sprigg if the Government intended to make the system of rebates illegal, Sprigg replying that the Government had no such intention. (37) Representations were made to Joseph Chamberlain, British Colonial Secretary, on the subject of the Shipping Ring, during his visit to South Africa early in 1903, but no reply was received. At the end of April, the Executive Committee of the

(34) Ibid., p. 267

(35) Proceedings of the Royal Colonial Institute, 1902-3, Vol. XXXIV, pp. 135-6

The practices of the Ring gave rise to the English case of *Mogul Steam Shipping Co. vs. McGregor, Gow and others* in which it was pleaded that they were in restraint of trade. The House of Lords, however, held that they did not constitute such restraint. C.T. 21.7.1903, reporting adjourned meeting, Cape Town Chamber of Commerce.

(36) C.T. 2.10.1902

(37) C.T. 26.9.1902

Association of Chambers of Commerce of South Africa sent a copy of a resolution to the British Colonial Office calling for the abolition of combinations which, it alleged, kept freight rates high, and of the rebate system.⁽³⁸⁾ The reply stated that it had long been decided to invite tenders for the conveyance of goods required by the Transvaal and the Orange River Colony, and this, it was hoped, would result in fair competition and the reduction of rates.⁽³⁹⁾ The practices of the Shipping Ring were to lead to further action by the Chambers of Commerce as well as the Governments of the South African colonies in later years, and to enter into the discussions of the National Convention.

Another monopoly was the Cold Storage combine of six companies, formed in 1895. When rinderpest reduced the number of slaughter cattle and caused a meat shortage in the years that followed, the cold storage monopoly had indeed kept the price of meat down. During the war, it earned large profits by supplying meat to the troops.⁽⁴⁰⁾ It came to control nearly all the meat trade not only in Cape Town but also the other large South African towns. Jagger alleged in the House of Assembly that if a butcher did not purchase from one of these companies, a shop was opened nearby in opposition to him, to sell meat at a reduced price until the butcher was forced out of business, when the price was raised again.⁽⁴¹⁾ Having cold storage facilities and capital, the Ring could buy up the entire catches of fish brought in by the Government trawler, and so the consumer had no alternative market, but was forced to pay the artificially high price demanded.⁽⁴²⁾

The atmosphere surrounding the Cold Storage Ring becomes even more sombre when it is shown how strongly it was represented in the very House from which the Cape was governed. The pros-

(38) C.T. 28.4.1903

(40) Hansard 1906, p. 559

(41) IBid., pp. 491-2

(39) C.T. 14.7.1903

(42) C.T. 6.4.1903

pectus of the South African Supply and Cold Storage Company, one of the six, revealed among its directors no less a person than the Prime Minister, with another prominent Parliamentarian, Sir Pieter Faure. Furthermore, one-sixth of the shares in the cold storage monopoly was held by De Beers Company⁽⁴³⁾ which in 1903 had five members in the House.⁽⁴⁴⁾

To break the cold storage monopoly and reduce the cost of living, Jameson moved on 9th July that the Government should consider the advisability of erecting cold storage chambers to store perishable foodstuffs, especially meat, rent being based on operating expenses plus interest. He also suggested that railway revenue, in excess of working costs and interest, should be used to reduce the carriage on foodstuffs.⁽⁴⁵⁾ Laing and Molteno, however, feared that such a scheme would merely enable the cold storage monopoly to extend its activities further through the Colony; while Sauer doubted whether the Government could apply the scheme economically.⁽⁴⁶⁾ The House voted against the motion.⁽⁴⁷⁾

These two monopolies, then, were largely responsible for the high prices of food and other commodities after the war, and were widely detested. Indeed, at a meeting of the Royal Colonial Institute in London, one speaker went so far as to say:

".... having been through South Africa myself, I venture to tell you that what one hears most about is not execration of the British by the Boer, or of the Boer by the British, but execration of the shipping ring, the meat ring and monopolies of that sort by both sides."⁽⁴⁸⁾

(43) C.T. 1.5.1903. In the same issue, the "Cape Times" attempted to explain away the De Beers shareholding by stating that it was aimed at "keeping a finger on the so-called meat monopoly on behalf of the public". However that may be, one will perhaps be forgiven for suspecting that the prospect of good dividends offered by a monopoly of an essential foodstuff also attracted the hard-headed directors of De Beers.

(44) Two representing Kimberley; one each representing Namaqualand, Albany and Cape Town. C.T. 14.5.1903

(45) Jameson, a director of De Beers, might genuinely have aimed at reducing the cost of living despite the fact that the motion might to some extent be detrimental to his own pocket. But at least Laing and Molteno feared the possibility that the plan would ultimately prove profitable to the Ring and therefore to De Beers. Hansard 1903, pp. 265-6.

(46) Ibid., pp. 428-9 (47) Ibid., p. 436 (48) R.C.I., v.34 p.154

Although much of what has been written in this chapter was to have full political significance only in later years, two matters associated in different respects with the depression in South Africa were politically important before the end of 1903. One was the Customs Conference of that year; the other, the plan to import Chinese to alleviate the shortage of unskilled labour in the Witwatersrand gold mines.

On 15th October, 1902, Sprigg announced that discussions would be held as soon as possible between the South African colonies to form a Customs Union.⁽⁴⁹⁾ The Convention of 1903, entered into between the Cape Colony, Natal, the Orange River Colony, Transvaal and Southern Rhodesia, would have been concluded irrespective of the depression that was setting in. The conflicting interests and policies of the colonies would have necessitated such an agreement. Nevertheless, the Convention occupies an important place in a review of the depression and Cape politics.

Natal and the Cape Colony were largely dependent on the Witwatersrand's import trade for their Customs and Railway revenues. Durban is nearer the Witwatersrand than the Cape ports, although the rise to the plateau is steeper in Natal than in the Cape, and also, by the time that a ship covers the distance between Cape Town and Durban, goods off-loaded at the former port could have reached the Witwatersrand. Nevertheless, Natal had an overall advantage over the Cape. Even more advantageously situated is Delagoa Bay, the nearest port to Johannesburg. In addition, most of the railway line linking the Portuguese port to the latter city lay in and was owned by the Transvaal, so that it was doubly beneficial to the Transvaal to import its needs through Delagoa Bay.⁽⁵⁰⁾ Furthermore, the Transvaal had concluded an agreement with Portugal to import

(49) C.T. 16.10.1902

(50) See Appendix VI.....

much of its requirements through Delagoa Bay in return for permission to recruit Native labourers in Portuguese East Africa. (51)

In addition to inter-colonial rivalry, at the Convention Sprigg had also to contend with conflicting interests within the Colony. The Cape farmers, supported by the Africander Bond, wanted a high Customs tariff imposed on agricultural produce so as to discourage imports and allow them to charge more for their products. Merchants, however, wanted a low Customs tariff, (52) so as to encourage trade; Kimberley and other inland towns (like the Transvaal) also favoured a low Customs tariff as their cost of living was higher than that of the coastal towns because of railage charges.

Here was the dilemma which faced Sprigg and which was to face succeeding Cape Premiers as the depression deepened: the necessity, on the one hand, of decreasing the cost of living; and, on the other, that of satisfying the demands of the farmers for protective duties on agricultural produce, which, if met, might increase the cost of living. The conflict was one between town and country, between English and Dutch.

Although not the mainspring of the Convention, the high cost of living in those early days of the depression coloured the proceedings. The "Cape Times" remarked, at a later date: "The principle which governed the various delegates to the Convention of May, 1903, was the necessity of effecting some reduction in the cost of living to the general consumer." (53)

Sprigg attempted to satisfy both parties. For the farmers, he succeeded in carrying a motion at the Convention that the Committee which drew up the tariff should, as far as possible, apply the principle of protection for South African products. (54) So far as reducing the cost of living for the townsmen was concerned,

(51) Hansard 1904, p. 261 (52) De Kock, p. 309

(53) C.T. 10.6.1904 (54) C.T. 10.6.1903

Sprigg estimated that the tariff reductions would result in a loss of £370,000 a year in Customs revenue. (55)

The high tariffs imposed by the Customs Convention of 1889 between the Cape and the Orange Free State, which had served to protect Cape wheat, flour, wine, candles and waggons, (56) were replaced by duties which were merely semi-protective. The duties on building materials were either reduced or abolished, so as to facilitate the rebuilding of the defeated Republics. Railway rates on goods to the interior were reduced. Machinery imported for agriculture, mines and factories was to be duty-free. The 3% transit duty on goods from Natal and Cape ports to the Transvaal disappeared, and the charge on customs collected in respect of imports by the interior colonies via Natal and Cape ports was reduced from 15% to 5%. A policy of free trade between the parties was adopted, and for the first time since 1855 (57) a preferential rebate was accorded to British and Empire goods. (58)

Reduced protection adversely affected the milling, candle, soap-making, (59) waggon-making, (60) furniture, leather, (61) printing, jam, confectionery (62) and mineral water industries (63) at a time when the Cape was becoming uncomfortably aware of depression. Deputations from the milling and candle industries protested to Sprigg about the new tariffs. He replied unsympathetically that, if run efficiently, these industries could still operate at a

(55) Hansard 1903, p. 46. On the other hand, official figures revealed later that had the Convention been in force in 1902, the Cape would have received nearly £96,000 more in duty under the differential rates - C.6/03 LC p.4. In 1904, Smartt said that the reductions in railway rates cost the Cape £70,000 a year in through rates and a similar sum in local rates, and £60,000 a year in goods rates. The middleman, not the consumer, had benefited from the reduction in goods rates. - Hansard 1904, p. 153

(56) De Kock, p. 310 (57) Ibid., p. 312

(58) Ibid., p. 314

(59) Hansard 1903, p. 86. Regarding candle-making, the Convention was not entirely responsible, importation falling by 12,400 lbs. in 1904 as compared with 1903. (C.T. 2.3.1905.) About 2,000,000 lbs. of candles were imported in the year 1902-3. (Hansard 1903 p. 444.)

(60) C.T. 6.3.1905 (61) C.T. 12.6.1905

(62) C.T. 10.6.1904 (63) Hansard 1903, p. 86

profit, though he admitted that the profit would be less than before.⁽⁶⁴⁾ The candle-makers drew up a petition asking the Government for a bonus to help the industry, but as Jagger said, if this bonus was granted, similar demands would come from other industries,⁽⁶⁵⁾ and in fact, the corn-farmers, millers and wool-farmers soon also asked for bonuses.⁽⁶⁶⁾

In the Cape Parliament, the storm over the Convention arose principally from the question of Imperial preference,⁽⁶⁷⁾ to which the Bond supporters were opposed; but protection figured almost as largely. As was clear by 1905, the farmers benefited from the policy of inter-colonial free trade, yet in 1903 the grain and wine farmers were apprehensive about the removal of the high measure of protection formerly enjoyed by their products,⁽⁶⁸⁾ despite the fact that now Colonial flour would cost 28/6 per ton to convey from East London to Johannesburg against £3.10. - per ton for the imported product; and also despite the fillip which reciprocal preference within the Empire was expected to give to the export of Cape wines.⁽⁶⁹⁾ In reply to Sprigg's motion that the House approves of the Convention, Malan moved an amendment aiming not only at the removal of Imperial preference, but also at the return to the former ad valorem duties, at the retention of the existing duties on wheat, flour and meat though allowing each party to suspend the latter duties wholly or partly, and suggesting consideration of "the advisability of arranging a reasonable protection for existing Colonial manufacturers". It was lost by six votes.⁽⁷⁰⁾ Searle's amendment that the House was of the opinion "that the Government should approach the other parties to the Convention with a view of removing the principle of preferential duties and obtaining a modification of provisions of the tariff in the direction of obtaining a more reasonable protection upon the products of the soil and upon existing Colo-

(64) Ibid., p. 44
(65) Ibid., p. 444. The candle industry employed about 200 people. Ibid., p. 446
(66) Ibid., p. 447
(67) Ibid., p. 118
(68) Ibid., p. 174
(69) Ibid., pp. 54-5
(70) Ibid., p. 180

nial manufacturers" was negatived only by the Speaker's casting vote.⁽⁷¹⁾ It has been said that the influence of the founder of the Bond, "Onze Jan" Hofmeyr, can be detected in the latter amendment.⁽⁷²⁾ Certainly a Bond principle was "that agriculture, stock-farming, commerce and industries be aided by all legislative means by a circumspect and judicially-applied system of protection".⁽⁷³⁾

The Convention was based on compromise and therefore inevitably involved disadvantages to every one of the parties.⁽⁷⁴⁾ To the Cape, however, the advantages outweighed the disadvantages. Furthermore, the Cape could not reject the Convention, for then the other parties would almost certainly adopt a policy of differentiation by raising a high tariff wall against Cape products and by using other than Cape ports of entry for imported goods, thereby decimating Cape revenue from Customs duties and Railway rates.⁽⁷⁵⁾ To have stood aloof would certainly have ruined the Cape during the next few years of depression. Nevertheless, the Convention was passed only by the casting vote of the presiding officer in each House.⁽⁷⁶⁾

Another matter which aroused considerable discussion inside and outside Parliament during this period was the proposal to import Chinese to revive the Witwatersrand gold industry, languishing because of a shortage of labour.⁽⁷⁷⁾

The prosperity of all the South African colonies depended on the resumption by the gold mines of full-scale production. The value of gold produced in 1899 was £15,452,000, dwindling in 1902 to £1,097,000, and recovering in 1903 to £12,622,000.⁽⁷⁸⁾ Less Rand gold entailed fewer Transvaal imports from abroad (and therefore less customs and railway revenue for the Cape), and

(71) Ibid., p. 181 (72) The Life of Jan Hendrik Hofmeyr (Onze Jan), J. H. Hofmeyr, p. 607
(73) De Kock, p. 306
(74) A Review of the present mutual relations of the British South African Colonies, Selborne, p. 81
(75) Hansard 1903, pp. 53-55
(76) C.T. 29.7.1903. The South African Party, except J.C. Molteno, opposed the Convention; in the Opposition ranks, Oats and Harris disliked it, but said they would vote for it. (C.T. 24.6.1903.)
(77) White Labour Policy in South Africa 1900-1914, R.K. Hallack

fewer purchases of Cape agricultural produce. The removal of the gold mining industry was important to the Cape in another way. Before the war the Transkeian Territories had supplied large numbers of Natives to work in the gold mines. "It was impossible to over-estimate the value to the purchasing-power of this colony of the wages which the Natives brought back from that seat of industry", Merriman said, (79) estimating on another occasion that the amount involved was three-quarters of a million pounds annually. (80) The Transkeian Natives, however, were reluctant to work in the gold mines after the war, largely because of rumours of ill-treatment in the mines. (81)

The majority report of the Transvaal Labour Commission of 1903 stated that the gold-mining industry was short of 129,000 Natives, and that there was no prospect of the shortage being relieved from African labour resources. (82) The question of alleviating the shortage by importing Chinese had been raised at the Convention, where Sprigg had opposed it. (83) On 2nd July, 1903, Merriman introduced a motion on behalf of Sauer "that the House, taking cognizance of the resolution passed at the recent conference held at Bloemfontein on the subject of the qualified approval of the importation of Asiatic labour, desires to express its strong opposition to any such importations as prejudicial to the interests of all classes of the people of South Africa". (84) He expressed the feelings of the overwhelming majority of the House and of the colony when he said: "It is not because of the vices of the Chinese that I dislike him, it is because of his virtues." (85) It was feared that the intelligence and industry of the Chinese, together with their lower standard of living, would oust the white shop-keeper and artisan; the prospect of the Chinese settling as an additional racial community in the

(78) Schumann, p. 92 (79) Hansard 1903, p. 485

(80) Hansard 1902, p. 607 (81) Hansard 1903, p. 211

(82) Hallack, p. 22 (83) Guthbert, p. 55

(84) Hansard 1903, p. 205

(85) C.T. 1.6.1903, reporting an election speech at Stellenbosch on 30th May.

Transvaal and perhaps later in the other colonies, as the Indians had settled in Natal, adding to the country's racial problems, was also deplored.

The matter was affected by another consideration. The people of the Cape had an intense love for their Colony and a pride in its being the cradle of European civilization in Southern Africa. This pride often expressed itself in jealousy towards the Transvaal which, if it had not already done so, appeared to be taking over the economic leadership in South Africa. This animosity was frequently reflected in debates.

Cape Parliamentarians were unwilling to admit how closely Cape prosperity was bound to the Transvaal gold mines, and therefore to emphasise the importance to the Cape of relieving the Rand labour shortage. The unfortunate effects which this attitude might have for the Cape were emphasised by two letters to the "Cape Times" on 17th August, 1903. One correspondent wrote:

"To a student of political institutions, the debate in the House of Assembly on the labour question is painful reading. A General Election is pending.⁽⁸⁶⁾ Can it be that there is any connection between this fact and the circumstance that not one member of the House would testify to the relations between the prosperity of the gold-mining industry and the well-being of this Colony? Such testimony would be unpopular. Must it, therefore, remain unspoken? Events are tending towards a commercial crisis in the Colony, a disastrous depreciation in the value of Cape Town property, and consequent ruin for a great number of those living in the centres of population."

It was the mining industry, this correspondent contended, on which Cape prosperity now depended.

In this manner could a human weakness tend to subdue statesmanship in a House that contained a number of able men. Similar parochialism, displayed by all the colonies, intensified the inter-colonial squabbles of the decade.

(86) For the Legislative Assembly

Two matters connected with the depression, namely the proposed importation of Chinese and the high cost of living, figured largely at meetings called by organised Labour, which entered into Cape politics at this time.

On 25th April, 1903, a meeting was held in the Metropolitan Hotel, Cape Town, under the auspices of the Cape Town Trade and Labour Council, at which H. P. Jordan spoke on "The Need of Labour Organisation in Cape Colony". Two resolutions were passed. One stated "that this meeting of the citizens of Cape Town is of opinion that the time has arrived for the direct representation of Labour in Parliament, and to that end urges the formation of a political labour league for Cape Town." The second resolution pledged help to the Transvaal workers to resist the introduction of Chinese.⁽⁸⁷⁾ On 20th July, a meeting of working men in Cape Town, called specifically in connection with the importation of the latter, unanimously passed a resolution "That this meeting of working men of Cape Town do strongly protest against the introduction of Chinese into South Africa, and appeal to our Government to do all in their power to prevent the landing of Chinese through the Colonial ports, and that a copy of this resolution be forwarded to the Government."⁽⁸⁸⁾

References to the cost of living were made in the columns of the "Cape Times". On 29th April, a letter from W. Darley Hartley, one of the leaders of the Labour movement, accused both parties of representing capitalism, stating that the South African Party represented the landed interest, "plus the capitalism of the meat and mail rings". Another letter, two days later, complained of the Progressives and the South African Parties: "Neither party has ever made the faintest attempt to pass any legislation beneficial to the wage-earners of Cape Colony", to which statement an editorial article replied: "The Progressives have worked for years towards the abolition of the duties on the

(87) C.T. 27.4.1903

(88) C.T. 21.7.1903

necessities of life...." without, however, attempting to refute an allegation made in yet another letter that Rhodes and the fellow-members of his party were "the first to tax meat".

On 25th August, 1903, the Sprigg Ministry was defeated in a division demanded by Burton on the question of investigating (89) punishments under martial law and compensation for war losses.

Sprigg's fall from office came at a time when railway revenue was decreasing seriously as compared with the previous year; that for the week ended 23rd August being nearly £20,000 less than the amount received in the corresponding week of 1902. (90) The deterioration in the Cape's economic condition continued throughout the election campaign and thereafter. Imports for the seven months ended 31st January, 1904 declined by £4,381,000, and with them, revenue from Customs duties. Regarding individual items, less frozen meat was being imported, but the demand for Cape meat had not increased. Exports fell by £283,000; wool and mohair accounting largely for the decrease, owing to the drought. (91)

It is not surprising, therefore, that economic considerations loomed large in election speeches and programmes. The Progressive Party, of which Jameson had been elected leader on 8th June, 1903, (92) issued a manifesto containing as one of its election pledges "reduction of the cost of necessaries of life". (93) The Chinese question embarrassed this party. Outwardly, Jameson opposed the importation of the Chinese, for the latter would compete with the Natives in the labour market and he wanted to win the Native vote: ".... the native vote alone will turn the scale in this election.." he wrote in a letter on 30th September. (94) On 16th December, he wrote: "Of course they (the Chinese) must come, and the sooner the better; but I have to continue the egg dance down here until they do arrive, or at all events are sanctioned. Now I am trying

(89) Hansard 1903, pp. 665-6
(91) C.T. 6.4.1904
(93) C.T. 14.9.1903

(90) C.T. 3.9.1903
(92) C.T. 9.6.1903
(94) The Life of Jameson, Colvin,
vol. 2, p. 228

to get Milner to hurry it up so that the legislation⁽⁹⁵⁾ can be published before our elections. Then I can say 'I told you so', and get my coloured brethren to believe that we have been sincere and can help them better than the Bond in keeping them (the Chinese) out of the Colony."⁽⁹⁶⁾ To prove his "sincerity" to the Natives, Jameson drafted a Bill to exclude the Chinese from the Cape.⁽⁹⁷⁾

At the same time, Jameson had no wish to offend Milner, so he proclaimed that the Cape had no right to criticize the affairs of the Transvaal. The Chinese question endangered the unity of his party: "I am sticking to the honest line of keeping [the Chinese] out of Colony and non-interference with T.V. Difficult to keep my party together on it, and may go under, but still have good hopes - especially if Milner hurries up and gets them sanctioned before February 10th."⁽⁹⁸⁾ The extent to which Jameson feared the matter would endanger his party's success at the polls is shown by extracts from two other letters. On 9th December he wrote to his brother: "Would win certain [sic] if there was no pigtail question - but that makes it uncertain. Bond using it for all it is worth"; and on 30th December: "Without this abominable Chinese question we should have swept the floor with them. Now it is very doubtful."⁽¹⁰⁰⁾

As stated in the penultimate quotation, the South African Party made much of the proposed importation of Chinese. Much of Merriman's speech at Stellenbosch was devoted to this topic; he alleged that the leaders of the Progressives, though not all the rank and file, were in favour of the Chinese coming.⁽¹⁰¹⁾

(95) i.e. providing for the entry of the Chinese into the Transvaal

(96) Ibid., p. 230. The brackets are Colvin's. The concluding sentence probably refers to the fact that the preparations in the Transvaal for the importation of the Chinese had been current while Sprigg, supported by the Bond, was in office.

(97) Ibid., p. 227

(98) Ibid., p. 230. February 10th was the date of the Cape elections. "T.V." represents "Transvaal".

(100) Ibid., pp. 229-30

(101) C.T. 14.9.1903

The suppression of facts for political ends which characterised the use of the Chinese question in these elections is succinctly stated in "The Times History of the War in South Africa". Neither party made it clear during the election campaign that the Chinese were to be imported only temporarily, and that they would be confined to the mine compounds. "Based on a general anxiety lest the Chinese should be allowed to settle permanently and spread over the country, the opposition would probably have died down quickly, as the true character of the proposed measure became known, but for political reasons. An election was in prospect, and both parties were anxious to secure the Coloured voter, who, not unnaturally, looked upon the importation of Chinese as an interference with his profitable monopoly of the labour market. In the case of the Progressives the opposition was tempered by a realization of the injury Cape Colony was suffering from the Transvaal depression, and by a reluctance to interfere in Transvaal affairs. It practically resolved itself into an anxiety for a special measure, subsequently passed, to prevent any Chinamen getting into Cape Colony. On the other hand, the Bond, and still more its English allies, revelled in the favourable opportunity for denouncing Lord Milner and all his works."(102)

The Progressives also pledged themselves to work in harmony with other colonies in regard to railway matters so as to facilitate the unification of the existing railway systems. The agricultural policy aimed at opening up agricultural areas by means of railways, a more efficient Department of Agriculture, the creation of an agricultural credit bank, the introduction of agricultural co-operation and improvements and consolidation of the Irrigation Laws. They promised to simplify railway

(102) 'The Times' History, pp. 121-2

tariffs and uphold the Customs Union; and were pledged to impose an excise on liquor and raise extra revenue if necessary, by taxing all sources of wealth. (103)

Two Labour representatives were among the nine candidates for the five Cape Town seats. (104) Much of their programme gave expression to Labour aspirations and might have been drafted in prosperous no less than gloomy times - an Employers' Liability Bill, compulsory arbitration in industrial disputes, a "fair wage" clause in contracts, free technical education, M.P.'s to receive £300 a year, progressive income tax, etc. The introduction of Asiatic labourers into South Africa was opposed, and suspicion was voiced at election meetings of the genuineness of the Progressives' utterances on the Chinese question. (105)

The Progressives realised that they, not the Bond, would lose votes as a result of Labour entry into politics, since the workers were townsmen and numerically overwhelmingly pro-British - "The sole result of this so-called democratic party (the Labour Representation Committee) would be to strengthen the Bond by weakening the Progressives", the "Cape Times" commented on 1st May, 1903. This newspaper made repeated attempts to belittle the new party.

The Legislative Council results were known first, twelve Progressives, ten Bond candidates, and one Independent being returned. (106) In the House of Assembly, the Progressives were returned with a majority of five out of ninety-five seats. (107) The two Labour men received fewer votes than the other Cape Town candidates. (108) Sprigg resigned and Jameson was entrusted with the formation of a Ministry. (109)

at this time. Finally, elections were held early in 1904 amid a general decline in revenue, and considerations connected with the depression received prominence in election speeches and

(103) Cuthbert, p. 3
(105) C.T. 22.9.1903
(107) Ibid., pp. 232-3
(109) Cuthbert, p. 9

(104) C.T. 14.3.1908
(106) Jameson, p. 229
(108) C.T. 14.3.1904

By the time of the fall of the Sprigg administration, depression had begun to grip the Cape Colony. At first, the boom, which was symptomatic of ensuing depression rather than proof of prosperity, had caused over-optimistic merchants to import heavily, increasing Cape revenue. By the end of 1903, these imports had started to decline, to the embarrassment of the Cape Treasury. The optimism of a year before waned as prices rose. Agriculture had been depressed since 1901, increasing the farmers' demands for protection for their products, particularly in regard to the Customs Convention which attempted to reduce the cost of living. Certain Cape industries were detrimentally affected by the Convention. Largely because it was not protective enough towards agriculture, it was only narrowly passed by Parliament although the Cape could not remain aloof in case the other Colonies imposed sanctions more disadvantageous to the Cape than the provisions of the Convention. The return of South African prosperity depended largely on the resumption of full-scale production by the gold mines. The Cape Colony depended on the gold-mining industry for the revenue which the trade with the Transvaal yielded in the form of Customs dues and railway rates, and also benefited from the purchasing power with which the Transkeian mine-workers returned to the Colony. However, the projected importation of Chinese to overcome the labour shortage which retarded mining on a full scale, aroused widespread opposition in the Cape Colony. The Chinese question and the rising cost of living were important factors in the emergence of organised Labour into the political arena at this time. Finally, elections were held early in 1904 amid a general decline in revenue, and considerations connected with the depression received prominence in election speeches and programmes.

CHAPTER TWO

THE DEPRESSION DURING THE JAMESON ADMINISTRATION

Factors that influenced Jameson's choice of Ministers -
The Budgets, 1904-1907 - The cost of living and the
Government's abandonment of Free Trade - The Meat Duty -
Attempts to combat the Shipping Ring - Distress and
Public Demonstrations. - The Railways

Imports for January, 1904, totalled £2,075,000 as against
£3,548,000 for January, 1903;⁽¹⁾ in December, 1903, the Mayor
of Cape Town called a public meeting at which a Citizens' Relief
Committee was formed to obtain work or provide other relief
for the unemployed;⁽²⁾ the drought and the depression in agri-
culture continued; the new Premier was shortly to discover that
the deficit for the current year was nearly £1,000,000.⁽³⁾

Against the background illustrated by these facts, Jameson
formed his Ministry; and his task was made difficult because
whereas his party was in favour of Free Trade, the farmers
wanted protection for their produce. Moreover, he desired to
conciliate the Dutch in those post-war years and to develop
agriculture in accordance with his election pledges. It was
perhaps largely because of this difficulty that he did not form
a strong Cabinet of business men (Protectionists) who had a
firm hold on their constituencies, but instead called on his cir-
cle of friends. Smartt became Minister of Public Works and
Crown Lands; Walton, Treasurer-General; Crewe, Colonial Sec-
retary; Fuller, Minister of Agriculture; whilst Michell had
no portfolio. Jameson's biographer, Colvin, commented: "It
was a Ministry by no means weak in talent, but not deeply rooted
in the interests of the party."⁽⁴⁾

In his opening speech to the House of Assembly, the Gover-
nor stated that the estimates for the next financial year would
"be framed with a view to strict economy of administration, a
course rendered necessary by reason of the fact that a severe

(1) C.T. 6.4.1904

(3) Hansard 1904, pp. 405-6

(2) C.T. 30.5.1904

(4) Jameson, pp. 236-7

depression in trade has lately arrested the normal buoyancy of the revenue, and necessitated great caution in dealing with the public expenditure" - a different tone to that adopted by His Excellency two years before!⁽⁵⁾

The seriousness of the Cape's position was not yet apparent to Jameson, however, for while reiterating that his policy would be to "cut down expenses to the lowest possible figure consistent with efficiency", he could add complacently that "At the same time, they were convinced, after careful examination, that the credit of the Colony was never in a sounder condition than it was at present...". He said that he did not intend to introduce taxation, but that if he were compelled to do so, it would take the form of an Excise, and a tax on "every source of wealth in the country"⁽⁶⁾ - a promise which was to cause him trouble later, both for enforcing the first form of taxation and for not enforcing the second. Railway revenue would be treated apart from general,⁽⁶⁾ a procedure long advocated by Merriman.⁽⁷⁾

The revised estimates for the financial year revealed that the estimated revenue for the seven months ended 31st January, 1904, exceeded receipts by £602,000. Because of the decline in imports, Customs revenue was £416,000 less than had been anticipated. Walton drew attention to the fall in the percentage share in the Transvaal trade of the various ports.⁽⁸⁾ Figures issued later were to reveal that in 1903 this percentage was 25.1, and in 1904 only 16.2.⁽⁹⁾ Only when the estimates were prepared would he be in a position to say whether additional taxation would be imposed; but the Government would not introduce a land tax because "The future prosperity of this country depended on the development of the land and the Government did not intend to place any burden on those engaged in the work of

(5) Hansard 1904, p. 2

(6) *Ibid.*, p. 8. "they" represents the Ministry.

(7) C.T. 18.7.1903

(8) Hansard 1904, pp. 41-2

(9) Cuthbert, p. 96. Source not mentioned. The figures in Hansard 1904 p. 42 for all Southern African ports total 91% for 1903 and 99% for 1904!

developing the land"⁽¹⁰⁾ - this in spite of an estimated deficit of £429,500!⁽¹¹⁾ Here, in the first few months of the session, because of his desire to conciliate the Dutch and to develop agriculture, was a clear contradiction of Jameson's election pledge to "tax all sources of wealth".

Walton intended to leave the deficit as a balance to be offset against future surpluses. The possibility that the Cape might not be blessed with future surpluses did not, apparently, occur to the optimistic Treasurer-General, and his proposal evoked the dismay of one of his own party, Jagger, who also deplored the expenditure of £1,123,000 on police and defence while reductions totalling £431,000 were made in the provisions for a number of public services, mainly hospitals, education, telegraphs, gaols, roads and bridges.⁽¹²⁾

The first measure aimed at reducing expenditure "to the lowest possible figure consistent with efficiency" was soon applied. In 1903, railway wages totalled nearly £5,500,000. Against this, after payment of interest on capital, the railways showed a loss of £116,000 for the calendar year 1903, and during the first six months of 1904 a further loss of £338,000 was incurred. It is not surprising, therefore, that in his annual report for 1903, the General Manager of the Cape Government Railways should refer to the need for retrenchment.⁽¹³⁾ Retrenchment had, in fact, begun. On 26th April, Smartt stated that since November, 255 railway employees had been discharged, 12 having been subsequently re-employed.⁽¹⁴⁾ The Progressives had made reduction of the cost of living one of their election pledges: already some people were being altogether deprived of a living.

However, retrenchment, together with reductions in expenditure, did serve to check the shortfall in railway returns in 1904, as the second six months showed an improvement of £128,000 over the first six, despite a decline of more than £250,000 in revenue.⁽¹⁵⁾

(10) Hansard 1904, p.43 (11) Ibid., p.406 (12) Ibid., p.47
(13) C.T. 26.4.1904 (14) Hansard 1904, p.361 (15) C.T.20.3.1905

Presenting his first Budget, Walton announced that the revenue for 1903, estimated by Sprigg at £11,724,000 and revised in March to £10,309,000, was now expected to total only £10,012,000. Total expenditure, reduced in March from Sprigg's figure of £11,696,000 to £10,739,000, was estimated at £10,838,000, the increase being due partly to the charges for and the interest on a temporary loan earlier in the year. The deficit was estimated in March at £429,500, and now at £825,900. Customs revenue, which his predecessor had hoped would yield £3,450,000, was now expected to bring in only £2,412,000; and the new estimate for railway revenue was £5,208,000 instead of Sprigg's of £5,650,000.⁽¹⁶⁾ The deficit was the penalty paid for the Cape's dependence on these two sources of revenue.

For 1904-5, Walton estimated revenue at £9,717,000, and expenditure at £10,392,000, excluding the Supplementary Estimates, resulting in a deficit of £675,000. No more public works were to be financed from new loans until the Cape's finances had recovered; and it was proposed to place an excise of 6s. per gallon on brandy, to obtain £350,000, and 1½d. to 3d. a gallon on beer, from which £75,000 was expected. He hoped to raise a further £275,000 by taxing incomes of over £500 a year,⁽¹⁷⁾ (later altered to £1,000, with substantial reductions in other grades),⁽¹⁸⁾ £20,000 from amendments to the Stamps and Licences Acts, £75,000 from increased death duties, and £35,000 from an additional hut tax. The total thus expected was £830,000.⁽¹⁹⁾

In his first six months in office, therefore, the depression forced Jameson to impose extra taxation from which it was hoped to raise well over three-quarters of a million pounds, and to retrench Government employees.

The "Cape Times" made much of the Income Tax proposals as proving that the Progressive Party was not an anti-working-man's party nor a clique of selfish capitalists, as Labour leaders had often represented it.⁽²⁰⁾

(16) Hansard 1904 pp. 405-6
(18) C.T. 18.5.1904
(20) C.T. 6.5.1904

(17) Hansard 1904 pp. 413-7
(19) Hansard 1904 p. 417

To some extent, at least, the Progressive Press probably emphasised the mildness of the income tax proposals to divert attention from the brandy-farmers' outcry against the Excise, an imposition which was to cause agitation until Union, and which came at a time when the farmers had large stocks of wine and brandy which they were unable to sell. The Excise was passed by only 45 votes to 43, ⁽²¹⁾ and soon, to conciliate the Opposition after the passage of an Additional Representation Bill as well as to help the distressed brandy-farmers, the Government agreed to store the excess spirits, making cash advances against them. ⁽²²⁾

By the time Walton presented his next Budget, on 4th May, 1905, customs receipts for the first nine months of the financial year had shown an alarming decline, the yield averaging £162,000 a month instead of the estimated £192,000, leaving a shortfall of £275,000. During the same period, post office revenue declined by £46,000, telegraph revenue by £51,000, railway revenue by £877,000. Instead of an estimated total revenue of £7,813,000 for the nine months, £6,418,000, or over £1,250,000 less, was received. The Income Tax had yielded £290,000, and another £10,000 was expected, but the Excise was now expected to bring in only £270,000 for the financial year. Walton commented: "There has been some feeling that the decrease in the consumption [of brandy] was largely due to the depression in trade, and the distress among the people." ⁽²³⁾

The accounts at the end of the financial year revealed that Walton had over-estimated revenue by nearly £2,000,000 ⁽²⁴⁾ and the year's deficit reached more than £677,000. ⁽²⁵⁾ Retrenchment in the Civil Service (excluding the railways) saved £413,000 during the first nine months of the financial year. 3,133 Civil Servants

(21) Hansard 1904, p. 534 (22) Jameson, pp. 240-5
(23) Hansard 1905, pp. 363-5 (24) Hansard 1907, p. 299
(25) Hansard 1906, p. 173 and Cuthbert, Appendix IX

(26) Hansard 1906, p. 345. If the relevant figures on p. 345 are subtracted, however, £25,000 is obtained, not £23,000.

had been dismissed in the year ended 31st March. Further retrenchment was contemplated; and Walton repeated the statement made the previous year that only essential public works would be undertaken. (26)

No government willingly embarks on a policy of retrenchment. Added to the humanitarian and political aspects, there is the reason that once returning prosperity has enabled the civil service to be restored to strength, not all the ex-employees are available, and newcomers have to be trained, a costly and time-taking matter. So far as the Cape was concerned, the Government was restrained by law from reducing the permanent personnel of the Civil Service. Furthermore, when the policy of retrenchment began, there were already 1,500 on Government relief works, to which number Jameson was loath to add. In these circumstances therefore, the method of retrenchment was restricted as far as possible to reducing pay. (26)

But retrenchment provides a useful weapon on the political platform. On 18th April, three weeks before the Budget statement, Vanes had introduced a motion "that in the opinion of this House it is not advisable that the Government should effect any further material reduction of expenditure by the dismissal of employees, other than those for whom no employment is likely to be found in the near future, or the reduction of their salaries particularly on the railways, until the House has had an opportunity of considering the expediency of increasing the revenue from additional sources, such as an export duty on diamonds and on minerals other than coal." While sympathising with the Government in view of the economic condition of the Colony, and while admiring the Ministry for the courage with which unpopular steps such as retrenchment and the imposition of increased taxation were taken, he contended that it was the poor man, particularly the railway worker, who was shouldering the burden of putting the Colony's finances in order, and that

(26) Hansard 1906, p. 366. If the relevant figures on p. 373 are subtracted, however, £425,000 is obtained, not £413,000.

the wealthy should make a greater contribution. He suggested that railwaymen for whom there was no other employment should be given the task of repairing agricultural machinery in the railway workshops. (27)

Vosloo and Harris, however, revealed the true reason for the motion, connecting it with the forthcoming bye-election.

The Cape Hansard reports Harris as saying:

"He had been trying to find out the reason why the hon. member had brought in that motion, and his mind had gone back to the last bye-election at Uitenhage, when the hon. member's colleague was returned by a small majority. Now, he believed that the railway employees of Uitenhage formed a very large portion of the constituency, and that they had the balancing powers in their hands, if they threw in their lot with one candidate or the other." (28)

This motion has been dealt with at some length in an endeavour to demonstrate the effect of one of the fundamental factors, namely, retrenchment, in the defeat of the Jameson Ministry in Parliament in 1907 and at the polls in 1908. The effect on a discharged civil servant of an election speech couched similarly to Vanes's motion and supporting remarks may well be imagined. Here, perhaps, was a man with a family to support and no prospect of other employment with which to provide means for the bare essentials of life, while diamonds, which some people were apparently still able to afford, despite the times, were not taxed. It is easy to see how such a man could turn against the government, and how, instances multiplied and sympathisers with the distressed increasing, feeling against a government could mount and eventually cause its defeat.

So much for the current year, 1904-5. Regarding 1905-06, Walton expected revenue to total £8,880,000 and to give a surplus of £77,000. (29)

To produce the latter, he intended that the 1904 income tax measure be applied for another year. (30)

In the debate on the Budget, Merriman introduced a motion that it was not desirable to continue to consider the Estimates

(27) Hansard 1905, p. 290
(29) Hansard 1905, p. 374

(28) Ibid., pp. 292-2
(30) Ibid., p. 633

before a statement had been made as to the financial position of the Colony on which, he said, reliable information was totally inadequate, and without some provisions being made to reduce the deficiency. Jameson contended that Walton had met both points raised in the motion and that, under the circumstances, he would regard it as one of no confidence. This upset the Opposition. Merriman replied that he had "simply wanted information..." However, he said, he and his party were prepared to go to the country on the issue.⁽³¹⁾ Less restrained was Sauer, who took some pains in an attempt to convince the Government that it was not necessary to regard Merriman's motion as one of no confidence.⁽³²⁾ However, Merriman's motion was defeated.⁽³³⁾

The debate is significant in that it produced a no confidence motion, or at least one that was so regarded, in the Jameson Government's second year in office. It provides further proof of the seriousness of the financial position, and shows that the depression had started, if not to jolt, at least to shake the Government. The tone of the "Cape Times" comments on Merriman's criticism of the Budget is also worth a little attention. It described Merriman's motion as a "manoeuvre" and an attempt to sow dissension in the Ministerial ranks.⁽³⁴⁾ (Surely, then, for such an attempt to have been made, the soil must have been at least slightly fertile?) In another editorial, it was pointed out that never before in Cape history were "circumstances so abnormal", reference was made to "elements of disturbance," and it was made clear that £900,000 of the accumulated £1,400,000 deficit accrued from the Sprigg administration. Regarding Merriman's oft-repeated charges that Walton was always guilty of over-estimating revenue, statements made by Merriman in 1892 were quoted, in which he had said how difficult it was to make accurate forecasts for budget purposes.⁽³⁵⁾ There is a clearly defensive tone about these remarks, which were made to cover up and to excuse.

(31) Ibid., pp. 406-8
(33) Ibid., p. 454
(35) C.T. 6.5.1905

(32) Ibid., pp. 448-9
(34) C.T. 10.5.1905

(36) C.T. 4.10.1905

(37) Hansard 1905, p. 170

(38) Ibid., p. 173

(39) Ibid., p. 215

It is interesting to note that at a time of curtailed government expenditure, "The Economist" showed that bank deposit figures for the Cape for June, 1905 revealed an increase over those for December, 1904, that is, £12,026,000 as against £11,622,000. Moreover, the relevant figures for the Transvaal and Natal also showed a rise. "The Economist" stated that there was "plenty of money ready for utilization in South Africa, whenever those who have control thereof consider that they can use it to advantage".⁽³⁶⁾

Customs Revenue was expected to yield the anticipated £2,100,000. Post office revenue was now expected to bring in £356,000 instead of £375,000. Telegraph revenue had been seriously over-estimated. whereas Walton had hoped for £340,000 from this source, now he expected to receive only £208,000 - "There the deficit was due to the dullness of the share market. There was no questions [sic] that booms yielded a considerable revenue to the Telegraph Department", he commented. Land revenue, at £114,500, would slightly exceed the estimated £112,500; the Excise would now bring in £331,000 instead of £280,000. "The increase was largely due to the yield from foreign spirits, which amounted to between £65,000 and £70,000." The Income Tax would fall short by about £15,500. Altogether, general revenue had been over-estimated by over £202,000⁽³⁷⁾ and railway revenue by £408,000.⁽³⁸⁾

Fortunately, this shortfall of £600,000 was accompanied by an equivalent reduction in expenditure, over £302,000 being saved on estimated railway expenditure alone. Walton now expected a surplus for the year of £4,620⁽³⁸⁾ instead of £67,000. The manner in which Walton obtained the surplus, however, is questionable from the point of view of orthodox finance. Commenting on the fact that, whereas in 1898 £305,000 was spent on public works and in 1904-5 and 1905-6 only £148,000 and £158,000, respectively, Merriman asked:

"How did the Treasurer make his surpluses? He put down a number of public works, while the House was sitting, to gratify honourable members; but during the recess, the money was not spent, and then he came down to the House and said: 'See what a fine surplus we have got'. That surplus was made by stopping expenditure on public works, voted by the House."⁽³⁹⁾

(36) C.T. 4.10.1905

(37) Hansard 1906, p. 170

(38) Ibid., p. 173

(39) Ibid., p. 215

To date, the deficit accumulated in the three years of the Jameson administration, less the small surplus of the year 1905-6, amounted to £1,622,000. Between 1st January, 1904, and 31st March, 1906, the Cape had borrowed £10,794,000, an amount which exceeded a single year's revenue during the four years that Jameson was in office. The permanent debt of the country was now £42,110,000; ⁽⁴⁰⁾ at the end of the last year of the war, it had been £39,426,000. ⁽⁴¹⁾

The 1907 Budget, the last of the Jameson régime, as it was to prove, revealed that the Cape's financial position had declined further. General revenue fell short of the Estimate by £566,000, ⁽⁴²⁾ of which the shortfall in Customs revenue was £482,000. Over the year, imports for the Cape's domestic use declined by nearly £2,250,000, or nearly 18½%. ⁽⁴³⁾ Consumer goods, especially food, were mainly responsible - frozen meat yielded only £44,000 in duty instead of the estimated £202,000, more Cape meat being eaten. ⁽⁴⁴⁾ General and railway expenditure were respectively £98,000 and £349,000 less than the estimated amounts. ⁽⁴⁵⁾ Walton estimated the year's deficit at over £640,000 and intended to cover it by a temporary loan. ⁽⁴⁶⁾

It is not surprising that drastic reductions were made in the Estimates of expenditure for 1907-8. Originally totalling £8,631,602, a Government committee pruned them to £8,389,000, and the Estimates Committee of the House reduced the figure to £8,035,000. Walton proposed to increase the rate of taxation on incomes, including company profits, from 1s. to 1s.3d. per £ on incomes between £10,000 and £20,000; from 1s. to 1s.6d. on those between £20,000 and £100,000; and the rate on incomes of £100,000 and over was fixed at 1s.9d. in the £. ⁽⁴⁷⁾ Later, Walton proposed further taxation: 10% on the net profits of diamond and copper mining companies which during the year ended

(40) Ibid., pp. 173-4

(42) Hansard 1907, p. 286

(44) C.T. 14.8.1907

(46) C.T. 13.8.1907

(41) G.41 - 1903

(43) Ibid., p. 294

(45) Hansard 1907, p. 289

(47) Hansard 1907, pp. 297-9

30th June, 1907, exceeded £50,000. (48)

The last-mentioned tax represented a triumph for the Opposition, as although the Progressives were pledged to tap all sources of wealth, the imposition of extra taxation on the large profits earned by the big mining companies had been carefully avoided despite insistent Opposition demands. (49) By 1907, however, the depression had forced the Government to look beyond its customary sources of revenue.

The Budget disturbed the ranks of the Progressives themselves. "The Diamond Fields Advertiser" announced that Colonel Harris, Progressive member for Barkly West, would resign his seat at the end of the session, and that he had stated he could no longer support a Government that continually pandered to the seaboard population to the detriment of the inland communities. (50)

As may be expected, severe criticism came from Merriman. Moving the adjournment of the debate, he said "that he thought that the Treasurer-General had hardly touched the merest fringe of the situation in this country. He seemed to be quite ignorant of the fact that outside the doors of the House, in this very city, and in a great part of the country, there was a great deal of very acute distress and depression". He also criticized the Treasurer-General for "regaling" the House "year after year with fictitious estimates of revenue", the over-estimate in 1904-5 being £1,993,000, in 1905-6, £643,000 and in 1906-7, £966,000. (51)

On 15th August, Merriman renewed the attack in a long speech in which he characterised Walton as "the Skimpole of Finance". In three years, he said, the Government had borrowed over £11½ million, costing £588,000 in discount and expenses. In 1897, the railways returned £4.12. 7 per £100 of capital invested, and in 1906, only £2.11. 8. (52)

(48) Ibid., p. 398 (49) This matter is discussed more fully on pp. 60-62 below.
(50) C.T. 14.8.1907
(51) Hansard 1907, p. 299 (52) Ibid., pp. 323-6

(54) See e.g. C.T. 2.5.1904, quoting Collector of Customs.
(55) See e.g. C.T. 17.5.1905, correspondent on Jameson's and other public men's vituperative utterances.
(56) See e.g. Hansard 1906 pp. 411-2. (57) C.T. 16.3.1905

The charge of over-optimism is indeed germane to the state of the Cape finances at the time. Jameson and Walton failed to understand the seriousness of the depression. They constantly proclaimed that it was a temporary phenomenon out of which, periodically, they announced the Cape was emerging.⁽⁵³⁾ An attitude so divorced from sober facts prevents the adoption of remedial measures. This optimism prevailed firmly and for long in the Ministerial ranks, despite warnings of men like Merriman and evidence of its falseness presented by the distress in the towns.

For a considerable time, the depression was regarded as no more than a recession by responsible men in the Government,⁽⁵⁴⁾ the Civil Service,⁽⁵⁵⁾ and at first in commerce.⁽⁵⁶⁾ These men did not realise that the Cape's prosperity for several decades had depended on fortuitous circumstances which would not be repeated, that the springs of revenue hitherto tapped were drying up and that Cape revenue would continue to be insufficient until its prosperity rested on its own resources, that is, on the development of agriculture and industry. As "The Star" of Johannesburg commented: "The acquisition and development of Rhodesia, the rapid expansion of the gold industry on the Rand during the last thirteen years, the enormous importations of supplies and material during the war, and of supplies and machinery afterwards for the repatriation of the Boers, the restoration of the gold industry, and the material development of the new colonies are all specific causes of prosperity to Cape Colony which are not likely to recur in future. It would seem to follow that something more than administrative economy will be required to restore the finances of the old colony."⁽⁵⁷⁾

(53) See, e.g., Merriman's words, Hansard 1906, p. 212: "Many of them recollected the glowing words that were dangled before them two or three years ago. Since that time words failed him to state how many corners they had turned. Whenever the Prime Minister or the Treasurer was addressing an outside audience they had invariably told them that the country was just turning the corner. Clouds had been lifting without number-(laughter) - but he was sorry to say that it did not seem to him that the condition of the country had vastly improved."

(54) See e.g. C.T. 2.5.1904, quoting Collector of Customs.

(55) See e.g. C.T.13.6.1905, correspondent on Jameson's and other public men's optimistic utterances.

(56) See e.g. Hansard 1904 pp. 411-2. (57) C.T. 14.3.1905

So much for the charge of optimism. Regarding the criticisms of the high rates of interest at which the Government had obtained its loans, Walton had stated earlier that in 1904, to cover overdrafts and expenditure, the Government had issued Treasury Bills. To meet these, a loan was raised. Unfortunately, the Liberal Government in Britain at that time was also attempting to raise a loan of £5,000,000 for the Transvaal, and the German Government a loan of £20,000,000. Being a small country, the Cape experienced difficulty. Germany failed to raise the loan, and so issued Treasury Bills for five years at 4%. The Cape, said Walton, also issued Treasury Bills, at almost the terms as Germany. (58)

Undoubtedly international events influenced the matter: yet it seems reasonable to assume that the financial position of the Cape also reacted disadvantageously in the English money market.

Merriman was partnered in his criticism of the return on railway capital by none other than the "Cape Times", which stated that although in 1904 Walton had laid down that railways should pay their way, he had not dealt with the deficit so as to give effect to his doctrine. (59)

In this cursory survey of Jameson's budgets, it has been shown how the revenue continued to fall and the part played by over-optimism and over-estimating the revenue; how, attempting to restore prosperity, Jameson had recourse to severe retrenchment, to the imposition of an income tax, of an Excise which was to become increasingly unpopular, of a diamond tax involving the abandonment of a previously firm Progressive stand, and to drastic reductions in expenditure.

Further political effects of the depression forcing the Government to take steps leading to growing dissatisfaction, particularly within the Progressive Party ranks and among its supporters, and abandonment of several election pledges, will now be examined.

The victim of commercial depression is no doubt prone to ascribe his woes to the Government which happens to be in power...⁽⁶⁰⁾ An attempt has been made to show the adverse effects which retrenchment could have on an electorate. The cost of living was another important matter at that time.

Recent Cape history showed that depression was always accompanied by clamour for protection. "In 1884, in 1891, and again to-day, a sudden impulse towards a protectionist policy has followed hard upon a prolonged stagnation in trade, and it is perfectly safe to assert that the conjunction has been no mere coincidence..."⁽⁶¹⁾

The quotation shows that by the beginning of 1906, Protection had many advocates in the Cape. In 1904, however, the Progressive Party had been voted into office with Free Trade as part of its election pledge to keep the cost of living low. The depression forced the Government to adopt Protection, occasioning the untrue charge of increasing the cost of living, which was among the factors that led to its being turned out of office in 1907.

In presenting his Budget for 1905, Walton himself had said that as the value of imported articles that could be produced in the Cape, totalled £10 million in 1903 and £6 million in 1904, the Government intended to encourage local industry by some sort of protection.⁽⁶²⁾ No doubt the necessity for the Cape to reduce imports for which it became increasingly difficult to pay, had much to do with this statement.

Furthermore, in view of the adverse effect of the 1903 Customs Convention, a Select Committee on Colonial Industries recommended that the Customs Convention be revised so as to increase duties on candles, furniture, confectionery and jams, wheat and flour, imported printing, leatherware, and imported spirits from which patent medicines were made. The Select Committee found that many industries would flourish if they were given economic protection.⁽⁶³⁾

(60) C.T. 22.6.1907. Editorial article. (61) C.T.6.2.1906
(62) Hansard 1905, pp. 370-1 (63) C.T. 27.5.1905

Natal, with a heavy accumulated deficit, also wanted the Customs Convention revised and gave notice of ending the agreement. It was therefore decided to hold another Customs Conference at an early date. On 5th May, Sauer read a motion which, as amended by Merriman, sought to modify the existing tariff to obtain greater protection for Cape agriculture and industries, to reserve to every colony the right to impose what duties it liked in addition to Convention duties, on goods imported for its own consumption, the Customs duties to take the place of differential railway rates in favour of Colonial produce. (65)

As the "Cape Times" rightly observed, the effect of the motion would be to reduce the Convention to a farce; instead of adhering to a common fiscal policy, each Colony would virtually be returning to the old "beggar-my-neighbour" system. The newspaper commented: "Messrs. Merriman and Sauer are straining every effort, at the close of a successful session, to create an impression of weakness and division in the Ministerial ranks." (66) One might be inclined to say that the attempt was not entirely necessary, as the Government was defeated in the voting on the motion; (66) for the government defeat would not have been possible, had not a large body of Progressive opinion swung in favour of Protection.

Further proof that Protection was gaining ground among Progressives soon appeared. In the Legislative Council Wilmot, a Progressive and formerly a supporter of the 1903 Convention, now held the view that the Cape should negotiate with the other parties to obtain protection for Cape industries. (67) Powell, another Progressive convert to Protection in the Upper House, introduced a similar motion, which was carried. (68)

Organised commerce also favoured Protection, with little concern for its effect on the cost of living. At a special meeting on 5th February, 1906, the Cape Town Chamber of Commerce decided to approach the Government in order to obtain increases in the duties

(65) Ibid., p. 717
(67) C.T. 6.6.1905

(66) C.T. 5.6.1905
(68) C.T. 7.6.1905

on certain articles. Some of these such as tea, coffee, cocoa, candles, paraffin and flour, were necessities of life, and for this reason the proposal met strong criticism within the Chamber from Jagger and the President, Wiener, and from the "Cape Times".⁽⁶⁹⁾ At the annual Congress of the Associated Chambers of Commerce of South Africa, the Cape delegates moved that greater protection be extended to South African agriculture and industry at the next meeting of the Customs Convention.⁽⁷⁰⁾

By May, 1906, when the Convention assembled, therefore, Cape agriculture, industry and commerce were strongly in favour of Protection. In order to equalise revenue and expenditure, the Cape Colony and Natal wished to increase revenue, a fact, which, in addition to the pressure of interested parties, explains the Cape's desire to protect local agriculture and industry by the imposition of duties.⁽⁷¹⁾

The new Convention, which was to endure for two years from 1st July, 1906, afforded protection for some South African industries, especially for those which had suffered under the Convention of 1903, and increased the railway rates.

The duty on ale and beer was increased from 1s.6d. per gallon, plus 10%, to 2s. a gallon, less 1½d. rebate. This increase, said Walton, would give "a slightly increased advantage to the local brewer". To encourage local breeding a duty of £1 per animal was imposed on the importation of horses and mules; the duty on imported butter was to be 2½d. less ½d. rebate; on candles 5s. less 10d., instead of 10%; that on confectionery was slightly increased so that "it would be an advantage to the Colonial producer". An extra 3d. per hundredweight was placed on flour, which would revive even the small mills. The ad valorem duty on proof spirits was replaced by one of 19s., less an allowance according to proof. The duty on cigarettes and tobacco was slightly increased. Vehicles, blankets, bricks, printing and saddlery were now subject to 25% ad valorem. Wood and galvanised iron would henceforth be duty-free,

(69) C. T. 6.2.1906.
(70) C.T. 28.2.1906

(71) De Kock, p. 315

"to cheapen the cost of buildings, in order to cheapen rent". (72)

The railway rate for agricultural produce was to be fixed at $\frac{3}{4}$ d. per ton per mile instead of $\frac{1}{2}$ d. Cape revenue would benefit, but not the farmers, to placate whom (as well as to raise revenue) an extra £1 a ton was levied on imported grain. (73)

Walton expected the increased duties and rates to yield £400,000 in revenue. (74)

The new Convention met with heavy criticism, although the South African Manufacturers' Association received it favourably - a significant fact, as this was a producers' organisation, and therefore in favour of protection. The "Cape Times" declared that the cost of living would rise. Merriman agreed:

"The tariff was going to increase the cost of living enormously in the towns, and it would disgust the majority of the voters of the country so that they would seek, when they could get redress, to knock off the protection on the products of the soil ... It was not a protectionist tariff at all, because it gave no protection whatever; it was purely and solely a revenue tariff." (77)

Jagger and Harris (Progressives) (78) and Molteno of the Opposition, all deplored the fact that the convention would increase the cost of living.

Whatever storm might arise over the Convention, however, Parliament had to accept it. In theory, a party could reject the Convention as a whole, but none dared do this, for the alternative to the Convention was a customs and railway rates war which would be more detrimental to a colony than the Convention. (80)

For the Cape, however, the fear raised that it was increasing the cost of living at a time of distress was yet another nail in the coffin of the Jameson administration.

(72) Hansard 1906, p. 10
(74) Ibid., p. 11
(76) C.T. 26.5.1906
(78) C.T. 31.5.1906
(80) See Selborne Memo.
pp. 80-2

(73) Ibid., p. 27
(75) C.T. 31.5.1906
(77) Hansard 1906, pp. 28-9
(79) Hansard 1906, p. 73 In connection with this matter, see Appendix

The Meat Duty was prominent in parliamentary debates during the Jameson administration. Many members had a financial interest in meat, either in connection with cold storage companies or as stock-farmers. The meat duty was associated with Protection, the cost of living and the cold storage monopoly.

In 1904, the Cape imported 82,257,000 lbs. of frozen meat.⁽⁸¹⁾ The Customs Convention of 1903 allowed this meat to enter the Colony duty-free.⁽⁸²⁾ Meat therefore increased Cape imports but not revenue. It was, however, 2d. a lb. cheaper than Colonial meat⁽⁸³⁾ which importers would therefore not buy, to the chagrin of farmers who wished to dispose of their livestock.⁽⁸⁴⁾

On 28th March, 1905, G. J. Krige moved that the consent of the other parties to the Convention be obtained to the reimposition of the meat duties, which allowed merchants to import meat at 3d. a lb., a price/^{with} which Colonial stock-farmers could not compete.

In reply, Jameson said that in view of the depression and the attendant retrenchment by the Government and by business houses, the Government could not take a step which must increase the cost of living. The solution to the farmers' problem, he said, was not to reimpose the meat duties, but to deal with the cold storage monopoly.⁽⁸⁵⁾

About the same time, the question of the meat duty and of imported frozen meat featured in several debates in the Legislative Council.⁽⁸⁶⁾

On 31st May, a Select Committee report threw much light on the subject. The Committee found that although there was insufficient live-stock in the Colony to meet its requirements, much available live-stock was unsold because of the lack of a market, as the cold storage companies contracted for periods of four or five years for enough imported meat to supply the towns. Retailers dared not sell below the price fixed by the companies. The imported meat came in regularly and was easy to handle. The average price

(81) C.T. 15.3.1905, reporting proceedings in Legislative Council
(82) See Chap. 1, p. 15. (83) C.T. 7.6.1905, reporting finding
(84) Hansard 1905, p. 657, of Select Committee on Cold Storage
Finding of Select Committee on Cold Storage
(85) Ibid., pp. 122-4 (86) e.g. on 14th March, 18th April
and 6th June

of imported meat in Cape Town was 8d. per lb., yet a Johannesburg mining company bought imported meat for 3d. a lb., while in England Australian mutton cost about 3½d. a lb. - in other words, large profits on imported meat discouraged the companies from buying the Colonial article. Railway facilities for Colonial stock were poor.⁽⁸⁷⁾ The Majority report favoured the provision of slaughter-houses at railway stations, of cold storage facilities at important stock, fruit and dairy centres, and refrigerated railway trucks, and it advised the Government to use the latest methods of preserving meat. Weeber and Cronwright-Schreiner, in Minority Reports, disapproved of the establishment of cold storage depots and slaughter-houses at railway stations.⁽⁸⁸⁾

As 1905 gave way to 1906, however, Ministerial opinion regarding the Meat Duty changed. It is not surprising to find that staunch supporter of agricultural interests, the Bond, unanimously agreeing at its annual congress in March, 1906 to a motion in favour of the reimposition of the meat duty.⁽⁸⁹⁾ However, bearing in mind the Government's attitude towards Krige's motion less than a year before,⁽⁹⁰⁾ it is surprising to read that at Grahamstown on 29th March, 1906 Jameson stated that, now that the Government was certain that there was no shortage of livestock in the Cape, the meat duties would be reimposed. He also disclosed that the Government intended to introduce legislation affecting the Cold Storage monopoly.⁽⁹¹⁾

So the Progressive standpoint on another matter was abandoned. The "Cape Times" criticized the proposed reimposition as being inconsistent with the Progressives' election promise to keep the cost of living low, and hinted that perhaps Jameson had been forced to agree to the measure to pacify a majority in his party.⁽⁹¹⁾

A mass meeting was called in Cape Town on 12th April, at which a resolution was passed condemning the proposed reimposition

(87) Hansard 1905, pp. 656-8 (88) C.T. 7.6.1905
(89) C.T. 16.3.1906 (90) See p. 42
(91) C.T. 2.4.1906

and calling on the Government to legislate against the cold storage and other trusts⁽⁹²⁾ - a solemn protest against the Progressives' aberration from the path of their election promises: persistent aberration was to lose them the Colony's support at the polls.

The meat duty gave Jameson unpleasant moments on 12th June in the second reading of the Bill to make the Customs Convention law at the Cape, when the curious position arose of the Bond voting with the Ministry and twenty-two Progressives against it! The troublesome clause was that which gave the Governor the power to suspend the meat duty and to reimpose it. An Opposition member, Kuhn, introduced an amendment whereby the duty, once imposed, could not be suspended except by both Houses of Parliament. Jameson accepted the amendment, thus arousing a storm of protest from Jagger, Oats and other Progressives. The amendment was carried by 77 votes to 22. The "Cape Times" interpreted the Prime Minister's attitude as characteristic of his desire to meet Opposition aspirations and get on with the business of Parliament without niggling over insignificant points, but held that he should nevertheless have considered feelings on his own side of the House.⁽⁹³⁾ The point, however (and this the newspaper was doubtless attempting to hide) was that Jameson was not giving in to the Opposition so much as acceding to the views of a majority in his own party!

Jameson's promise to combat the cold storage monopoly was implemented in the form of Jagger's Meat Trade Bill, Clause 5 of which read:

"All contracts and undertakings in support of any combination the object of which is to secure the control of the sale of meat, so as to enable such combination to arbitrarily control or regulate the price thereof shall be held to be illegal and void."

A fine of £500 or imprisonment with or without hard labour for upwards of a year was provided for anyone who intimidated a butcher into changing the price of his meat, and also for people forming any combination in restraint of trade.⁽⁹⁴⁾

Although both Merriman,⁽⁹⁵⁾ leader of the Opposition, and Jagger,⁽⁹⁶⁾

(92) C.T. 13.4.1906
(94) Act No. 15 of 1907, pp. 5249-50
(95) Hansard 1906, p. 559
(93) C.T. 12.6.1906
(96) Ibid., pp. 491-2

a leading Progressive, roundly condemned the evils of the Meat Ring, the Bill passed the House of Assembly only by the casting vote of the Speaker.⁽⁹⁷⁾ In the Legislative Council, a motion that the Bill pass that day six months was carried on 18th August. As a newspaper commented: "The forces of monopoly ... have been too strong."⁽⁹⁸⁾

The Opposition struggle for an increase in the meat duty continued in 1907. Early in September, they succeeded in eliciting a promise from Jameson to impose a duty of 2d. a lb. on meat if the other parties to the Convention agreed.⁽⁹⁹⁾ No word came from the other colonies for nearly a week, and on 11th Merriman moved that "the House was not prepared to agree to the third reading of the Appropriation Bill until such time as the Bill to amend the Meat Duty had been passed by the House". Jameson thereupon promised to introduce an enabling Bill whereby, if the other colonies only agreed during the Parliamentary recess, the Meat Duty Bill could be put into effect without delay. Merriman later withdrew his motion.⁽¹⁰⁰⁾

Natal and Rhodesia approved of the reimposition, the Orange River Colony refused to allow it, while the Transvaal sent a "strong protest", though stating that, if the other colonies unanimously approved of the reimposition, it would drop its objection.⁽¹⁰¹⁾

Further action by the Cape Parliament was prevented by its dissolution after a crisis in the Upper House. The deepening depression, accompanied by a growing demand for Protection, at length forced Jameson to agree to a Meat Duty to hold together the majority of his party. The imposition represented an Opposition triumph; by the end of August, Jameson had gone over to the Opposition in this matter. It^{was} also represented^{as} a breach of his election pledge to endeavour to keep the cost of living low. As the protest meeting testifies, it was received unkindly by

(97) C.T. 22.7.1907 (98) C.T. 20.8.1906
(99) Hansard 1907, p. 497 (100) Ibid., pp. 548-50
(101) Ibid., pp. 560-1

the electorate.

The problem of shipping freights remained unsolved throughout the period of Jameson's administration; the practices of the shipping combine, like those of the Cold Storage ring and the tied-house system of the liquor control, were to give rise to action in commercial and political circles. In the case of the shipping ring, the matter went beyond not only Cape and inter-colonial politics, but it also had repercussions in the Imperial Parliament.

In a speech in June, 1904, at a meeting in Johannesburg of the South African Association of Chambers of Commerce, Jagger suggested that, since a letter calling on the Imperial and Colonial governments to legislate against the shipping monopoly had not led to effective action, South African harbours should impose differential charges on Conference Line ships. (102)

In a letter, the Union-Castle Company asked the Cape Government to ignore the findings of the hostile Freights Conference of the Chambers of Commerce, denying that its charges were excessive, stating that the average dividend paid since 1881 had been only $4\frac{3}{4}\%$. Rate of dividend, however, is not a good index of profit, for the previous year the Union-Castle Company had built twenty-one new ships. The Company preferred to call the rebates a commission. (103)

Repeated failure to settle the dispute over freight charges led delegates from the Cape, Natal, Portuguese East Africa, Transvaal, Orange River Colony and Rhodesia to go to London to approach the shipping lines with the following proposals, amongst others:-

That a reduction of 20% be made in rates from Europe to Southern African ports (including Delagoa Bay, but excluding Beira), "subject to any readjustment of the relative rates between Durban and the Cape ports that may subsequently be arrived at";

(102) C.T. 17.6.1904

(103) C.T. 1.3.1905

that special rates apply for various heavy railway requisites;

that all shippers to South Africa be charged these rates plus 10%, the latter percentage being refunded after three months to all shippers who used only Conference Line vessels. (104)

The ship-owners understandably took these proposals to imply that the principle of rebates was acceptable to the Freights Conference, but the delegates made it clear that they favoured the rebate system only if substantial reductions were made in freight charges. (104) Agreement could not be reached on the period after which the rebates should be made, nor on the reductions in freight charges, the ship-owners offering only 3% to 3½%. A proposed reduction of 10% would have been accepted. (105)

Two South African delegates had meanwhile drafted a Bill for submission to the Imperial Parliament, aiming at one rate for goods of the same class (whereas government and local bodies obtained preferential rates) and at the abolition of the rebate system. The Board of Trade conceded that the rebate system could lead to abuses, but opposed the latter provision because it would affect other routes than that to South Africa. (106)

The delegation's attempts therefore failed. In 1907, the ship-owners imposed new rates which gave Natal special concessions so as to alter, unfavourably to the Cape, the differentiation of rail rates in South Africa. The proposals represented a cunning move to disunite the colonies against the ring. The Johannesburg "Star" was quoted as commenting: "It is no doubt suits the policy of the ring to attempt to play off Natal against the other colonies. Such tactics must not, however, be permitted to succeed, and the only means of preventing their success in future is to bring the Shipping Ring under strict Government control." (107) Condemning the new rates, the Freights Committee of the Cape Town Chamber of Commerce recommended that importers

(104) C.T. 1.3.1906. Jameson and Jagger represented the Cape Parliament.
(105) C.T. 28.3.1906
(106) C.T. 1.3.1906. Jagger was one of the two who drew up the draft Bill.
(107) C.T. 15.6.1907

should combine to operate a line of steamships for their own benefit, (108) a suggestion which was never implemented. At a conference in Bloemfontein, the other colonies afforded the adversely affected Cape ports some relief in the form of rebates on railway rates. (109)

The Cape was soon involved in further friction with the shipping combine. To cover a loss of over £38,000 sustained by the Harbour Board in 1906, the Cape increased dock dues by 25% and harbour dues by 1d. per ton per day. In retaliation the Conference lines increased freight charges to Cape Town by 2½%. (110)

Dissatisfaction with the practices of the ring was not confined to Southern Africa, and it was announced in London on 26th November, 1906 that a Royal Commission had been appointed to investigate the matter of shipping "conferences" and to decide on appropriate legislation to counteract them. (111) A sub-commission visited South Africa. It found that there was complete satisfaction with the regularity of sailing and efficiency of the Conference lines' service; that on the whole, South African merchants obtained their rebates; that merchants were dissatisfied that Governments and municipalities obtained preferential rates; that the rates from the United Kingdom to South Africa were higher than those between the United States of America and South Africa, and than those to India and Australia. Regarding the recent adjustment of rates to Natal, the sub-commission stated that the Conference lines had power to upset railway policy in South Africa. (112)

The findings of the Royal Commission were published on 2nd June, 1909. The majority of the members favoured the system of deferred rebates and recommended that associations of merchants and ship-owners be registered, being of the opinion that such associations by "collective bargaining" would result in the end of the malpractices of the Conference lines. The Minority Report disagreed with the Majority on the advantages of the current

(108) C.T. 29.6.1907 (109) Hansard 1907, p. 176
(110) C.T. 3.8.1907 (111) The Annual Register. A Review
of Public Events at Home and Abroad, 1906, Part II, p. 37
(112) C.T. 6.2.1908

system of rebates and wanted the Board of Trade to keep at least a watchful eye on its operation. Only one member of the commission favoured legislation against the Ring. (113)

Repeated attempts to combat the shipping ring had therefore failed. The ring was too strong for the disunited colonies. The Cape and Natal, both suffering from severe depression and eager to snatch every ton of trade to the Transvaal, were easily played against one another, the Transvaal itself being inevitably drawn into the struggle because railway rates were involved. The high freight charges, which increased the price of imports, bore heavily on the Cape during a time of distress.

It is not entirely cynical nor entirely untrue to say that the shortest way to the average elector's vote is through his pocket. A government is voted into office on the understanding that it will administer the country well and so afford the elector security. When any elector discovers that such security, personal or economic, is in danger he tends to blame those who govern, although often the unfortunate circumstances of the country may be far above the government's honest endeavours to have prevented.

Mention has been made on several occasions of distress prevailing in the Cape. The economic security of many was therefore disturbed. In 1903, insolvencies doubled as compared with 1902, and in 1904 and 1905 increased between eight- and nine-fold over those during the latter year of prosperity, chiefly because of overtrading and over-speculation, especially in land. (114)

These insolvencies, however, concerned those who one might think would, among the citizens, be better able to withstand hard times. Those thrown on relief works, and the retrenchment of both private enterprise and the civil service, were among the less affluent. The Coloured and Native peoples, especially, suffered in a country in which the cost of living was the highest in the Empire. (115)

Particularly in the second half of 1906, public attention

(113) Ann. Register 1909, Part II. p.17

(114) C.T. 1.5.1906. Report submitted to the Cape Town Chamber of Commerce

(115) C.T. 6.2.1906

was drawn to the plight of the less prosperous. The Prime Minister agreed to grant an interview to a deputation of unemployed early in August. A week before the due date, however, the deputation, at the head of about 750 colleagues, called on Jameson at the House of Assembly. While the deputation was inside the House, an incident occurred which is significant in showing how economic adversity can cause a change in party allegiance. Bond members were seen at the windows, whereupon one George Woollends shouted: "Good old Bond; give us what the Progressives won't give us." The assembled unemployed cheered. (116)

Refused a hearing, the deputation, with their colleagues, marched to the Grand Parade, where their organisers spoke strongly in favour of heavier taxation of the wealthy and of a diamond tax (116) - the latter a measure long demanded by the Bond. (117)

On 6th August, Jameson granted the promised interview. Later one of the deputation told the crowd assembled outside Parliament that the Government had undertaken to supply the needy with food and clothing and to provide a hundred with employment at Vygeboom Farm, as well as with food, clothing and housing, plus 3s.6d. a day. The crowd was then urged to disperse. Some of them, alleged to be Coloured, rioted, apparently incited by Woollends. Merchandise was stolen and shop assistants manhandled. More rioting followed in the evening, most of the rioters being Natives and Coloured people. (118) Woollends was arrested; further rioting occurred next evening, mainly in and around Hanover Street. Troops were called out for picket duty; mob clashes with the police resulted in a few shots being fired on either side without fatal effect. (119) A few days later rioting broke out in Claremont. (120)

On 7th August, the promised food and clothing were distributed. (119) The scheme to settle unemployed at Vygeboom failed; at the end of a month only ten remained of forty sent,

(116) C.T. 3.8.1906
(118) C.T. 7.8.1906
(120) C.T. 9.8.1906

(117) See Chap. 3, pp. 60-62.
(119) C.T. 8.8.1906

for the men were not suited by training nor by inclination to stay long as farm labourers. (121)

On 16th August, a deputation of Coloured unemployed interviewed Col. Crewe. He said the Government would absorb as many as possible into government departments such as the police and railways. (122) On 23rd, a deputation of Coloured people asked the Mayor of Cape Town to replace Natives by Coloured people in the municipal service. During the previous week, 400 Coloured unemployed had left for the Rand mines from where, by now, the Chinese had been repatriated, and where unskilled Coloured labourers were often preferred to Natives. (123)

In addition to Coloured emigrants, between 1904 and 1911 the depression caused the Cape a net loss of 17,300 of its male European population, mainly to the Transvaal. As agriculture recovered after 1904, mainly townsmen trekked, that is, Progressive supporters. (124)

In this chapter, an attempt has been made to treat the depression in regard to taxation, retrenchment and the cost of living. Jameson was forced to seek new sources of revenue and to reduce expenditure severely. Among other things, he resorted to large-scale dismissals and wage reductions in the Civil Service. The depression increased the demand for protection of Cape products, splitting the Progressive Party, so that both to conciliate its dissentient members and to raise revenue, Jameson was eventually forced to abandon his election pledge to maintain free trade, and to swing over to Protection. This compromised another election pledge, namely that to keep the cost of living down. Combined action with the other Colonies failed to subdue the Shipping Ring, which could act detrimentally not only to the cost of living, but also ^{to} the very economy of each colony. That there was considerable distress in the urban areas is clear from public demonstrations and some unrest, particularly in 1906.

(121) C.T. 6.9.1906
(123) C.T. 24.8.1906

(122) C.T. 18.8.1906
(124) Schumann, p. 43

By now it will have been seen that the railways were intricately connected with the depression and politics of the decade; the Cape's dependence on railway revenue, the inter-colonial rivalry over the traffic to the Rand, and retrenchment, illustrate the fact. Even at the risk of a little repetition, therefore, it is necessary to discuss various matters concerning the railways, so as to draw a clearer picture of aspects of the domestic and inter-colonial politics of the Cape in regard to the depression.

The Cape Government Railways presented several unsatisfactory features. In 1903, at least one accusation of bad management was made in Parliament,⁽¹²⁵⁾ and in 1904 of "a want of economy and great extravagance".⁽¹²⁶⁾

Added to weakness in administration, and of greater financial embarrassment to the Cape during the depression, was the part played in railway expansion and in determining railway rates by political rather than economic considerations. Two examples may be given to illustrate the point.

Referring to Merriman's and Sauer's part in the passage of the 1903 Customs Convention through the Cape Parliament, a biographer has written: "They could - and would - have thrown it out were it not for a precaution taken by that old Parliamentary hand, the Prime Minister. Sir Gordon Sprigg had prepared an enormous programme of railway building, better calculated to enrich the farmer~~s~~ than the Exchequer; and had put it all in one omnibus Bill which he kept trundling just in front of the nose of the country party. Thus Merriman and Sauer, although they detested the Convention, dared not defeat it for fear of losing the railways/^{on} which, as they well knew, the hearts of their followers were set. They

(125) By Jameson, Hansard 1903, p. 85

(126) Hansard 1904, p. 624. As the Civil Service Commission reported in 1905 (C.T. 31.3.1905), the inefficiency extended to the Accounting Department, so that whereas the interest return on railway capital did fall between 1897 and 1906, owing to the depression, the difference was really less than that between £4.12. 7 and £2.11. 8 (see p. 35 and Hansard 1907, p. 406). It is submitted that a Repairs and Renewals Reserve Account would have given a truer reflection of the interest return over the years. (See Advanced Accounts, by R. N. Carter, 3rd South African edition, p. 923.)

confined themselves to demonstrations of hostility and allowed the Convention to become law." (127)

The second example is taken from 1906. It would seem that Jameson was tempted, by the threatened defection of some of his followers, to use the promise of railways to retain their support. Speaking with reference to the Railways Acquisition and Construction Bill for approximately £3,500,000, Merriman said he had seen it advocated that the Colony should embark on a programme of railway construction to provide work for the unemployed. This, he held, was bad enough as economics, but he suspected that even worse than poor economics had given rise to the Bill:

"If there was one thing more dangerous than borrowing to keep the unemployed in affluence, it was borrowing for the purpose of securing political support. When he scanned that Railway Bill, and found that every one of those lines had been condemned by the Commissioner and the Treasurer, he asked what had caused the change. Were there any votes to be conciliated or any members who were uncertain, and must have large sums of money lavished in order to keep them in order?" (128)

It would appear, therefore, that in spite of an accumulated deficit of over £1,622,000, Jameson contemplated spending £3,500,000 on railway extensions in order to hold his party together.

The concern felt over the subjection of the railways to political influences was reflected in several debates. In May, 1904, Juta warned that "If they did not wake up to the fact that they should put their railways in order before they were on the edge of bankruptcy it would be too late. The railway lines were at present run too much on political lines, and the time had come to change all that". (129)

It was already too late so far as some of the invested capital was concerned. At 31st December, 1903, of the Colony's 2,516 miles of railway lines, 1,642 miles, in which £16,217,000 had been invested, repaid working expenses plus some of the interest on capital; and 391 miles, representing £3,500,000 of invested capital, repaid no interest and varying amounts or

(127) Colvin, *The Life of Jameson*, Vol. II, p. 219

(128) Hansard 1906, p. 614 (129) Hansard 1904, p. 624

nothing towards working expenses. (130) In 1906, of 27 branch lines, 16 did not earn enough to cover working expenses, and nine others did not cover their share of interest. (131)

By the middle of 1905, opinion on both sides of the House of Assembly favoured the removal of the railways from party political influences. At the end of May, the House agreed to a motion by Merriman that the Government should consider the expediency of appointing a Commission to investigate the question of a change in the management of the railways and of obtaining impartial consideration of new railway construction. (132) In 1906, recalling this expression of opinion by the House, Smartt successfully moved that a Select Committee on Railways should inquire into the advisability of setting up a permanent Railway Committee. (133) The Select Committee's recommendations were embodied in the Railway Advisory Board Bill introduced by Smartt on 21st June, 1907, (134) which proposed to establish a permanent Board of six - four members of Parliament, of whom two were to represent agricultural interests, and two recommended by the Chambers of Commerce. (135) Unfortunately, this earnest attempt to deal with the problem was abandoned when the Speaker raised doubts as to the constitutionality of a Bill that proposed to set up a body similar to a Parliamentary Standing Committee to function irrespective of Parliamentary recesses. (136)

(130) Hansard 1904, p. 407 (131) C.T. 14.6.1907
(132) Hansard 1905, p. 647 (133) Hansard 1906, pp. 62-4
(135) Ibid., pp. 58-64 and 196 (134) Hansard 1907, p. 6
(136) Ibid., p. 361. I cannot entirely agree with Miss Cuthbert, therefore, when she states on p. 109 of her thesis that the Bill "had been slaughtered". Admittedly the Bill evoked strong criticism, but Merriman was in favour of the Bill as a whole, although he stated he would introduce amendments during the committee stage; and I submit that Miss Cuthbert is not justified in suggesting that the Bill was abandoned because of this criticism. Also, as events turned out, the Progressives were not afforded an opportunity to introduce a new Bill to avoid the Speaker's doubts: the latter were expressed on 15th August, and the remainder of the period until 12th September (the day of the constitutional crisis) was largely occupied with the debates on the taxation proposals and De Waal's liquor Bill.

Thus ended Parliament's attempt to solve a problem for which its members were to blame, and which was responsible for increasing the Colony's debt and costing much in interest and maintenance at a time when the depression alone made its financial burdens heavy.

So far as the question of the railways and inter-colonial politics was concerned, even without the depression, squabbles would have arisen. The well-known episode of the closing of the drifts on the Vaal, in 1895, proved how explosive the scramble for the trade to the Transvaal could be. Clearly, the depression (to which, of course, so far as the Cape was concerned, the increasingly large flow of the Rand trade away from the Cape ports contributed) would increase inter-colonial rivalry.

As stated earlier, the agreement reached at Bloemfontein in 1903 cost the Cape an estimated £200,000 a year in railway revenue, which contributed to the Colony's deficit as the depression set in. The Cape found this loss heavy, and in September, 1904 the rate for Colonial produce was raised to 3d. per ton per mile, and that for imported to 1½d. The farmers and the inland towns disliked the increase, and the Kimberley Chamber of Commerce protested to Jameson against it, but it was defended as being unavoidable in view of the Colony's financial straits. However, the next year, the Opposition successfully pressed for a return to the old rate of ½d. for Colonial produce.

One of the features of the 1903 Customs Convention which aroused the disapproval of the Opposition was the incorporation of the so-called modus vivendi concluded between the Transvaal and Portugal in 1901, whereby, in return for permission to recruit Native labourers in Portuguese East Africa to revive the Rand gold mines (and, incidentally, the prosperity of all the South African colonies), articles produced or grown in Mocambique, except spirits,

(137) Chap. 1, p. 14, footnote 55 (138) Cuthbert, p. 97, quoting
(139) Hansard 1905, p. 99 (140) Cuthbert, p. 97 Jagger
(141) Hansard 1905, pp. 355 and 357

were to be allowed to enter the Transvaal duty-free.⁽¹⁴²⁾ On 24th March, 1904, Malan moved that as the preference given to the Portuguese in railway rates and Customs duties by the Convention was detrimental to the Cape, the other parties be approached to remove the preference.⁽¹⁴³⁾ While accepting the motion, Jameson said that he deplored its introduction at that time, as the Government had already communicated with the British High Commissioner in the Transvaal on the matter and, as a result, the latter was engaged in delicate discussions with the Portuguese which the debate in the Cape Parliament might hinder.⁽¹⁴⁴⁾ In June, it was announced that the agreement had been amended regarding Customs duties, so that now only Mocimboa products of the soil could enter the Transvaal duty-free.⁽¹⁴⁵⁾

That part of the motion relating to railway rates was therefore unaffected, and the matter was raised by Jameson at the inter-colonial Railway Conference held at Johannesburg in February, 1905, by which time the Cape share in the Transvaal traffic had fallen to 17.6%. He moved that the differentiation in railway rates in favour of Delagoa Bay was unfair to the Cape and Natal, who should be allowed to reduce their rates, yet so that Delagoa Bay retained one-third of the Transvaal trade. Firstly, this proposal contravened Article IV of the modus vivendi and would therefore require Portuguese approval;⁽¹⁴⁶⁾ secondly, as a Transvaal delegate said, "... any divergence of traffic from the cheapest channel must be at the expense of the man who pays".⁽¹⁴⁷⁾ According to Jameson's proposal, rates would be fixed arbitrarily, not according to normal pressure of trade, but some sort of arbitrary rates tariff was needed if the Cape Colony and Natal were not to be worse off financially than they were already. Jameson realised that the majority of the Conference opposed his proposal, so he withdrew

(142) Hansard 1904, p. 262, and Selborne Memo., Appendix A

(143) Hansard 1904, p. 150 (144) *Ibid.*, p. 377

(145) C.T. 25.6.1904 (146) Minutes of Meetings and Records of Proceedings of Inter-Colonial Railway Conference, February 1905, pp. 41-42

(147) i.e., in particular, the Transvaal consumer. *Ibid.*, p. 16

it in favour of one in more general terms. (148) The Conference finally resolved that Natal, the Cape Colony and Delagoa Bay should each receive one-third of the traffic, the rates on the longer lines to the Rand being reduced and subject to periodical alteration to maintain that proportion. The loss in revenue from the reduction was to be shared in proportion by the three parties. (149) The Cape would incur a loss of about £14,000, with the probability, however, that it would be offset to some extent by an increase in tonnage attracted by the lower rate. (150)

The Cape House of Assembly disliked the agreement, and resolved to postpone consideration of it until the Portuguese replied to the proposals. (151) In the Legislative Council, however, a similar motion was defeated. Portugal, however, declined to reduce its preference in railway rates over the Natal and Cape ports. (152)

The refusal of the House of Assembly either to accept or to reject the Railway Conference proposals was the result of another factor which had long entered into the Colony's struggle to collect as much of the declining railway revenue as possible - the rivalry between the Cape ports, especially between Port Elizabeth and East London. Just as, in view of their deficits, the Cape and Natal adopted a selfish attitude at the Railway Conference, (153) so also Port Elizabeth and East London, each faced with a serious rise in the municipal debt, vied between themselves for the larger share of the declining Transvaal-bound railway traffic. The motion mentioned passed because the Opposition played upon the fears of Border members that the Conference proposals would affect East London adversely. (154)

(148) Ibid., pp. 48-51 (149) Hansard 1905, p.702 and Selborne Memo.

(150) Hansard 1905, p.696 in Newton, p. 97

(151) Ibid., p. 705 (152) C.T. 6.6.1905

(153) For the charge of selfishness see Selborne Memo., pp.147-8

(154) C.T. 7.6.1905. East London's municipal debt rose from £157,134 in the year ended 30.6.1904 to £449,845 in the calendar year 1906; and Port Elizabeth's in the same period from £296,484 to £845,194 (of which latter figure £120,000 was temporarily invested in Treasury Bills). (Statistical Registers, 1904 and 1906, pp. 94 and 69 respectively)

That this inter-port jealousy hindered the Government in its difficult task of gathering as much revenue as possible is clear from a letter sent by the General Manager of the Central South African Railways to Merriman, stating that it was regrettable that, despite the decreasing volume of traffic over the Cape Government Railways, the Cape ports wrangled between themselves instead of working together to improve the position. (155)

The Railway Conference of 1906 raised the rate on Colonial produce again, to 3d. This benefited the Cape Treasurer, but not the farmer. Consequently, to help at least the wheat farmer, the customs duty on imported grain was increased by 20s. per ton, (156) an imposition, it will be observed, that helped not only the farmer, but also, once more, the Treasurer.

The Treasurer needed help. Railway revenue, that had decreased by £1,185,500 in 1904 and by about £100,000 in 1905, declined by a further £275,000 in 1906. (157) Part of the decrease was due to the failure of the Cape to recover some, at least, of the Transvaal trade despite several important measures. A line through Fourteen Streams and Klerksdorp did transfer to Port Elizabeth some of the trade which formerly went through Durban and Delagoa Bay. Natal recovered some of this trade by constructing a line via Fourteen Streams and Klerksdorp, (158) and gained also the coal and grain traffic to Kimberley. (159) The Cape replied by reducing rates to Norval's Pont and Bethulie so that Port Elizabeth and East London could compete with Durban at least as far as Kroonstad. Delagoa Bay replied to the British colonies by building a new line to Johannesburg via Witbank and Brakpan. (160)

1907 was a bad year for trade in general, for the trade through all Southern African ports declined as compared with 1906 - Delagoa Bay's by 7%, Port Elizabeth's by 8%, Natal's by 14%,

(155) Quoted by Cuthbert, p. 100 (156) Hansard 1906, p. 27
(157) C.T. 6.8.1907 (158) Selborne Memo., p. 63
(159) C.T. 14.6.1907 (160) Selborne Memo., pp. 63-4

East London's by 16%, and Cape Town's by 22%.⁽¹⁶¹⁾ This decline reacted upon railway revenue. In the same year, as mentioned above,⁽¹⁶²⁾ Cape railway revenue was affected also by the Conference Line's reduction of freight rates to Durban and Delagoa Bay, although the loss was compensated by rebates that the other colonies granted.

Two features stand out strongly in the foregoing survey: firstly, that the artificial division of the colonial railways into separate systems was the cause of much inter-colonial friction; secondly, the avidity, largely as a result of the depression, with which the Cape attempted to snatch every possible pound's worth of railway revenue. Regarding the second feature, in the Cape there was, as it were, a tremendous tug-of-war: on the one hand was the need to check the huge decline in railway revenue resulting largely from the depression in trade; on the other, a host of antagonistic forces - the competition of the ports of Natal and Mocambique, the demands of the northern colonies and of the inland centres of the Cape for low rates to keep the cost of living low, and the similar demands of the farmers and of commerce as a form of protection against imported goods.

In the light of these economic factors, much of the politics of the period and the see-saw movement of increases and decreases in railway rates become comprehensible. This see-saw movement, originating from the depression, itself contributed to the depression: the frequent alterations of railway rates, as Lord Selborne remarked, led to uncertainty in business and consequently to hesitation by merchants and investors.⁽¹⁶³⁾ Unification of the railway systems of the British colonies would solve most of the latter's politico-economic troubles, but so long as each depended upon the railways as a source of taxation and revenue, railway unification could not be accomplished without unification of the colonies.

(161) C.T. 30.1.1907

(162) See pp. 47-8

(163) Selborne Memo., p. 109

CHAPTER THREE

THE DEPRESSION DURING THE JAMESON ADMINISTRATION

(CONTINUED)

The Minerals Tax - Liquor Legislation - The Chinese Exclusion Bill - Development of Agriculture and Industry - Education - Redistribution - Crisis and Fall of the Administration - Summary of Chapters Two and Three

Mention was made above⁽¹⁾ that in 1907 Walton imposed additional taxation on mining companies, and that the imposition was a triumph for the Opposition.

In the Legislative Council, on 21st March, 1905, Logan, a Progressive who had turned Independent, moved that "considering the state of the public finances, and the stoppage in consequence of useful and public works authorized by both Houses of Parliament, and also the severe retrenchment that has taken place throughout the whole railway and Civil Service, it is the opinion of this Council that the time has arrived when it is desirable, in the public interests, that the export of diamonds should be made to contribute a fair and equitable tax to the revenue of this colony." He argued that diamonds were a luxury - drawing from Rogers the retort that, in that case, the ostrich feather industry should not be overlooked - and that their removal from the soil left the country poorer. Such a motion was to become a hardy annual in the Council; on this occasion it was lost by 13 votes to 11.⁽²⁾

On 5th June, 1906, the Legislative Council approved a resolution that the export of precious stones and minerals be taxed. On 17th July, 1907, Logan moved that the Council confirm this resolution, and an amendment by Ross that the debate be postponed until the Budget proposals were known, was carried only by the

(1) See pp. 34-35

(2) C.T. 22.3.1905

President's casting vote.⁽³⁾ On 15th August, Logan moved that precious minerals be taxed. The supporters of the motion used familiar arguments - that mining was a temporary industry which left the soil poorer; that De Beers Company should contribute its fair share to the Colony's revenue; that, while poor workers were being retrenched, De Beers was earning big profits; that it was right for shareholders in De Beers, most of whom lived abroad, to contribute to the country from which their wealth came. Only the President's casting vote defeated the motion.⁽⁴⁾

In the lower House, Merriman had foretold in 1906 that "an irresistible demand" by the majority of members would force the Government to impose the tax.⁽⁵⁾ In favouring the measure, he was criticized for a reversal of his policy when he had been Treasurer-General. He attempted to justify himself by stating that now he was aiming at taxation of the increment accruing from the higher price of diamonds since the war.⁽⁶⁾ Some members of commerce, like Garlick and McIntosh, feared that a tax on minerals would discourage both domestic and overseas investment capital.⁽⁷⁾

Jagger, however, favoured a tax on the dividends of mining companies. The Government majority in a debate over the question of the tax sank to 2.⁽⁸⁾

Eventually, as stated above,⁽⁹⁾ financial and political pressure forced Jameson to impose the tax. Retrenchment in particular and the depression in general led even the majority of Progressives to cast wistful eyes at the profits of the mining companies, especially those of De Beers, a company producing a luxury. While the taxation represented fulfilment of the Progressives' election pledge to tax all sources of wealth, it was a measure long resisted by the De Beers influence in Parliament, and the Government's reluctance to impose it at a time of distress

(3) C.T. 18.7.1907

(5) Hansard 1906, p. 614

(7) Hansard 1907, p. 438

(9) Chap. 2, p. 34.

(4) C.T. 16.8.1907

(6) C.T. 16.8.1907

(8) C.T. 17.8.1907

hardened the electorate against the Ministry. (10) of the Colony

there were few licences and therefore little liquor was sold there. (17)

The Liquor to Natives Prohibition Act, of 1902,

At least as damaging to the Jameson Administration as retrenchment, the abandonment of Free Trade and the charge of increasing the cost of living, or as the reluctance to impose a diamond tax, was the abandonment of the Progressives' election pledge in regard to liquor.

Although connected with the agricultural and trade depressions, the depression in the wine industry had features that distinguished it from both. It was largely due to a fall in demand after the war, the commercial depression resulting in people spending less on liquor; it was accompanied by agitation against the strong companies that sold imported liquor. (11) It

was an industry based on agriculture, and so affected by pestilence and drought, but it outlasted the agricultural depression, and in fact deepened after 1905 when the rest of agriculture flourished. The industry was strongly represented in Parliament, (12) and its depressed state led to pressure which embarrassed both Jameson and his successor, Merriman.

Several factors peculiar to the industry contributed to its depressed state. The vines grown were not the most suitable to the soil and climate of the Cape. Obsolete machinery and methods of fermentation were used in treating the wine and brandy. (13) The vineyards were short of labour. (14) Phylloxera had ravaged

the vines in the 1880's, leading to reduced crops. (15) The Innes Liquor Act of 1891 and a subsequent amendment left the decision of granting liquor licences to the Divisional Council

(10) See e.g. p. 50 regarding meeting of unemployed
(11) Hansard 1905, pp. 151-2
(12) Represented by 16 members of Merriman's party when he was in power. Hansard 1909, p. 509
(13) C.T. 13.6.1906, quoting the report of the Government viticultural expert
(14) Times His., p. 103
(15) Report of Select Committee on Wine and Brandy Industry. C.T. 12.6.1905

voters in each district,⁽¹⁶⁾ so that in some parts of the Colony there were few licences and therefore little liquor was sold there.⁽¹⁷⁾ The Liquor to Natives Prohibition Act, of 1902, forbade the sale of liquor to unenfranchised Natives.⁽¹⁸⁾ The licensing courts had arbitrary powers and many did not contain viticulturists.⁽¹⁹⁾ Frequent changes in Cape liquor legislation caused uncertainty in the market.⁽²⁰⁾ The quality of Cape wine and brandy, particularly in the early years of the depression, was usually inferior, a prominent wine farmer, Beck, admitting in the House of Assembly that Cape wines did not sell overseas in the face of competition from France and California.⁽²¹⁾ Much of it was adulterated, often to prevent it from becoming vinegar.⁽²²⁾ Finally, even when the quality improved, the local product was regarded with disdain even in the Cape - "Colonial wines and spirits were not a fashionable drink".⁽²³⁾ The cumulative effect of these factors led to a situation summed up in 1905 by a committee nominated by the Western Province Board of Horticulture to inquire into the Cape wine and brandy industry, when it reported: "It is established beyond a doubt that the Wine and Brandy Industry is at present in an alarming state of depression."⁽²⁴⁾

Attempts had been made to help the industry. A viticultural expert had been imported, whose work was to benefit it greatly.⁽²⁵⁾ Endeavouring to offset the Excise imposed in 1904, Jameson agreed to a system of brandy advances proposed by Raubenheimer,⁽²⁶⁾

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- (16) Hansard 1891 p. 236 and Hansard 1909, p. 459
(17) Hansard 1907, pp. 86 and 160 (18) Hansard 1902, p. 5
(19) Report of Committee of Western Province Board of Horticulture to inquire into Wine and Brandy Industry, 1905, p. 6
(20) Ibid., and regarding this point and the previous, see Hansard 1907, pp. 86 and 160
(21) Hansard 1905, p. 154
(22) C.T. 23.6.1906, referring to report of Government analyst
(23) Hansard 1907, p. 41 (24) G.30-1905, p. 1
(25) See e.g. Report of Select Committee on Agriculture, A.14-1903
(26) Hansard 1904, p. 577

C.T. 23.6.1906, quoting Auditor-General's Report
(29) Hansard 1903, p. 150-2
30) Ibid., pp. 152-3

carried into effect from September, 1904. On receipt from farmers of several leaguers of brandy at 10% under proof, a distiller could apply to the Treasurer for a loan at $4\frac{1}{2}\%$ for a period not exceeding five years, against the security of a certain number of leaguers. (27) In essence, the Government advanced £10 a leaguer for the brandy, which was stored until demand justified its release for sale. (28)

Nevertheless, the attack on the Excise continued. On 31st March, 1905, Merriman moved that the Government should consider imposing a countervailing duty on imported spirits equal to the Excise. He continued:

"A great portion of the diminished sale of Cape wines and spirits was undoubtedly due to the diminished purchasing power in the country, but a greater portion of it was due to the trusts controlling the tied houses. The general effect had been very disastrous; the effect of the present condition of things had been to impoverish to a great extent some of the most wealthy districts of the Colony, and to diminish in those districts the purchasing power on which the trade of Cape Town and other places largely depended." (29)

Walton, however, contended that not the Excise, but the commercial depression, was responsible for the condition of the wine and brandy industry insofar as people had less money to spend upon liquor. He declared Merriman's motion a contravention of the Customs Union Convention, which forbade a colony to increase the duty on imports without the permission of the other colonies. Beck and De Jager wanted the Transkeian Native Territories opened to the sale of brandy. Schreiner suggested that if the farmers could not sell their liquor, they should sell their grapes as fresh fruit or raisins. It was left to Jagger to propose an amendment to Merriman's motion that was both practical and acceptable to both sides of the House - that the Government should approach the other parties to the Convention to obtain their consent to the imposition of a countervailing duty of 6s. per gallon on imported spirits. (30)

(27) C.T. 29.5.1906, quoting Auditor-General's Report
(28) Ross, p. 57 (29) Hansard 1905, pp. 150-2
(30) Ibid., pp. 152-8

To help the farmers further, the Committee of the Board of Horticulture recommended:-

- (1) relaxation of the restrictions on the sale of liquor to Natives by permitting wine of limited strength to be sold by the glass on licensed premises;
- (2) a reduction in the Excise, with a countervailing increase in the duty on imported spirits;
- (3) reduction by the northern colonies in the duty on Cape liquor;
- (4) an end to the constant changes in liquor legislation;
- (5) legislation to check the "tied house"⁽³¹⁾ system whereby breweries acquired many liquor licences and threatened to monopolise the sale of liquor;
- (6) strict enforcement of the Adulteration Act;
- (7) the establishment of state-aided co-operative cellars to improve the quality of Cape wine and brandy;
- (8) more attention to the production of raisins.⁽³²⁾

Many of these recommendations were carried out, as will be seen.

Meanwhile, the depression in this industry continued, and, with it, agitation against the Excise. At the Annual Congress of the Afrikaner Bond in March, 1906, a motion that the Government be asked to abolish the Excise was passed with few dissentient votes.⁽³³⁾

Regarding the Horticultural Committee's third recommendation, the Cape farmers had an ally in Johannesburg commerce, for the Johannesburg Chamber of Trade resolved that the duty on South African spirits should be reduced to 6s. per proof gallon "in order to foster and encourage the production by the sister colonies of wholesome brandies for consumption by the

(31) A public-house which was bound to obtain its supplies from a particular brewer or distiller
(32) G.30-1905, pp. 4 and 11
(33) C.T. 16.3.1906

white population of the Transvaal ..."(34)

An important positive step to help the industry was the introduction of a Bill to prevent adulteration and encourage the production of liquor of high quality. Originally the Bill forbade the use of sugar and salicylic acid, but amendments permitted the limited use of both. (35)

The Adulteration Act of 1906, however, was largely superseded by the Sale of Wine Act, 1907, which referred not to brandies and liqueurs but only to pure natural wines, the export of which it was intended to aid. It aimed at ending the sale of adulterated wine, and enabled farmers to sell their wine directly to the public. The Government supported the Bill, which was introduced by Cloete, Progressive member for Wynberg. Sampson even suggested that a monthly list of wines passed by a Government wine taster be published in the Government Gazette. (36) In part at least, therefore, effect was given to the sixth listed recommendation of the Horticultural Committee.

The amount of time occupied by liquor debates in 1907 led a member to remark that "... it seemed that the House, during the whole session, would be busy with nothing else but the work of the wine farmer ..."(37)

On 27th June, Abrahamson introduced a motion aimed, amongst other things, at allowing the sale of small quantities of Colonial wine and brandy to Natives outside the Native Territories, to be consumed on licensed premises. (38) Most members feared the consequences of allowing Natives easier access to liquor, however, a matter which transcended party divisions, as was proved in a debate on Warren's motion that a Select Committee should investigate two aspects of the liquor question which had aroused much feeling in the House, namely, the operation of restrictions upon liquor sales and the abuses of the tied house system. (39) There

(34) C.T. 21.3.1906

(35) C.T. 14.8.1906

(36) Hansard 1907, pp. 104-5

(37) Ibid., p. 167

(38) Hansard 1907, p.40. It was drastically amended: see pp. 155 and 162

(39) Ibid., p. 265

The motion, however, was carried by 11 votes to 8. (40) were temperance men like T. Searle (40) of the Opposition and McIntosh (41) of the Progressives who opposed the consumption of liquor by anyone. The farming community usually stood by one another, but most sections were loathe to support their viticultural brethren in attempting to extend facilities for the sale of liquor to Natives. Theo. Schreiner said he knew "exactly what the opinion of the Dutch population up-country was. Although they had done much to support the brandy farmer, there was a point where they said: 'Thus far and no farther'. The up-country farmer was not prepared to allow the unrestricted sale of liquor to Natives, and he was also determined to retain local option." Their attitude sprang from fear of the demoralising effect of liquor on the Natives, and of the diminution of an already inadequate labour force. (42) The Progressive Party was pledged to retain local option and total prohibition of liquor to Natives. (43) According to Merriman the majority of Natives favoured prohibition. (44)

The next day, in the Upper House, an event occurred which goes far to explain Jameson's subsequent policy on the liquor question. Graaff moved that the Appropriation (Part 1907-8) Bill, for £2,000,000, be reduced by £1,000,000. He gave as his reason for the motion the Government's delay in placing legislation before the Council, especially concerning the condition of the wine industry. Jameson replied that, if the motion were carried, the Government could not pay the Civil Servants' salaries. The Opposition was unmoved. Walton then tried intimidation, threatening to postpone payment of war compensation and to stop public works. The Opposition remained unmoved, and Walton changed his tone to complaining about the damage the debate would do to the Cape credit in the London money market.

(40) And in the Upper House, the Progressives Slater and Wilmot. C.T. 4.7.1907

(41) Hansard 1907, p. 558 (42) *Ibid.*, p. 263.

(43) *Ibid.*, p. 555 (44) *Ibid.*, pp. 558-9. This was probably true, as Natives had petitioned for the Liquor to Natives Prohibition Bill of 1902 (Hansard 1902, p. 551)

The motion, however, was carried by 12 votes to 8. (45)

The tide was clearly turning against the Progressive administration. To refuse to yield to the wine interest would bring defeats such as this; the only form of yielding that would satisfy the wine-farmers involved abandoning, to a greater or lesser extent, one of the administration's election pledges, namely, prohibition of the sale of liquor to Natives.

The Select Committee appointed as a result of Warren's motion found that, in ten or fifteen magisterial districts, it was almost impossible for a Native to obtain liquor without a permit from his employer. Regarding tied houses, it found that the system of licensing opened the way to monopoly, as proved by the fact that in Cape Town 160 licences were held by brewing companies. The Licensing Boards often contained temperance men who, it was recommended, should not sit on these Boards. (46)

The wine and brandy farmers lost no time in framing a Bill based on the report. Their zeal was matched only by the opposition which the Bill created inside and outside Parliament, and which contributed to the foundering of the Jameson administration.

De Waal's Liquor Law Amendment Bill aimed at removing restrictions on the sale of liquor in three ways. Firstly, regarding the hours during which bottle stores might legally remain open, whereas, for example, one Licensing Court limited the period to three hours a day, and another to four, the Bill envisaged an eight-hour period daily. Secondly, the Bill would authorise European employers to sign permits for their Native employees to obtain liquor, whereas hitherto in some districts only a magistrate or a doctor had the authority. Thirdly, whereas fifty of the eighty districts imposed varying restrictions on the quantity of liquor that might be sold, the Bill would standardise the quantity to a 3-ounce glassful. (47)

(45) C.T. 29.6.1907

(47) Hansard 1907, pp. 531-2

(46) Hansard 1907, pp. 554-5

Here was a challenge to the Government. Walton stated firmly that the Ministry stood fast by prohibition of the sale of liquor to Natives. "They did not retire from that position, but if they could persuade the Natives to take to the natural wines of the country, they were working for temperance. (Cries of 'No' and cheers.) The native beer was worse for any human being than natural wine. They had to train the Native to consume the drink which was a natural product of the country, and would do them [sic] no injury." (48)

This statement represented a retreat from the position formerly taken up by the Progressives, from prohibition of the sale of all liquor to prohibition in respect of brandy. Sampson, the Attorney-General, declared that the Bill was a "fair and just" attempt to give effect to the Innes Act. The "Cape Times" declared itself at a loss to understand how he could so regard the Bill, (49) damaging as it was to the principle of local option by preventing the Licensing Courts from imposing restrictions that they considered adequate; and the newspaper no doubt expressed the overwhelming weight of public opinion in declaring that the Progressives could not support the Bill without breaking an election promise. (50) The African Political Organisation, a Native body, called it "De Waal's Diabolical Liquor Bill". (51) To "train" the Native to consume even light liquor as Walton had suggested, was a notion acceptable only to the Colony's wine-farmers and Government.

The struggle over the Bill was tenacious and led to an all-night sitting; (52) but the Bill fell away when the Government was forced to resign over a crisis in the Legislative Council, a crisis to which the Liquor/^{Law}Amendment Bill had contributed.

In yet another matter, therefore, the Government had eventually changed its policy and adopted one which met, at least partly, the aspirations of the wine and brandy farmers. The matter in

(48) The Secretary for Agriculture, Fuller, had made a similar statement at Wellington in October, 1905. C.T. 4.10.1905

(49) C.T. 12.9.1907 (50) C.T. 11.9.1907

(51) Hansard 1907, p. 567 (52) Ibid., p. 581

question, the sale of liquor to Natives, was one on which feeling ran high, and the Progressive Party supporters had yet another reason for losing faith in their Party.

The storm raised in the time of the Sprigg administration by the proposed introduction of Chinese labour continued in both Houses⁽⁵³⁾ in the first year of the Jameson Government.

A debate on the question began in the House of Assembly on 16th March, 1904. Abe Bailey endeavoured to appeal to both intellect and emotion in order to rally support for the proposed importation. If white labour were employed, he said, even allowing for increased efficiency per man, the increase in wages would put half the mines out of production and all the South African colonies would suffer. Furthermore, "The effect of the introduction into the Transvaal of low-class white labour upon the native races would, in his opinion, be disastrous. (Hear, hear.) The white men who came to this country should be thinkers and should see that work was properly carried out, (Hear, hear.) while the Natives should do their work and recognise their obligations."⁽⁵⁴⁾ Jagger spoke at length in favour of the importation, stressing that working costs had increased since the war and that the terms of their contracts precluded any possibility of the Chinese entering the Cape.⁽⁵⁵⁾ Zietsman, another Progressive, spoke ably, emphasising the importance to Southern Africa of the gold industry.⁽⁵⁶⁾ But the most cogent of intellectual arguments and the most subtle of emotional appeals could not have removed the fear of the Chinese. In the Legislative Council, on 26th April, a resolution was passed by the Speaker's casting vote, asking the Government to do all in its power to prevent the entry of the Chinese into the country.⁽⁵⁷⁾

(53) Indeed, it was not confined to the Cape or even South Africa. It had repercussions in Britain (Ensor: England, 1870-1914, pp. 376-8 and 390); while the Premiers of New Zealand and Australia had petitioned the British Government against the measure (Hansard 1904, p. 321)

(54) Hansard 1904, p. 92 (55) Ibid., pp. 82-3

(56) Ibid., p. 322 (57) C.T. 27.4.1904

However, by the latter date, the Imperial Government had confirmed the Ordinance providing for the importation; (57) and, on 4th March, the Chinese Exclusion Bill had been read a first time in the Cape House of Assembly. (58) The Attorney-General, who introduced the Bill, described it as drastic, but added that the Government would welcome amendments to make it more so. Henceforth, Chinese could enter the Colony only by permit, and then only if they were British subjects. Chinese already in the Colony (59) would be issued with certificates which had to be produced on demand by the police, and except for short visits to nearby towns, movements of these Chinese were restricted. A fine of £1,000 would be imposed on anyone who brought Chinese into the Cape, either overland or by ship. (60)

Oats alone opposed the Bill, and on humanitarian grounds, describing it as "savage and barbaric", as the Chinese were admittedly being excluded because of their virtues and not because of defects of character. (61) Malan described the Bill as ineffectual and as merely a Government attempt to conciliate the public. (62)

The "Cape Times" announced on 14th May that the Chinese Government had signed the Labour Convention allowing the indentured Chinese to go to the Rand. On 27th May, the Chinese Exclusion Bill was passed. (63)

Thereafter, the Chinese question dropped out of Cape politics. Gold production soon increased, (64) and with it Rand imports and exports, to the benefit of the Cape as of the whole of South Africa. On 14th June, 1907, Louis Botha announced in Pretoria that the Chinese labourers would be repatriated when their contracts expired. (65)

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- (58) Hansard 1904, p. 7 (60) Hansard 1904, pp. 391-5
(59) There were over 400 licensed Chinese traders in the Cape - De Waal, Hansard 1904, p. 395 (61) Ibid., p.398. Compare with the identical words of Merriman's admission, Chap.1,p.
(62) Ibid., p. 399 (63) Cuthbert, p. 56
(64) C.T. 4.1.1905. Technical improvements, such as the use of tube mills, contributed to the improvement. (De Kock,p.246)
(65) C.T. 15.1.1907

It was Jameson's earnest endeavour to fulfil his election pledge to encourage Cape agriculture and industry and develop the Colony's resources. The inter-connection of this policy with the depression and politics has been dealt with in those sections of the thesis which treat Protection and the Meat Duty. It is necessary to discuss the subject further and show how agriculture and industry were developed or retarded by the depression, how the depression helped and how it hindered Jameson in carrying out his policy, and the political repercussions.

The state of agriculture in 1904 was deplorable. To one of the worst droughts in the Colony's history⁽⁶⁶⁾ was added the ravages of war, pest and disease, a shortage of labour,⁽⁶⁷⁾ and the indolence of a large section of the farming population.⁽⁶⁸⁾ In a colony of 177 million acres,⁽⁶⁹⁾ transport was of prime importance, but hitherto railways had been built mainly to the mining centres and agricultural districts had been neglected.⁽⁷⁰⁾ Only about 850,000 acres were cultivated.⁽⁶⁹⁾ However, on 12th September, 1907, although the industry in which he was engaged, viticulture, was in a depressed state, Kohler could nevertheless still declare in the Legislative Council that no Government had done so much for the farmers as had Jameson's.⁽⁷¹⁾

The development of manufacturing was probably also adversely affected to a limited extent by the attraction of mining for labour and capital. The value of Cape manufactures in 1904 was only £9,000,000 (of which part could be more properly assignable to commerce) in the production of which somewhat over 20,000 were employed.⁽⁷²⁾

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- (66) Hansard 1905, p. 659 (67) See Chap. 1, p. 7.
(68) "Taken as a whole, I have never met with, nor heard of, any white races who have less ambition to improve their material conditions for the benefit of themselves or future generations than the average backveld pastoral farmer of South Africa." Director of Irrigation, Cape Colony, first decade of 20th Century, quoted with approval by Loots in "Die Arbeids-Kolonie Kakamas", pp. 5-6 - a man, says Loots (p.80) sympathetically disposed to the farming community.
(69) Hansard 1908, p. 423 (70) De Kock, pp. 348-9
(71) C.T. 13.9.1907 (72) Hansard 1903, p.176 and De Kock, p. 288

The first year of the administration, 1904, saw a host of resolutions and measures to aid agriculture, and the benefits from the practical assistance given to farmers were soon enjoyed.

Loans were granted to combinations of five or more farmers to buy fencing to protect their sheep from jackals, (74) a Select Committee being appointed in March to investigate the extermination of these animals. (75) On April 7th, Lee moved that a Select Committee be appointed to investigate methods of improving the breeding of Angora goats, the Secretary of Agriculture, Fuller, promising Government assistance to the mohair industry. (76)

On 26th April, Tod introduced a motion (77) which was slightly amended in debate, finally to read:

"That in view of the enormous loss to the Colony from the annual importation of foodstuffs to the value of many millions of pounds, and the consequent export of money in payment thereof, nearly all of which foodstuffs can be grown in this country to the decrease of the cost of living and the increase of the white population living on the soil, and of the general wealth of the Colony, this House is of opinion that it is desirable that the Government should enquire into the whole question of Agriculture, with a view to recommending what steps should be taken to endeavour to effect an alteration in the present unsatisfactory position of the country in this respect." (78)

The depression was much in the mover's mind, for in addition to the reference to the cost of living contained in the motion, referring to the heavy importation of foodstuffs he said that "... the marvel was not that the financial position was strained, but that it was not much worse". (77)

On that scourge to the sheep-farmer, scab, £90,000 was spent in 1904, and £22,000 on cattle diseases. (79) To combat locusts, spray-guns were provided free of charges and insecticide at one-third of the cost price. (80) In March, 1905, Smartt agreed to reduce the railway rate on Colonial produce from 3d. per ton per mile to 1/2d. (81)

In 1904, Jameson appointed a member of the Legislative

(74) R.C. I.1905-6, p. 219 (75) Hansard 1904, pp. 136 and 147
 (76) Ibid., pp. 203-4 (77) Ibid., p. 364
 (78) Ibid., p. 487 (79) Hansard 1905, p. 322
 (80) Hansard 1904, pp. 248-9 (81) Hansard 1905, p. 355

Council to study European agriculture, especially the co-operative movement in agriculture, and the transportation of agricultural produce. During his visit to Britain in 1904, Jameson himself consulted many leading farmers, and as a result decided to improve the organisation of agriculture at the Cape. To implement this decision, in 1905 a Bill was introduced, and passed unanimously, whereby a loan of £150,000 could be raised to assist farmers in forming co-operative associations.⁽⁸²⁾ In July, 1905, the Governor asked the Irish Department of Agriculture for the help of P. J. Hannon, who had had eleven years' experience of agricultural organisation in Ireland, and who possessed a wide knowledge of European and North American farming methods. Together with the Secretary for Agriculture, this man undertook tours of the Colony, organising meetings and giving lectures to explain and encourage the co-operative principle.⁽⁸³⁾ By April, 1907, 53 Co-operative societies had been formed,⁽⁸⁴⁾ covering wine, dairy and grain farming.⁽⁸⁵⁾

The quality of Cape wool was low, and in 1905 fetched 4³/₄d. per lb. less than the Australian product.⁽⁸⁶⁾ Wools were ungraded, often not properly cleaned. To improve these matters, in January, 1906, a National Association of Wool and Mohair Growers was founded with branches throughout the Colony. The Association adopted high standards for shearing, classifying and baling wool and mohair, and its formation alone created a favourable impression among English brokers.⁽⁸⁷⁾

(82) R.C.I. 1905-6, pp. 2-3 (83) Ibid., pp. 215-6

(84) C.T. 11.7.1907

(85) R.C.I. pp. 217-219. In 1907, a Select Committee on Agricultural Co-operation found, however, that in many cases, the granting of loans had been injudicious, having been made in some cases against insufficient security, or to over-capitalized creameries, while some loans had been misapplied, e.g., to extinguish existing debts. (C.T. 13.9.1907) (See also Hansard 1908, p.97) On 12th October, 1909, Malan stated that the Government intended to abandon the co-operative scheme in regard to wineries and dairies "in the way in which it had been carried on in the past", although it would still be applied in regard to other types of agriculture (Hansard 1909 p.286). In the light of these facts, therefore, I feel that Miss Cuthbert's reference to the co-operative scheme on p. 109 of her thesis should be slightly qualified. (87) Ibid.

(86) Ibid., p.218. Nevertheless, C.T. 10.3.1905 reported that Cape Wool was of good quality and sold well at good prices. The true position probably was that Cape wool suffered by comparison with Australian, but that prices were good in view of Japanese orders in connection with the war against

Natural conditions at the Cape were ideal for fruit-growing. Sending the product to the markets, however, was expensive. To overcome this difficulty, the Government set up depots to which fruit could be sent for grading and packing. (87)

In addition, the Government sent one Chiappini to London as Trade Commissioner. For several years he did excellent work, particularly for the export of Cape fruit. (88) All these steps helped agriculture and brought warm praise from Opposition members. (89)

Much attention would have been devoted to local agriculture irrespective of the depression: the increased wealth and population brought to the sub-continent by the mines would have ensured greater development of the country's natural resources. However, leading as it did to a higher cost of living and to the need for reducing the Cape's imports, the depression acted as a stimulant. So much is evident from Tod's motion, as also from Merriman's statement that "the Colony was face to face with an absolutely new position. They were being thrown back on their own resources. Hitherto they had always looked to the interior trade and the gamble in gold stocks ...", but now the Cape Colony would have to produce much of what formerly it imported. (90) That the Cape would benefit was clear from the fact that, in 1903, it imported six millions sterling worth of goods which could have been produced in the Cape. (91)

To implement his election promises further, and also to carry out the recommendations of a Select Committee appointed as a result of Tod's motion, a Bill was introduced on 24th March, 1905, (92) providing for an Agricultural Board of twenty-seven members, a Board of Agricultural Education of five, and an Industrial Board of seven. Among other things, the Bill aimed at bringing farmers into closer contact with the Department of Agriculture by means of elected local committees set up to advise them. (93)

(88) Hansard 1909, p. 345 (89) See Krige's tribute, Hansard 1907, p. 392
(90) Hansard 1906, p. 246
(91) See also Appendix V. (92) Hansard 1905, p. 102
(93) Ibid., pp. 265-73 and 327-8

The Opposition subjected the Bill to heavy criticism. Merriman, Warren,⁽⁹⁴⁾ Tod and Sauer⁽⁹⁵⁾ alleged that the Government had arranged beforehand with the Commission as to what questions it should ask and that these questions concerned the desirability of establishing Agricultural Boards, and contended that the Commission should rather have inquired into the farmers' grievances. Sauer complained that the machinery contemplated by the Bill was too unwieldy - the various boards, councils and committees would consist of nearly 500 people; that the existing agricultural societies, which the Bill would sweep away, had rendered valuable services in the past, and that the Commission had ignored the fact that most of the witnesses favoured their retention; and that the proposed boards contained too many Government nominees.⁽⁹⁵⁾

Nothing came of the Bill,⁽⁹⁶⁾ it was too unwieldy and unrealistic, and in sweeping away the farmers' cherished local committees, it earned their disapproval. Nevertheless, it contained several excellent features, such as the provisions for an Industrial Board and a Board of Agricultural Education, and it represented an imaginative attempt to reduce imports and the cost of living, and so help the Colony during the depression and thereafter, by providing administrative machinery for the development of local resources.

Another Government measure to help agriculture, which also came under heavy Opposition and Bond fire, was the Irrigation Bill. This Bill aimed at consolidating existing irrigation legislation, providing definitions for intermittent and perennial streams and defining rights over intermittent streams, and at placing streams under public control. The Government was to borrow half a million pounds to lend to farmers for irrigation.⁽⁹⁷⁾

The Opposition had the Bill referred to a Select Committee, and, re-drafted, it was re-introduced and enacted in 1906. How-

(94) Hansard 1905, pp. 272-3 (95) *Ibid.*, pp. 327-8

(96) There is no further mention of the Bill in Hansard 1905 after the adjournment of the debate on 3rd May, p. 360

(97) C.T. 19.3.1906

ever, on 20th September, 1907, the "Cape Times" reported: "The Irrigation Act of last session has not yet had a fair chance of proving its usefulness, owing to the financial difficulties of the Government ...". Thus was one of Jameson's attempts to help local resources hindered by the depression.

Another Act, aimed at helping agriculture, which the depression prevented from being carried out, was the Agricultural Credit Bank Act introduced on 21st June, 1907. (98) The object of such a Bank was to supply farmers with capital at as low rate of interest as possible. The Government would guarantee the amount issued by the Bank. Advances of £50 to £5,000 would be made, against security, to farmers who wished to improve their farms; co-operative societies might borrow £10,000. (99) However, on 18th August, 1908, in reply to a question, Merriman, then Prime Minister, stated that the Act could not be put into force until the Cape finances improved. (100)

Another resource to suffer was the fishing industry. Early in 1904, Viljoen urged the appointment of a Select Committee, to investigate the possibility of developing the industry, and Zietsman asked for the provision of transport facilities and harbours. Fuller promised the Government's attention to the matter. (101) The question of the fishing industry was bound up with other matters of political importance - the cost of living and the cold storage ring. With good fishing grounds off its coasts, in 1905 the Cape imported nearly 3,000 tons of fish. (102) Good harbours were needed, but to the end of the Jameson period of office, financial considerations prevented the necessary harbour construction - in 1906 Smartt said he hoped that "when the Colonial finances would allow", the matter would receive attention. (103)

Manufacturing made only slow progress during the period. Reference has been made to the adverse effect of the 1903 Customs

(98) Hansard 1907, p. 6 (99) Ibid., pp. 50-2
(100) Hansard 1908, p. 551 (101) Hansard 1904, pp. 137-9
(102) Hansard 1905, p. 183 (103) Hansard 1906, pp. 385-6

Convention on many industries and of the attempts to help them when the Convention was revised in 1906 and by Jameson's policy of protection. A proposed Board of Industry fell away with the Bill in which it was incorporated. There was a serious lack of facilities for technical and industrial education. Had the depression not intervened, with its attendant scarcity of money and hesitancy by investors, the expansion of industry would probably have benefited from greater attention by both the Government and private enterprise. Although De Kock mentions that over 700 "manufacturing institutions" were started in the Cape Colony between 1900 and 1909, most of them originated in and after 1908, when the commercial depression began to ease and when the demand of the mines for labour and capital reached a regular level. Manufacturing only received substantial attention during the first World War, although, until 1915-16, the Cape led the other colonies in the value of its manufactures. (104)

Nevertheless, despite the depression, local agriculture in particular (except the wine industry) made great strides forward during the period of Jameson's administration, although he was helped by events outside his control such as good seasons from 1905 onwards, the war against the Hereroes (105) and the Russo-Japanese War (106) in 1905 and the Zulu rebellion in 1907, all of which created a temporarily heavier demand than usual for Cape goods; and it should also be noted that the protective duties imposed on imported goods helped the Cape Treasury as well as the Cape farmers: they increased revenue, and they enabled local products to compete on more favourable terms with imported.

Nevertheless, due credit must be given to Jameson particularly for those measures adopted in the first two years of his administration, when the financial circumstances of the Cape, though not of the best, were not so unfavourable as during the latter two. An improvement in the purchase of Cape goods was

(104) De Kock, pp. 288-90 (105) Cape exports of livestock alone were £408,000 higher in 1905 than in 1904 (C.T. 21.3.1906)

(106) It increased the demand for wool (C.T. 10.3.1905)

reported by the Controller of Customs, in June, 1907, partly because of protective measures to encourage them, and partly because of the decreased antipathy to locally produced or grown goods - the public realised that consumption of Cape produce would help the Colony out of its financial difficulties, and although this reacted unfavourably on revenue, it resulted in more money remaining in the Cape and so increasing its spending power. (107)

Had the Opposition been in power, it, too, would have given considerable attention to agriculture, its members being largely drawn from the farming districts; and it is rather ironical that whereas the Progressives broke so many of their election pledges to their followers, involving surrender to the Opposition standpoint on so many leading points of policy, a pledge which they faithfully and successfully fulfilled was one in regard to which the Opposition was wholeheartedly in favour, and which concerned a matter that would have received at least as much attention from an Opposition administration. Viewing the matter broadly, and taking into account such important matters as the adoption of a Protectionist policy, the partial abandonment of prohibition of the sale of liquor to Natives, the imposition of heavier taxation on minerals, and the development of agriculture, by the end of 1907, largely as a result of the depression, the Jameson Government was governing the Cape in accordance with South African Party principles. Hence its defeat in Parliament and, subsequently, in the country.

A measure which even the Opposition were later to praise, and the operation of which was affected by the depression, was the School Board Act introduced by Crewe on 10th March, 1905. (108)

(107) C.T. 14.6.1907

(108) Hansard 1905, p.6. De Waal, introducing the School Board Further Amendment Act in 1909, is reported to have said: "He would go so far as to say that no other Act had done such a great deal of good as the School Board Act." (Hansard 1909, p. 318)

(109) Hansard, p. 128
(110) Hansard, p. 128
(111) Hansard, p. 128
(112) Hansard, p. 128
(113) Hansard, p. 128
(114) Hansard, p. 128
(115) Hansard, p. 128
(116) Hansard, p. 128

The Bill aimed at destroying the prevailing guarantor system, whereby education was financed mainly on a voluntary basis, by imposing local rates for education,⁽¹⁰⁹⁾ the Government contributing a half of any deficiency.⁽¹¹⁰⁾ Compulsory school attendance was also envisaged.⁽¹⁰⁹⁾

Debate on the Bill reached a high standard, and party spirit was absent. Both parties agreed on the necessity of reform and on the principle of compulsory school attendance, but the Opposition wished to retain the old School Committees, slightly reformed, and objected to education being financed from local taxation.⁽¹¹¹⁾ They had their way on the former point,⁽¹¹²⁾ but not on the latter, which continued to arouse their discontent.⁽¹¹³⁾

The depression delayed the application of the Act. Kenhardt Board was the first to attempt to apply the option of enforcing attendance. However, the Government did not act for three years: "Besides the vague antipathy of the people to compulsion of any sort, there was the constant fear that compulsion would spell extra expenditure, and money was becoming scarce."⁽¹¹⁴⁾

Only in 1909 was the Bill fully applied, and it resulted in a 20% increase in enrolments.⁽¹¹⁵⁾ By the beginning of 1910, 91 of the 119 School Boards were enforcing school attendance.⁽¹¹⁶⁾

The depression also led to the abandonment of the Progressive Party's election pledge to introduce an effective Redistribution Bill. This much is clear from a "Cape Times" editorial article, which, commenting on the Governor-General's speech at the opening of Parliament, stated: "The omission of all mention of Redistribution is certainly a serious lacuna, both from the point of view of electioneering promises and of the political requirements of the Colony: but Dr. Jameson has decided, and, we think most of his followers will agree, has decided rightly,

(109) Hansard 1905, p. 19

(111) Hansard 1905, pp. 26-8

(112) *Ibid.*, p. 310.

(114) Malherbe, p. 128

(116) Malherbe, p. 129

(110) Education in South Africa, 1652-1922, E.G. Malherbe, p. 130

(113) O.L. 24.7.1909, and see also

Cronwright-Schreiner's speech, Hansard 1909, p. 321

(115) Hansard 1909, p. 319

that in the circumstances of the situation, when the Colony has not yet recovered from severe depression, the main energies of Parliament should be concentrated upon legislation calculated, so far as reasonable legislation may, to give a fillip to agriculture and industry."⁽¹¹⁷⁾ Nevertheless, ^{probably} not only the depression, but the depression together with the narrow margin of 6 votes by which the Additional Parliamentary Representation Bill passed the lower House,⁽¹¹⁸⁾ led Jameson to refrain from proceeding with a contentious Redistribution measure.

By the end of 1906, the tide had clearly turned against Jameson. Proof was provided by the results of the elections for the Legislative Council, which became known towards the end of January, 1907. The South African Party received 66% of the votes cast, whereas in 1903 it had received 48%. In votes the South African Party gained 19,185 as compared with the earlier year, and even allowing for over 4,000 re-enfranchised by the Amnesty Act, there remained 15,000 others who had changed their allegiance.⁽¹¹⁹⁾

The dissatisfaction of Harris and Jagger, the narrow Government victories in Legislative Council motions concerning minerals taxation and the virtual surrender of the Government in this matter, the Colony's unfavourable reception of proposed liquor legislation, and the veiled defeat of the Government in the financial debate on 16th August,⁽¹²⁰⁾ foreshadowed the ultimate fall.

On 12th September, the Legislative Council went into Committee on the Appropriation Bill. Logan opposed the vote for the Prime Minister's department, his reason being that the Government had "done nothing for the country". He moved that the Chairman leave the Chair. Michau seconded the motion, saying that the country was bankrupt and would never regain solvency under the present government, which in any case represented the people no longer. As the Ministry admitted, he continued, the Colony's credit was

(117) C.T. 11.3.1905

(118) Hansard 1904, p. 306

(119) C.T. 29.1.1907

(120) The Government won a vote of confidence by 50 votes to 48. C.T. 17.8.1907

but that its financial position had lost its considerable support. (120)
so low that it could not raise loans for the £4,700,000 which
it required. As the Council could not pass a motion of no
confidence, he moved that it should refuse supply. The motion
was approved by eleven votes to ten, for the Government only had
a majority in the Council when the latter sat as a House with the
President able to exercise his casting vote. The position thus
created was unprecedented in the history of the Cape Parliament. (121)

The next day, Jameson himself moved that the Council should
go into committee on the Appropriation Bill. Speaking on the
motion, Graaff said that the Government had promised the electo-
rate to improve the Colony's financial position, which, however,
had deteriorated. The motion was carried by the President's
casting vote. However, on Vote 1, Graaff moved that the Chairman
leave the Chair. This was approved by eleven votes to ten, and
the deadlock continued. (122)

These proceedings dismayed the "Cape Times". In an editorial
it was argued that the Opposition was acting unconstitutionally
in blocking supply. On another page, an article appeared in
which it was stated that Section 88 of the Constitution Ordinance
gave the Legislative Council the right to introduce and amend,
but not to reject, money Bills. (122) Constitutionally or not,
however, the proceedings in the Upper House were a reflection of
the Progressives' loss of the support of the electorate as a whole,
largely, as speeches during the crisis show, because the Govern-
ment had failed to improve the financial position.

After successive Progressive attempts to overcome the dead-
lock, Jameson announced his intention of asking the Governor that
both Houses be dissolved. His administration was at an end!

Commenting on his fall, the London "Times" was quoted as
stating that the Jameson Ministry had done much for the Colony,

(121) C.T. 13.9.1907

(122) C.T. 14.9.1907

but that its liquor legislation had lost it considerable support. (123)
In ascertaining the causes of Jameson's defeat, the swing of South African opinion in favour of the pro-Boer parties should not be overlooked: in the Transvaal it had swept Louis Botha into power. (124)
Yet it seems undeniable that more important in Jameson's case was the abandonment of his policy on so many points - an abandonment for which the depression was very largely responsible - and his failure to improve the country's finances - the public debt as the result of borrowing between 1st January, 1904 and 30th June, 1907 was actually increased by nearly £13,000,000. (125)

In these two chapters, dealing with the Jameson administration, an attempt has been made to show the effects of the serious decline in revenue and Jameson's failure to restore the Colony's financial prosperity. Attention has been paid to the part played in relation to the depression by the railways in domestic and inter-colonial politics. Although, despite the depression (and in some ways because of it, acting as it did to attract attention to local resources) Jameson did succeed in promoting agriculture, in decreasing imports (126) and the cost of living, (127) and in enacting an excellent education measure, the depression forced him to abandon a number of his party's election pledges - protection, and in particular, the non-imposition of a meat duty; total prohibition of the sale of liquor to Natives, and local option, insofar as policy in these matters was relaxed; redistribution - and to abandon also the stand he had adopted in

(123) C.T. 19.9.1907

(124) It is suggested that it was a similar psychological swing which, after the second World War, brought about the defeat of Churchill in Britain and Smuts in South Africa.

(125) G.1 - 1908

(126) Hansard 1908, p.141, Beck quoting a member of the Cape Statistical Bureau as stating that this was due not only to the depression but also to increased Cape production; the importation of goods which the Cape could produce had decreased by 24%; and of those which it could not produce, by only 8%.

(127) I again disagree with Miss Cuthbert, when on p.109 of her thesis she states that the Jameson Government "had not reduced the cost of the necessaries of life..." See Merriman's statement in June, 1909 (Hansard 1909 p.187) and especially (cont. p. 84)

regard to extra taxation of minerals. Taken with additional taxation and retrenchment, these matters ultimately combined to effect his rejection by the House and the country. More than any other factor, the depression forced Jameson out of office.

A South African Party victory in the elections was a foregone conclusion; it remained to be seen how great the South African Party majority would be. In anticipation of the coming unification of the four colonies, Jameson decided to change the name of his party to that of the Unionist Party.

The election campaign of the South African Party in 1904, the last general election of the Cape Parliament, contained nothing that would not be expected, bearing in mind the circumstances which attended the fall of the previous administration and the financial straits of the Colony. The South African Party accused the Unionists of being opposed to a tax on minerals. It was averred that although the late government had not caused the depression, reckless administration had worsened the Cape's financial position; also, that a better system of retrenchment could have been applied. Graaff is reported to have said that Cape finances must be put in order so as to strengthen the Cape's bargaining position when the Union of the colonies came to be discussed. (1)

Logan, formerly a Progressive member of the Legislative Council, now stood as an Independent. He could no longer support his old party, he said, because it had not kept its election promises. In particular, it had not taxed all sources of wealth, because diamonds were untaxed; and trusts had not been abolished. (2)

(127) cont.

Appendix IV, which proves that the cost of living (including the cost of meat, which she suggests, rose) was reduced during Jameson's administration.

(1) S.T. 6, 1, 1483
(2) S.T. 7, 1, 1905

CHAPTER FOUR

THE DEPRESSION DURING THE MERRIMAN ADMINISTRATION

The Elections of 1908 - Parliament's confidence in Merriman - The Customs Convention - The Diamond Slump - The Budgets, Taxation and Retrenchment

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Logan, formerly a Progressive member of the Legislative Council, now stood as an Independent. He could no longer support his old party, he said, because it had not kept its election promises. In particular, it had not taxed all sources of wealth, because diamonds were untaxed; and trusts had not been abolished.⁽¹⁾

In the Legislative Council elections, the South African Party obtained 16 seats, 5 more than it had had before, and the Progressives 6. Jameson thereupon resigned,⁽³⁾ and sailed for England

(1) C.T. 6.1.1908
(3) Ross, pp. 6-7

(2) C.T. 7.1.1908

on 15th April, upon which Smartt became the leader of the Unionist Party. (4)

Although they condemned Jameson's economic administration, the South African Party candidates cleverly avoided declaring their party's financial and taxation programme, should it be voted into power. On 10th March, Merriman said that the chief task of the next Government was to restore the Cape's finances. He would not lay a policy before the people, because, he said, he would first have to investigate the position thoroughly before he could decide what steps to take. He made the vague promise that further taxation would only be imposed on those best able to bear it. (5)

Merriman's reluctance to speak openly in this matter elicited from the "Cape Times" several leading articles criticizing him for not submitting an unequivocal statement of policy concerning taxation and retrenchment.

No doubt Merriman realised what drastic measures would have to be enforced; declaring them to the public would have been fatal to his party's chances in the elections.

The Unionists were hard put to it to defend their party's financial administration. In former strongholds they frequently met with mixed receptions. Typical was a meeting at Woodstock where speakers were constantly interrupted with accusations that the late Government had increased the cost of the necessaries of life, had taxed the poor instead of the rich, and had avoided adequate taxation of diamonds. (6)

(4) Ross, p. 39

(5) C.T. 11.3.1908

(6) C.T. 7.1.1908. It might be expected that, in view of their distress, the Coloured and Native voters would be among the first to abandon the former Progressive Party. This was not so, for the Non-Europeans feared that in the forthcoming conferences on closer union, the South African Party might be persuaded by the other Dutch parties in power, Het Volk (Transvaal) and De Unie (Orange River Colony) to abolish the non-European franchise (C.T. 18.1.1908). A similar fear may have inspired e.g. the Natives of Ndabeni Location to vote unanimously in favour of supporting the Unionists (see C.T. 13.1.1908). However, Tengo Jabavu, editor of the Native newspaper "Imvo", had changed his allegiance from Unionist to South African Party (C.T. 18.1.1908).

There were two Labour candidates and one Socialist. The former criticized the Government for wrangling over liquor instead of adopting measures which would help exploited workers. Maginess, one of the Labour candidates, favoured protection for local industry, and thought that any resulting rise in the cost of living could be off-set by increased production through improved technical education. He also favoured closer land settlement, a diamond tax, women's suffrage, and federation.⁽⁷⁾ Among speakers at Labour meetings was H. W. Sampson, a Labour Party member of the Transvaal House of Assembly.⁽⁸⁾

The Socialist programme was similar, except for closer land settlement. The candidate, J. H. Howard, said that discussions to improve the material welfare of the people should be held before those on unification.⁽⁹⁾

Both Labour and Socialist parties lacked really constructive and definite programmes, however, and their speakers tended to be of the soap-box variety.

When the results were finally known, the South African Party had 69 seats, the Unionists 34, and there were four Independents. The South African Party had gained 19 seats, while in 1903 there were no Independents.⁽¹⁰⁾ The South African Party majority was the largest in the history of Cape Parliament.⁽¹¹⁾ Of the 14 candidates for the 7 Cape Town seats, Maginess, the Labour candidate, was 9th, and Howard, the Socialist, 14th.⁽¹²⁾ In Port Elizabeth, of 11 candidates for 5 seats, the Labour candidate, Williams, was 9th in order of the number of votes cast.⁽¹³⁾

Thus, in spite of the depression, which with its attendant distress gravely affected the working classes, the Labour and Socialist candidates failed to secure election. Labour organisation in the Cape Colony was, as yet, weak, and none of the candidates

(7) C.T. 20.2.1908
 (8) C.T. 12.2.1908
 (9) C.T. 4.3.1908
 (10) C.T. 7.4.1908
 (11) Ross, p.11
 (12) C.T. 14.3.1908
 (13) C.T. 2.4.1908

(14) C.T. 15.3.1908
 (15) Howard 1908, p. 133
 (16) C.T. 4.7.1908

was of sufficient personality to use to advantage the circumstances then prevailing. It is interesting to note, however, that in a debate in the House of Assembly on the Draft Act of Union, D. M. Brown said that if the principle of proportional representation had been adopted for the elections, "In Cape Town, very probably a Labour member would have been returned."⁽¹⁴⁾

So it fell to Merriman, described by a journal which often criticized him as "brilliant, versatile and fascinating but often unaccountable",⁽¹⁵⁾ to restore the Cape's financial equilibrium. He had the confidence of all; in the past, as Treasurer, he had raised the financial credit of the Colony and had succeeded in obtaining loans on good terms.⁽¹⁶⁾ In July, in the adjourned Budget debate, a political opponent, MacIntosh, Progressive member for Port Elizabeth, said, "... he believed there was a feeling of confidence that, of all men in the House, he [Merriman] was the man who could grapple with the [financial] position, provided political considerations did not prevent him."⁽¹⁷⁾

The first matter to occupy his attention on assuming office, however, was the Customs Convention. The previous year, the Transvaal had withdrawn from it,⁽¹⁸⁾ but that colony was by no means the only dissatisfied party, for as Lord Selborne so aptly described it, the Convention was no more than "... a compromise between five Colonial Customs policies, almost universally disliked, tolerated only because men shrink aghast from the consequences of the disruption of the Convention".⁽¹⁹⁾

The Inter-Colonial Conference at Pretoria of May, 1908 was convened to discuss tariff and railway rates. The latter had long caused ill-feeling between the colonies, and was a question especially urgent to the Cape: as Jagger said, of the

(14) Hansard 1909, p. 144
(15) C.T. 14.3.1908
(16) Merriman, p. 334
(17) Hansard 1908, p. 133
(18) Hansard 1907, p. 1
(19) C.T. 4.7.1907

Cape's debt of £51,000,000 in 1908, £31,000,000 were invested in the Colony's railways, and an important reason for the Cape's financial straits was to be found in the deficits incurred by the Railways during the two previous years. (20)

The conflicting interests between the inland and the coastal colonies prevented agreement being reached at the Conference: the Transvaal wished to abolish differential railway rates and opposed an increase in Customs tariffs as the latter would increase the cost of living in that colony, but the coastal colonies wished to increase some duties in the interests of protection, and also to increase railway rates and customs duties to cover their deficits and equalise revenue and expenditure.

Discussion resulted in a modification of the problem as follows: the Transvaal wanted the differential railway rates abolished; the Cape and Natal were willing to forego an increase in rated duties if the Transvaal would agree to a small general increase in the ad valorem duties. (21)

No agreement could be reached, and the Conference ended on 29th May, adopting a resolution that in view of the impossibility of reconciling the various interests of the colonies, and in view also of the fact that if closer union were to be achieved, the customs and railway tariffs would again be changed, it was wiser to leave the existing fiscal arrangements in force until 30th June, 1909, excepting minor amendments agreed to at the Conference. (22)

The failure to reach agreement on these questions hindered the Cape economically. As Walton remarked:

".... the whole of our agricultural and industrial enterprises were crippled by the fact that there was a change hanging over the country. The unsettled tariff prevented men from investing their capital in new enterprises, because they did not know what was going to happen. Therefore a postponement of a settlement of the tariff was a most serious factor in our immediate development." (23)

On 26th June, the House went into Committee of Ways and

(20) C.T. 13.6.1908. Addressing the Cape Parliamentary Debating Society

(21) C.T. 28.5.1908

(22) C.T. 30.5.1908

(23) Hansard 1908, p. 82

Means to consider increases in the Customs duties on beads, corn and grain, malted barley, glucose, vinegar, riding saddles, trophies intended to be presented as prizes, certain vegetable oils not intended for manufacturing, and potassium and sodium chloride. The wine farmers were pleased with the increased duty on imported vinegar, which would encourage sales of the Colonial product, ⁽²⁴⁾ and with that on malted barley, because most of the barley used by Cape brewers was imported, so the price of beer would rise, and demand would tend to switch to Colonial wine. ⁽²⁵⁾ The Customs Union Convention and Railway Agreement were approved on 3rd July, ⁽²⁶⁾ and the relevant Bill received the Governor's assent on 4th August. ⁽²⁷⁾

1908 was an unhappy year financially for several countries, and events overseas recoiled to the detriment of the already distressed Cape Colony. 1907 had seen a serious financial panic and recession in the United States of America. The latter resulted from two factors. One was a world-wide shortage of capital owing, firstly, to its destruction in three wars - the American against Spain, 1898, the Anglo-Boer, 1899-1902, and the Russo-Japanese, 1904-5 - and, secondly, to the heavy demand for it to finance industrial and railroad expansion ⁽²⁸⁾ and over-speculation in connection therewith - a demand so unprecedented and accompanied by such high interest rates that even Consols were neglected and on 12th August sank to 80 $\frac{1}{2}$, ⁽²⁹⁾ their lowest mark since 1847-8. ⁽³⁰⁾ The other factor, so far as America was concerned, was bad banking policy. ⁽³¹⁾ As a result, although the United States started

(24) *Ibid.*, pp. 82-3 (25) *Ibid.*, p. 88 (26) *Ibid.*, p. 124

(27) Acts of Parliament, 1908, p. 5351

(28) *The Economic Journal*, vol. XVIII, pp. 355 ff.

(29) *Political Science Quarterly*, pp. 456-7

(30) C.T. 13.8.1907. *Pol. Sc. Quar.* says 83, but Consols sank below this price on several occasions; see C.T. 12.8.1907 and 13.8.1907

(31) Both the *Pol. Sc. Quar.*, an American publication, and the *Econ. Journal* (British) agree that bad banking policy was important, but differ as to the way in which banking policy was erroneous. Also, the American journal gives as an additional factor the great increase in the world's supply of gold during the previous decade (not mentioned by the British journal) combined with banking generosity in granting

over 22,000,000 annually. The diamond slump cost
 1907-8
 the financial year/with a surplus of 84½ million dollars, it
 ended it with a deficit of 59½ million dollars, a difference
 of nearly 144 millions. (32) In April, 1908, there was a serious
 slump in Canada (33) and Germany was borrowing heavily to cover
 deficits caused by a great increase in rearmament expenditure, so
 that at one stage German 3% stocks were quoted at two points lower
 than even Cape 3% stocks. (34) The world's money markets were
 still throughout the second and third quarters of 1908, (35) by
 which time, in Britain, unemployment was serious, especially in
 the building trade and heavy engineering, and revenue tended to
 decline. (36)

In such a year, Merriman set about attempting to effect a
 recovery in the Cape Colony's financial position. At the out-
 set, the recession in America dealt the Cape a severe blow, for
 America bought most of the Cape's diamonds and in January, 1908,
 diamonds were reported to be "almost unsaleable" in New York. (37)
 A few days later, it was announced that De Beers and the Premier
 Mine had agreed to restrict output during the crisis; (38) but in
 July, a further announcement told that De Beers would cease ope-
 rations as from 1st August. (39) By the end of the month, 20,000
 employees had been discharged. (40) The value of diamonds ex-
 ported in 1908 was only £3,192,000, less than half the value for
 1906. (41)

If the diamond slump affected only diamond exports, the
 matter would have been serious enough. However, as Merriman
 said, De Beers provided half the Colony's purchasing power, paying

(31) cont. credit. The increased supplies of gold may well have
 been behind much of the trouble as being inflationary in
 effect - consider, e.g., the inflation in Europe which fol-
 lowed the introduction of gold and silver from the Americas
 in the sixteenth and early seventeenth centuries.

(32) "Record of Political Events" in Pol.Sc.Quar. p.752. Defence
 expenditure was partly responsible. See C.T. 6.7.1908

(33) C.T. 21.4.1908 (34) C.T. 5.5.1908 (36) Ibid., pp. 485-6

(35) "City Notes" in Econ. Journ., pp. 662-3

(37) C.T.9.1.1908 (38) C.T. 14.1.1908

(39) Ross, p. 26 (40) Hansard 1908, p. 659

(41) Ross, p. 37, quoting Cape Statistical Register, 1909

over £2,000,000 annually in wages.⁽⁴²⁾ The diamond slump cost the Cape £320,000 in railway revenue and £200,000 in general revenue.⁽⁴³⁾ None could envy the new Treasurer-General!

The debates on the taxation proposals revealed the outstanding Presenting his Budget in June, Merriman said: "I think I may safely say that it is not very often that a British colony has found itself in a more uncomfortable financial position than that of the Colony of the Cape of Good Hope at the present time. ... And the worst feature of the thing is that there has been no tremendous crisis, but the country, as you may say, is normal ... There has been an enormous increase of stock in the last few years, which adds today very much to the wealth of the country. We have opened up new avenues of trade in a great many directions, which ought to add to the income of the country. But there is no doubt about it that there is a depression brooding over the whole country, and that the finances of the country are in a most seriously disordered condition." He attributed the persistence of the depression to Walton's over-estimate of revenue and to the diamond slump: revenue for 1907-8 would fail to reach the estimated amount by £1,017,000, and would help to raise the accumulated deficit to £2,912,000.⁽⁴⁴⁾ Revenue, as finally ascertained, totalled £6,982,000 and expenditure £9,795,000.⁽⁴⁵⁾

Merriman submitted five proposals to restore the colony's finances. He hoped to raise £550,000 from an Income Tax, including a tax of 10/- on earnings between £50 and £100; he intended to increase estate and succession duties; he proposed to tax patent and proprietary medicines, many of which contained alcohol, and to increase fees for general dealers', hardware importers', game and patent medicine licences, as well as those of the agents of foreign firms; he wished, reluctantly, to suspend the sinking fund, a step against which, he admitted, he had

(42) C.T. 9.4.1908

(44) Hansard 1908, pp. 93-6

(43) Hansard 1908, p. 423

(45) Statistical Register, 1908, pp. 48 and 51 respectively

often spoken; and lastly, he intended to save £150,000 by deducting 5% from Civil Servants' salaries. He estimated that, if agreed to, these proposals would bring in nearly £1,000,000. (46)

The debates on the taxation proposals revealed two outstanding features. One was the earnest desire of the House, despite the inevitable entry of party spirit, to co-operate with Merriman in setting the colony's finances in order, a desire made all the stronger by a patriotic wish to see the Colony enter possible union with the other colonies as nearly solvent as possible; Merriman availed himself of several Opposition suggestions. The other was Merriman's inability to frame a complete programme of taxation and other measures to lay before the House; for the five proposals above did not represent his final plan. At intervals during the debate he brought forward new proposals or amended those under consideration, to the bewilderment of the House. Apparently, Merriman, who had frequently criticized Walton for inaccurate forecasting, himself found difficulty in framing estimates. It would seem that the depression, with its attendant fall in the consumption of goods, made exact determination of the probable yield from a particular source difficult. Also, in many cases Merriman was tapping new sources of revenue and lacked figures from previous years on which to base his calculations. Carelessness also seems to have played a part, as exemplified by the anomaly in the income tax proposals according to which the highest incomes were now to pay less, whereas the lowest paid more - an oversight which Merriman was soon compelled to rectify. (47)

An early revision in the programme concerned the Estate Duties, which were referred to a Select Committee, and later withdrawn in favour of increased succession duties.

Suspension of the Sinking Fund was supported by Jagger (48)

(46) Ibid., p. 101
(48) Hansard 1908, p. 129

(47) C.T. 6.7.1908

in unopposed passage; (49) but a Bill embodying the measure had a quiet passage. (50) The taxation and retrenchment proposals, however, led to a fierce verbal conflagration within Parliament, and to public demonstration without.

Criticism of the taxation proposals centred round, firstly, the taxation of earnings under £300; and secondly, the heavier burden to be borne by the townsman as compared with the farmer. The Opposition had urban support. On 5th July, what was described as "a huge crowd" gathered on the Grand Parade, called together by an organisation known as the Social Democratic Federation. A resolution was passed condemning the proposals and pledging those present to resist paying the taxes. (51) The Cape Town Chamber of Commerce, and a special public meeting called by the Mayor of Cape Town, also condemned taxation of those earning under £300. (52)

The Opposition struggled to relieve those earning under £300 a year. Fear of heavy taxation and unemployment, said Walton, had caused many to leave the Cape - 2,000 in the last three weeks alone - and he urged Merriman to replace taxation on the £100 group by a cigarette tax. (53) Cronwright-Schreiner suggested the substitution of a licence fee of £10 on each of the Colony's 3,000 professional men, and heavier taxation of non-resident shareholders; (54) and Schreiner, in addition to a tax on professional men, proposed others on advertisements, the re-issue of banknotes, and vehicles. (55) However, Merriman refused to surrender, and in the committee stage, even an attempt to exempt married men earning under £300 a year was defeated. (56)

Jagger made several practical suggestions which Merriman incorporated among his amendments, for example, the almost total abolition of railway concessions (which saved £40,000), reductions

(49) Ibid., p. 103
(51) C.T. 6.7.1908
(53) Hansard 1908 pp. 205-6
(55) Ibid., pp. 215-6

(50) Ibid., p. 394
(52) C.T. 21.7.1908
(54) Ibid., pp. 212-3
(56) Ibid., pp. 350-1

in unpaying train services (which were expected to save £80,000), and new goods rates.⁽⁵⁷⁾ It was Jagger who led the Opposition attack on the heaviness with which the taxation proposals bore on the towns.⁽⁵⁸⁾ Merriman attempted to parry this attack - the drought-stricken north-west could not pay a land-tax, he said; it was difficult to assess a farmer's income, and he would rely on a farmer's patriotism for the payment of a fair share of the taxation!⁽⁵⁹⁾ It did not require much shrewdness to realise that where money matters of that sort enter, patriotism is prone to flee, and Jagger resumed his demands, for a tax on unimproved land that would both yield revenue and encourage cultivation. In certain districts, such as Caledon, he said, land had appreciated greatly as a result of railway expansion that was paid for largely by the town-dweller.⁽⁶⁰⁾ Merriman relented and, modifying his original proposals once again, pleased Jagger by devising a land tax based on 6% of the Divisional Council valuation of land. The Income Tax Bill was finally passed on 13th August.⁽⁶¹⁾

Other taxation concerned stamp duties, and impositions on certain classes of tobacconists and of commercial travellers, and aroused the dislike of commercial men in the House, such as Jagger, MacIntosh, Baxter and Ginsberg,⁽⁶²⁾ but were accepted⁽⁶³⁾ with minor amendments.⁽⁶⁴⁾ Merriman introduced further amendments to his taxation proposals on realising that trebling the succession duties would not compensate for the loss caused by abandoning the estate duties, so he stated he would have recourse to still more retrenchment than was provided in the Special Retrenchment Bill.⁽⁶⁵⁾ Later he introduced a tax on ostrich feather dealers⁽⁶⁶⁾ and their agents.⁽⁶⁷⁾

(57) Ibid., p. 346
(58) Ibid., pp. 129-30
(59) Ibid., pp. 201-2
(60) Ibid., p. 209
(61) Ibid., p. 516
(62) Ibid., pp. 581-4
(63) Ibid., p. 715
(64) Ibid., p. 622
(65) Ibid., pp. 585-7
(66) Ibid., p. 597
(67) Ibid., p. 623

On 20th July, Merriman introduced the second reading of a drastic measure, the Special Retrenchment Bill, stating that he had a painful duty to perform, and that whether the Bill was passed or not, he would be "the most universally detested man in the whole Government". Although the Bill was harsh, proposing a uniform reduction of 5% in Civil Servants' salaries, he said it would be harsher to have to tell the Civil Servants that the Government was bankrupt and unable to pay their salaries. (68)

Jagger objected to the omission of reductions in judges' salaries and wanted the salaries of Civil Servants earning under £300 a year to be exempted from taxation. (69) Walton and Smartt contended that Merriman should exhaust other sources of taxation before having recourse to Civil Servants' salaries. Burton, the Attorney-General, answered Jagger's objections by stating that it was not in the interests of justice to interfere with judges' salaries; and that the differentiation between the salaries of married men and single was unrealistic, as a single man might also have dependants. The second reading of the Bill was passed by 62 votes to 27; (70) the Bill received the Governor's assent on 30th July. (71)

The length of the debates on these financial measures was matched by the earnestness of the speakers. Party politics inevitably entered into them, each group trying to shift the burden of taxation on to the other, with townsman and farmer eventually both more heavily taxed than before. Stripped of their political trappings, the debates reveal the finest brains in a House containing many capable men putting forward many practical suggestions to relieve the Cape's financial embarrassment and an honest attempt by the Opposition to help the "ten-bobbers" - those with incomes of between £50 and £100 subject to 10/- tax. The severity of the depression was re-

(68) Ibid., p. 273
(70) Ibid., pp. 285-7

(69) Ibid., pp. 281-2
(71) Acts of Parliament, 1908, p. 5349

vealed by the number of new sources of taxation - ostrich feathers and professional men, to mention only two. It is clear that the previous Administration had left numerous sources of taxation untouched, which if resorted to would have helped the Cape and have incurred greater resentment among the electorate than did the measures Jameson imposed. The reluctance of the South African Party during the elections to discuss their financial programme is also explained; had they intimated what was in store for the electorate, their majority would have been considerably smaller.

Although Merriman's efforts to rescue the Cape earned him hatred, (72) his administration was in no danger of being defeated, for which other party could be elected to power? Deeply though many in Parliament were opposed to his taxation of incomes under £300, the assembly was aware that, if anyone, only Merriman could restore financial equilibrium. The seriousness of the position is revealed by the fact that, able though he was, and so often accused of pessimism, his revised estimates of revenue for 1907-8 were nearly half a million pounds in excess of receipts (73) and that he had constantly to change his taxation proposals.

Finally, the debates reveal Merriman's courage in standing by his proposals because he knew that the only road out of the Cape's difficulties was the long, stony one; opposition, criticisms and rancour could not stir him, deeply though he was pained at some of the accusations hurled at him, and at the distress he realised would result from the steps he felt compelled to take. (74)

Investors had confidence in Merriman, despite the public outcry against his Budget. A week after the session ended on 11th September, Merriman floated a loan of 4% stock in the Cape itself. The lists closed on 6th October, subscriptions from the Colony alone exceeding the £1½ million sought, (75) bearing

(72) See e.g. Merriman, p. 248, in which it is stated that both he and Mrs. Merriman received threatening letters.

(73) Hansard 1908, pp. 619 and 621

(74) Merriman, p. 248

(75) Ross, p. 27

out the truth of the statement quoted earlier⁽⁷⁶⁾ that a considerable amount of money in the Cape was merely awaiting a propitious moment for investment.

By the time when the next Budget was presented, there were signs of an economic revival in the Colony, not sufficient, however, to merit relaxation of taxation. Rains had benefited agriculture, although viticulture was still depressed;⁽⁷⁷⁾ exports to the other South African colonies, especially of agricultural produce and livestock, were increasing;⁽⁷⁸⁾ the diamond-mining industry was recovering;⁽⁷⁹⁾ Cape stocks were quoted higher; the first three months of the financial year 1909-10 showed improved customs and railway returns and savings bank deposits; the number of Natives going to the Rand had increased from 18,420 in May, 1907 to 46,562 in March, 1909, involving increased purchasing power in the Cape when they returned with their earnings. With prudence, said Merriman, the Colony's finances would soon recover.⁽⁸⁰⁾

Revenue for 1908-9 was £7,312,000, whereas £7,972,000 (£660,000 more) had been estimated. Expenditure, at £7,677,000, was £513,000 less than estimated, £178,000 thereof, however, resulting from the suspension of the Sinking Fund. The deficit for the year was £365,000, and the accumulated deficit, £3,623,000.⁽⁸¹⁾ On 1st January, 1908, the public debt had been approximately £51,000,000; it was now £52,737,000.⁽⁸⁰⁾

The year's deficit, said Merriman, was largely due to the depression in the diamond industry. Customs revenue was short by £297,000 and railway receipts by £128,000. He had over-estimated transfer duties by £30,000, income tax receipts by £56,000, succession duty by £51,000, the Excise by £37,000, licence fees by £14,000, and stamp duties by £33,000.⁽⁸¹⁾

(76) p. 33 (77) Hansard 1909, pp. 157-8
(78) Ibid., p. 247 (79) O.L. 30.11.1909
(80) Hansard 1909, pp. 249-50 (81) Ibid., pp. 245-6

Regarding 1909-10, Merriman said he had experienced pressure in regard to two matters - a reduction of the Excise, and a larger Government contribution to education. (82) A commission, he said, had recommended differentiation between wine brandy and other brandy, and, therefore, to encourage the production and encouragement of the better product, he would halve the Excise on wine brandy, thereby losing £35,000 in revenue. Petitions had complained that his measure of the previous year, financing education from local rates, had been burdensome in several districts, and detrimental to education, so he would return to the £ for £ system, any deficiency to be borne by local rates, not exceeding 1/8d. (one-eighth pence) in the £. (83)

To cover most of the loss from halving the Excise, he would readjust farmers' income tax; £40,000 of the £75,000 additional expenditure on education would come from a cigarette tax. (84) He estimated revenue for the year at £8,193,000, and expenditure at £8,256,000, leaving a deficiency of £63,000, which would be met by savings on the Estimates, as not all was spent that was provided for. (85) The reductions in Civil Servants' salaries were to continue for another year, (86) although, a few days later, Merriman expressed the hope that by the time of Union, he would be able to refund at least a part of these deductions. (87)

The Budget was favourably received by the House, but the Opposition were quick to use the reduction in the Excise to try to persuade Merriman to exempt at least married men earning under £100 annually, from income tax. Merriman replied that he had helped the poorer section by relieving the School Boards and that

(82) See p. 110. (83) Hansard 1909, pp. 251-3
(84) On p. 29 of his thesis, Ross states: "Faced with an estimated loss of £35,000 through the reduction of from 6/- to 3/- per gallon in the Wine Brandy Excise to which he had been compelled to agree, he imposed the 1d. tax on cigarettes and hoped to raise £40,000 thereby ..." In fact, as stated above, the cigarette tax was imposed to cover some of the extra expenditure on education; the loss of revenue from halving the Excise, a concession to agriculture, was made up by increased income tax imposed on the agriculturists.
(85) Hansard 1909, p. 253 (86) Ibid., p. 180
(87) Ibid., p. 298

the Colony could not afford to lose the revenue from the "ten-bobbers".⁽⁸⁸⁾ Some members feared that the cigarette tax would cause more unemployment. Others wanted it increased from ½d. to 1d., either to relieve the £50 a year group from income tax, or to encourage locally-grown tobacco. Merriman replied that such taxation could only be increased with the consent of the other colonies.⁽⁸⁹⁾

As will be seen, Merriman's estimates were more than realised. His measures to restore the Cape's economy were severe, but their justification lies in his success in dealing with a situation that may be described as desperate: in the year ended 31st March, 1909, retrenchment was so drastic as to save the Cape £200,000,⁽⁹⁰⁾ yet in a short period of five years, the Cape's expenditure as a whole had had to be cut by 30-35%.⁽⁹¹⁾

The question arises as to how far the Cape's recovery was due to Merriman, and how far to the general recovery noted. Members on both sides of the House congratulated Merriman on balancing revenue and expenditure. Withinshaw, however, and later the "Cape Times",⁽⁹²⁾ were inclined to give credit to the overall revival. Although congratulating Merriman on the economies effected in the railways, Withinshaw thought that the Colony was recovering despite, rather than because of, the Premier's measures.⁽⁹³⁾ In fact, however, the revival in the Colony concerned commerce rather than the Government revenue, as is evident from the fact that revenue for the year ended 30th April, 1908 totalled £7,488,000 and for that ended 30th April, 1910, despite heavier taxation, only £7,458,000; yet whereas in 1908 the deficiency exceeded half-a-million pounds, in 1910 there was a surplus of well over a hundred thousand.⁽⁹²⁾ These figures prove Merriman's financial skill and effectively rebut any suggestion that it was not his

(88) *Ibid.*, pp. 392-8
(90) *Ibid.*, p. 281
(92) Ross, p. 31
(93) Hansard 1909, p. 354

(89) *Ibid.*, pp. 292-4
(91) *Ibid.*, p. 254

efforts which deserve the overwhelming weight of credit.

At the same time, it is not detracting from this credit to state the circumstances by which he was assisted. The general revival played its part; and the latter was due to a considerable extent to Jameson's policy of developing the Colony's resources. A House that had learnt the lesson of imprudent borrowing and spending also helped him: the debates reveal a genuine desire by members of both parties to co-operate in restoring solvency to the Cape. Local patriotism was partly responsible for this co-operation, as is clearly seen from the words of Walton: "It was essential both from the history and traditions of the people of the Colony, that when they entered Union it should not be possible for any of the other States to say that the Cape Colony came into Union as a bankrupt State."⁽⁹⁴⁾ Even in this way, approaching Union was helping to cure the Cape's financial ills. The only justification for bringing it in.⁽²⁾ It was designed to meet, to some extent at least, "... one of the most widespread agitations the Colony had ever known..." By reducing the excise on pure wine brandy to 3/- per gallon and leaving that on the inferior "dog" brandy at 6/-, it was hoped to encourage the production of good brandy.⁽³⁾

The Bill provoked criticism from several quarters. Walton gave as the Unionists' objections, firstly, that the Excise was smaller than that imposed by any other South African colony or European country; secondly, that the Excise would inevitably be altered within a short time by the Union Parliament; thirdly, that the existing Excise had resulted in a better quality spirit being produced; fourthly, that new distillers would attempt to classify inferior brandy as superior in order to obtain the lower

(94) Ibid., p. 275 that the loss of revenue would be heavy, nearer £100,000 than the £35,000 mentioned by Merriman.⁽⁴⁾ The loss of

(1) p. 99

(3) Ibid., p. 217

(2) Harvard 1909, p. 630

(4) Ibid., p. 518

CHAPTER FIVE

THE DEPRESSION DURING THE MERRIMAN ADMINISTRATION

(continued)

The Political Significance of the Depression in
Viticulture - Education - Closer Union - The Cape
recovers from the Depression - Summary

The depression in viticulture was prominent in debates during the Merriman administration, as it had been during Jameson's, and during 1909, especially, the depression in the brandy trade resulted in great political pressure being brought to bear on the Premier.

The Excise Duties Amendment Bill had been foreshadowed in Merriman's 1909 Budget speech. (1) During the ensuing debate on the Bill, Merriman admitted that "the object of that measure was to give some relief to the wine-farmers, and that was the only justification for bringing it in." (2) It was designed to meet, to some extent at least, "... one of the most widespread agitations the Colony had ever known..." By reducing the excise on pure wine brandy to 3/- per gallon and leaving that on the inferior "dop" brandy at 6/-, it was hoped to encourage the production of good brandy. (3)

The Bill provoked criticism from several quarters. Walton gave as the Unionists' objections, firstly, that the Excise was smaller than that imposed by any other South African colony or European country; secondly, that the Excise would inevitably be altered within a short time by the Union Parliament; thirdly, that the existing Excise had resulted in a better quality spirit being produced; fourthly, that now distillers would attempt to classify inferior brandy as superior in order to obtain the lower Excise; fifthly, that the loss of revenue would be heavy, nearer £100,000 than the £35,000 mentioned by Merriman. (4) The loss of

(1) p. 99.

(3) Ibid., p. 617

(2) Hansard 1909, p. 630

(4) Ibid., p. 618

the 1906 Act, for it disallowed the dilution of wine by the revenue at a time when the Cape's finances were strained and when addition of foreign substances, such as sugar and salicylic acid, favouring, however, could be added to brandy. The people earning £50 were subject to 10/- Income Tax, evoked strong protest, (5) and Jagger accused the Government of breaking faith with the other parties to Union. (6)

The brandy farmers objected to the clause which subjected existing stocks of brandy to the 6/- per gallon excise. (4) The merchants in the House, notably Jagger and Withinshaw, feared that the excise on acetic acid would ruin those engaged in its manufacture and in pickling. (7)

The third reading, however, passed by the comfortable margin of 23 votes. (8)

Though Cape viticulture was still in a depressed state, Cape wines and brandies had increased in popularity because of an improvement in quality resulting from the establishment of central wineries, systematic fermentation, and the introduction of better and disease-resisting vines. (9)

In 1907, Cape exports of brandy to other colonies increased from 113,000 to 123,000 gallons, and of wine from 97,000 to 140,000 gallons. (10) The Pretoria Customs Convention of 1908 was also beneficial, for it increased the duty on imported vinegar (11) and on malted barley - the latter being used in the brewing of beer, an increase in the price of the product would tend to encourage demand to switch to wine. (12)

Nevertheless, the local wine and brandy industry still suffered from the operations of unscrupulous merchants who obtained quick and easy profits by selling immature or low quality brandy to ready markets in Durban or on the Witwatersrand. (13)

It was the aim of Malan's Wine, Spirits, Beer and Vinegar Bill to assist viticulture and conscientious traders by making these detrimental practices illegal. The Bill went further than

(5) Ibid., p. 628 (6) Ibid., p. 631 (7) Ibid., p. 620
(8) Ibid., p. 643 (9) C.T. 9.6.1908 (10) Hansard 1908, p.570
(11) Ibid., pp. 82-3 (12) Ibid., p. 88
(13) C.T. 9.6.1908

(14) See the statement of the Independent, W. F. Schreiner, that were it not for this, most of the opposition to the Bill would disappear. Ibid., p. 634
(15) Ibid., pp. 627-8
(16) Ibid., pp. 630-1 (on p. 630 inf.)

the 1906 Act, for it disallowed the dilution of wine by the addition of foreign substances, such as sugar and salicylic acid. Flavouring, however, could be added to brandy. The Bill introduced the first legislation in the Cape for beer; it defined beer, and only beer according to this definition could be sold. If vinegar, which was not wine vinegar, was sold, the container had in future to be labelled to this effect. Smartt congratulated Malan on his Bill and assured him of Opposition support. (14)

The Opposition reception of the next liquor measure, the Light Wine Licences Bill, was the reverse of cordial, however, though it was clear from the outset that hostility was not confined to one side of the House, for the second reading was passed by only seven votes. (15) Nor was the storm confined to the precincts of Parliament, for nearly 3,000 women of Cape Town and its suburbs signed a petition against the Bill. (16)

In essence, the measure proposed to allow shops and cafés to sell light wines on obtaining a licence. Opposition to it centred chiefly on the fear that drunkenness would be encouraged, (17) that women, youths (18) and Natives (19) would obtain liquor too easily, and that it destroyed the principle of local option. (20) The defenders of the Bill contended that it was in the interests of sobriety (21) in encouraging the consumption of light wines in preference to brandy, and that it was a blow against the tied-house monopoly. (22)

Indeed, the Merriman of 1908 was not the Merriman of 1888 so far as this measure was concerned. Smartt quoted from the record of parliamentary debates to show that twenty years before, the Premier had condemned the opening of shops where liquor could

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- (14) Hansard 1908, pp. 288-9 (15) *Ibid.*, p. 674
(16) *Ibid.*, p. 641 (17) *Ibid.*, pp. 629, 662-3
(18) *Ibid.*, pp. 632 and 652
(19) Merriman had received telegrams on this aspect of the matter. Hansard 1908, p. 627
(20) See e.g. the statement of the Independent, W. P. Schreiner, that were it not for this, most of the opposition to the Bill would disappear. *Ibid.*, p. 654
(21) *Ibid.*, p. 661 (22) *Ibid.*, pp. 627-8
(23) *Ibid.*, pp. 670-1 (on p. 105 *inf.*)

be bought cheaply and emphasised the bad effects of wine. In those days, said Smartt, Merriman was not troubled by the pressure now exerted upon him.⁽²³⁾

Merriman refused to allow local option, which, he said, fostered monopolies in the large towns. Smartt was amazed that Merriman, previously a supporter of local option, now turned against it, especially in view of the opinion of the Colony as a whole. The best that Merriman would concede was an amendment whereby, in effect, a licence would be issued for 12 months, after which two-thirds of the residents in the locality could object to its renewal. T. Searle introduced an amendment aimed at reintroducing local option⁽²⁴⁾ and voting on it was 46-46, only the Chairman's casting vote defeating it.⁽²⁵⁾ The House sat through the night of 4th September till 2.31 a.m. on the following morning.⁽²⁶⁾

Finally the Government had to give way, though not before the third reading, when it was announced that the Bill would be amended in the Legislative Council.⁽²⁷⁾ These amendments, Burton claimed, embraced the principle of local option as was provided in the Innes Liquor Act. The Bill was passed on 11th September, having, as "Ons Land" alleged, been rendered innocuous.⁽²⁸⁾

By the middle of 1909, it had become clear that the scheme of brandy advances adopted in 1904 had not succeeded in achieving its two-fold aim of improving the quality of Cape brandy or of helping the brandy farmer. The matter was therefore referred to a Select Committee for investigation.⁽²⁹⁾ On 19th August, Merriman moved that the Majority Report of this Committee be adopted; but De Villiers moved in favour of the Minority Report which recommended that the Government should take over the stocks of liquor stored under the scheme.⁽³⁰⁾ In June the next year,

(23) see p. 104 *supra* (24) *Ibid.*, pp. 708-10
(25) *Ibid.*, p. 714 (26) *Ibid.*, p. 729
(27) *Ibid.*, p. 754 (28) O.L. 28.9.1909
(29) *Hansard* 1908, p. 316 (30) *Hansard* 1908, p. 564

in view of the agitation over the Excise, however, Merriman was eventually induced to take over the securities, representing over 1,000,000 gallons of brandy, against which advances of £200,000 had been made, and dispose of it, but not in South Africa. (31)

A tremendous agitation had arisen in favour of abolishing the Excise, although in June, 1908, the Bond Congress had voted in favour of retaining it. (32) Merriman could not acquiesce, however, because of the state of the Colony's finances. (33)

The wine farmers held several meetings at which the Excise was condemned, and they even attempted to effect an amendment in the draft Act of Union. At Paarl, on 27th February, 1909, a meeting addressed among others by Kohler passed a resolution aiming at amending Section 117 of the draft Act so as to abolish the Excise. During March, both Sauer and Lord de Villiers, delegates to the National Convention, paid visits to Paarl, stressing the importance of closer union and the beneficial effects which would flow therefrom. (34)

In April, a great protest meeting was held in Cape Town, attended by so many farmers that special trains were run to convey them. Hofmeyr was asked to address the meeting, but this, his last public speech, was different in tone from what the organisers hoped, for he stated **boldly** that the abolition of the Excise would not relieve the depression in the viticulture, and advised farmers to pay more attention to improving the quality of their product. Hofmeyr's counsel drew from Merriman a letter of appreciation. The meeting was followed by a deputation to the Prime Minister, who promised to appoint a Commission of Inquiry, but refused to repeal the Excise. The reply led to a demonstration outside Parliament; and later a four-man deputation under Kohler was despatched to Bloemfontein to plead with the National Convention at its last sitting, but to no avail. More

(31) Hansard 1909, p. 194 (32) C.T. 10.6.1908
(33) The Life of Jan Hendrik Hofmeyr (Onze Jan), J. H. Hofmeyr
and F. W. Reitz, p. 630
(34) Ross, p. 47

meetings were held, and it seemed likely that the powerful wine interest in the Cape Parliament might obstruct the passage of the revised draft Act of Union. (35)

On 24th September, the report of the Wine Commission was made known. It favoured the reduction of the Excise and the removal of the restrictions which coupled it to spirits. (36)

Merriman refused to reconsider his stand, however. Towards the end of the month and at the beginning of October, petitions poured in from the wine-producing districts, calling for the abolition of the Excise. (37)

On 30th September, De Villiers asked Merriman if the Government would soon introduce legislation to help the brandy farmers, and if so, what form the help would take. (38) Presenting the Budget on 5th October, Merriman announced that he would assist the wine farmers by differential licence charges according to whether a trader sold only Colonial, or Colonial and imported liquor. Repeal of the Excise, he said, would arouse strong feeling among the other colonies and the Union Parliament would reimpose it at a higher rate. As stated earlier, he granted a concession in halving the wine brandy excise, which would involve £35,000, all but £5,000 of which he would recover by readjusting farmers' income tax. (39)

The viticulturists were still not satisfied. Two days later, Krige moved that, in the opinion of the House, the railway rates on Colonial wines and brandies should be calculated on the same basis as were other Colonial products. Beck, too, complained of the high rates on wine and brandy; but Jagger pointed out that, as in the case of diamonds and coal, an article was often rated according to value rather than bulk, hence the higher rates charged for transporting wine as compared with beer. Sauer

(35) Hofmeyr, pp. 630-1 and Ross, p. 48

(36) Ross p. 63, footnote

(37) Hansard 1909, pp. 223 and 233. One from a Burghersdorp farmer opposed the repeal.

(38) Ibid., p. 234

(39) Ibid., pp. 252-3

said he would approach the other States, as in terms of the Convention he was bound to do, and endeavour to obtain their consent to a reduction in the railway rates concerned. The motion was carried, (40) but nearly three weeks later Sauer could still not report progress in his negotiations. (41)

By October the revenue of the Cape had improved, and Merriman announced a halving of the Excise, adding that no further restrictions were to be placed on the consumption of liquor by Natives, nor on local option, and that he would take steps to encourage the sale of light wines. (42)

One of these steps was the opening of a wine bar on Cape Town station for the sale of Cape wines, the Good Templars protesting because further encouragement was given to the sale of liquor, and the Opposition because the principle of local option was violated. (43) Bam described the bar as a great success. (44)

A second measure provoked considerable ill-temper in the House. On 21st October, in the Legislative Council, Merriman introduced a Bill to amend the Light Wine Licences Act of 1908. The second and third readings there passed by only two votes each, and after the second reading in the House of Assembly, Merriman voted for the Bill's discharge and re-introduced it in the Lower House on 8th November, amended so as to authorise municipal councils, instead of licensing courts, to issue licences. (45)

Smartt stated that, whereas at the beginning of the session Merriman had avoided contentious legislation, pressure had now forced him to do otherwise. (46) Hewat, Bam, (47) and others also accused the Government of a change of policy. Several members deplored the introduction of a Bill which would divide the House just before the discussions on Union. (48) The Opposition contended that the whole country, apart from the wine farmers, opposed the Bill; (49) a resolution of the Cape Town Municipal

(40) Ibid., pp. 264-6 (41) Hansard 1909, p. 369
(42) Ibid., p. 297 (43) Ibid., pp. 333-4
(44) Ibid., p. 346 (45) Ross, p. 54
(46) Hansard 1909, p. 458 (47) Ibid., pp. 509 and 512 respectively
(48) See e.g. Hewat (p. 510) and Long
(p. 517), ibid. (49) Ibid., p. 515

Council condemned it by 16 votes to 2. (50)

In the Second Reading of the Bill, Smartt threatened that his party would obstruct the passage of the Bill to the best of its ability: "We are not anxious in any way to delay the business of the House, but I say that we will use every measure [sic] that Parliamentary procedure allows to defeat, if we possibly can, the passage of this measure." (51)

Numerous amendments were proposed, some of them aimed at giving local residents more say in deciding the issue of licences, but most of them were merely obstructive. (52) On one occasion, the closure was applied, amid Opposition indignation. (53) The only important amendment accepted forbade the sale of liquor inside Native locations within municipal boundaries. (54) The Bill was finally passed on 23rd November. (55)

The depression in the wine and brandy industries, therefore, led Parliament to devote considerable time to liquor legislation, much of it contentious, during Merriman's administration. The liquor interest in his party, said to number sixteen members (56) representing an industry in which one-tenth of the population of the Colony was stated to be engaged, (57) forced Merriman to introduce legislation which was not only politically embarrassing to him, but also financially so at a time when the Treasury needed money desperately.

On 6th May, 1909, the Cape viticulturists presented a petition to the National Convention at Bloemfontein, requesting speedy relief for their industry. (58) Later, they attempted to obstruct the passage of the draft Act of Union in the Cape Parliament. In view of the foregoing, it is not surprising that Merriman wrote to the Agent-General, French, on 1st December, 1909: "The Session has not, I think, weakened the Govern-

(50) Ibid., p. 512 (51) Ibid., p. 461
(52) e.g. those on pp. 535 and 556, ibid. (53) Ibid., p. 518
(54) Ibid., p. 527 (55) Ross, p. 54
(56) Hansard 1909, p. 509 (57) O.L. 25.9.1909
(58) Minutes and Proceedings with Annexures (selected) of the South African National Convention, p. 256

ment but it has damaged the Colony to a certain extent and has very prejudicially affected my own position vis-a-vis Union, which was in some measure the aim of our wine people."⁽⁵⁹⁾

For the year 1907-8, the School Board Act of 1905 "had been a dead letter for want of funds".⁽⁶⁰⁾ Because of the Cape's financial circumstances, in 1908 a Bill was introduced whereby, as from 31st December, 1907, School Board deficits were to be met not by Government grant, but by a house tax payable by the occupier. Parliamentary grants would be made, however, in cases where the inhabitants were too poor or where the rateable value of houses was too small.⁽⁶¹⁾ By July, 1908, the deficits under the 1905 Act totalled nearly £260,000;⁽⁶²⁾ as the Unionist, Jagger, admitted, by making the Government responsible for half the deficits, that Act had encouraged extravagance,⁽⁶³⁾ whereas the Government could barely afford the minimum necessary for education.

The Opposition criticized the change in policy: the financial burden people had to bear in hard times was increased, and teachers' salaries, and consequently the retention of good teachers, were jeopardised.⁽⁶³⁾ The School Boards might have to economise to the detriment of education.⁽⁶⁴⁾ The Independent, W. P. Schreiner, declared that the Government had no mandate to shift the cost of education to the occupiers of houses, and warned the Government that by not contributing to the cost of education, it might lose control over it.⁽⁶⁵⁾

The 1908 Act was unsatisfactory, and resulted in a petition of protest being sent to Merriman, who had only brought the measure in because of the Colony's financial plight, as De Waal admitted

(59) Merriman, p. 311
(61) C.T. 4.7.1908
(63) Ibid., p. 696
(65) Ibid., pp. 189-190
(60) Hansard 1908, p. 180
(62) Hansard 1908, p. 180
(64) Ibid., p. 740
(60) cont. See also De Waal's remarks, Ibid., p. 31

the next year when he introduced the School Board Further Amendment Bill, adding that "They had made the burden doubly heavy, and he confessed that, from an educational standpoint, an error had been committed." the Act of 1908 was an unfortunate one

The relevant local taxation would be replaced by a land tax of 1/8d. (one-eighth pence) in the £, and the £ for £ system would be reintroduced so as to restore education to a sound financial footing. Teachers' salaries had suffered; and it was hoped that the present Bill would lead to compulsory education being applied in thirty to forty districts instead of merely twelve, as was then the case. (66)

Crewe, who had introduced the 1905 Act, described the Bill as satisfactory; (67) Cronwright-Schreiner welcomed it for removing the grievances of the rural population concerning the unequal burden of financing education. (68)

Jagger, who had had considerable experience on School Boards, (69) and MacIntosh, (70) thought that the Bill would over-centralise control of education in the hands of inefficient government departmental subordinates. (71) A serious omission in this and other educational Bills of the decade was that of provision for industrial education. (72)

The Bill would cost the Cape an additional £75,000, to cover which Merriman imposed a cigarette tax (73) of ½d. per ½-oz. to come into force on 16th November. (74)

Debates on the Education Bills of 1908 and 1909 were remarkably free of party spirit. Despite the severe cuts in expenditure in many departments, the Merriman Government spent more than £500,000 per year on education, a figure only reached in one other year of the decade. Although as compared with 1907,

(66) *Ibid.*, pp. 318-9

(68) *Ibid.*, pl 321

(70) *Hansard* 1909, p. 362

(71) *Ibid.*, pp. 357-8

(73) *Hansard* 1909, p. 253

(74) O.L. 18.11.1909

(67) *Ibid.*, p. 319

(69) See Malan's tribute, *Hansard* 1908, p. 698

(72) See Beck's remarks, p.504, *Hansard* 1908

school attendance for 1908 declined, it showed substantial recovery in 1909, and in 1910 exceeded that for 1907. (75) Parliament realised that economy in regard to education was false

economy, and although the Act of 1908 was an unfortunate one passed because of the Colony's financial straits, its defects were soon realised and remedied.

Higher education suffered even more than school. In 1908, 3.96% of the total vote for education was devoted to higher learning, as compared with 5.5% in 1904 and 6.1% in 1902. (76)

After 31st May, 1910, the Union Parliament would provide money for education according to the vote for 1908-9, and until the Commission of Inquiry into the financial relations which should exist between the Union and the Provinces submitted its report. (77)

Despite the depression, expenditure on education increased from nearly £288,000 in 1902 to nearly £522,000 in 1909 as a result of the increase in the number of pupils, white and other, from 145,348 to 174,649, and in 1910, 185,711. (78) Satisfactory though this advance was, the tendency of the depression was to retard progress, as is shown by the delay in carrying out the 1905 Act, and by the promulgation of that of 1908, and it can safely be said that had the depression not intervened, further progress would have been made.

After the Anglo-Boer War, it was natural - one might say logical - that in time the two coastal colonies and the two former republics should enter into closer political association. Geographically and economically, the territory south of the Limpopo, if not of the Zambezi, was a unit, and much of the territory's post-war economic troubles resulted from its historical and artificial division into four separate communities tantamount

(75) See table, Malherbe, p. 174 (76) Malherbe, p. 163
(77) Act of Union, Section 118(a)
(78) See table, Malherbe, p. 174

which were a feature of the Colonial Conventions made merchants to a refusal to acknowledge its essential unity of material interest.

The question arises as to how the depression affected co-operation between the English and the Dutch. The historian, E. A. Walker, states that by 1906 a "new spirit of a South African as distinct from a British or an Africander or a purely provincial patriotism" was evident, and quotes W. P. Schreiner as having said that "Our financial and trade depression ... has had much to do with fanning the nascent flame of national patriotism."⁽⁷⁹⁾ To the mind of at least one Colonial observer, alive at the time, the depression fostered a love for South Africa among both sections of its white population.

Several factors connected with the depression concerned all four colonies, and several others were of peculiar importance to the Cape. Also, the depression was in many ways not only the result of disunity, but it also tended to foster disunity.

Although there would have been railway and customs "wars" between the Colonies without the intervention of the depression, it is understandable that a depression must have increased the bitterness of such conflicts, because it increased the importance of every obtainable £ to each colony's economic survival. The weakness of the disunited colonies against a powerful adversary such as the Shipping Ring has been noted.⁽⁸⁰⁾ - a weakness upon which, if it wished, the Ring could play to create havoc with the depressed colonies' railway revenues. Four small colonies, each approaching the world's money markets, had less chance of obtaining favourable terms than if they could offer their combined resources as security. The country's financial burdens were increased by the cost of four administrations for a small population, it being thought that one central administration would be cheaper. The frequent changes in customs and railway rates

(79) W. P. Schreiner: A South African, p. 275

(80) p. 47

which were a feature of the Customs Conventions made merchants hesitate to invest their money, and to this extent, trade was discouraged. With unification, each colony could produce the goods best suited to it, thus avoiding protection against another colony's goods and therefore high prices.⁽⁸¹⁾ The depression, by adding to the importance of these factors, tended also to emphasise the underlying need for that closer association of the colonies that would alleviate their disadvantages.

So far as the Cape Colony itself was concerned, the question of the closer association of the colonies in relation to the depression was regarded from several different points of view. Some saw union or federation as a way out of the Cape's financial difficulties. As early as June, 1905, a correspondent to the "Cape Times", writing about the Colony being "in the throes of one of the most gloomy depressions that has ever affected this country", stated: "I must confess that the only chance I see for Cape Colony is in federation..." Others favoured entering into the proposed closer union because of the danger of staying out - the loss of the Transvaal as a market, and the loss of a share of the railway traffic to the Rand. As Jagger said, staying out of Union would mean for the Cape "increased taxation, for they must meet their revenue and must pay their way. It would mean further retrenchment, with all its attendant misery.... It would mean that all public works would be put back, and would continue to be put back as far as the future was concerned; and it would also mean a severe blow to the agricultural interests in this country"⁽⁸²⁾ (that is, in the Cape).

Generally speaking, Cape opinion feared that although closer union would solve the Colony's difficulties arising from the depression, the latter would prove a detrimental factor in the "downright, hard business arguments"⁽⁸³⁾ which would inevitably arise at the Conference-table at which union was discussed; and

(81) C.T. 15.5.1908. "The Commercial and Industrial Aspects of the Union of the South African states." Address by J. B. Young

(82) Hansard 1909, p. 54

(83) Jameson's words, Hansard 1907, p. 230

feared also that the financially stronger Transvaal would dominate the Union Parliament. (84)

By May, 1908, when the Railway and Customs Conference adopted the principle of closer union, (85) the latter had been widely publicized and discussed. (86) The correct psychological moment had arrived to form a constitution; delay being perhaps even more perilous for future Cape entry into Union than for the other colonies, on account of its depression. (87) Merriman's motion agreeing to the Conference's resolutions on closer union was unanimously accepted by the House, and the Cape delegates were named. (88)

Sessions of the National Convention were held at Durban (12th October - 5th November, 1908), Cape Town (23rd November - 18th December, 1908, and 11th January - 3rd February, 1909), and at Bloemfontein (3rd - 11th May, 1909). (89) The Transvaal began the 1908-9 financial year with a surplus of £909,000, (90) and the Cape Colony with an accumulated deficit of over three-and-a-quarter millions. (91) If financial well-being was to be a leading bargaining factor, the Cape was at a decided disadvantage.

In a postscript to the entry in his Daybook on 12th January, 1909, one of the Cape delegates, F. S. Malan, wrote: "Since the reopening of the Conference there has been a strained feeling as if a deadlock has been reached. The finances and the capital: these two matters are played off against one another, and no progress is made. The Transvaalers are pushing Pretoria as a capital and use their financial position to strengthen their

(84) A fear shared i.a. by Hofmeyr and the late Rhodes (Walton: The Inner History of the National Convention of South Africa, pp. 50-1). See also Cronwright-Schreiner's speech, Hansard 1909, pp. 19-20

(85) C.T. 6.5.1908 (86) Die Konvensie-Dagboek van F.S. Malan, pp. 7-12

(87) "I quite agree with you as to the necessity of pushing the question of Union. There is just a probability that if we three States - Transvaal, O.R.C. [sic] and Cape - insist, we can carry the thing by a coup de main; while if we wait, I can quite foresee that it may be a very long business; and in the interval we may be crushed by the financial situation!" Merriman to Smuts, 24.2.1908, in Merriman, p. 261

(88) Hansard 1908, pp. 48 (where, incidentally, Jagger's name is omitted) and 733 (89) N.C. Minutes, facing Table of Contents. (90) Hansard 1909, p. 51 (91) Cuthbert, App. IX

argument without, of course, expressing it."⁽⁹²⁾ Ten days later, in recording Botha's comparison of the advantages and disadvantages of Pretoria and Cape Town as capital city, he wrote that the Transvaal Prime Minister had said: "One should not lose sight of the fact that the Transvaal would bring a surplus of one million into the Union Treasury annually." This, said Botha, he merely mentioned "as a fact!"⁽⁹³⁾ The Transvaal delegates argued that under Union the Transvalers "would be relieving the Cape taxpayer, and would probably have to bear heavier burdens of taxation themselves" on the Cape's account, and that therefore the Cape should be satisfied with what it would assuredly obtain from Union, namely, relief from its financial difficulties,⁽⁹⁴⁾ and should not also hanker after having Cape Town as the country's capital. On February 2nd, the deadlock over the choice of the capital was broken by the acceptance of the arrangement that still obtains, with Cape Town the seat of the legislature and Pretoria the administrative capital.⁽⁹⁵⁾

Its depressed financial condition therefore weighed heavily against the Cape in its attempts to have Cape Town as the South African capital. Had the Cape Colony been financially as strong, or nearly as strong, as the Transvaal, the latter's most powerful point in favour of Pretoria would have been nullified, and it may be that allied with its other claims, its equal prosperity would have enabled the Cape to have its way. It seems at least as likely, however, that a financially strong Cape and a financially strong Transvaal would have produced an even more serious deadlock, which might have enabled one of the small dogs, the Orange Free State, to grab the bone⁽⁹⁶⁾ by having centrally-situated Bloemfontein as the Union capital.⁽⁹⁷⁾ From this point of view, the depression may well have brought the Cape the legislative capital, whereas otherwise it might not have gained even this honour.

(92) Malan, p. 159 (93) *Ibid.*, p. 187; see also p. 217
(94) Walton, pp. 267-8 (95) *Ibid.*, p. 282
(96) Using Fischer's metaphor. Walton, p. 269
(97) As it was, the O.R.C. delegates seemed at one stage to have a good chance of success; see Malan, p. 207, and especially Walton, p. 280

Several matters which were connected with the depression, and which had featured in Cape politics, arose at the Convention.

One of these was the division of the traffic to the Rand. The prosperity of the four colonies, united or separate, depended on the Rand gold mines. If the latter failed, the new Union would sink into economic doldrums. The Chinese labourers having been repatriated and the demand for Native labour increasing, the Transvaal had concluded negotiations with Portugal for a treaty similar to the modus vivendi. Transvaal commerce supported the treaty, but Louis Botha first sought the approval of the other colonies. The National Convention's Finance Committee, of which Merriman and Jagger were members, ⁽⁹⁸⁾ could not reach agreement on the proposed treaty, which embodied a revision of the shares of the various ports in the Transvaal trade, and so referred it to the Prime Ministers. The latter agreed as follows: Delagoa Bay should be allotted 50%, Natal 30% and the Cape Colony 20%. The agreement was not favourably regarded by the Convention, nor later when Union was established. The treaty was sanctioned by implication in terms of Section 148(1) of the Act of Union. ⁽⁹⁹⁾

On the last day of the Convention, Sauer attempted to offset the higher percentage of traffic allotted to Natal by suggesting that the Durban-Transvaal line should not be improved before Union, a strange proposal that failed. ⁽¹⁰⁰⁾

Deferred ocean freight rebates, too, found a place in the Convention's deliberations. The delegates disapproved of the system and resented the recently-announced intention of the Conference Lines to increase the rate on maize exports. In May, 1909, the Convention adopted the report of the Finance Committee which recommended that with reference to the proposed increase, negotiations on the Ocean Mail contract be suspended until the Constitutional deputation reached London, any increase in the

(98) Walton, p. 230
(100) Malan, pp. 249-50

(99) Ibid., pp. 258-60 and the relevant section of the Act.

maize rates in the interval to be regarded as an unfriendly act by the governments of the colonies. In 1911, the Post Office Act of the Union Parliament contained clauses aimed at the deferred rebate system. (101)

The depressed state of the coastal colonies as compared with the prosperity of the northern entered into the question of taxation. The Transvaal did not want its share of taxation increased to support the southern colonies, yet it was felt impracticable to have different taxation for different parts of the Union. In drafting the Constitution, therefore, it was considered advisable to omit reference to taxation. (102)

Clause 118 of the Draft Constitution provided for a Commission of Inquiry to investigate the relations which should exist between the Union Parliament and the Provinces. Until that Commission reported, the services of the Provinces would be met from a Consolidated Revenue Fund. The Commission's investigations might cover several years, however, and "... it was felt by some of the Cape delegates that consideration should meanwhile be given to the higher taxation paid by the Cape, both by taxes imposed by the Government *and* in rates for education and for local works". Van Heerden's motion on the matter, however, failed, because the Cape would be receiving special treatment, and because, it was said, despite its heavy taxation, the Cape would still probably incur a deficit for the current year. (103)

The first session of the Cape Parliament in 1909 was called to discuss the draft Constitution. (104) On 31st March, Merriman moved that the House go into committee to approve the draft, (105) saying, among other things, that the depression in South Africa was largely due to disunion which caused uncertainty in market prospects for farmer and merchant. (106)

Although on the whole feeling in the Colony favoured closer union, (107) the draft Act encountered criticism if not opposition.

(101) Walton, p. 261

(103) *Ibid.*, p. 244

(105) Hansard 1909, p. 4

(107) Walton, p. 324

(102) *Ibid.*, p. 232-3

(104) O.L. 4.12.1909

(106) *Ibid.*, p. 10

Clause 117 caused contention. It provided that all revenues should be vested in the Governor-General in Council, and that a Railway and Harbour Fund and a Consolidated Revenue Fund be set up. Retief moved as an amendment that it was open to a colony to alter the incidence of taxation before Union. The viticulturists were behind the motion. The mover stated that the depressed state of the wine industry would cause a reduction in the revenue yield of the Excise. Replying, Merriman indicated the dishonesty of agreeing to Union and then diminishing the Colony's revenue. Although Retief withdrew his amendment,⁽¹⁰⁸⁾ the viticulturists' efforts to have the excise abolished did not end here. As noted above,⁽¹⁰⁹⁾ meetings were held and a deputation was sent even to the National Convention.⁽¹¹⁰⁾

Sauer moved the amendment of Section 117 to provide for uniform taxation throughout the Union, as the Cape had a heavy income tax and the Transvaal none. Urging Sauer not to press for a division, Merriman objected that the proposed amendment prejudiced the Cape. The Cape's position, he said, was embarrassing, for the Cape railways ran at a loss, although the Central South African Railway was profitable. Like Jagger, he contended that, before long, taxation in the Union would be uniform.⁽¹¹¹⁾

Regarding education, Clause 118 provided that a sum equal to that voted for 1908-9, and any additional amounts deemed necessary by the Governor-General-in-Council be paid annually to each province from the Consolidated Revenue Fund until the Commission of Inquiry submitted its report. Several speakers feared that the 1908 grant was an inadequate basis. Sauer promised to have the matter clarified, though he was of opinion that Parliament would grant enough extra money, if necessary⁽¹¹²⁾ - an opinion which later proved correct.⁽¹¹³⁾

Clause 149 of the Draft Act, embodying recognition of existing treaties, also had a mixed reception. The Africander Bond

(108) Hansard 1909, pp. 133-5 (109) See p. 106.

(110) See p. 109.

(111) Hansard 1909, pp. 133-4

(112) Ibid., pp. 135-6

(113) Ibid., p. 161

issued a document, signed among others by J. H. Hofmeyr, criticizing, inter alia, this provision, the objection really being to the new treaty between the Transvaal and the Portuguese. (114)

In Parliament, MacIntosh asked Sauer why he had abandoned the standpoint adopted at the 1908 Customs Conference when the Cape had demanded one-third of the Transvaal traffic. He moved that as a copy of the treaty had not been placed before the Convention, it be ratified by the first Union Parliament. Sauer replied that the division of traffic agreed to was more than the Cape would receive from the natural flow of traffic. Jagger said that the treaty was necessary to maintain the labour supply on which the Rand gold mines and South African prosperity depended. The motion was defeated by 40 votes. (115)

The draft Act was finally approved with amendments by both Houses; but these had no connection with the depression.

As may be expected, therefore, the great depression had considerable influence on Cape politics in regard to the proceedings leading to Union. (116) The possibility has been suggested above that the depression resulted in the Cape's obtaining the legislative capital of the country, whereas a prosperous Cape might not have obtained even this. The powerful viticultural interest, affected by the depression in their industry, gave Merriman some anxious moments. Several matters, such as shipping freight rebates, the need for Native labour on the Rand, and the Transvaal treaty with the Portuguese, and the allocation of traffic to the Transvaal, had long been bound up with the depression and Cape politics, and could henceforth be more effectively dealt with by the combined legislative resources of the four colonies.

(114) Walton, p. 322

(115) Hansard 1909, pp. 149-53

(116) I cannot agree with Ross, pp. 118 and 122, who contends that the Cape's financial plight was largely responsible for the Cape doing no more than compromising over the question of the Native and Coloured franchise. Walton and Malan, in the works cited, give no hint that the depression affected the matter. I feel that even a financially strong Cape Colony could not have overcome the deeply-rooted and powerful antipathy of the other three colonies to any extension of the franchise to Non-Europeans in those colonies.

The South Africa Act received the King's assent on 20th September, 1909, and came into force on 31st May, 1910. (117) As from the former month, the Cape maintained an improvement economically and financially. On 9th April, Merriman refunded the Civil Servants the deductions made from their salaries, and with provision made for all its interest, the Cape entered Union with a cash balance of £172,000. (118) It had recovered from the depression.

Thus Merriman succeeded in balancing revenue and expenditure by the time of Union, despite a further decline in revenue from the temporary crippling of one of the Colony's economic mainstays, the diamond industry, and despite also the pressure of the wine and brandy farmers. Taxation (with its attendant retrenchment), liquor and closer union were the three main themes running through the debates during his term of office, overshadowing other issues. The depression and the excise dogged Merriman's steps to the National Convention. The former was a disadvantage to the delegates psychologically and as a bargaining factor; the latter gave Merriman anxiety during the debates on the draft Act of Union in the Cape House of Assembly.

During Merriman's administration, taxation and retrenchment were imposed with increased severity, inducing many to leave the Colony. The fact that despite strong opposition and public demands, no relief was given to the lower income groups, yet Merriman granted relief ~~costing over £200,000~~ to the viticulturists, shows what strong pressure they brought to bear on Merriman. Lack of funds led Merriman to curtail the Government provision for education in 1908, a mistaken policy he was compelled to reverse in 1909. His

(117) The Union of South Africa, B. Worsfold, pp. 128-9
(118) Ross, p. 31

CONCLUSION

financial policy, although it caused hardship, eventually succeeded in enabling the Cape Colony to enter Union with a cash balance, his strict economy having in two years rescued the Cape from the depression which had assailed it since the latter half of 1903.

Two factors were primarily responsible for the Cape Government's financial difficulties. One was its dependence on railway and customs revenue - an almost parasitical dependence in the case of the transit trade to the Transvaal - rather than upon sounder sources; for although the same is not true of its diamond-mining, its agriculture and many of its manufacturing industries needed protective tariffs before their products could compete with imported. If that revenue decreased, as for example, by a port, such as Delagoa Bay, siphoning off some of the transit trade to the interior, the Government's financial troubles increased accordingly. The other factor was the annual over-estimates of revenue due partly to an unrealistic view of the financial and economic circumstances and partly to the difficulty of foreseeing the extent to which a declining revenue would fall at the end of a particular year.

The depression caused Jameson to abandon his policy on several points, often as a result of pressure from within his party weakened by differences which can only be accounted for by reference to the depression. The depression also compelled him to impose severe taxation and retrenchment. Consequently, he lost the confidence of Parliament and of the electorate, and was defeated in the former and later at the polls. Nevertheless, in regard to education and the development of the Colony's resources he left the Colony the better off, and so far as his policy concerning the latter is concerned, he lowered the cost of living and also provided for the Colony's prosperity to rest on a more permanent basis.

(1) See Introduction, p. 2

CONCLUSION

In the first year of administration, the disas-
slust So ended the depression which, with its five tentacles, ⁽¹⁾
had gripped the Cape Colony after the Anglo-Boer War and reacted
upon its politics until Union. It remains to sketch briefly
the salient features that emerge from the thesis.

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manent basis.

(1) See Introduction, p. 2

In the first year of Merriman's administration, the diamond slump caused further deterioration in the Cape revenue, resulting in the imposition of increased taxation and retrenchment. The need for entering Union financially sound, if possible, led Merriman in particular and Parliament as a whole to greater efforts to balance revenue and expenditure, but Merriman was subjected to increasing pressure from the viticulturists to introduce legislation which was politically and financially a hindrance to the Government, in order to help their depressed industry. To this pressure he was forced to yield to a limited extent.

Its financial position placed the Cape in an embarrassing position during the inter-colonial discussions on Union. However, although the depression in the Cape and Natal tended to increase inter-colonial squabbles, this very fact emphasized the need for Union, and, taken with its crippling effect on the bargaining potential of the Southern Colonies, the depression may well be said to have made the path to Union easier.

STATISTICS SHOWING EXTENT OF CAPE COLONY'S DEPENDENCE ON RAILWAY AND CUSTOMS REVENUE, AND ANNUAL DECREASES IN CUSTOMS, RAILWAY AND TOTAL REVENUE, 1902-3 TO 1908-9 (1)

(Calculations based on figures obtained from Statistical Register of the Cape Colony, 1909, p. 52)

Financial Year	Total Customs & Railway Revenue	Total Revenue	Decrease as compared with Boom Year 1902-1903	% Decrease	Customs Revenue	Decrease as compared with Boom Year 1902-1903	% Decrease	Railway Revenue	Decrease as compared with Boom Year 1902-1903	% Decrease
1899-1900	4,744,288	6,326,274	1,787,295	16.3	1,879,408	1,106,396	31.6	2,864,880	497,606	8.9
1900-1901	6,044,364	7,957,439	3,228,848	27.6	2,376,341	1,577,600	45.0	4,032,039	1,584,828	28.2
1901-1902	6,817,116	9,050,371	3,464,270	29.6	2,710,118	1,632,523	46.6	3,668,023	1,677,079	29.9
1902-1903	9,121,346	11,701,150	3,999,958	34.2	3,503,479	1,740,079	49.7	4,106,998	3,662,533	34.8
1903-1904	7,516,844	9,913,855	1,787,295	16.3	2,396,583	1,106,396	31.6	5,617,867	5,617,867	100.0
1904-1905	5,958,918	8,472,302	3,228,848	27.6	1,925,879	1,577,600	45.0	4,032,039	4,032,039	100.0
1905-1906	5,811,644	8,236,880	3,464,270	29.6	1,870,956	1,632,523	46.6	3,940,788	3,940,788	100.0
1906-1907	5,425,933	7,701,192	3,999,958	34.2	1,763,400	1,740,079	49.7	3,662,533	3,662,533	100.0
1907-1908	4,637,532	6,981,873	4,719,277	40.3	1,543,088	1,960,391	56.0	3,094,444	3,094,444	100.0
1908-1909	4,318,430	7,512,112	4,389,038	37.5	1,253,051	2,250,428	64.2	3,065,379	2,552,488	45.4

(Figures for 1899-1900 to 1901-2 are included for interest's sake only; war conditions preclude their being regarded as normal years. 1902-3 has been chosen as the basis for the calculations to show how great was the decline that followed the prosperity then prevailing.)

(1) Figures for 11 months 30 June 1909 to 31st May, 1910 are not available.

ANNUAL OVER-ESTIMATES OF REVENUE, 1903-4 TO 1908-9

(Based on figures in Statistical Register of Cape Colony, 1909,
p. 65)

Year	Revenue		Shortfall
	Estimated	Actual	
1902-3	10,350,000	11,701,150	1,351,150 (excess)
1903-4	11,724,000	9,913,855	1,810,145
1904-5	9,717,100	8,472,302	1,244,798
1905-6	8,880,000	8,236,880	643,120
1906-7	8,943,500	7,701,192	1,242,308
1907-8	7,764,600	6,981,873	782,727
1908-9	7,971,320 ⁽¹⁾	7,312,112	659,208

1908 "Actual Revenue" figures from Statistical Register, 1909, p. 52-

Estimated Revenue from the following, in order in "Year" Column:
 G.47-1902, p. 3; G.62-1903, p.5; G.70-1904, p.5;
 G.23-1905, p.5; G.42-1907, p.1; G.60-1907, p.5; G.48-1908, p.5;
 G.1.1910

(1) As amended to include additional taxation imposed during 1908 session.
 The estimates above are in all cases the latest printed, and therefore do not always agree with those given in Budget statements.

SOME CAPE IMPORTS, 1905, WHICH THE CAPE, IT WOULD BE EXPECTED, MIGHT PRODUCE

PROPORTION OWNED BY THE CENTRAL SOUTH AFRICAN RAILWAYS*

(From "Proceedings of the Royal Colonial Institute, 1905-6", p. 221)

(* based on distances according to Selborne Memorandum, p. 74)

DETAILS	VALUE		Mileage owned by U.S.A.R.	%
	Total Mileage	£		
<u>Food, Drink, etc.</u>				
Ale & Beer		86,680		
Butter, Marg, etc.		291,935		
Cheese		88,134	312	35
Chicory		8,844		
Confectionery, Jams etc.		127,364	178	36.7
Flour, wheaten		189,844		
Milk, preserved (1904)		279,814		57.4
Maize		225,973	383	
Oats		15,151		53.6
Wheat		993,804		
Meat, frozen		498,732	261	under 34.8
<u>Spirits</u>		209,397		
<u>Tobacco (unmanfd.)</u>		25,344		
Cigars		55,753		
Tobacco (Manfd.), with Cigarettes unstemmed, and snuff		202,058		
<u>Wine</u>		48,732		
<u>Leather Goods</u>				
Leather - Manufactures		171,880		
Boots & Shoes		765,831		
Saddlery & Harness		54,148		
<u>Candles</u>		86,484		
<u>Soap, common</u>		148,168		
<u>Furniture</u>		462,329		
Total		£5,036,399		

* i.e. Combined Transvaal and Orange River Colony Railways

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LENGTHS OF VARIOUS RAILWAY ROUTES TO JOHANNESBURG, SHOWING
PROPORTION OWNED BY THE CENTRAL SOUTH AFRICAN RAILWAYS*

Acts of Parliament, 1907-9

(% based on distances according to Selborne Memorandum, p. 74)

<u>Route</u>	<u>Total Mileage</u>	<u>Mileage owned by C.S.A.R.</u>	<u>%</u>
Delagoa Bay - Brakpan - Witbank	367	312	85
Durban	485	178	36.7
East London } via Orange River	667)	383	57.4
Port Elizabeth } Colony	715)		
East London } via Fourteen	over 750	261	under 34.8
Port Elizabeth } Streams			

* i.e. Combined Transvaal and Orange River Colony Railways

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