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A THOUSAND MILLION POUNDS

For Us or Germany ?

The Gold of the Far East Rand.

— BY —

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“I mean to say it is not a question of a property worth, say, five millions, or ten, or even a hundred millions. It is a matter of Hundreds of Millions. It is a thing of enormous magnitude.”

[Evidence of Government Mining Engineer.]

“Weak and incapable nations must look on while foreign nationalities gain in number and importance within the borders of their State. There is no third course . . . one is the victor and the other the vanquished. . . . Nations of military ability and economic skill, and of superior culture, will expend their energy in making the national conquest follow in the wake of the political, and every considerable industrial interest ultimately finds political expression in one way or another. . . . When employers and princely merchants like Stumm & Krupp, Ballin & Rathenau, Kirdorf & Borsig, Gwinner & Siemens were found to take advantage of these favourable conditions the successes of the immediate future were bound to fall to industry and commerce.”

[Prince Von Bülow in “Imperial Germany.”]

“Let there be no illusion! The choice lies between State Mining and German finance.”

[Evidence before State Mining Commission.]

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CORRIGENDA.

- p. 56, line 14.—For “*as*” read “*is*.”
- p. 65. Note.—Sir Willem van Hulsteyn was not “Chairman” of the “Concession Inquiry.” He worked up the evidence as assessor. The whole of General Botha’s denunciation of the “Corner House” loan intrigue should be in quotation marks.
- p. 73, nine lines from foot of page.—For “*whole period of 15 years*” read “*total production for the whole period of five years.*”
- p. 102, 17 lines from foot.—For “*Joseph Ross*” read “*Joseph Bros.*”
- p. 129.—Schedule from *Statist* should be headed “Gross profit of value of *intact area*,” not “*initial area.*”

INTRODUCTORY.

It will not be supposed that a book dealing with politico-financial affairs in the Union of South Africa is published in war-time without a large reserve. Yet the authors have tried to reveal at least the nature, if not the extent, of the "German Peril" in South Africa. In no country outside of Germany is the economic control held so dominantly by men of German blood or financial association as in South Africa, though the almost unbroken silence of the Press and Parliament would lead a stranger to believe that no country is so free of the penetrating "hyphenated-alien." It is the fullness of the power that has succeeded, almost without effort, in achieving this euphemism. But if a private person, or an association of such, venture to call attention to the peril, in any but the vaguest terms, a studious public neglect aided by a quietly energetic private persecution is the result. The politicians and the Press will provide an outlet for undirected denunciation of German "frightfulness," but any proposal for specific action against the German power in the country has been met with boycott and down-right hostility.

All over the world, by this time, people have been harshly awakened to the nature of the danger which lurks in the organised German use of commercial privilege. And, *prima facie*, it will not now be imagined that the political agent, who is never separate from any concern where two or three Germans are gathered, has neglected South Africa. From India and Persia, through Turkey, Egypt and North Africa generally southwards, the politico-commercial German influence has left its organism, which needed the stain of blood to make it evident to the unsuspecting Englishman. If desert tribes and remote Asiatic and Mahomedan agencies were considered worth preparing for the Anglo-German struggle, is it likely that the obvious political and financial conditions of South Africa would be overlooked, where a recent war and rebellion had been succeeded by peace when party-politics seemed to be resumed on a basis of racial cleavage, where neighbouring German colonies had long been administered on a purely military system, and where the German Banks had already established a powerful lien on a population numbering a great number of German descent? To these lesions in the national solidarity was added serious labour discontent.

The failure of Beyers and Maritz, the abortive "rebellion," the loyalty of the aboriginals in spite of German "missionaries," and the picturesque campaigns of Generals Botha and Smuts in the neighbouring German Colonies have reassured the just pride of Britons in the equity and sincerity of the South African reconciliation. Some of these matters are out of the bounds of possible

criticism at this time, but it is almost desperately (the adverb is used with intention) necessary to point out that the Germans quickly discovered that there was no hope of any genuine rebellion or military disturbance in the country and concentrated their efforts in the direction of political economics. The unfabled stores of gold lying on the Far East Rand were, and are, their objective. The mastery of these, added to their established grasp of the vacant lands, where German colonists could be imported indefinitely, promised them not only that South Africa would fall into their hands by weight of the influence which such dominant interests must always give, since the franchise would be added to the direct control of the Press and politician, but assured them also of the gold power essential for welt politik.

Germany has lacked gold, and in spite of the aggressive organisation of credit, tariffs and technical efficiency which has enabled its industries to take the lead in the modern world, the financial prestige of London, based on gold, was too strong for overthrow within a period short enough for the impatient conviction of German military superiority.

It is now many years since the higher financial and political command of Prussia determined to possess itself of the gold of the Transvaal. Nor was it quite without significance that the gold mines, during the Anglo-Boer War, were placed under the protection of German "Special Police." The Levant and South Africa were selected as offering the richest promise for financial penetration, and every provision was made to secure success.

Both of the authors have sought for many years to draw attention to the importance of the unexploited gold-ground of the Transvaal and to the deliberate effect of the Gold Law in hindering South Africans and British Colonists from a natural share in this wealth. A certain measure of success seemed to be gained when Lord Milner's Commission on the Gold Law reserved from public pegging the areas in which lie the Thousand Million Pounds worth of Gold which forms the subject of this book. But the anti-national influence has reasserted itself in immense strength, and the means to combat it are almost entirely lacking.

Perhaps the most subtle agency in the way of those who try to uphold the national cause is the folly of the British naturalisation laws. While Germany has quite openly provided that its citizens may "for commercial purposes" avail themselves of foreign citizenship without forfeiting their native allegiance—a superb profession of arrogant dishonesty only possible even in conception because of the belief that British politics were merely those of a stupid "nation boutiquière," which placed "commercial morality" before everything else—the British people have taken a sort of pride in owning these parasites: and our economists have been persuading us that if they are parasites they are of the kind known as "symbiotic" and serviceable to the host upon which they subsist.

For this reason the word "German" has a hazy outline which makes it very difficult to use under clear definition. First, you have the pseudo-historical "Anglo-Saxon people" and the theory,

of Houston Chamberlain for instance, that all of us are really of German stock. This is taught in schools, though it is quite easy to point to the period when the theory was introduced and the purpose behind the teaching. Belief in it has been made more orthodox by the academic influence of *immigrés*, German pedants of the type of the late Prof. Max Muller, of whom Mommsen said during his visit to Oxford: "Have you not a humbug of your own that you should introduce one from Germany?"

Next, there is the person whose German blood dates from several generations back, but has been almost bred out of his veins and entirely out of his consciousness. Next there is the German who genuinely disliked the Prussian régime and has become British in whole-hearted allegiance. Next there is the descendant of such an one who has been attracted back to devotion to the "Fatherland" through the prestige acquired after the Franco-Prussian War and the commercial profit offered by the pan-Germanic organisation for sapping foreign commerce.

There is the alien who has naturalised with us for purely commercial purposes. His allegiance is determined by the spot where his treasure is or where he thinks it may be after the war. He has "a bit both ways," maintains his former German business connections and subscribes to the British loan, advertises that his son is "fighting with the Allies" and preserves the secret of his financial *liaisons*. Hardly more mischievous than he is the "naturalised" who has maintained his German connections openly, frequented German clubs, sent his children to German schools, and used his dual citizenship to keep the German business, registered as British, warm for the return of his masters. This kind changes the spelling of his name, too, and writes of his surprise at the behaviour of his relations under the madness of war. He facilitates the transfer of purely German holdings to neutrals or pseudo-British nominees in order to escape confiscation or the holding up of his bank account. Thus you have German fathers and British children and *vice-versa*. Moving in and among all these, and us, is the "Cosmopolouse" with the ready purse, the market "tip," the entrée to the drawing-room and the friendship of high officials.

A grave injustice may be done to a given person through failure to make the distinction requisite in his case; while a very real danger may be courted by failing to distinguish the intrigue of another. In some cases distinction is almost impossible. The late Mr. Alfred Beit, for instance. He was German in affection to the last—he showed it in his Will and Testament. But none of his English friends doubted his faithfulness, and the officers of the Imperial Light Horse presented him with the flag they had taken at Mafeking in recognition of the services he had rendered to the Regiment at its formation. No doubt the same sort of thing can be said of the late Sir Julius Wernher and many other of our leading Germans.

Quite different from these are men in the position of Messrs. Max Francke, Newhouse (né Neuhaus), the late Sigismund Neumann, Sir George Albu, and others. But it is hard to make

the distinction with justice. Some, perhaps all, of these have now acquired British nationality in good faith. But their financial connections have been officially German and, in South Africa at least, there is no machinery available either to compel them, against their will at all events, to break finally with the German banking system with which they have been in close association in the past, or to enable them, if so disposed, to rid themselves and the quasi-national (South African) interests they represent from the grip of the German banks.

The *persons* of such gentlemen we accept in all good faith as British, but what is one to conclude of their *businesses*?

In this book the rise of the house of Ad. Goerz is described, and it is patent that you had there the direct control of the Deutsche Bank obtaining at one time special privileges even over other banks of this country. Mr. Neuhaus is an official of A. Goerz & Co.: he represents them on mining boards and at the same time he is the local head of the firm Orenstein & Koppel, where the shareholding is entirely German, but which continued, nevertheless, till the other day, to trade within the Union and with the enemy-owned firm in America on the strength of being registered in Natal, the Transvaal, Delagoa and elsewhere. By means of the ramifications of this millionaire firm in America and throughout the world, its transactions were disguised until public opinion was roused by the intervention of the Admiralty. We quote from the evidence from the official copy of the Court, so that readers may draw a conclusion which shall not be unfair either to Mr. Newhouse, who did not appear in person, or to Mr. A. F. Robinson, the English nominee, who did. The story of the financial adventure in Portuguese territory awakens similar misgivings. Fully acquitting these gentlemen of the odious charge of deliberately furthering enemy interests, we ask what is to be done in a country where such things are possible in time of war—where persons of a more or less specific “ligeance” nominally administer enemy funds to the disadvantage of British colonisation. The connection between the Deutsche Bank, Goerz & Co., Koppels, the freight of the ships *Hypatia* and *Shepstone* and others and the syndicate launched by A. F. Robinson to exploit Mozambique draws attention to the fact of the *possibility* of German agents preserving the economic control for the Banking-industrial system of Germany without breach of the law by anyone responsible to our Courts. It is within the knowledge of the authors that certain German interests of magnitude have been sheltered under the personalities of clerks and servants who have not been able to resist the temptation to appear as principals carrying on the business for themselves, while they are under secret engagements to pay a stiff percentage of the profit for the present and to return the business after the war to the enemy control. And when inquiry is made by the State into such affairs the gentlemen who sit on Government Commissions are sometimes the nominees representing the German shareholders.

If the interests we refer to were trifling it would be absurd to attempt to affect the public with the animus necessary to their

ending. *De minimis non curat lex* is a maxim of healthy as well as of dangerous extension. But the issue is very different. In the case of Orenstein—A. Koppel we have a firm governed by a Berlin Council which has been in constant touch with Ad. Goerz & Co. from the beginning. Mr. Neuhaus (or Newhouse) was the representative on the Goerz mining boards as well as the representative of the Berlin control of Koppels. The mines, as we see from the evidence, order immense quantities of stores from the German-owned firm. Mr. Neuhaus of the mines presses Mr. Neuhaus of the machinery firm to supply the mines, even after the war—no doubt for the sake of the mines and, as Mr. Robinson deposed, not in any way for the profit of the supplying firm. A company is set up by Koppels in America for the purpose of deceiving the public there, as Mr. Robinson admitted, and this company transacts the business of Koppels with the private firm of A. F. Robinson, Ltd. Mr. Robinson deposed that this was done for the sake of the mining industry, though perhaps it would have been more in keeping with the rest of his patriotic intentions if he had left the opportunity open to British agents to capture a trade of such magnitude that it left quarter of a million cash in Johannesburg and had a practical monopoly in the trade of certain mines. The truth was that Orenstein—A. Koppel was an essential part of the German system on the Witwatersrand, and the German-controlled mines didn't know how to get on without them.

If the reader will turn to the Chapter dealing with the affairs of Goerz and Co., he will see that the evidence in *re* the *Hypatia* shipment reveals the connection between banks, mines and German industries. Because this connection is made possible, though quite lawfully no doubt, by means of British registration of companies and nationalisation of the representatives of Berlin finance, is that any reason why we should tolerate the laws, or the deliberate neglect of necessary legal reform by public opinion, in time of war or, for that matter, in time of peace?

In the *Goerz* group it was the Deutsche Bank and its subsidiaries which carried out the German aggressive.

In the *General Mining and Finance* group it was the *Dresdner* Bank in connection with the direction of the *Disconto-Gesellschaft*, and *Bleichröder* of Berlin. The Berlin Board has an almost Imperial rank.

Is this connection, too, to be tolerated because Sir George Albu is a British Baronet?

The *Consolidated Mines Selection*, of which Messrs. Kitzinger and Wetzlar are the London managers, was connected with Berlin through the *Bank für Handel und Industrie* and other German banks. The Johannesburg offices of this firm are now in the "Corner House," Johannesburg, but the offices of the Transvaal Coal Trust, under this control, recently moved to the Corner House from the suggestively named Grusonwerk Buildings.

The House of *Neumann* refers us to *Neumann, Luebeck & Co.*, bankers and merchants, and Martin Luebeck was a member of the London Board of the *Dresdner Bank*, on the Committee of the General Mining and Finance Corporation, and a trustee for

debenture-holders of the Victoria Falls Power Co., which got its costly and defective machinery from Germany, and has burdened the mines of the Rand with two or three millions of debentures issued to the German banks.

In the old "Corner House" the tradition of Wernher, Beit and the Ecksteins was not without admirable qualities. But that "House" has almost entirely passed away, leaving a sentimental regret in the minds of old Johannesburgers for men as generous to their employees as the old heads were, and also because they were men able and ready to make decisions for themselves; with the liquidation of the Wernher-Beit estate and the appearance on the Board of the Central Mining and Investment Corporation of Mr. Max Francke, who has appeared in a similar capacity on other Boards where the Dresdner and Deutsche Banks are eminent, there is a new feeling. Responsible heads are not in South Africa, nominees are generally too timid to amend ills and the national interest is disregarded.

If it be assumed, we have no means of ensuring the fact, that the German connections of such firms, with their "predilections" (to use Sir L. Phillips' word) for investing the money from South Africa in the securities of Prussia and her allies, have been broken, we have certainly no means of knowing that they will not be restored. The addition of two or more salaried, or even titled, clerks to the chairs vacated by Germans is nothing. The power that put those clerks there can put them out, and restore the German. And if the Germans be restored the grip of the German Banks will be restored and South Africa will be in pawn to Germany.

Right along the Rand the intrusion of the German Banks was patent, and the movement towards a colossal amalgamation, and the monopoly of not less than Two Thousand Millions of South African gold was well in progress. A house in which German banking connections are not to be found is that of Barnato Bros., which Mr. S. B. Joel is now leading towards greater victories. It was, however, Sir J. B. Robinson's wide realm of Randfontein which he absorbed first, and that was not German. It is, of course, true that the Consolidated Gold Fields House is essentially British and is believed to be patronised by "the upper circles of polite society." But this house has ceased for some time to be assertive in the Transvaal. It has taken interests in Rhodesia and America. On the Witwatersrand its tendency is to "go in with" others rather than to lead, and we see its members mixed up on the other Boards. The demise of Messrs. Rhodes and Rudd has largely deprived the Company of its virile tradition. Why should it, too, up to the outbreak of war, have reached out to the Deutsche Treuhand-Gesellschaft, Kanonier Strasse, its agents in Berlin? Sir Abe Bailey's interests on the Rand do not constitute a "House" in the accepted use of the term, and the death of Sir George Farrar has emptied a niche which has not been refilled. Henderson's has regrettably associated its Daggafontein interests with the Consolidated Mines Selection.

There are the Dettelbach and the Ehrlich connections, too. With the exception of Barnatos and the Consolidated Gold Fields,

nearly the whole Rand has passed or is passing, so far as the higher command is concerned, into the hands of men who are of neither South African nor British blood, and of men, too, who have been constantly associated with foreign banks.

This aggressive control has passed almost without very emphatic public protest until recently; so that no defence was called for. But not long ago Mr. F. R. Lynch offered a defence of the Consolidated Mines Selection at a meeting of the Daggafontein G.M. Co. He presumed that the object of the *Chronicle's* attack was "to so prejudice the chances of one of its subsidiaries that the tender submitted for the lease of the Brakpan Government Mining Area would not be favourably considered. If such was the case, results proved that the efforts in this direction had been futile. As to the allegations themselves, in view of the operation of the Trading with the Enemy Act in England, it was really superfluous to do more than deny them." He confessed that "at the outbreak of hostilities the Consolidated Mines Selection Co. certainly had four German (enemy) directors," but he was "officially informed that only approximately 17½ per cent. of the shares were held by enemy subjects." He and the London directors had near relations fighting or doing work of national importance, and "it is unthinkable," he added, "that I could retain my association with a company which I even suspected of being under German control, or that I could possibly act as a trustee of undisclosed German interests."

But Mr. Lynch is gravely at fault if he imagines the Board of Trade or the Enemy Trading Act can give his company a clean sheet. Why were four of the directors enemy subjects, if only so small a percentage was held by enemy subjects? Is it because the Bank für Handel und Industrie, the Deutsche Bank, the Dresdner Bank and the Disconto-Gesellschaft—immense shareholders until the war at least—were so influential with Messrs. Kitzinger and Wetzlar and other "naturalised" who have gone to the Banks of the "Fatherland" to find controllers of British Companies?

It is unthinkable, as Mr. Lynch says, that he should act as a trustee for German interests, but it appears he has not personally examined the share register of the Consolidated Mines Selection Co., and may be insufficiently informed. Will Mr. Lynch obtain and publish the full list of the shareholders as in, say, June of 1914, and as it was in December, 1916? Have the hyphenated shareholders been off-loading on to the British Market and how are the South African purchases to be explained? If Mr. Lynch is not willing to be at these pains, we shall. In any case, both in the case of the Consolidated Mines Selection and of other Houses with German connections the war has seen no essential changes in the Boards. To make Mr. Sub-Manager Lynch Chairman is not a radical change, is it? If he satisfied the four enemy directors in that capacity, they are not likely to be dismayed at his sitting in the room which the Declaration of War *ipso facto* caused them to vacate.

It is not, however, Mr. Lynch's *bona fides* that is in question: it is a system through which the economic freedom of South Africa is in peril.

When we say that the Chamber of Mines has been in effect a German Committee we certainly do not mean that the members who composed that body were in sympathy or in citizenship German, although out-and-out Germans have presided over it. We mean that the companies having the dominant representation have been either controlled by men of German antecedents or have been in more or less close association with the Banking System of Germany which masses the shares lent to it to nominate the control.

The most influential body in the Chamber of Mines has been the "Corner House." Although the leading members of that House have been Anglicised and many of the principals have proved their loyalty by the devotion of their sons or near relations to the battle-flag of Britain, the problem for us is not the consideration of their personal observation of civic duties. It is hardly questionable whether they share the natural instincts of South Africans or British-born citizens. Thus the long revelation of investments in enemy countries made by company after company, by Sir Lionel Phillips, Mr. Newhouse and Sir George Albu shows that their associates have favoured the transference of money won in South Africa to Government stock of countries whose hostility was hardly a secret. The act of investment was not disloyal in itself but the sentiment that inspired it was foreign to South Africa. Countries have not advanced to prosperity or national unity under such exploitation.

Again, the Chamber of Mines not only invented the Gold Law but has urged even a greater discrimination against South Africans. This is the chief weapon in the hands of the organised millions to deprive the South African of access to the national heritage. No defence of this legislation has ever been offered. On the contrary, it is generally admitted that the Law is anti-national, oppressive and directed to the maintenance of an outside monopoly. Thus Mr. R. Schumacher, who, until the arrival of Mr. Max Francke at least, was fairly high up in the order of seniority among the partners—a "participator" and not merely an employee—was the first of the Chamber to draw public attention to the value of the Far East Rand in a speech made at the Modder B. on the occasion of a visit there by the scientific societies of Johannesburg. On that occasion one of the writers saw him by appointment and discussed the Gold Law. Mr. Schumacher admitted the reasonableness and righteousness of the reforms proposed, and agreed that the attitude of the Chamber of Mines was unjust in supporting a measure which handicapped private endeavour, deprived the State of the advantage of increasing the State-owned gold areas falling to it through the discoveries of the prospector, and also deprived his own "House" of opportunities of sharing in the expansion of the industry by financing such discoveries. He not only agreed, but undertook that representations should be made to the Government by the Chamber to remedy a legitimate grievance. Yet from that time to this no mention has been made in the Chamber of such a necessary reform, although other modifications of the Gold Law have been discussed and the whole question has been the subject of public inquiry by Select Committee of Parliament, by the State Mining Commission,

by Parliament itself and by the public. The *Star* and the *Mining Journal* have not printed a word to reveal a change of policy from the days 1901-2, when representatives of the Chamber urged—in that point fruitlessly—that the Government should not only deprive prospectors of their claims whenever in arrear with the devouring licences, no matter for how long they had paid without a penny of profit, but also that the State should pursue them for payment and imprison them in default! Claim-holders in obedience to Sir Alfred Milner's Proclamation had not paid Transvaal licences during the Anglo-Boer War; the Chamber advocated that the arrears should be recovered by process of law! Loyalty was not defence; lack of "beneficial occupation" no defence. The State, indeed, was willing to forego the payment as a matter of equity, but the companies exacted the pound of flesh. It looks too much as if they intended to keep the Law as a perpetual bridle on individual enterprise.

It can hardly be credited by those who have not understood the determination to obtain monopoly at all cost that even the humane provision of the republic for the exemption of licence dues in case of sickness or the unhealthiness of the locality (Gold Law, Clause 87) was no longer to be allowed. The Chamber's comment to the Milner Commission was: "This Clause seems to be considerably out of date," and they advised that: "If a person holds claims in a locality which he knows, there is no reason why on account of unhealthiness or his sickness he should be exempted from paying licences."

Mr. (now Sir) Drummond Chaplin and Mr. Christopherson, of the Gold Fields, have also admitted the injustice; Mr. Kotzé, the Government Mining Engineer, has added his testimony. But the Chamber of Mines has not budged, and no Government will pass legislation on mining without the *visé* of the Chamber. There is no visible result. The only journal that has spoken of reform in recent years is the Pilgrim's Rest goldfields *Mines and Claimholders' Quarterly*, edited by Mr. Andrew Scrymgeour. The known sentiment of the whole country is disregarded, and intentionally so.

This Magazine, which represents the vigorous prospectors in one of the few districts where prospectors are able to survive (by means of work at the surface) a vigorous and able criticism of the Gold Law has from time to time appeared. The Vice-Chairman of the Mines and Claimholders' Association, Mr. Haskel, attended in Johannesburg to give evidence before the Commission. But these things have nothing more than the most casual notice in the daily Press.

Yet when the "Houses" have desired a change in the Gold Law for their own advantage, the full torrent of Press, platform and politician in Parliament, Minister and Commissions was turned on. When they required larger mynpachts it became the chief national question and even recruiting was forgotten. The country was scared by the "danger of delay." Immediate expansion of the Industry was the cry, and the back-veld members were informed that unless this remedy was immediately applied and the State-claims leased forthwith the landskas (exchequer) would be empty

and the State impotent for projects of agricultural aid. The *Mining Journal* forgot its ancient protest (twenty-five years ago) against the iniquities of the Gold Law and vied with the *Star* in crying for "economic freedom" for their down-trodden patrons. Not a word of the burden of the prospector, of the South African.

A small public association was formed in Johannesburg to call attention to the larger reforms necessary in the projected revision of the Gold Law. The meeting was quickly captured by a sub-committee which had sympathetically acquiesced in the proposals for reform but took no further steps in the matter. On this no word from the Press.

But of all these Houses the staffs are predominantly British in birth and sentiment. Those of them who act as Directors have during this period an unchallengeable power which, if they have the courage to use it in concert, may be directed successfully to extirpate the foreign influence. It is true that most, if not all, of them are removable by the same power that put them there. They have attained the positions they now occupy in virtue of their subordinate positions in the various "Houses." In many cases these "directors" are not even permitted to draw the fees. These emoluments go to the "Houses." But they are in the ascendancy to-day and could easily press forward the legislative measures necessary to free the country. There is Mr. Dawe, of Neumann's, who sits on some fifty boards. No one who knows him would hear a whisper against his loyalty, the thorough sincerity of his patriotism. Certainly the writers would go bail for his good faith, even if it mean a personal sacrifice to himself. We appeal to Mr. Dawe as to Mr. Lynch, to Mr. Wallers and Mr. French, to use the power given them now to purge their companies of the alien or disguised alien influence and to push forward the remedies of the Law. And we make this same appeal to the other Britons responsibly in charge to-day, to strike their blow for their countrymen. The great majority of shares in most cases is held outside of Germany and always has been, in spite of the fact of German control. To create a British or Franco-British organisation for the collection of proxies and the election of genuinely representative Boards would be a reasonably easy work. Let them organise the French, British and South African shareholders; the Imperial Government would no doubt lend assistance, if asked, and the French shareholders would certainly be no less eager to free themselves from the contamination. It would be a gain for Paris. Are the present nominees brave enough for such a work? The means are ready to their hands. A patriotic attempt to oust the enemy-league would be an act of honesty towards the real shareholders as well as of service to their country. We might then see less of the German method of rule-all, grab-all essentially the same in trade and finance as the German method in war.

There is a very real danger that the German control will return after its temporary eclipse during the war. It will not be averted without systematic effort. We do not detect in some of the "naturalised" any disinclination to defend their half-and-half brethren. Sir George Albu was flippant in regard to "tainted"

money—"taint mine, taint yours," he said to the Commission, no doubt truly. There has been a demonstration of something more than friendliness at the German Club and in the meetings held o' nights in the German Church and in certain boarding-houses. There has been overmuch correspondence with the interned—human, no doubt, and pardonable if it were not concerned with issues greater than personal friendships. Gentlemen who have held German proxies, and perhaps still hold them, are appointed to semi-judicial positions to advise the Government.

Most leading lawyers are under retainers and do not enlighten the country on the meaning of "enemy subject."

Apart from the holding of shares by enemies who are protected under the Enemy Trading Act if they should take the precaution to live out of the enemy country, and apart from the enormous weight of bearer-shares passed through the banks of neutral countries, the Union Government, we are informed, can obtain "vesting orders" for something like £8,000,000 of property within the Union owned by enemy subjects, resident in enemy territory, but there is no inquiry made about the far greater sums owned by enemy subjects in this country and elsewhere. We find on inquiry that there is hardly a dorp but has its enemy agent with many thousands or so out on mortgage, a political weapon of no small meaning. Elsewhere we have related the organised effort to control the whole trade, wholesale and retail, of South Africa, and the reason why South African wool has not gone to London market. Trust companies and boards of executors assist throughout the country the financial lien the enemy has established in the mining towns.

The Unionist Party has lent itself to support the fiction that enemy property is really to be vested in the Government, but the public is unaware that "enemy" is defined as applying only to persons now resident in enemy territory. A German shareholder in a wealthy mine, who has slipped across to Sweden for a month or so can actually continue his share in the control by means of a nominee, while the real owner draws the dividends, and the bulk of the enemy-owned property escapes the vesting order.

The "predilection for foreign investments" that existed before the War has not been extirpated, unless the influences which had such predilection are to be barred out. The Corner House has balanced its deposits in enemy countries by subscribing £950,000 to the British War Loan, *i.e.*, £200,000 more than was lent to the enemies. It comes out about equal, since the enemy has had the advantage of the money without interest and for a longer period, at a low rate at best. No shareholder has made a protest. The very choice of Mr. Max Francke, of Düsseldorfstrasse 811, Berlin, W., as the Chief Director shortly before the War does not reveal a "predilection" in favour of national virtue. Messrs. Barnato, the Gold Fields and the Robinson Groups are not less able financiers than the rest, yet their balance-sheets are free from records of investments in enemy countries, such as Sir George Albu and Mr. French, Mr. Newhouse and Mr. Lynch, Sir Lionel Phillips and Mr. Wallers have had to admit. The men who could

elect Mr. Elkan to preside over the Chamber of Mines and pass resolutions appreciating his services, at the very moment he is in Germany, not far from the funds they have invested there, are not deeply prejudiced in favour of their fellow-citizens by law.

But while they have been forced to take this means of calling attention to the German Peril in South Africa, the authors are sincerely anxious to do no injustice to the numbers of Germans naturalised in the Union or to those who in times past, like most Englishmen, saw neither danger nor wrong in being associated either in principal or in service with foreign, and especially German, finance.

There are two sorts of anti-Germans. There are those who are anti-German by nature and those who are so by convention. There are two sorts of pro-Germans. These are the Germans, and—but it is perhaps libellous to call these by so Christian a name. The journals at the outset were sufficiently free from passion to speak of “our friends the enemy” even though their cables were gloomy. The famous hospitality of England was clearly moving some of our “natural leaders” to assume a protective attitude. They objected unmistakably, if silently, to the suggestion that the State should sequestrate the shares of enemy holders and provide against the employment of British miners to create profit for the enemy during the war. They were not moved by the spectacle of the German colours painted on the smoke-stacks of the mines. Nor did they hasten to prevent the transfer of shares or the registration of bearer-warrants for the advantage of the enemy. A prominent member of the Stock Exchange thought it his duty to attack the members of the Petitioners’ Committee and to give evidence, too, in favour of Orenstein-Koppels in their claim against a British insurance company after popular indignation had wrecked the premises. No doubt it is hard to distinguish Germans from ex-Germans.

It is desired, therefore, to make it clear that in this book the word “German” is not used to connote German citizenship or even German birth unless that is specifically and immediately stated. If a company, whatever be its place of registration, has been associated with German Banks, investments or persons, that company is for us “German.” If an individual, whatever his birth or loyalty, have had similar associations he is “German” for us. We look to the effect, not the motive. In such association lies our peril. And the peril is magnified beyond measure because no repentance has come to these our fellow-citizens by birth or prayer to urge them *now* to use the Press and the platforms they control to cut out the German from his moorings here.

Purification by war! Is it truth or a lie? The “vulgarisation” of Nietzsche, Treitschke and Bernhardi, of Fichte and Hegel, due to the cheap publications in the beginning of the War, and so curiously provoking to those who had been familiar with German thinking, has led many English writers and readers to suppose that the moral glorification of war is peculiarly German. War is not congenial to the civilised races as it is to the German who is seen from his first appearance, late in the history of civilisation, as living and preparing for war and eternally unable to witness or

endure without envy the repose of Art and gracious luxury denied to him by Nature. But civilisation, though incompatible with perpetual war or threats of war, is able to fight best if it must. To the civilised man life is precious. Losing it, he loses all that makes life worth living, if the *cliché* may be redeemed by the truism. But Greek and Roman, Frenchman and Briton through the centuries have borne witness to the nobility of war. It sounded like humbug in the Fourth Form when we read *dulce et decorum pro patria mori*. Ugly as a battlefield is it would be beyond endurance if it were not simply true that men find a comely sweetness in death, even death on the Cross. War, like all great crises, reveals a man's self to his surprised eyes. Its immediate necessities of action purge him of unreal beliefs, and give at least a momentary unity of character which is the most exhilarating of human experiences. Like all Necessity, it is the mother not only of invention but of truth and of reconciliation with the unseen greatness that surrounds and supports what is called "conscious" life.

Who did not feel the swell of the spiritual wave that spread over France and England when the horror of war became a fact to be faced? Who has not gone down in the trough of the wave? But because the victory of the Marne gave no more than respite from necessity and Timour Mammon seemed to be more firmly seated on his throne of skulls, another and terribly deep wave is happily lifting us again. Only the poets and the greatest of orators can touch on the mysteries of loyalty with sure good sense. The rest must bear the aching truth in silence or in the glory of action.

Nettleship of Balliol, *tam carum caput*, once told of a theological gaudy he had attended at Cambridge, where a youthful parson had recited the limerick about the King of Siam as an illustration of Oriental fatalism. Some frankly laughed, some as frankly frowned, but the majority looked on this side and on that as though uncertain which to do. Something of the same kind happened in Johannesburg at the onset of the war. The British, for the most part, thrilled to act; the men of the older Colonies of South Africa were not less eager. The German circle were not less, even more, demonstrative in their own way. In the midst were the politicians and cosmopolitans playing on timbrels. There was a rebellion somewhere, but those who knew South Africa did not fear the direct effects of the rebels so much as the effect of the rebels on the politicians. We were unarmed, but that has always been the experience of Johannesburg at the first. The Australians were not yet gone to prove their untravelled hearts. The Indians, we believed, would make no long tarrying if things grew desperate. Men flocked to enlist; for in Johannesburg, as a soldier said of it at the end of the *fin de siècle* war, you had only to blow a whistle to raise an army corps of veterans on the Reef. No doubt, the Government had its difficulties to face, which explains why it was so difficult to find anything to enlist in. The men marked time, and trained volunteer officers learnt that their names were at least in a list somewhere. General Botha took the field against the rebels; the Unionist leaders repeated their votes of confidence in him. All was well. The regiments finally went to somewhere in South-West Africa and the remainder sought an opportunity to go Home.

Difficulties lay in the way there; perhaps it was thought prudent not to send away the fighting men. Those who believed that "the way to Berlin lay through German South-West" had the advantage of the campaign—the out-of-door life and familiarity with regimental routine as well as the hardships of the sand. Afterwards many went on to German East Africa, to a more terrible marching. Many went to England or France on their own account, helping each other in the cost, for there was no one else to help them. Such difficulties were hardly surprising. It was remembered how men had cried and cursed outside the parade ground of the Imperial Light Horse, because there was no room for them inside, in the days when "mounted men were not required." It was more serious when veteran officers returned to say they had been turned down in England, and told that their duty lay in South Africa, where they really were not wanted. Perhaps they were too old. The reaction set in. By and by the Unionists proved their spirit by calling the Labour Party disloyal, much as the same class did in England. But the Labourites quickly showed that they felt they must be national before they could be *international*, and were certainly not the least loyal of the parties. We settled down to look on and raise subscriptions, green veils for soldiers and machine guns, as directed. We knew the chief officers of the Army, approved of French and Haig, of Smith Dorrien and some others; rejoiced to see that some were not required, and hoped that Briggs would get a dashing cavalry command. Perhaps the most trying thing was when we played and sang the Frenchmen out of Park Station. We had learnt the "Marseillaise," and if you had time to turn round to look at the crowd you would have seen more than a thousand men gripping their face muscles beneath their wet eyes while they said or sang that *le jour de gloire est arrivé*. The French women were calmer. *Entendez vous dans les campagnes? Ils viennent jusque dans nos bras. Adieu, adieu.* For us, too, a little later, the casualty lists were full of the names of friends, for we had soldiered with that Army that passed Maubeuge on the way to the Marne. We were in the trough of the wave.

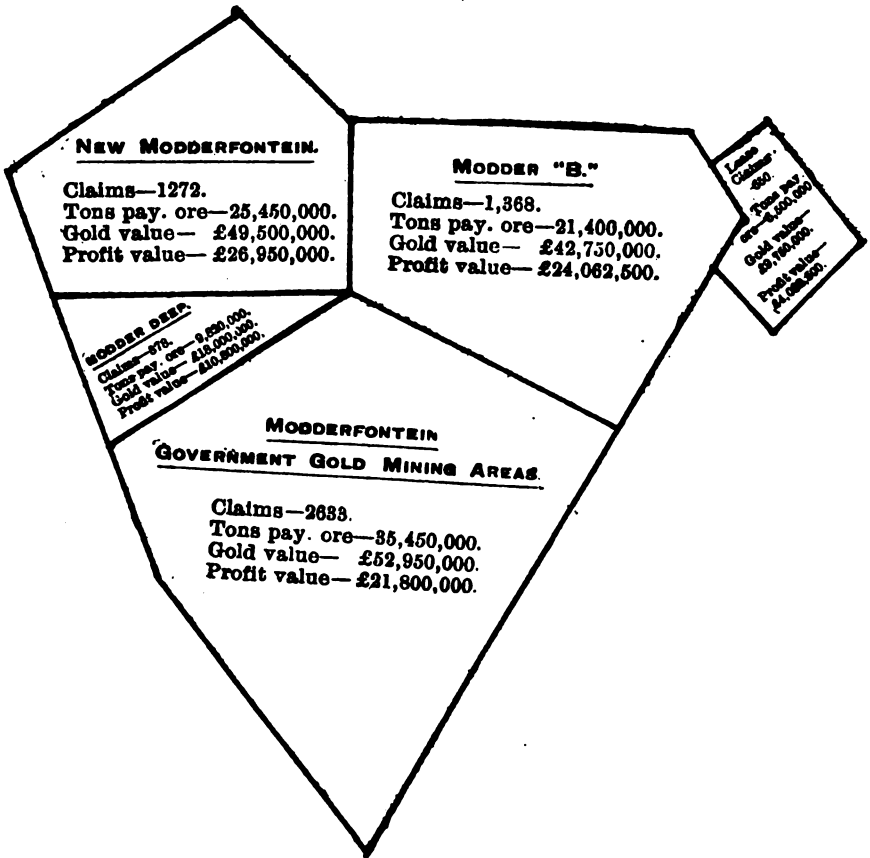
W. E. B.

A. E. O'F.

FOR US OR GERMANY ?

THE GOLD OF THE
FAR EAST RAND.

Diagram illustrating Values of One Farm on Far East Rand.



FARM MODDERFONTEIN, NO. 17.

Claims.	Tons payable ore.	Gold Value.	Profit Value.
6,801	98,620,000	£172,950,000	£87,675,000

Gold content of this farm, according to Government Mining Engineer, is £135,000,000 ... = over	£21,400 per claim
On the basis of the scheduled values the gold content is £172,950,000 =	£27,400 per claim
Ten working mines in this area contain £321,000,000 =	£24,200 per claim
If the State mined 25,000 picked claims in the immediate neighbourhood it would extract over £500,000,000 =	£20,000 per claim
With a direct profit of over	£226,000,000
And an indirect gain of	£140,000,000

That is a total of £366,000,000 within twenty years.

This would pay off the whole National Debt and leave £216,000,000 for revenue and agricultural and industrial expansion.

CHAPTER I.

A THOUSAND MILLION POUNDS.

SUMMARY.—Profound national and international importance of this treasure—Effect on debt, currency and price of commodities—German aim at controlling our gold—Exchange value of gold—Social and economical effects of old and new cumulative outputs—Partial remedies, trade combinations, Tariff Reform—Strange powers of gold—A Rich Country and a poor People—The non-producing capitalist—Without national economical control labourer, employer and middleman suffer—Internal dissension unavoidable without national control—German organised national credit for private competition—German economy of gold—Its danger in defeat—Control of the German revolutionary—By minimising the influence of foreign gold—Victory empty for us if the German system is restored by South African gold—European gold gone to America, which is no longer a debtor country—The war beginning in South Africa—Even without German competition this colossal output needs control—Historical examples of neglect—Bi-metallic controversy—Defensive economics—A new international standard of values—South Africa's peril—Far East Rand analysis; its service to the people of South Africa.

A Thousand Million! Even at a time when all the Great Powers of Europe are piling up a war debt of millions, counted annually by the thousand million, the recent revelation of a National Treasury in South Africa containing a thousand million of the gold itself, with an inner chamber holding possibly as much again, must do more than stimulate the enterprise of those whose business it is to make national assets their own. It must affect in many important ways the business of the world and the economic national rivalries for which preparation, wise or otherwise, is being made.

A tangible asset of such magnitude, so immense an addition to the medium of exchange, one, too, actually in the national possession and requiring no expropriation or injustice to "private" enterprise, differs in reality from the colossal debts which must be spread over generations present and to come. It differs, too, in nature from other forms of "national property"; either that which is owned by citizens upon which the State has taxing power or that which is owned directly by the State, *e.g.*, State railways. For in this case the State can produce directly from its own domain the actual material of international metallic

currency. Though international debts are only nominally paid in gold, they are contracted in terms of gold. The control of the vast sums we have to speak of cannot fail to determine in a large degree the nominal value of the goods which must be produced to liquidate the debt. That control may be made favourable to one's own finance or unfavourable to the finance of a competitor. A large depreciation of the value of gold, in terms of leading commodities, involves a large virtual increase in debts contracted in a period when the gold value of commodities was high. The economic control of ten or twenty times the annual gold output of the world is therefore a consideration of high national importance. And for that very reason it is not surprising to find the German already awake and making his "phalanx" attack with concealed suddenness on these resources in the Union of South Africa, not less accessible to him because they are in British territory. Unless the people of South Africa and of the Empire act rapidly the experience of the war will certainly be renewed in this matter. We shall find the enemy entrenched on our own territory and open only to a long and arduous attack, during which he will suck out no small advantage for himself and inflict heavy casualties on the attackers. He has already the initiative. In hostile hands, moving under the experienced and organic direction of German national policy, as is here described from a close study of it at work in South Africa, the discovery of this gold under the British flag may easily become a national "disaster," and a fresh truth will be found in the familiar lines of Horace—

Aurum inreperitum, et sic melius situm
 Cum terra celat, spernere fortior
 Quam cogere humanos in usus
 Omne sacrum rapiente dextra.

[“Better the gold remain hidden where the earth conceals it than be wrested to the purpose of men to outrage all that we revere.”]

Is it possible that the counsel of Horace may be right on monetary and other grounds summed in the abused word "economical" ? It may be injurious for a single State or for the whole world that it should be flooded with gold. Some consideration of that possibility is profitable, if only because it reveals dangers otherwise forgotten. But the first and almost conclusive reply to such a doubt is that if there be any danger from over-supply, and especially if one's own country and its friends be running that danger, the *obvious step for the gold-owning State is, from the beginning, to retain control of the gold under its dominium*. With the gold in its own hands the State can check the evil as it becomes apparent. Such a State has won the gold power. It has deprived an enemy, a potential enemy, of that power. Another thousand million pounds is not so "useless" as Heligoland.

Whether we like it or not, the gold is here and is going to be dug out. That such news may be disliked by more than poetic, Spartan or socialistic economists was evidenced by at least one member of the State Mining Commission, before which the evidence of its presence was laid. He seemed to regard this cumulative and convincing tale of national wealth as the development of a catastrophe. His frame of mind was not less puzzling because he is a South African by birth, a miner by profession, and recently employed by Messrs. Barnato to manage that portion of these Government areas which was happily acquired on lease and has already given proof of being what Mr. S. B. Joel called it, "one of the best mines on these fields"—giving on Mr. Joel's estimate a *profit* value of twenty-eight and a half millions and on our more conservative figures twenty-one and three-quarter millions *profit*. As this particular jewel is about one-thirtieth of the Government Mining Engineer's

measurement of the gold area under consideration, and about one-twentieth of the area to which we limit the discovery of the first thousand million, one might have expected the ex-manager to be a little less painfully surprised.

Is Gold worth winning? This question has seriously been put in order to dissuade the Union Government from action. Two professors of Political Economy and a *débutant* editor have raised this point. To answer the question fully is beyond the scope of this work. It would involve an analysis of existing and ideal conditions, and while we were in debate the German agents and other "practical-minded" gentlemen would have taken the "risk" and the gold. Employees of German banks have been noble enough to point out the "risks." They are prepared to sacrifice themselves and their country rather than that General Botha should make one false step in an otherwise faultless career. Against these chivalrous entreaties let us provide General Botha with some support, not of the highly philosophical kind, but such as satisfies the multitude.

PRACTICAL EVIDENCE THAT GOLD IS WANTED.

First, there is Lord Buxton,* the Governor-General. His Excellency is reported as describing "every ounce of gold produced by the Rand as shells available for the Allies." If that were quite true the War would have been won. Over twenty million ounces of gold have been sent from the Witwatersrand since the War began, while the poor Germans have been collecting plate and wedding-rings. No, Lord Buxton was treating us as children, and used the exaggeration to stop recruiting. When it comes to fighting, shells are more important than gold, and it takes more than an ounce or two of gold to launch a ton-shell. Watered down, His Excellency's aphorism meant simply that it was better that we should mine here than in Flanders, because the ready supply of specie due to the labour of 23,000 white men aids the national credit to purchase far more munitions than that body of men could make directly. Though why he objected to our "smelling-out" (as he said) the Germans who are going to take away this super-shell matter would need some explanation. No doubt, he was acting constitutionally, and was giving us the "advice of his Ministers." We find, too, that General Botha had made up his mind. For him, at least, the gold is worth having. For on the 11th October, 1914, the Defence Department publicly expressed the hope that men "whose services are essential to the proper working of the mining industry will recognise that their duty to the Union and to the Empire lies not at the front, but in keeping this great Imperial and South African asset, the gold industry, working to its fullest capacity." It is a more patriotic deed to swallow miners' phthisis than to face mere shells. We have, then, two of the highest authorities in South Africa declaring that gold is necessary to the Union and to the Empire.

There is yet a higher authority. The Chamber of Mines has said so, in the person of two Presidents and half-a-dozen ex-Presidents, and they have been supported by the men of German descent and long representative of German interests, like Mr. Newhouse, who have recently adopted our unscientific spelling, in their names at least, to show their devotion to the country which enables them to live.

* The original report of Lord Buxton's speech is not available. The quotation is made from the speech of the Chairman of the Village Main Reef at the 23rd general meeting in London.

Even if these should be at fault, we have Mr. Lloyd George telling us of the supreme value of "silver bullets"; *a fortiori* the golden will avail against the Evil Ones, and the late Minister of Munitions will be gratified at the output of the future also, which, if of no other use, may be a reserve against like perils. The Imperial Government, too, has not only diverted freightage to these parts, and permitted factories in Great Britain to produce for our needs; it has sent the Fleet here to transport the gold. Indeed, when it permitted us to import explosives even, against the hope of gold in return, it went some way to justify the paradox of its representative here.

And not only is the Imperial Government under the illusion that the lack of gold is the tree of all evil fruit, but the German Government agrees. They have been at desperate straits to collect gold, and by draining the country have increased their gold reserve from £68,000,000 to £106,000,000 (at end of 1914). It is true that all these are politicians, and *ex officio* likely to be wrong. But, however wrong they may be, they are part of the system, and we have to consider our gold in the light of their existence and the probability of men thinking in the same way till they disappear. The "business men," who have suddenly acquired a reputation for political capacity, think in the same way. The Bank of England has done what it would do for no wool merchant, meat exporter or food purveyor in this country. It has paid out 99 per cent. of the value on the mere certificate that the gold has been deposited in the local (South African) banks.

Perhaps Mr. Dawe, President of the Chamber of Mines, put the case most moderately at the annual meeting of that body on 27th March, 1916. He said:—

"The ratio of the Transvaal output of gold to the total output of the world continues to increase; it amounted to 40 per cent. in 1915, as compared with 38 per cent. in 1914, and represents 67 per cent. of the gold production of the British Empire. On previous occasions I have referred to the importance of the gold output to the Empire at the present juncture, and, whilst desiring to avoid any exaggeration, I think there can be no doubt that it has been a considerable factor in enabling the Imperial Government to maintain London as an open market for gold. It is true that American exchange loans, the recent arrangement for the purchase of American securities by the Government, and their utilisation to

* "The production of gold is almost as important to Great Britain as fighting services. It was impressed on me very strongly at Home when there was some talk of stopping the manufacture of supplies for this industry, and I had occasion to get into communication with the Minister of Munitions, and, having explained the whole situation, received assurances that as far as possible the gold mining industry should receive every consideration in the manufacture of supplies and the manufacture of spare parts for mine machinery. The line was drawn, of course, at expanse. I could not get the Minister of Munitions to agree to machinery being made for the mines, which is much needed, and which would add to the gold supply hereafter. Here we were met with a perfectly firm refusal, but in keeping the industry going there is recognition in England of its value."—Sir L. Phillips's speech at annual meeting, Chamber of Mines, 1916.

"In the opinion of the Executive Committee, the Industry has reason for congratulation on its position in regard to supplies, and in this connection the Executive Committee wishes to record its appreciation of the facilities given by the Imperial Government for the manufacture of these supplies, and also of the assistance given by the Union Government, the Johannesburg Chamber of Commerce, and the Witwatersrand Commercial Exchange."—Annual report of Chamber of Mines for year 1915.

steady the American exchange, have possibly to some extent reduced the immediate importance of our gold production, but, notwithstanding the arrangements mentioned, no less than £80,000,000 of gold in excess of import was absorbed by the United States during 1915. In the absence of the continued production of the Rand, with the consequent loss of confidence which such absence would have engendered, it is not difficult to realise that the demand for gold for hoarding purposes would have been very much greater, and the difficulties of the Imperial Government in maintaining the money market on a satisfactory basis would have been materially increased."

Incidentally, that shows that the Americans had to part with goods for gold, and seemed to like it, for a time at least. The eighty million they took were almost exactly the South African output for two years. The only further comment the statement requires is that it was made in the full gathering of the Chamber, which is regarded as the "natural leader" of Johannesburg, and is reputed to contain "more brains to the square inch" than any other part of South Africa. It may be added it also contains more brains to the square head.

Gold is a "token of value" and a "convenience." As America learnt to her cost, the State that is without this convenient token suffers excessive inconvenience. For the power that controls the gold can, and does, force up the price of gold. When America was a heavy debtor gold was enhanced against her. Even when she demanded and received gold for goods she could not retain it in her Treasury, though she tried various devices to do so. Immediately she imported the Treasury was drained. In consequence her debt had to be paid in goods enormously greater in quantity because their value had dropped in terms of gold. That was the cause of American "cheap goods" in the past. Sweden has "decided to stop the import of gold." The motives for this decision are not disclosed, but it is of no more importance than her earlier refusal to export wood-pulp. It would seem to be a foolish step under German suggestion in order to force public opinion to support trade in goods with Germany. Sweden is the only country that has thought in this way. All the rest of the world differs. Russia and Denmark prohibit its export. Britain is at great cost to prevent avoidable export of gold, and France with reluctance modified her policy of retaining gold, no doubt in the hope of improving the French exchange in London in order to make conditions "easier" for the loan about to be placed.* Germany is hoarding gold against paper, compelling her citizens to yield it up. If America refused to export goods for gold, or gold-credit, she would immediately have a colossal financial crash. She would depreciate the six hundred millions of gold she has piled up during the war, and also the gold in which she would be paid for the goods she has sold on gold-credit. The money in the savings banks and insurances would be unendurably disvalued, and her foreign trade, by which she is now assuring herself of goods in the future, would almost entirely cease. The war, then become a calamity for her indeed, would be prolonged for another two or three years, while the Allies were turning their immense populations and unlimited raw supplies to the production of necessaries. It would be a costly act of unfriendliness. What is to be remembered is that gold has a "token value." Though the value changes with conditions the token still remains, and the coin is a certificate of debt to be paid on demand.

* See statement by M. Ribot, French Finance Minister, in the second week of September, 1916.

The diminution of the immediate token value is, as Mr. Radclyffe* says, reflected in high prices, though not "ridiculously" high prices. "High prices" in themselves are neither ridiculous nor burdensome. It is probable that in America, as in other countries under similar conditions, wages will have to be raised in proportion to the fall in their value, or as far short of it as the wage-earners may be inclined to submit to when wages are steady and workers in demand. Meanwhile, in consequence of the inward flow of gold, securities have been redeemed which will retain wealth in the country in succeeding years, and strengthen industrial capital for competition by easing it of taxation.

The "danger" of the gold is not to the country importing but to the country which is losing the gold. Mr. Radclyffe is not casting his depreciated sovereigns in the gutter. On the contrary, it is probable that he thinks he ought to receive more sovereigns in return for his interesting writing. With them he will illustrate the power of gold. He writes about shares. Well, he will buy Government Areas (Modderfontein) or other Far East gold shares, and by so doing he will force us in South Africa to work for him at great profit. Or he will buy rubber shares, and place a servitude upon another people. By "investment" his gold draws to him the real riches of the earth. His "vestments" are the holiday garments of those whom his "tokens" have compelled to wear workaday raiment without hope of a jubilee. For, being versed in the ways of prudent finance, Mr. Radclyffe will not only make his gold render him goods in excess of what he can now buy with it for consumption, but he will make his gold immortal by the surprising device of "amortisation." He will limit his liability to pay, but will put no limit on his liability to receive.

Similarly, the Americans are seeking to hitch their wagon to this part of the planet. Thus, while the gallant Grenfells have perished in a flame of glory, the copper they owned at Messina (Transvaal) is the object of American (German) attack which is rapidly acquiring the other valuable copper properties of South Africa. Similarly we have had a mission of American financiers to do a deal with our politicians in the Thousand Million Pounds of Gold concerning which these pages are writ.

What America wants is raw products. So do many other countries. It would temporarily inconvenience the Allies were the States to refuse their gold, which remains as a promissory note payable on demand in raw products, when such are available. To restore the value of gold, production of goods is necessary. Russia and the British Empire between them hold the main stores of the raw material. Gold is the main passport to such wealth; but in the future that passport will not be *viséd* for a foe. Germany has taught us so much bitter wisdom. An enemy banker's guarantee will not serve for our contracts.

The more the war debtors owe the more they must produce to make their gold debts good. Britain, by her former investments abroad—£4,000,000 in amount they tell us, though one suspects that some of this is German in disguise—has been enabled to "finance" herself and her Allies in this war. America will be very glad to assume that position. She can do that by lending dear goods in exchange for cheap gold now. Push the case to an extreme! If the Allies had no goods to exchange for neutral goods, gold would only cease temporarily to be a medium of *exchange for them* because they had nothing to exchange. They would

* The *New Witness*, 22nd November, 1916. This breezy writer was the first to speak of the rejection of gold.

be forced to produce goods for themselves, first necessities, and next in order of economic wealth. But the limit of the gold medium is not reached when a nation has no commodities at hand for exchange. There remains its credit. If the British Empire, France, Russia and Italy can show that they intend to produce very greatly after the victory is won, the Neutrals would be very ill-advised to refuse either their gold or their promises to pay in gold. These are civilised nations who pay their debts. They have between them a world of raw material—if they like to keep it within the circle of their friends—from which to create the new economic wealth which gives its value to gold. For their immediate credit and for their relief after victory they must show that they have the Will, as they have the means, to produce commensurately with the debts they incur. The Will must be shown by organisation now, for it will be too late when the war is over. The "means" are seen in their resources. For this reason "business men" have turned their eyes to Russia.

Under the terrible pressure of necessity, external and internal, Russia, relieved from German control, can and must open up her colossal resources for use. The nation or nations acting as banker to Russia in this splendid task will not find gold too heavy on their hands. If a sincerely energetic effort be made to enrich the world by the economic development of Russia alone the output of real wealth will rapidly restore the need of gold and enhance its value. In addition to Russia in Europe there is Russia in Asia, the expanse of the British Empire. Africa is entirely in the hands of the Allies. Any economic entente will have regard to the preference to be given in the privilege of the great work of restoration. Instead of shutting out gold, America will turn her eyes to this preference. The United States Foreign Trade Council, which, we are informed, consists of "fifty nationally prominent merchants, manufacturers, farmers, railroad and steamship men, and bankers, associated for the economic investigation of problems arising in foreign trade," has already issued a report on the possible effect of such ententes and alliances. They realise that a good understanding is essential to their economic success, and that "the most-favoured nation relations which European Governments have permitted the United States to enjoy, despite frequent American tariff changes and the exclusion of American tariff preference to Cuba and to the Colonies acquired from Spain, may not escape jeopardy." Their hope lies in new favourable treaties.

As this American report says in so many words, America cannot claim right to enter in this realm of wealth. The duty of the belligerent Allies is first to themselves. No doubt a friendly America would be included in the Treaties, which will express the determination of the Western Allies and Japan to protect themselves during the process of restoration.

But such a wise understanding and provision against the otherwise intolerable burden of taxation will be gravely impeded if our rivals obtain control of the gold markets. The restoration of the banking system of Germany will again place Germany in the front rank in the industrial world. That restoration is only possible if South Africa and the Empire neglect to retain the new-found millions of the Witwatersrand. While preparation is made for the production of real wealth on an immense scale, the gold reserves must also be kept safe.

All the world may be mad, but this mad world wants the gold, and gives value for it and to it. Of course, if there were no other consumable commodities gold would be valueless to man. There would be no men.

If the output of real wealth did not increase in a just proportion to the means of exchange coins would be a sign of waste of energy—as if a canteen proprietor should lay in thousands of quart pots and no beer or a cabinet-maker's stock include dozens of foot-rules but no wood. For gold, too, is a measure, like a quart or a yard. So long as gold is retained as a standard of values it is doubtless important that gold should continue to be precious. This preciousness is due to its scarcity—that is scarcity relative to the demand for it. In other words, the value of gold increases with the increase of real wealth and population, and decreases similarly. This alone would suggest the need for monetary as well as economic organisation, and, of course, there are agencies at work to avoid some of the mischief otherwise possible.

Limits are imposed on currency, for instance. There is no good in issuing more coins than a people can use. That is a conscious limitation. There is, again, the fact that gold, like any other commodity, finds its own value. At one time on the Rand the magnates, their orators and publicists used to boast that the industry could never fail because "gold has a standard value." They have now surrendered that argument, and, in no wise abashed, use the contrary argument when it suits their purpose. The President of the Chamber of Mines, for instance, had to find a reason why the people made a natural mistake, but a grave mistake, when they began to whisper that the industry which had done so prosperously during the war could stand a little more taxation. He said:—"An important factor which must not be lost sight of is that the price of gold is fixed, and that therefore the industry cannot recoup itself for any increase in the cost of production by raising the selling price." Of course, he was referring to the price of gold *in gold*. This price is seldom, and then only slightly, altered, owing chiefly to the gold policy of the United Kingdom. Yet it is not to be forgotten that the "group" control of one mine's output enables the group to acquire mine after mine, and so turn one ounce into many ounces. This, however, is a local movement, which illustrates the astonishing potency of gold power on the spot. Everywhere the gold medium of exchange, as a quasi-monopoly, has an aggressive power to acquire other men's goods, in their despite, such as is not possessed by any other commodity.

GOLD POWER.

Gold has strange powers which are not described in an analysis which regards it as a commodity, a "token of value" or "medium of exchange." As a commodity merely, its value is determined like that of any other commodity: it falls with over-production and rises with increased demand. We see that happening in "high prices," which means that there is a fall in the value of gold compared with other commodities in the process of exchange. But at the same time, while "high prices" are showing that gold is cheap, we often see that "money is dear." A man with an immense stock of boots will not get more for a pair than a man gets who has a small stock; but it is notorious that a man with a "million of money" can obtain a higher relative return from his investments than a small capitalist can, or a depositor in a Savings Bank. The Protean mobility of gold gives it a power of a kind no other commodity possesses. "To him that hath shall be given" is truer of gold than of anything else. They call Money "liquid capital," perhaps because it is so hard to hold. It finds its own level; but its level is in the Banks, and no sooner has it got there than it acquires new power as potential capital. It tends always to become a monopoly. There is always an artificial scarcity. In the period 1887-1916 gold to the value

of £1,873,000,000 was added to the world's supply, of which the Transvaal supplied about £500,000,000. But in the late 'eighties of last century 3 per cent. was reckoned as a sound percentage for a non-professional investor in England. At the same date the purchase-power of gold was not less than 50 per cent. more than it is to-day. To-day, however, when it purchases so little, it commands twice as much "interest." In other words, one has to pay twice as much gold for the use of gold while it is less than half its value in goods. A great time for the lender, the man with gold-power! Its value as "capital" went up, while its value in exchange went down. Translated into terms of life, that means that a sovereign in the hands of the wage-earner, who has to spend it in a shop, is worth less than the same sovereign when it is returned by the shop to the bank—*i.e.*, to the capitalist. Two values at the same moment! The value in *use* small, the value for *credit* (or profit) large. And the one grows great at the expense of the other. It is this power that has justified the age-long and instinctive hatred of "usury." It is this that brought the world to a season of strikes and revolutionary activity shortly before this war. As we shall see in a later chapter, this gold-power, organised at the expense of the nation in every country but Germany—where the organisation is national—had not only oppressed the workers and led them to revolutionary acts and thoughts, it had also invaded the process of exchange, preyed upon producer and consumer, and made the old skilled employer and useful distributor (middleman) the servants of impersonal agencies behind which lay the gold-power.

The Banking System of England or South Africa (based on gold) is merely a "Safe Deposit" for the "moderately" well off; for the financiers it is a source of immense power. By means of bills, overdrafts, bankers' references and credit of all kinds, magnified by an adroit combination of the service of several different banks, the financiers are able to use the deposits and savings of the rest of the nation. A generation or two ago the private banks advanced money to clients on their character. A man's banker was his confidant and counsellor. The financiers with the gold-power have invaded that quiet realm; they have amalgamated the small banks into huge machines, whose boards they control for their own purposes. Private businesses have been floated into limited companies controlled by financiers. In America the banks are even more the instruments of the conquering millionaires, who still further put to their own use the vast sums accumulated by insurance societies and other agencies which collect the savings of the people. It is, of course, their interest to keep the management "safe," otherwise they would destroy their own gold-power. They can always pay gold on demand—the secret of their power—because the gold returns to them at once. What really has happened is that they have organised for their own use the services and credit of the nation. Vanderbilt, they say, once replied to a friend who had asked him where he proposed to sail his yacht: "I am going to see the world, and if I like it I'll buy it." That was merely the final term in the geometrical series by which the gold-power advances. In Germany, as we shall see, the organisation of the nation's resources is far more complete. It is consciously national. For that reason it not only advances the fortunes of the Gwinners and Rathenaus: it aids the credit of every industrialist who comes within its wide-sweeping system.

A sovereign, it has been said with justice, is a "certificate of debt owed by somebody." If no one is ready to pay that debt—that is to say, if the working classes are idle and goods are consequently scarce—new sources of production have to be found for them to work upon.

The gold that will be dug out of the Far East Rand will find work, whether it be in developing South Africa or exploiting the unmeasured natural resources of Russia or elsewhere. Many economists have prophesied that after this destructive war the time will come, as it came after the Thirty Years' War in Germany, when capital will not be available. Our reply to them is that our gold will supply that capital. It will "float" the companies that will exploit the untapped resources of the earth. And while we recognise that this is a great service to mankind, inasmuch as it will find at least work and wages and enable the population to increase, we must also recognise that the people who wield this gold-power—whether it be an organised nation or private capitalists supported by a nation—will gather that wealth to themselves. The new products will enhance the value of the gold that made it possible to produce them.

Again, the "liquidity" of gold-capital often enables its owner to escape burdens of taxation. The last issue of French 5 per cent. Rentes was advertised—at the price of issue £3 4s. 6d. for 100 francs—with the inducement that "both capital and interest will be exempt from all taxes, present and future." It would seem that a man who could sell his stock-in-trade for cash at current high prices could invest it with the French Government and escape war taxes, till 1931 *Anno Domini* at least. No doubt the British loan will have the same condition. Why should the man with gold escape taxes when the food-producer (say) is subject to every burden, including the burden of paying for the loan? The food-producer is more useful to France or England?

Gold-capital will have no risks. Therefore the Union Government of South Africa is assured by its official Mining Engineer that capital (money or promises of money, not machinery) invested in its wealthiest areas is entitled to a minimum of 18½ per cent. reward. The State is to allow it at least 6 per cent. during non-productive years, during which the financial directors—not the engineers—can sell out or buy in as they discover how the mine is developing. The State allows "amortisation," so that the capital may be intact. It forgets that it cannot amortise its "diminishing" minerals. Unlike material or muscle—Capital, money-capital is immortal. Wages die at the week end. That is the difference between amortisation and a living wage. Money-capital is power to work other men for profit: wages is power to go on working for another man for food.

AN EXPLOITED NATION'S PERIL.

Now, what is true of an individual is not less true of a People. If either lose control of the gold-power with which their energies or assets are associated, they arrive at economical and political servitude.

For in the case of a whole country the hostile operation of the gold-power is often concealed under statistics of national production, exports and such like. A *country* may thus appear to be rich, owing to the greatness of its productive output: it escapes notice that the *people* of the country are impoverished and under alien control. For what happens if neither the State nor its citizens provide, or control, the gold-power, now called "capital," by means of which the potential wealth of the country is made actual? The simple answer is that the actual wealth is taken away.

It is, of course, usual for the politicians and publicists of an unexploited or undeveloped country to welcome the coming of foreign capital as a tribute to their moral credit, a proof of their potential wealth, and a promise of wealth to be enjoyed. Machinery is ordered

and set up, banks appear with large brass plates bearing patriotic or local names, labour is "attracted." Above all, newspapers are printed with financial resources able to swallow up all other newspapers. An era of national wealth has begun. Never was the liturgical prayer more in season: "In all time of our wealth good Lord deliver us." If that country has left the gold-power in the hands of the foreign investors it will be sucked dry. Its natural assets will simply be taken away by an anti-national interest. Thus a State as well as an individual may be ruined by association with money-capital over which another has power. That is what happens in South Africa. The gold-power is wielded by foreigners. They are not investing: they are divesting. They depart with the vestments of the land they have spoiled.

In the case of an English coal mine or of a South African gold mine floated as a joint-stock company a skilful operator with the gold-power may possess himself of it at trifling cost, or even at no cost at all, but rather with a profit derived from his share-dealing. Coal or gold once gone can never be recalled. The country is permanently poorer; no tax can reach the lost wealth, no revolution restore it.

Powerful countries intrigue and threaten and go to war in order that their financiers may confer the benefits of their investments or loans upon the yet unexploited countries, and having once got foothold, they use the riches they acquire for further conquest. Thus the German agents, backed by their own imperial resources, obtained control of the Australian spelter, which even in time of war they sold more cheaply to the enemies of Britain than to His Britannic Majesty's Government in its need. The coal areas of England have only just been saved from a similar fate; while the sorry tale of the Transvaal goldfields has reached its climax at this time, when the mere name or guarantee of the agents of enemy banks can be used to deprive this country of its natural endowments, and by that act to obtain political control, which is exerted to prevent the real progress of the country and to exploit it yet more heartlessly. At bitter cost we have learnt from the German that his "capital," introduced under shelter of a British limited liability company, is a disguised State-loan, on terms over which our State has no control. Next, that this so-called "capital" of the German is frequently nothing more than a guarantee or promise of which his own control enables him to avoid fulfilment. Third, that it has power to return itself intact to the lender after he has exhausted to the uttermost farthing the "securities"—never so insecure—in which it has been invested. Because the German financier appears to have the gold of the German banks at his service, we give him our mines and trust him with our money.

Gold-power, then, is distinct from capital, though allied with it. It is enhanced by State organisation and banks. By use of the joint-stock company and company laws it eats up the weaker. Finally, only a complete national organisation of all resources can withstand a similar organisation of the gold-power which has already become national. Since the war all the great Powers have sought gold. America has not rejected gold, but has concentrated it by means of a centralised Board. From the other Powers gold is being drained. Only Germany had organised the gold-power on a national basis before the war, and is the only belligerent which has increased its gold resources during the war.

By observing one example of the treatment of our assets by a German control, our inquiry into gold and capital and money may be joined with the main thesis, viz., the necessity of South Africa uniting

with the rest of the Empire to build up the most powerful instrument of gold-power under the direct guidance of the State. This example illustrates the truth of the average man's belief that money, not machinery, is "capital." It also shows how money is not needed in a German control of a South African company. Their capital remains "nominal." It also enables us to see the far-fling of German interlocked finance.

The Cloverfield control came into possession because they undertook to find money to equip and develop the mine. Their bank's promise was all that was required. The plant they provided has not earned its feed, let alone an ambrosial amortisation. The people who "put up" that plant closed it down at their discretion. Do they cease to earn money when their engines are idle? We shall see. Only the ordinary shareholders lose under such conditions; the gold-power makes as much, or more, money when a property is proved bad as when it is proved good.

The property was originally got for nothing from the State. Later it was acquired by S. Neumann and Co., who sold it for £200,000 fully-paid shares in the company which was registered as British in the Transvaal in 1903. The chairman represents Neumann, and so does the secretary. On the Board we see the names of Messrs. I. H. Guinsberg, Max Francke (*alternate* J. L. Kuhlmann), C. S. Goldmann (*alternate* P. Dreyfus).

Mr. Francke represented Goerz and Co., or rather the German bank behind Goerz and Co. [Reference to Chapter VI. will throw a light on the meaning of that.] On the London Committee are Messrs. Hugo Goldie (*i.e.*, Neumann), Mr. Fuller (Neumann) and Mr. Matesdorf. This last gentleman directs Chas. Butters and Co., Ltd., and the Tasmanian Smelting Company (chairman). A man is known in Africa, not by the company he keeps, but by the companies that keep him. If we judge Mr. Matesdorf in this way, he understands finance. Among his associates on the Board of the Tasmanian Smelting Company are Max Steindhal (of the Deutsche Bank, 9, Behrenstrasse, Berlin, also director of Goerz and Co.) and Robert van Gember. The secretary is Mr. B. Pflug, F.C.I.S., 60, London Wall. Its history, reconstructions, debentures, etc. are *secundum artem*. Mr. Matesdorf's wide range appoints him as alternate with T. F. von Krouzet, and in company of Mr. van Gember again, in the Yenisei Copper Co., Ltd., where they are no doubt serving our Russian ally with copper. Mr. Chas. Butters is chairman of Butters Salvador Mines (dividends: 1902, 5 per cent.; 1903-4, 55 per cent.; 1904-5, 40 per cent.; 1905-6, 55 per cent.; 1906-7, 75 per cent., and so on), but Chas. Butters and Co., Ltd., finds all our friends. Mr. Butters, of course, is chairman; Messrs. van Gember and Matesdorf are directors, together with O. E. Warburg, J. H. Montague Shaw and T. J. Milner (Wernher, Beit and Co.). Follow these gentleman through the Empire and you will find them everywhere in the company of nominees of German houses. Thus the Ceylon Company of Pearl Fishers, of which Mr. J. H. M. Shaw is director, had the Right Hon. Sir J. West Ridgeway as chairman. He was also chairman of the Commission sent out to advise the British Government on the subject of Responsible Government and the delimitation of constituencies in the Transvaal. The right hon. gentleman's co-directors were nominees of German banks or associated with such in other enterprises. Mr. Pakeman, for instance, is alternate with J. L. Bergson on the West Rand Consolidated, in which the Deutsche Bank, the Albus, C. S. Goldman, Amandus Brakhan (*alternate* Max Francke), Julius Friedlander (*alternate* G. C. Fitzpatrick), and Geo. Nathan, of the Dresdner Bank, appear. It would be tedious to follow

them further. It is enough to say that Chas. Butters (formerly connected with the "Corner House" here) was associated with the Allgemeines Exploration Unternehmen, G.M.B.H., and the bankers of Chas. Butters and Co. are the Deutsche Bank. As far as downright Germans are concerned, they have no doubt left these Boards during the war. Perhaps the nominees have been shuffled about. Messrs. Deloitte, Plender and Co. are auditors in many cases, so Sir William Plender, who is doing the unravelling for the British Government, should be able to enjoy the paper-chase.

We can now return to Cloverfield, having seen that it had expert management, and behind it the resourceful skill of a German bank upon whose flag the sun never sets. Its plant has earned nothing, and its representatives, as well as the Chamber of Mines, have made a special case of it as showing how "risky" these Far East Rand areas are, and, therefore, why the Government should give more of those areas away to the people who will take the "risks" and then sell the risk to the public with ample emphasis on the absence of risk. They have a right to say the mine (and therefore the plant) are worthless, because they have, during thirteen years, proved at enormous cost, that neither has paid.*

Well, you would think that this had been a worthless investment. Whatever it may have been for the "outside" investor, it would not appear that the Control has been exactly ruined. At the foot of the page is the record of the share prices,† and from it one would conclude that the owners of the Cloverfield have ploughed it with another's heifer. After all these years the original Control still controls, and the idle plant has earned its cost many, many times. The German bank methods do not approve of paying for machinery that brings no return. That would be speculation, not banking. It was not the plant that produced the revenue, but the attractive force of gold-power. Reference books say: "Neumann and Co. interested." It was interesting. The interest was high.

THE "AWFUL EXAMPLE."

Of the capital, £385,000, vendors (Neumanns) get £220,000. Working capital is got by underwriting 75,000 shares at £2. They held 90,000 shares in reserve, of which the Control had options to buy 30,000 at £2 10s. in two years and 47,500 at £3 in two and a half years. In other words, they got 295,000 shares (out of a nominal 385,000) at an average of 10s. 2d. per share. Shares were placed on the market, and, of course, with such a respectable backing and expert opinion, they were well taken up, and rose to £3 17s. 6d. There was a big market.

* Mr. Bleloch has told the Select Committee of Parliament and the Commission appointed to inquire into the question of State-mining that the Cloverfield Company has worked on another reef, and not on the valuable Van Ryn Reef, which is the basis of the unfauling prosperity of the real mines of the Far East Rand, including the Modder "B" mine on its boundary line.

† Market prices of Cloverfield £1 shares:—

	Highest.	Lowest.
1903	£3 17 6	£0 17 6
1904	2 12 6	1 2 6
1905	2 13 9	1 1 3
1906	1 7 6	0 2 6
1907	0 13 9	0 3 0
1908	0 7 0	0 3 0
1909, to end of May	2 8 1½	0 18 9
1916, present price about	9s.	

At the end of the year they had a property of 801 claims and £121,000 "cash resources." In reference to cash resources, it should be remembered that the parent company of a "subsidiary" can always borrow those resources if it wants to. It frequently wants to. It can borrow the staff and plant, too, and close the mine. From £3 17s. 6d. in 1903 the shares descended with profitable heavings up and down till they reached 2s. 6d. in 1906. From this point prices oscillated slightly upwards as the directors entertained hopes of adding to the capital; but in 1909 good news, unhappily travelling fast, raised the buyer's price to £2 0s. 1½d. They stand now (1916) at about 9s. All this time there has been no gold produced and worthless reefs. The jump in 1908 was caused by the arrangement of a loan of £30,000. In return for this really benevolent and confiding act the "Control" obtained an option over 60,000 shares at par. The option was to be exercised if for two successive Stock Exchange settlements the making-up price was over 30s. per share, and this was done in April, 1909. At the end of May in that year the market price was £2 8s. 1½d. Between 1908 and 1910 a drive of 2,175 feet along the reef showed a value of 13·4 dwts. over 13·5 inches (=180 "inch dwts. "). This was unpayable. In November, 1916, the company owed £60,000, presumably to the Controlling House.

But the tale is far from complete. This unfortunate mine, together with others under such control and on similar worthless reefs, was used by the Chairman of the Chamber of Mines to show that the Government should not put too high a price on the State areas. Moved by this convincing argument, the State, under guidance of the Government Mining Engineer, "leased" 651 State-owned claims to another group of German origin or association—the Central Mining and Investment Corporation.

The Government claims are immediately to the east of the Modder "B" property—a mine whose shares were about £7, with a market value of £3,892 per intact claim remaining, which had recovered £4,000,000 of gold up to the end of June, 1916, and had earned profits amounting to £2,350,000.

The Government lease permits the lessees to amalgamate this valuable State property with Cloverfield—the "awful example" in these areas—together with Rand Klip claims, another of the same, with share vicissitudes, fusions and options behind it. Like naturalised Germans, these ill-starred mines now change their name and become "Modder Easts."

But Cloverfield, though closed down and advertised as worthless, now took a new life. Directors and Press divined (that is the only adequate word) that what was worthless before the lease may be as good as Modder "B" after the lease. The public believed them. Then the splendid faith of those who had lent £60,000 to Cloverfield had its further reward. They received 60,000 shares in the "Government Area"—that is, a share for every pound lent, *plus* options on 15,000 shares for three years at 21s. 3d. and on 59,167 shares for four years at 22s. 6d. The ordinary shareholder, however, who paid £3 17s. 6d. cash for his share receives only one new share in exchange for three he bought. And the ordinary shareholder who bought at £2 8s. 1½d., when the second harvest was being reaped, is treated in the same way.

We see, then, in this typical case that the mere association of a German control with a South African property draws the British public to subscribe millions of pounds. In the thirteen years of its life Cloverfield has not produced an ounce of gold; the market record indicates that any capital expended has been supplied over and over

again by the public. The Control has been in clover. It hardly needed to draw on the bank, since far more money came in than they had promised to put up.

A similar instance has occurred on another property during the sitting of the Commission. The German house promised to lend £150,000. On the strength of this the public, duly informed, rushed to buy the shares. The House gratified their desire by letting them have shares at the high level. Having thus got £200,000 from the public, it was easy to lend £150,000 of it to the mine. That is gold-power.

Perhaps the most amusing and distressing part of this Cloverfield business is that Mr. Wallers, who in his capacity as Chairman of the Chamber of Mines told the Government that the derelict headgear of Cloverfield was a standing proof of the great risk involved in mining Far East Rand areas, is now a nominee of the Controlling House contracting with the Government to take over this derelict, which thus becomes good goods for the public. The Government has pledged itself to hand over to this new combination of Cloverfield and Rand Klip its claims on the rich Van Ryn reef just beside wealthy Modder "B." To get this new life for the old derelicts the tenderer had merely to promise the Government that if it suited their friends next March they would take the rich Government areas, and, in return, pay 10 per cent. of the profits—not the share-profits, but the mine-profits—made out of the new combination.

This book suggests that this is not the way for South Africa to deal with national assets. Nor does this fashion of getting rid of gold-ground assist the Empire to build up the gold-power against the two States who are straining every nerve to obtain that power.

GERMANY DEPENDS ON OUR GOLD.

The German national control is an economic fact that dominates the world's trade and production. It forces national control on other nations even against their will. If Germany obtains the mastery of the colossal output of South Africa that domination will be invulnerable and complete.

Later, we have to show the tremendous, nay, the irresistible, power of such a combination against the individualist or ill-grouped traders of any other country, whose puny resources, even though organised in the biggest private combination of capital the world has yet seen, cannot compete and live against a competition in which the rival is no less than a Great Power. The competitor without State aid has to face the whole of the German national resources and credit, its railways, shipping and meticulous co-operation between industries requiring one another's products, the whole backed and at every moment of the day reinforced by a specialist educational system, information bureaux, the operation of its banks and agencies penetrating, usurping or destroying rivalries in other countries, and finally quelling the unorganised by the threatening prestige of its armies and the horrors of war.

In the German case the insufficiency of gold has been more than compensated by investing every transaction with the whole national credit. An ounce of gold in Germany does more work than many ounces in any other country. But war, at least an unsuccessful war, "calls the hand." When payments have to meet universal demand and neither the gold is there nor the goods ready (or if the victors refuse to have their own markets swamped in order to restore the financial prestige of the

enemy to its overwhelming peace power*), then the whole monster of aggression falls as the insane paralytic falls—in obscene ruin, haunted by the hallucinations of megalomania, boasting a name defamed. For the State has failed the partnership—the blood is spilt and the nerves un nourished. Nor has the German been at all unaware of the chances of such ruin. He took the chance. He called it “Weltmacht oder niedergang”—the whole world or nothing.

But, whatever fate awaits the nations of men, whether it be true that man without war is vile, even though war lead to such ruin as Germany has risked and such as is told in the tales of Babylon and the dim kingdoms of the past, or whether it is yet within the power and heart of men to find some scheme of life less sorry than those vain cycles which the Etruscan prophesied at the end of his millenium, this is the truth for us. So long as industry and trade are based on competition, the minimum unit that can survive in these generations is a unit that has nothing less than sovereign power. The State cannot resist the call from within or the pressure from without.

The War itself, provoked by Germany, is a manifestation of this organisation. The easy mobilisations, the food controls, the economy of resources that our Press heard of and jeered at as signs of weakness, the astonishing output of munitions, are only the military aspect of a nation's machinery for economic war in time of peace. When we read in Africa that Lord Milner was in control of the nationalised mines we wondered at the pace of events but not at their course. Yet, without a study of the German system, the English effort will fail of its purpose—its peace purpose at any rate—because the nationalisation of any number of separate industries is not yet the nationalisation of the whole. The nation must be the economic unit.

It is here, in South Africa, that the main attack on the British “gold basis” has begun. Even in Lord Milner's time an English director of an essentially German “House” in Johannesburg threatened to have the gold market moved to New York. That was, of course, ludicrously premature. He was suffering from grössenwahn (“swollen head”).

Sir Lionel Phillips has confessed† that his “House,” as well

* As implied by the Paris agreement.

† See his speech at No. 1, London Wall Buildings, 27th May, 1916, as chairman of the tenth ordinary general meeting of the Central Mining and Investment Corporation:—

“Perhaps it would be convenient at this stage to deal with the two large items of £540,000 and £177,000, items representing ‘Investments and Cash in Enemy Countries.’ The item of £177,000, being the amount of cash on deposit in Germany, was mostly due within a day or two of the declaration of war, and was destined to meet dividends declared by mining companies, payable at the end of August. I have assumed in my calculations that this item, which is a cash loan, is not subject to depreciation. The future can alone determine that. The other item of £540,000 represents investments, almost entirely in State loans, and of these by far the major portion are German and Prussian Government stocks. Half our holding in these latter was acquired in 1908, the sum of £200,000 in 1909, and at the beginning of 1914 £50,000. Taking into account a sale of £50,000 effected in 1911, these transactions, all of which refer to the nominal amount of stock dealt with, represent together £430,000 sterling. The balance of the investment is represented by Hungarian loans and Austrian Treasury Bonds, with a further small sum of between £3,000 and £4,000 in Turkish Treasury Bonds. I have no personal predilection for investments in foreign funds or fixed deposits, and I need hardly say that if it had been possible to foresee the devastating war from which we are now suffering this disposition of funds would, I am sure, never have been made. Looked at from a financial standpoint only, as to yield of interest and capital value, no exception could be taken to

as groups in the Chamber of Mines in which that House exerts a chief influence, have not avoided the "mistake" of depositing available cash in the enemy banks just before the war. The threat would not be so empty now, when the warlike expenditure has altered all previous international financial relations, when huge quantities of British specie have been exported, and when a thousand millions of gold may be poured into the banks of Germany to reconstitute the local and international credit of those banks which have surrendered every asset to the State which claims and exercises the right to control them. The State has expended those assets—the savings of the people, collected by the banks and used to pay for the war. With what will the State repay the banks? And with what will the banks repay the people? Their own economists admit that bankruptcy threatens to overwhelm them. *But they are arranging to get our South African gold against a banking guarantee—a gift of millions for a scrap of paper which South African gold will make good.* The gold-power will be theirs. Only our Mr. Kotze's over-taxed resources stand in the way! With this gold safe the German can escape the "inconveniences" of too much gold, and can inflict great inconvenience on others. Banking and discount rates, arbitrage, and a dozen other financial devices may be employed to divert even the former gold to German treasuries—to usurp the place of London in the world.

PERILS OF UNPREPARED PEACE.

The Germans have already begun to create special machinery to control the import and export of commodities and provide for the distribution of material on a national economic system, which their pre-war organisation, as will be shown later, has made comparatively simple. They can offer peace terms because they alone are ready for peace. Whether such a system is possible or likely for Britain and her Allies, who have all come so lamentably short of their chief enemy in the mobilisation of national resources, either for peace or war, cannot yet be said with certainty. The necessities of the war and the painful

these investments. It has been generally accepted as sound principle to spread investments over with due regard to their financial stability, but the circumstances that have since arisen show the wisdom of investing as far as possible under the flag of the country in which businesses are established."

Amongst the reported items of investment of the £1,253,275 Surplus Funds of the Company were:—

German Imperial 4%	£150,000
Prussian Consols 4%	175,000
German Imperial 3½%	62,500
Prussian Consols 3½%	62,500
German Imperial 3%	50,000
Prussian Consols 3%	50,000
Berlin Municipality 4%	23,370
Prussian Treasury Bonds 4%	110,000
Hungarian Government Loan 4%	60,000

£743,870

In addition to this House, the Consolidated Mines Selection and the General Mining and Finance have invested funds in German banks. A leading director of the G. M. & F. Co. has funds in his own name in German State funds. No doubt the Rand bar gold is locked up in Spandau Fortress. The selection of German stocks paying small interest at a time when 4 per cent. or more could be got for fixed deposits in South African banks not only shows the anti-national nature of these companies and their failure to support the Union credit, but suggests that the German banks have insisted on such investments as a matter of State policy.

object lessons afforded by the unready contract system, helpless in the face of an unforeseen national demand for foodstuffs, warlike munition, or shipping, have forced upon us a certain amount of direct State control. But this has been the piecemeal work of amateurs, and lacking entirely the organic unity of German effort, by which the various States and the Imperial Government not only control at all times their own productive and distributive machinery, but also adjust and compel co-operation among private enterprise, in strict subordination to the national plan but yet to the advantage of all. This is the meaning of the "Will to Power," and, having seen it at work, no State dare again resume the extravagant disorder of competitive private enterprise, even though such enterprise be strengthened by the large economic groupings we see in process of creation or negotiation. In any case the control of the South African gold now about to be launched upon the world needs some thought. It would be something merely to prevent it going to Germany. Even if we value it less than we valued Heligoland and the German possessions in Africa we gave away for the shadow of a shadow, even if we have not the genius for national organisation on the grander scale, it is not therefore necessary for us to relinquish such a weapon hitherto our own to a Power which will use it with concentrating skill in the rebuilding of his aggressive industrial system.

Disturbances which, even without conscious direction, arise from any rapid inflation will come upon us with the added force of powerful direction. Fluctuation of prices, dislocation of labour and capital, insecurity of outlook in the money market—these and many other evils will be in the power of a thoroughly business-like and determined opponent to inflict upon us. Even without such application of brains to international rivalry the mere output of the gold itself may wound. It would seem, for instance, that Spain was financially ruined by the influx of gold from the New World. It has puzzled economists to explain this in detail. The fact is that though Spain at the zenith of her power was importing immense sums of gold from her new conquests in Mexico and Peru, the result was to send her country out of cultivation into sheep-runs and to build up the economic resources of Britain and the Netherlands. Two factors are at least clear, (1) that the influx of gold may be disastrous even to a powerful nation unprepared for it, and (2) that alert organisation such as that of the Merchant Guilds and Hansa can deprive a wealthier and more powerful rival of his money power. Again, the long failure of the United States, then the chief gold producer, to retain gold in the Treasury was accompanied by many grave disadvantages, and was interpreted clearly by the bimetallic agitation, in essence a "debtor cry" seeking to repay in the depreciated silver medium debt enhanced by the rise in the purchase value of gold. The cry was echoed by the depressed agriculturalists of England.

A similar phenomenon will succeed this war; indeed it has already begun. It seems to be agreed on all sides that this war of "men, munitions and money" is to be succeeded by a no less intense struggle. In this the German "objective" will remain the same, being, as we will show, an essential part of the German national fabric, and dating from long before this war. They have made no disguise. Buelow told us of the folly of the classes who "want to base all economic policy on an imaginary permanent peace." German economic policy is based on a real permanent war. But in that war hitherto they have succeeded by devices which are legitimate indeed, but legitimate only because we have allowed them to hoist our own flags on the privateers carrying letters of marque from the Reichsbank. We continue to respect that flag. The Limited Company is "incorporated in England" or in some other host.

The apparent officers are nominees, also British. The "outside public" also subscribes to pay the expenses and take the risks. But the real control and the profits with none of the risks remain in Germany. This joint-stock company invasion must be stopped. Their nominees must reveal their principals.

The methods they have adopted to freeze out the working South African, Boer and British, who discovered these fields without any help from German or other experts, to freeze out the French and English shareholder who subscribed the working capital, to freeze out South Africa, in which the wealth lay, are the same simple methods now being used to capture—and be thanked for it!—the goldfields that remain to South Africa. Where is there an entirely independent board of directors on a paying mine on these fields? The Chamber of Mines has been little more than an auxiliary Board. The Chamber of Commerce recognises its economical authority. By means of their nominees and their "parent" and "subsidiary" companies they have all the control and none of the responsibility. And the same methods are employed in other "businesses" all over the world. They "participate" in everything worth having. They let the Frenchman and Englishman pay. When their "proposition" is sucked dry they retire unseen. Their "objective" was, and is, to conquer the economic world by secret treaties—the unrevealed relations between banks and parent companies and the hosts of subsidiaries they organise and exploit.

It is certain that the German system will force at least a defensive economic upon the world. The Paris Conference and the utterances, on the side of the Allies, of politicians, economists, and of what are quaintly and exclusively described as "business men" have envisaged something more than a defensive. In either case the accumulation and control of a vast gold reserve and its use to influence the distribution and price of goods will condition the peace war even more conclusively than the "economic factor" has conditioned the more obvious manslaughter. And while the recognised Nations of the world will feel the effects of German "participation" in various degrees according to the nature of their production and trade and to the methods they may adopt—increased internal self-sufficiency, "nationalisation," protective tariffs and alliances, or what not—the proletarian nation, which stretches horizontally beneath them all, may suffer to such a degree that international war may cease, only to be replaced by universal revolution.

THEORY AND PRACTICE.

That gold may cease to be the standard of value is certainly an equitable conceit. Its fluctuations admittedly involve material injustice in the first place. In the next, only a world governed *quantula sapientia* would adopt a means to aid exchange and then turn it into a monopoly, no less preposterous than if no one might lawfully use a foot rule or a gallon jar or any other Weight or Measure without paying a heavy rent to a monopolist, called the "price of money." Yet there is no sign yet of a collective wisdom willing and able to abolish such injustice and the ransom imposed on production and exchange. On the other hand there are what appear to be national advantages—naturally in the grasp of the stronger—in retaining the injustice and the folly; and beneath, around and above this parade of nationality is the international nexus of "finance" which has the politicians in its

grasp. So that a people would imagine a vain thing which sought to abolish golden money by legislation merely. This book, at any rate, is written on the assumption that gold, though subtly changing in values, will continue for our time at least to be the medium of exchange, the standard of debt, a condition of credit, at once the succubus and the nurse of production. The great service rendered by the evidence here presented at grievous personal cost is, first, that it has called attention to the reality of this Treasury of Gold, while all the entourage of money-power, press, "experts," politicians, commissions, etc., has tried with no small success to mask it. Next, that it has made it clear that nothing short of national effort, South African first and Imperial afterwards, can prevent this store from going to Germany. Third, that the evidence is founded on severe personal efforts, which, with the aid of other practical men, have determined the gold *in situ*, in such a way as to warn the South African Government and people that whether they part with these assets on lease to Germans or to other "private" persons, they cannot any longer pretend to a blissful ignorance of the gold values of the areas that belong to them. Finally, that the way has been shown to the State to deal with these possessions without the adoption of "State Socialism," but rather so as to strengthen the weak hands and confirm the feeble knees of genuinely private enterprise.

Outside this there are no "political" views developed in this volume. It is true that the "State Socialist" would find in these existing State assets a readier means to his by no means Utopian ideal than he has ever seen on land or unharvested seas. For the brilliant school of "National Guildsmen" no prospect was ever fairer for accomplishment than that offered by these State areas, almost exclusively occupied by resident industrialists of a single industry and exploited by absentees, an industry which both by the immediate nature of its product, gold, and its very apparent object lesson that economic power precedes political power, affords the simplest and most effective approach to the ideal of the National Guild. For that larger class, to whom the Prussian State organisation was first an object of contempt, next of scornful surprise, finally of perturbation and bungling imitation, if they should become so enamoured of the actual State Socialism of Germany as to desire it for themselves, they will not only learn something from this book of the way it works, but they will also see, as never was visible to a modern or perhaps ancient State before, how that Providence which swept the ocean currents round that far-off prehistoric shore which now stands as the mountain uplands of the Witwatersrand then laid down for this small people the means to escape the foreign money-lender and to lay the foundation of a great agricultural and industrial State. Here is the means ready at hand for the State to develop its own immense resources without any clash with "vested interests" or any theoretical renunciation of the limits of State and private enterprise. The State here needs both and, internally at least, they are not at odds anywhere! Our business is with fact, not theory; if ever such a contrast was intellectually tolerable. We have endeavoured to show that the Union Government, the British Empire and her Allies cannot safely remain any longer "neutral" or inactive while their whole economic system is invaded in British South Africa.

So these areas on the Far East Rand have an Imperial and international importance which we dare not overlook. Under cover of British names and institutions the German has already grasped at them. The freehold is largely German now. But four-fifths of the mineral belongs to the State, and it may be within a few weeks or months that this will be intrigued away.

General Botha has shown no sign of interest in the matter yet, nor has the Imperial Government exhibited the slightest care. But this treasure has secretly dominated South African politics since the Anglo-Boer War. The reputation and success of politicians have depended on their attitude towards the stealthy advance of the groups upon this treasure. And it is only with the utmost difficulty that the barrier of interested politicians, press, financiers and "experts" can be evaded so that the secret may be revealed in time. The object of this book is to awaken South Africa and the Empire to the real peril of the moment. General Botha, we read, has been invited to meet the War Council in London. Let the Council consider the facts we put forward!

The British people, though ready and eager to "spend the last man and the last shilling" in the struggle, have seen their national organisation grow as it were at haphazard, as the result of industrial disturbances, impossible private contracts, exactions in the cost of living, and even to the danger of the national food supply. They have dully watched a vacillating policy driven step by step to the "nationalisation" of their railway, motor and sea transport, of their factories and mines, and finally of themselves. They have seen the Trades Unions surrender privileges and power held to be priceless and gained at the cost of many former cruel strikes, while their Conservative traditions have been shocked by hearing great capitalists propose to give their workmen a "share in control." They have not altogether seen that these partial efforts to national co-ordination have really been forced upon them by their enemy's superior and long-developed economic organisation: nor have they understood that their own improvisations have been unsatisfactory and inefficient, because the conception of a conscious national organism has not overcome the lusty individualism that founded their Empire and wealth in the days before this brain-built Frankenstein of the nations taught us that such ways are no longer possible, and that when he took his "place in the sun," he meant our place to be beneath his shadow. When the shaken individualism of Britons turned to organisation they found—what they must never forget—that the German had already organised the British resources too. The law, the banking and company systems were so germanised that a Minister was not ashamed to declare that a single alien was "necessary to the credit of London," while another Minister stunned an angry and perhaps conscience-stricken Parliament by the retort that he dare not tamper with the enemy institutions in their midst lest he should inflict a blow on their own institutions, nor proceed against enemy banks, the very heart of the enemy's power, because their "roots are very deep down and are intertwined" with the British. He dare not shoot a conspicuous German enemy lest he should wound a hidden pro-German Englishman. The scandal would be shocking. But if the German weltanschauung, his "conception of the universe," be too subtle, too full of formulæ for the British people, such a people may more easily grasp something that should seem quite simple and effective. This. If the "private enterprise" of the Germans thus "intertwined" succeeds, as it shows every sign of succeeding, in obtaining the Government gold areas of the Witwatersrand, South Africa, without a gunshot and without another murmur, will be lost, and deservedly lost, to the Empire. It will also be lost to South Africans.

Developed on an anti-national basis under the direction of German banks, the mines will be an irresistible outpost of hostile invasion, exerting financial and political patronage to the utmost. Chambers of Commerce will necessarily take their tone from the mines. The population of the mining areas will become increasingly German. The great

mineral resources yet untouched will fall into the hands of the men on the spot with German capital. The new industries cannot escape the same fate. After the war there will be no need to disguise the alien grip by British dummies. Merchants and mining staffs will cease even ostensibly to be British. The millions of acres now locked up by the "houses" will be a refuge from the Fatherland, and if the South-West Protectorate be added to the Union and its inhabitants naturalised and enfranchised the German vote will be paramount. An easy and most profitable conquest, which will probably determine the future of the whole Continent of Africa!

We have now to show what the meaning of this intrigue is to South Africa especially.

Next, we have to show that the German is quite consciously aiming at this conquest. Next, we shall exhibit his methods in detail, and it will then be plain how no private enterprise, no matter on how large a scale, can win in a peace contest against the German. Finally, we have to reveal the whole of the suppressed and unpublished facts concerning this treasure. Later chapters of this book present a portion of the evidence given before the Select Committee on the East Rand Gold-bearing Areas, and before the Commission appointed to consider the question of State mining. Added to these are detailed analysis of values and other scheduled data supported by facts beyond dispute and verifiable at pleasure. This evidence has been unshaken—nay, confirmed by interested opponents. Here will be seen the gorgeous asset of the State, the real value; the room and opportunity for private endeavour. *En passant*, these close analyses are most instructive for men who, careless or hopeless of any national endeavour, wish to know the solid basis of their investments, the intrinsic values, the real control. But first of what it means to South Africa.

CHAPTER II.

“ SOUTH AFRICA FIRST.”

A COUNTRY'S RIGHT AND DUTY.

SUMMARY.—Government by foreigners—An insult to Afrikanders—“ The Government is too corrupt ” to be trusted with so much gold—Nationalist and Labour hopes—South Africa kept in the dark concerning its £1,000,000,000—Unionist silence—Mr. S. B. Joel's visit—The truth of General Hertzog's policy “ South Africa First! ”—Inner history of the late “ Rebellion ”—“ Foreign fortune-hunters ”—Germans fomenting rebellion—Injustice to Nationalists—An unarmed Defence Force—Rebellion failed through want of support—Jingoism of the Press designed to irritate Afrikanders—German directorates thank the Imperial and Union Governments for help—Miners fear they are working to profit the enemy—Need for State examination of proxies which have elected enemy directors, their alternates or later substitutes—Bogus Imperialism—“ South Africa First ” a Constitutional statement—Values of gold-areas to be established before State-policy determined—Gold Law anti-national—Not State-mining in the “ abstract ” but of specific proved areas—Eliminate the “ gamble ” from the national economic—Dependence on private “ gamblers ”—General Smuts' evidence of the critical national danger—General Botha's evidence—Proofs from Hansard—Loan control—First necessary step to economic independence—How to spend the money—Analysis of incidence of taxation and production.

PART I.

“ South Africa first! ” In any other country it would be taken for granted that State property belongs to the State. No civilised country in these days of national organisation will divest itself of its chief assets. The controlling opinion in South Africa—that is to say, the controlled opinion—is that the foreign investor must be “ the first consideration ” for any reputable Government. The tradition is that the assets of the State must be leased, pawned, conceded, “ ‘ convey ’ the wise do call it, ” away. The lobbyists who used to manage this were wont to make their commission, the politicians were complimented, and the receivers were

entitled the "Leaders of Industry," "the Men who made the Country." At this moment a precious mineral in enormous bulk, expressly declared by the old Republican law to be the property of the State, and on land specially reserved from pegging by the Crown Colony Government of Lord Milner so that the heritage of the people should not be forfeit, is forthwith to be abandoned in the greatest haste on any terms that may be offered, in a "knock-out" deal, to the members of a small ring which confesses that it has boycotted the State in the sure and certain hope of forcing it to swallow this humiliation.¹

The spokesmen of this Xenocracy—a new word is needed to describe the novelty of Government by Foreigners—allege two main reasons to justify their claim to the State assets. First, they depose before Select Committees and even more select Commissions that General Botha's Government, or any other South African Government, is so incompetent and so corrupt that it cannot be trusted with valuable State property. The Ministers and the Ministerial press accept the calumny. They even repeat it with complacency, and confirm the soft impeachment by divesting the country of a few of the plums, without even waiting for the report of the Commission appointed to advise on the matter.² Here is the test of General Botha. By his dealing with the gold areas it will be seen whether the accusation of General Hertzog, for some time his colleague in the Cabinet, is true or untrue, viz., that he subordinates the weal of the country to "foreign fortune-hunters." No words, either his own or another's, can defend General Botha. He must defend himself, and there is but one reply to such a taunt: deeds, not words. For his own name's sake and for the fame of his countrymen he must no longer depend on the patronage of these insolent supporters. He must show that the State can employ miners not less successfully than the agents of German bankers can. He must defend the State from the authority and power such persons will have if the national revenue is made to depend upon a slender percentage of the profits they propose to draw from gold which now belongs to the country. For if he fails to do so every fresh demand of theirs will be backed by a threat on the national revenue. He must refuse to be hoodwinked by the mass of contradictory statements they have flung out from time to

¹ Mr. Hull, then Minister of Finance, repeatedly declared that the Union tenders for the lease of Government gold areas were met by a combine. He claimed that he persuaded Messrs. Barnato to evade the combine, and so possess themselves of the Government areas, Modderfontein, with an estimated (probably under-estimated) gold content of £52,950,000. See report of annual meeting, 1916, of Johannesburg Consolidated Investment Company.

The boycott was virtually admitted before the Select Committee, when Mr. Wallers, employee of the Central Mining and Investment Corporation and Chairman of the Chamber of Mines, declared that companies would give the State no more than the nominal 10 per cent. Profits Tax.

Complaint has been made that the Government Mining Engineer withheld information of combinations of capital from the Select Committee on the grounds that it was confidential.

At company meetings held subsequently it has become apparent that new combinations have been made.

Sir George Albu, in his evidence before the Commission on State Mining, said: "He could not conceive such an idea as Government not receiving fair tenders; there was no combine now, but there had been one, in which he himself participated, in respect to the tenders for Government Gold Areas (Modderfontein). He might say outright that he was a tenderer for both the new leases offered, but, quite apart from that fact, he held the conscientious opinion that Government should not mine."

² The Commission had not finished hearing evidence at the end of 1916. Two new leases were concluded during the sitting of the Commission, and the Mining Department has prepared the conditions for lease of two more valuable parcels of State ground.

time to cover their practice and force the land into their debt. Let him look back on the history of his country, and remember where all the trouble has come from. Will he, and the South African Party, fall behind the Governments of Europe which have had to protect their resources from the pillage of German financiers masked by dual nationality? If the tardy rescue of Australian spelter and English coal from hostile hands has no lesson for him, let him turn to Holland. He will read in the evidence of Mr. Unger before the State Mining Commission how that country found it "necessary to develop coal production for economic reasons and to prevent foreign control of this national asset. A 'combine' had been formed by which German control had been established, so the State intervened," and worked its own mines. Further in this chapter we shall remind him of what he, his Ministerial colleagues and political supporters in the Transvaal Parliament said of the terrible evils into which these groups had plunged this country. If he fears any difficulty in finance—there is none to be feared—let him do as he did in 1907, when he got the backing of the Imperial Government expressly to free his country from the power of the "groups" to dictate the policy, rig the loans, and make every Government agree to their terms or face their boycott. In their chagrin then they turned their virulent invective on the British Government. Let them do so again. Their threats were vain, and the Governments they threatened have remained in power from that day to this. They tried the "Fresh Start!" It was they who practised "conciliatie." Will they conciliate him out of a Thousand Million Pounds?

The second main reason for giving State assets to Xenocrats, also deposed in evidence before the Commission, and evidently carrying weight there, is that only the Nationalists and the Labourites are in favour of conserving the public property. From this grave imputation these parties and the cause itself must be freed. At the last General Election it was impossible to induce the Labour Party to take up the matter. They were so concerned to defend themselves against the well-advertised charge of disloyalty—owing, of course, to the former inclusion of International Socialists—that they neglected the real issue and convinced the public that there must be fire where the party had been so effectively "smoked." During the agitation to prevent enemy control of mines and other dividend-paying property during the war the view of Socialists seemed to be in favour of confiscating all property—except the enemy's. The Nationalists had no means of learning that the treasure was there and was the immediate object of the "foreign fortune-seekers." The Unionists preserved a solemn silence in the matter, though a question put to Mr. Patrick Duncan at Fordsburg produced an answer which showed that the controllers of the Party, of which he was the Provincial leader, were aware of what was going on and acquiesced in it. The golden opportunity, the opportunity of saving the gold, was lost. Had the electorate been consulted there could be no doubt of the answer. The critical secret has been too well guarded for it to inspire the patriotism of the rank and file of any of the Parties. It was left for private negotiation.

Towards the end of 1915 Mr. Solly Joel paid a visit to the Rand, which he said had so changed that he hardly knew his way about. General Botha came to meet this influential and popular financier, and Mr. Joel returned to Europe well satisfied with his visit. Shortly afterwards the Government Mining Engineer was closeted with the Minister of Mines at Capetown, and prepared a Draft Bill with the avowed purpose

of getting rid of these areas with the utmost despatch³ and with the minimum of safeguard. By a singular coincidence the Chamber of Mines prepared a Draft Bill without knowing Mr. Kotzé's "There is only a slight difference." (See evidence before Select Committee, Query 556). Not long afterwards the news of this was offered to the Press, and was received with silence. Even the *Transvaal Chronicle*, then, unhappily, out of the control of Mr. Tainton, who has since^{3a} resumed the editorship with a vigorous policy, neglected to publish information of such tremendous importance and interest. Only at the last moment did the Labour Party move. Mr. George Hay and Mr. Sampson, M.L.A., presented a very able statement to the Commission semi-officially on behalf of the Party, and Mr. Hay was promptly assailed in a most unpleasant fashion in the ex-Unionist Press.

South Africa was the *last* to learn of its own wealth. Even yet the rank and file of the Nationalist Party are almost entirely ignorant of the existence of all this public gold, and their representative on the Commission has not thought it worth his while to attend. If the Nationalists should take up the cause of the People, the Press, which will afford us a smooth passage to any future Anglo-German Entente⁴, will represent the agitation against the Bill to Surrender State Assets as essentially a rebel and anti-British movement.

No doubt we shall again hear the cry "South Africa first" in this context, and a word may be said in season on the subject of the Nationalists. It is not intended to criticise General Botha, whose clemency has already released so many of his opponents from gaol, only requiring of them that they shall take no part in politics. On the contrary, he will be glad of a statement that will place the bulk of his people in a fairer light before the world.

And this is the first thing to be said about Nationalism and racialism in South Africa generally: it is the deliberate creation of a covetous race which is neither Dutch nor English, but German. It is notorious that the white men of the country have always got on pleasantly together side by side, and still do. There was, for instance, never a word of racialism in the Orange Free State till the Raid, which was "organised" in the Corner House by Germans, and ended the typical co-operation of Rhodes and Hofmeyr. It is the witness of all Englishmen who have travelled in the country during the last fifty years that the distinguished characteristics of their treatment by Boers have been courtesy, kindness and hospitality. This has been the experience of both of the writers on the veld, and on the battle ground, too.

"South Africa first!" When General Hertzog declared his policy in these three words the Anglo-German Press fell upon him furiously as a traitor who had thrown off the mask at last. General Botha used the text with effect in English-speaking constituencies. But no one dare question the justice of the dictum. In South Africa the local interest is the first, and always the first, consideration. It is more. It is the only just criterium of policy. Canadian and Australian have the same cry. But it is not an anti-English declaration. It is as

³ See evidence of Mr. Kotzé, the Government Mining Engineer, before Select Committee.

^{3a} Closed down finally during sitting of the State Mining Commission—at the crisis in fact.

⁴ As representative of the patent Entente Cordiale and a latent German Entente the "Britisch Jingo" Press has been described as a "double entente."

English as Magna Charta. The most ardent Imperialist must agree to it. The man who has gone to face the guns in Flanders, at a rate of pay⁵ equal to half what his wife is paying her Kaffir houseboy, does not consider any part of his income should be forfeit to the United Kingdom. If the tale be true that our volunteers tore off their Springbok badges when they learnt that the South African and Unionist Parties had played false to the promise to place them on the Colonial pay-list, that protest was a political protest, not national. Even Imperial questions must be judged by South Africans, as by Australians and Canadians, from the Union or Dominion or Commonwealth point of outlook. That is, indeed, the sole justification for the proposals to form an Imperial Council (Imperialiste Raad)—that Colonies or Dominions should be consulted before they are involved in Wars and Treaties. Whether such a Council is practicable in view of the great variations in territory, wealth and population may be arguable. The theory on which it is based is not arguable. The practice will have to be considered with the novel proposition of "Democratic Control." Many devoted Englishmen in South Africa agree with General Hertzog in disliking the proposal, though it may be that the motives of their dislike work at different angles. It may well be that the consideration of South Africa's interest should determine us to the fulfilment of Imperial services, that the strengthening of the Empire is strength added to the Union. Nationalists see this as clearly as any else. Even President Kruger assured one of the writers that he was willing to pay a subsidy to the British Fleet in return for the clear recognition of the Sovereign independence of the Transvaal. The Nationalists have proved that though they dislike "assimilation," they will not be induced to cast off violently from the Empire.

Nations are seldom moved by moral duties either in their foreign or domestic policy; but flagrant bad faith or base ingratitude in ancient as well as in recent history have their nemesis in an odium that no people can safely face. If generosity of treatment be a standard of political obligation there can be no question that South Africa since the defeat of the Republics has been more liberally treated, not only than Ireland where some talk of conscription as a duty, but more liberally than any other Colony or People in history. It is impossible to criticise General Botha till he resumes something like human proportions, but this ought to be said in justice to at least a large number of Nationalists—that their opposition is to General Botha's internal policy, and not to the Imperial connection. Long before this war, before the Union, this was the unanimous voice at the Congress in Pretoria, under the chairmanship of General Beyers, of the "Christian National Education"—the backbone of Hertzogism. One speaker after another, including the most "recusant" of the predikants, said: "We have no quarrel with the British Government. They have placed the government in your hands. It is you who are deaf to the needs of the people." And they threatened then to "issue their

⁵ Since been remedied by the Imperial Government to the great scandal of South Africa. Unionists refused to press it to a division in Parliament because General Botha threatened that he would resign. There was an ascertained majority in the House, but apparently the Prime Minister dreaded a division in his Party, and especially in his Cabinet. Feeling is very hot in South Africa on this matter, and Unionists are pressed to demand a division in the coming session in order that it may be known who are the men who will vote against treating the volunteers differently from those who volunteered for service in the German territories in Africa. The comment of the "the man in the crowd" is that nothing will be done to disturb the Ministerialists until the gold areas are disposed of, or, at least, until the law has been changed to permit of disposal quietly.

propaganda" against Generals Botha and Smuts unless redress were given. Many Nationalists have declared that honour demanded that they should support the Empire in this crisis, but they objected to be dragged at the wheels of the Prime Minister's chariot, in which the "foreign fortune-seeker" was seated. General Botha has told us that it is from his own Ministers and his own party that the opposition has come to a "white man's pay" for the troops in Europe. The very Minister of Mines, who has in hand the preparation of the measure for alienating these gold areas is said to oppose paying our volunteers in Europe at Colonial rates.

The story of the "Rebellion" has not yet been fairly written. The people in England can, however, console themselves with the knowledge that many who have appeared as rebels have deposed that they had no intention of rebellion. That this is true of all would be an absurd contention, but it is unquestionably true of many, who simply obeyed the instructions of the officials placed over them by General Botha's own Government, and were unaware of the purpose for which they were summoned. They found themselves in an exceedingly perilous position in consequence. What is most striking is that the rebellion fell so flat. It had passed its crisis before General Botha fired a shot. But there was something in it. It is stated that Colonel Francke, the Commander-in-Chief of the German forces in South-West Africa, was in Johannesburg on the night that General de la Rey was accidentally shot, in the company of General Beyers, and that he attended a secret meeting of Germans. It is certain that the German population of Pretoria and Johannesburg, together with agents through the country, behaved in a way that no one could mistake. In Rhodesia they tampered with the natives, and General Botha made the same complaint about their missionaries within the Union. But financiers make poor rebels, as we learnt at the time of the Raid, and this time the Boer was not gulled like the Reformers. General Hertzog escaped having his "apple-cart upset" by General Beyers.

The writers of this book are not Nationalists. They have always voted Unionist, and found their vote chiefly exercised by their representatives in the support of General Botha. Yet they feel that a grave and sinister injustice is done to Nationalists. It is more than likely that General Hertzog prefers Germans to English "in the abstract." It is a matter of taste, but he is partly German by race, and has had many diplomatic relations with Germans, some of which are described⁶ in this book. But when it is said that he was in close relations with Beyers it is to be remembered that though his sympathies may have reached a long way in that direction there is no sort of evidence against him, except the absence of protest. It is easy, however, for suspicion to find matter to feed on, but it should not be forgotten that in the lack of evidence unjust suspicion may seize on facts which would implicate persons whose loyalty is unquestioned. It is true, for instance, that Beyers was appointed as Chief of the Defence Force by General Smuts, in whose Department the administration of the Force lay, and that he was continued with other rebel officers in active command long after the hostile flag had been raised at Lichtenburg and the propaganda of revolt had been carried through the country and even into Basutoland. It is reasonable to conclude that the rebel leaders communicated as little to General Hertzog as to their other old friends. No one will dare to suggest that the Prime Minister and the Minister of Defence knew of Beyers' intentions or connived at them in any way. On the other hand,

⁶ See Chapter III.

de la Rey was their intimate friend, and they could not fail to know something of the direction of his thoughts, though he knew that it was useless to speak to them of rebellion. General de la Rey is dead. We believe he meant to rebel. He was far and away the most resolute and most capable soldier in the Republican forces. He was chivalrous and of a noble simplicity. When Fate so strangely directed the bullet meant for a malefactor to the breast of this genuine national hero all possibility of serious revolt had passed. There was no leader left. The misfortune of the Nationalists is not that they have no military leaders, but that they have no effective political leaders. In a word, they are the poor, and they attribute their poverty to a national policy which they believe, and say, is directed to the aggrandisement of the rich, and especially of the rich foreigners.

General Hertzog is no doubt to be blamed for his indiscreet silence, which was, naturally enough, interpreted by his enemies as something on the far side of loyalty. His position was difficult—as difficult as Parnell's at the time of the Phoenix Park assassination. But something of his difficulty was shared by Generals Botha and Smuts, and even they waited a long time before they spoke out to condemn the rebellion, which was notoriously being canvassed from end to end of the Union. So long as no overt acts were done, or while there was a possibility of preserving peace, it was not natural for any Boer leader to condemn his people. If there was mismanagement on Government or Nationalist side, it was a triumph compared with the Irish affair. It is said even that General Wolfe Murray, when withdrawing the British troops from South Africa, felt it his duty to say a word on the subject to General Botha, who then took the field with what volunteers he could collect. The Defence Force was found to be a difficulty, partly because it was feared that it contained rebel sympathisers, as indeed it did, partly because the Boers objected to compulsory service in a civil war whose issues were by no means clear to them, and partly because the unmistakably loyal portion of the population was left unarmed. An unastonished and tolerant Press learnt that the Defence Force—which but a few months before had been held up as a model to the whole world, and had dragooned the unoffending population of Germiston so briskly at the time of the strike, when the burghers were called in, as they supposed, to quell an insurrection⁷—this model Defence Force was lacking in munitions, horses and equipment when the Germans were invading the country and the flag of insurrection was openly unfurled. Had there been any real popular movement in favour of rebellion there was nothing to prevent the easy fulfilment of the plan to march from Potchefstroom to capture Pretoria and Johannesburg. Johannesburg was entirely unarmed. But it was not General Beyers or General Hertzog who was at the head of the Department of Defence.

No real blame attaches to General Smuts for this situation. He knew the aspiration for independence of the countryside, but he also knew that there was no general disposition to demand that independence with armed hands. At the same time he had come to distrust the proletarians

⁷ That this was a grave mistake is now admitted. Armed Burghers were under De la Rey, Kemp and De Wet, all rebel leaders. General De Wet is stated to have said afterwards that they thought they were called in to support the Government against an insurrection, but discovered they were used to protect foreign capitalists. Many usually informed people declared at the time that the whole thing had been engineered to provoke a civil war—to reproduce the conditions of Ireland at the outbreak of the European war. There is little room for doubt that the strike was forced upon the railway men with the object of ending a state of tension.

of the Rand. He had been praised by the whole world for suppressing a railway strike and a mining strike. He was a greater Briand, and it is clear that he would not allow anything in the nature of armed civic constabulary to exist on the Witwatersrand, except under the strict control of officers selected by those who sympathised with the "Houses."

The difficulties of the Defence Force were made greater by the inability of the "Houses" to assist in arming and horsing the men. A prominent and wealthy financier, connected with the Press, and shortly afterwards made Major in "German South-West," no doubt for latent military excellencies, arrived just as the Imperial Light Horse was assembled but unequipped. He is a farmer and horse-breeder on a large scale. In reply to an urgent appeal from the Colonel for horses, he wired back, "The spirit is willing, but, etc." The weakness of the flesh thus leading to weakness in horse-flesh, the lack of the temporarily more important animal drove the military authorities to the necessity of refusing veterans who could not furnish their own horses, and accepting men without experience but mounted.* An unpleasant incident had indicated the difficulty of getting horses from the farmers. A Boer commando, we were told, had been called up mounted. They had been paid on a liberal scale for their remounts, but on learning that they were called on to fight, had ridden away—horses and purchase money and all. It is to be feared that the influences which led to the rejection of experienced officers and the appointment of so many untried men to commissioned rank, together with the lack of equipment for the men, not only impaired the efficiency of the local army but created a prejudice against recruiting and the recruiting authorities. Only the superb loyalty of South Africa has overcome, not the prejudice, but the lack of men. It is a subject on which South Africa is still very sore, and it has only been touched on here for the purpose of showing that there is no available material for rebellion in South Africa. In spite of the overbearing financial prestige and personal influence of the German population, in spite of the presence of the enemy on our flank and in high places in our midst, in spite of a very active propaganda, the Boers have remained truer to their oath and to their interest than could have been hoped by anyone who did not know them. India, Egypt, Italian North Africa, Ireland and elsewhere have shown weak spots, but the Nationalists in South Africa have for the most part preserved the tradition of the former Prime Minister of the Cape, now the High Commissioner for the Union in London, who declared the Cape Colony "neutral" during the South African war. They refused to be commandeered for foreign service. They volunteered in large numbers for service in German East Africa.

The truth of the South African difficulty is this. It has always been the object of the Anglo-German press to create racial discord. The people of Johannesburg and the Reef are disliked not only by the backveld but by the rest of the population. With rare exceptions an irritating tone has marked the utterances of the confederated Press, and their internal news service has every unpleasant utterance telegraphed all over South Africa. Thus the Rand population has been quite erroneously, though most naturally, identified with the people who have filled the world with ugly rumours, market booms, or grievances and attacks upon the Boers. Were all South Africans aware of the real control

* A pleasing contrast was offered by De Beers later. Learning of the national need, the Board immediately ordered fifty of their best horses to be given.

of this Press,^{7a} they would not be so ill-disposed to the people of the Witwatersrand, who have suffered so cruelly under the *régime* that has succeeded in identifying them with the Unionist Press and Party, and that Party with "capitalists." When the fury of the 1913 strike exhibited the hatred universally felt against the distant exploiters and set the *Star* buildings ablaze, men, women and children who had nothing to do with the strike watched the fire with complacency, and a loud roar of laughter went up from the throng when a newsboy cried "*Star* Final!" It expressed a long-cherished hope. The politicians continually represent Johannesburgers as insolently hostile to the rest of South Africa, and the Nationalists, taught that this hostility is English, are not infrequently provoked to reply in terms which are immediately seized upon in the newspaper offices of Johannesburg to inflame local resentment. The quarrel between Dutch and English is chiefly artificial, and is fomented by the same agencies as have provoked riot and discord, rebellion and treachery, in other parts of the Empire and in the countries of our Allies.

South Africa's interest in this Treasure Trove of hers comes first. Although great exception has been taken in some quarters to General Hertzog's dictum "South Africa first," he is unquestionably right. Any attempt to exploit South Africa to her own harm in the interest of London would be opposed by all classes in South Africa, and such a course would be repugnant to British tradition both Imperial and

^{7a} "In the days of President Kruger, the leaders of the Rand mining industry were stalwart opponents of Protection in every shape and form, and their influence and that of their Press was considerable."—Paper by Mr. Sam Evans in "The Magazine of the International Free Trade League"—"an international repudiation of the gospel of artificial scarcity," 1912. Mr. Evans was a partner of Ecksteins, and so could speak with authority on the ownership of the Press.

The Editors of the *Star* and *Leader* were dropped just before the war. The *Leader*, whose attitude is sufficiently reflected in the phrase "our friends the enemy," made an attack on Mr. Julius Jeppe in the beginning of 1915, no doubt because Mr. Jeppe was a partner of Sir Abe Bailey, reputed, perhaps wrongly, to be the chief influence in the rival *Daily Mail*. Mr. Jeppe retorted by naming the owners of the *Leader*. The scandal was too great, and within a few days the paper was closed down by a financial arrangement between the *Cape Times*' agent and Sir A. Bailey's agent, and disappeared into the *Daily Mail*. The following is the self-accusatory defence of the *Leader* in reporting the incident:—

"A JEPPELIN BOMB.

"From the lofty eminence of the Chairmanship of the Hospital Board Mr. Julius Jeppe threw a veritable bombshell into yesterday's special meeting of the Board, when he, in a set speech, assumed full responsibility for the temporary appointment of Mr. Burekhardt, a naturalised German, to the post of receiving officer. In the course of his address Mr. Jeppe made the statement that among the largest shareholders in the *Leader* and the *Sunday Post* was 'a company controlled by naturalised and unnaturalised Germans.' We presume that Mr. Jeppe's remarks were intended to apply to the Central Mining and Investment Corporation, Ltd., which holds shares in the *Cape Times*, Ltd., who are the proprietors of the *Transvaal Leader*. . . . The Central Mining and Investment Company is a British company registered in England.

"At the Board meeting Mr. Jeppe said: 'Owing to the feeling generated through this war I can quite understand the attitude adopted against naturalised Germans by some of the public, but I fail to understand the severe policy pursued by newspapers like the *Leader* and *Sunday Post*, when we know that amongst the largest shareholders of these papers is a company controlled by naturalised and unnaturalised Germans.'"

Colonial. It is not in the interests of the British Empire that South Africa has been exploited. It is not the genuinely British who exploit the country financially and offer bitter answers to the natural desire of the Union to be "mistress in her own house." When we are asked by politicians to "make sacrifices for the Empire" we might well select them as the first sacrificial victims. The phrase generally covers a villainy. A sacrifice either in Christian or Pagan theology does not mean throwing a sprat to catch a herring, doing some hateful or damaging act to conciliate Divine indifference or wrath. Sacrifice is not loss but gain; it is, in fact, communion of strength. There is no sort of justice in expecting an inhabitant of Kokstad to deprive himself of something for the benefit of a citizen of Pimlico. The German-owned "English" Press of South Africa was distinguished after the Anglo-Boer war by its advocacy of such sacrifices—preferential tariffs and what not. As we shall show later, such tariffs by themselves were entirely unavailing against the German system, and the insincere loyalty that chattered about them was designed to influence the resentment of the people of the late Republics.⁸ It served its purpose. But the loyal Town Council nominated by Lord Milner for Johannesburg went no further in preferring British tender than the old Bond Government of the Cape—not so far.⁹ The moral obligation of a conquered people to defend the conqueror with their lives or prayers simply does not exist. South Africa wants to remain inside the Empire because it pays. Presumably, that is why we were brought inside the Empire. Whether the payment is in prestige or trade or protection is indifferent. The effusive gratitude poured out in No. 1 Wall Street by the chairman of the Central Mining and Investment Corporation, several of whose directors were Germans, naturalised and non-naturalised, at the outbreak of this war, leaves us cold. "It would be ungenerous," said Sir Lionel Phillips,¹⁰ "not to recognise the hearty support received from the Imperial and the Union Governments and from the High Commissioner for the Union of South Africa in London in the prosecution of our work. Thanks to their assistance, the requisite supplies and spare parts for maintaining machinery are being obtained." Similar outpourings of gratitude came from Mr. Newhouse (*né* Neuhaus); *et id genus omne*. If the Imperial Government had any policy in this matter¹¹ it was not, we hope, influenced by the beautiful eyes of Sir Lionel Phillips and his German partners. Presumably, it wanted the gold; the Governor-General has told us so. But why did it shield the alien enemy? There are still British miners in these mines who believe, as they are told, that their service in the mines is an Imperial service. They would be more grateful to the Government if it would relieve them of the ghastly fear that they are really working for German profits and of the thought, that shipping their kin can ill spare is devoted to maintaining even dormant enemy interests. The Central Mining and Investment Corporation is "incorporated in England." It is monstrous to suppose that British and French shareholders have elected all those actual or

⁸ See Chapter VI.

⁹ See Chapter VI.

¹⁰ Speech at the tenth Annual Meeting of the Central Mining and Investment Corporation.

¹¹ We find later that the Union High Commissioner has assisted the Directorate of the Company mentioned to amend the Enemy Trading Act. This Act is useless for the purpose of destroying enemy financial control in this country (South Africa).

naturalised Germans who have figured on their directorates¹² in person or by nominated "alternates." A thorough investigation of the "proxies" which elected the old directorates and the new would reveal some interesting things, more especially if the givers of these proxies were instructed to appear before the nearest competent magistrate for an interrogatory. We might be rid of some extremely unpleasant characters in our public life, the police would learn something worth learning, and very possibly sums that are now being employed in undesirable ways might be more happily diverted.¹³ Another Corporation with German associations has obtained a controlling interest in the lease (granted while this book was going through the press) over the Government gold area at Brakpan. If this area resembles the neighbouring ground the lease may be estimated as a pure gift of six or seven million pounds, in addition to the ordinary mining profit. The South African Government might have been saved from this ill-calculated "generosity." A similar deal has been done with the group¹⁴ that has chosen German, Prussian, Austrian and Turkish Government Bonds for its investments, and, we note this year, has even added Bulgarian¹⁵ Treasury Bills to its list of "securities in enemy

¹² It is to be hoped that the French Press will call the attention of the large body of French shareholders to the fact that their interests are administered by Germans. An organised effort should end this once and for all. The Consular Office in Johannesburg should be highly paid and equipped to watch over French interests.

¹³ Before Portugal entered the war Delagoa Bay received a German Colony from the Rand. No steps were taken to prevent the banks being used to transfer moneys thither. From thence to Switzerland and to the German banks in Switzerland the route was clear. Switzerland was a convenient meeting place and "bearer" scrip profitable luggage. It is not surprising, therefore, to learn that immense quantities of such scrip have been transferred to South Africa, where it becomes available for dividend. The "Swiss" banks, at least one branch of a German bank, were advertised as rendezvous for registering bearer scrip for dividend. During the war a bank (of course, with the full cognisance of the Government) opened a branch in New York. Through this branch certain operations have taken place which, of course, are quite legal. The case of Orenstein-Arthur Koppel has revealed the trade too late, on the intervention of the King's Proctor. See Chapter VI.

¹⁴ The pedigree and antecedents of this group, Central Mining and Investment Corporation, is given *infra*.

¹⁵ At the first meeting after the war of this company Sir Lionel Phillips gave the list (see Chapter I., Note 14) of the "Investment and Cash in Enemy Countries" of the group referred to, *viz.*, the Central Mining and Investment Corporation. He omitted to state, and the balance sheet also omitted, that Bulgaria had also been chosen as a profitable place to invest in. The assumption is that the London office had not been acquainted in 1915 by Berlin of the Bulgarian transaction, and quite possibly the investment was made during the war by the Berlin office. Sir L. Phillips' words in 1916 were: "Our liabilities are considerably more than covered by liquid assets without taking into account cash securities in Enemy Countries or with Enemy Banks. Shareholders may wonder why the item under the last-named heading has risen by about £20,000 in the accounts now before you. This is accounted for by Bulgarian Treasury Bills, which, of course, we held before the outbreak of war." What have the auditors to say on this matter? If the data were available for them in 1915, why was the Bulgarian deal omitted? If the information has come to hand since, whence has it come and who did the deal? It is curious that no questions were put at the meeting in relation to this matter and to others which provoke curiosity.

"Resignations from the Board which were brought about through the war," as Sir L. Phillips explained, include Mr. Friedrich Eckstein, Mr. L. Reyersbach and Mr. Max Francke. Mr. Rube's vacancy is due to death. Referring to Mr. Francke, the Chairman said: "I cannot quarrel with his decision in the circumstances," a phrase that will be endorsed by those who

countries or with enemy banks" in preference to the "many openings for capital in South Africa" they have alluded to in times past. By such means the fangs of German banks are fastened still more deeply in our vitals. It is this sort of Imperialism that Nationalists dislike and associate with the "foreign fortune-hunter." In this respect the Nationalists are more genuinely, that is practically, loyal than the German-English who control the voices of South Africa. It is they who bring the English name into contempt with Afrikanders

"South Africa first!" then, is not a rebel cry nor the watchword of disaffection. It is a thoroughly constitutional statement, which British politicians in the United Kingdom would be the first to admit. It is not an exclusively Nationalist cry, and if it were, or should it become so, the Nationalists would truly represent this country. That the feeling of the mass of the people is bitterly opposed to the alienation of the national wealth and the subjection of the Union to foreign economic servitude was at once apparent when the Petitioners' Committee, out of which grew the British Citizen Movement, summoned the Rand to protest. The petitions poured upon Parliament in favour of a drastic Enemy Trading Law were eagerly signed not only in the Transvaal and the Free State but in Natal and the Eastern Province of the Cape Colony and in all the chief towns. The movement was discouraged officially and by the controllers of the Unionist Party.

But how is the country to preserve its own property or to secure something like an adequate return for it? If it be decided to farm it out to private speculators, what safeguards are required and what alterations will be required in the Gold Law? In order to answer these questions we must first establish for public information a soundly based estimate of the cash value of the assets in question, so that whether the State mines on its own account, or in co-operation with the Imperial Government and Bank of England, or it is decided to job the goldfields to private undertakers, we shall not have erred in ignorance. The basis of the State mining or of the sale can be established so firmly that the former will not be shirked for fear of capital risk which simply does not exist, or the latter rushed through in hole-and-corner fashion at a price which receives the official and press support to-day. In the course of the analysis of data necessary for this purpose the changes in the Gold Law required in the national interest will become apparent.

The Gold Law was written and amended especially for the purpose of making it hard for the Boer and for the Englishman to own a gold mine. For this purpose the prospector has from the first been harassed by fines and charges imposed by the State and by obstacles erected by the "groups," which in almost every case lead to his abandonment of the ground he has proved to the verge of success. The State is denied information about its own resources, its own lands are locked up from itself, and when it is decided to sell or lease a State-owned area an overwhelming body of "expert" evidence is presented, coupled with a

know the circumstances. Mr. Francke, who has represented a German bank, did not resign on the outbreak of war. His name has now been deleted from the new Articles of Association. Presumably the new members of the Board have become qualified for the position. Mr. Schumacher had resigned from the company, sold his furniture in Johannesburg, and has, no doubt, been persuaded to keep the company's flag flying. Sir Sothern Holland and Mr. Ross Skinner represent what interests and since when? The former was British Trade Commissioner in South Africa, and no doubt his office brought him into contact with this House "incorporated in London." Mr. Ross Skinner is an employee, no doubt a very capable one, but if he is merely a "qualified" director, will he not be expected to look after a sectional interest?

boycott or "knock-out" combine, to prove that the areas are almost valueless, desperately risky, and perhaps, as the Government Mining Engineer said to the Select Committee (query 356), actually needing to be given away with a bonus. Parliament is now to be asked to change the Gold Law so as to disable the State still further. The information published in the succeeding chapters should effectively quash this conspiracy. The chapter devoted to "the German system" will, it is believed, show that it is impossible or next to impossible for any but German groups to secure, if not at first then at the point of profit, the mineral treasures of the Transvaal, and to warn the people of the Union and of the Empire of the fatal consequences of obscure dealing. Finally, in the course of the argument it will be shown that there are other treasures actually in the possession of the State which its custodians refuse to know¹⁷ or allow to be made known, while its laws are directed fatally to betray their treasures into the hands of the national enemy.

THE GENERAL ADVANTAGE OF STATE MINING.

In discussing the general advantage of State mining in South Africa we expressly exclude from our consideration any "abstract theory" of State Socialism. No aggressive competition with individual enterprise is advocated here; indeed, not the least of the advantages to be gained by national exploitation of proved resources on Government ground is that the private prospector, of small means or great, can be encouraged and helped in a conservative and legitimate way, in the only effective way by which the State will also gain by the skill and adventure of the men who seek to locate the gold or other mineral in the land. To confine such highly speculative work to the State would be folly. Give, we say, to the genuine explorer every aid and encouragement that law and prudence can devise added to a liberal reward for his discovery of the mineral treasure, and you will secure further State assets in the mineralised areas that fall to the State in the neighbourhood of the property that the explorer proves and owns for himself.¹⁸ There is, besides, the direct, and greater indirect, gain which falls to the State from the wealth produced by the energetic self-directed activities of its citizens. We are not dealing, then, with an "abstract" question of general State policy. Our argument is confined to the advantages of mining a given proved area which accrues to the State after the prospector has taken his reward.

It will not be expected that much time should be spent on proving that it is a gain, a large gain to the Union of South Africa.

¹⁷ In his examination by the Select Committee the Government Mining Engineer, after much pressing, admitted (Query 1,306) that it was not quite wise to prevent prospecting on Government ground reserved from pegging on the assumption that a particular gold reef lay there. The case as put by Mr. Bleloch is that the Government is now ready to lease ground at a price fixed by an unpayable reef known to be under it, while it refuses any citizen permission to prove, even at his own expense and for the sole benefit of the State, that there is also a valuable reef which would enormously enhance the value of the property. Mr. Bleloch offers to point out this rich reef, but the Government refuses him leave. Neither will it investigate for itself. The "assumptions" of a theoretical geologist, who has since joined the staff of one of the tendering "Houses," are enough to prohibit the State Mining Department from seeing the facts for itself, while the area is to be alienated on the assumption that no such reef is there.

¹⁸ When gold is discovered the owner and discoverer are allowed to peg off about one-fifth of the mineralised area. The rights over the remaining four-fifths accrue to the State.

to receive directly and indirectly from its own property in a small given area from 70 to 80 per centum of hundreds of millions of pounds.

If we can prove that the State can get that amount there is enough of folk to instruct us how to spend it.

THE STATE GOLD BASIS MUST BE FREED FROM GAMBLING AND TREATED AS A WHOLE.

It has, however, been said that the mineral wealth is a "declining asset." The less reason for the State to decline it. To say that the Government should leave its gold reserves in private hands and devote itself to the abiding agricultural industry is a totally false distinction. Instead of leaving the resources, upon which the abiding and continually reproductive industries of the nation are to be built up, to the shy, sly ways of speculative private capital, with its share-deals and quarrels, its corruptions, reconstructions, want of working capital and all the loitering and ill-credit the history of the Rand has made us familiar with, it is for the national administrators to take a business-like estimate of the national estate. Here is our basis; here is our time-factor. Cautiously, like Mr. Kotze, estimating the probable result of emptying one area of its gold, our Parliament will then have a foundation upon which it can budget for the agricultural and other industries which do not "decline." The opponents of State mining say it is a gamble, a tremendous gamble.¹⁹

The simplest and truest of many answers to that may be put in the form of a question. At the present time it is the theory both of the Chamber of Mines, of the Chambers of Commerce, of General Botha and his Cabinet, of the Nationalist, Unionist and Labour Parties, of the foreign creditor, and of everyone who has given the matter a thought, that the whole National Budget, the Public Debt, the State Railways, Harbours, Posts and Telegraphs, schools, gaols and other national buildings, the Defence Forces, Civil Service, Agricultural Departments, etc., have been begun and continue to be based on the revenue expected to be drawn from the mines. If the mines fail, all fails. Is it better, then, that the fabric of the State should be based on an industry whose resources are carefully explored and systematically developed by methods in which the element of gambling is removed, or that the National credit should hover in the dark at the mercy of private gamblers who are admittedly unable to see or work the industry as a whole, who depend upon the vagaries of the money market, who can never assure the State of any certainty, who at best can but nibble at a fraction at a time—in a word, is the business of the State to be based on secure Knowledge and Power or upon the irregular by-products of private gambling in the State assets? In either case the National Budget is based upon these gold reserves. Which is the safer, the more knowledgeable, the more honest method? When you add that the private gamblers

have no national interest, but are absentees, and for the most part under the direction of hostile banks;

¹⁹ With one accord all the witnesses interested in obtaining the Government areas have declared that it is a "tremendous gamble."—*Vide* evidence given before Select Committee and Commission *passim*. All but Sir G. Albu accepted the position that they were themselves gamblers, but Sir George, whose enterprise is closely allied with the Dresdner Bank, preferred to call such investments "highly speculative." Pleasant reading for the bank's clients—if it were true!

that they exert powerful influence on political parties and officials to wrest the laws to their favour and alter the tariffs to their advantage and to the disadvantage of the resident population ;
 that they have been associated with raids and wars and foreign intrigues, and have threatened Governments that they will wreck their public loans and make borrowing conditional upon ransom ;

that they have brought about convulsions in the labour markets, white and black, raising and lowering wages at their caprice and opposing the national will by introducing Chinese ;

that their attention to the Share Market and neglect of sound industrial conditions have disgraced us with a mortality of miners, white and black, whose magnitude is even now concealed though what is known as appalling ;

that they have succeeded in shifting on to the State the burden of compensating the living victims of a preventible occupational disease ;

that they have negotiated and "amended" a law which is now in process of branding some thousands of white men and a hidden multitude of natives with a mark of permanent unemployment owing to silicotic disease contracted in the unhealthy mines ;

when even then you have not exhausted the black list of booms and slumps and undesirable practices which have set off bombs and rifles in our streets and dragooned unoffending citizens by troops from the country inflamed by the belief that they were quelling another "Jameson Raid,"

there can be little doubt in deciding whether it is safer for the State to control its own resources or to leave them in such hands. *Non tali auxilio nec defensoribus istis.*

OPPOSITION TO IMPERIAL CO-OPERATION.

There was a time, no great while ago, when a proposal to alienate State assets to the "Houses" or to make the State further dependent upon them economically, would have roused the anger of the South African Party. The Transvaal had suffered so much at the hands of the "Cosmopolitan" financiers who had become the spokesmen of British Imperialism that the Botha Party was elected to office in the first Transvaal Parliament for no other reason than that it was opposed to the "Houses."

One would not care to lay too great stress to-day upon the strict reliability of what we are about to quote, but the following letter was written by General Smuts to Miss Hobhouse, and published in the *Daily News*. In reading it one should remember that it was written not only by a man who had lived on the Reef but by a man who had had the control of the police on the Reef, who was Attorney-General (Staats Procureur) in the Transvaal Republic in the years just preceding the Anglo-Boer War. The occasion was the introduction of Chinese labour :

"They (the Crown Colony Government) think that the mining industry must be saved at all costs, and it cannot and will not be saved, for the major part of it is bogus and a sham. If all the mines that have no reasonable chance of working at a profit—that is about 80 per cent. of them—are allowed to go to the Bankruptcy

Court, the country will once more return to a normal condition. . . . The Transvaal will cease to be the happy hunting ground for the fraudulent company promoter, and all will yet be well. Now, however, we have a bogus gold industry; its reputation is kept going for the purpose of still further swindling the investing public of Europe. The general good of this country, and I may say of South Africa, is sacrificed for this sham industry—and so we are merrily spinning to perdition.

(“Signed) JAN C. SMUTS.”

That letter was read in the Transvaal Parliament by Sir Percy Fitzpatrick. General Smuts was Colonial Secretary, and present. He did not withdraw a word. If there were any justification for using such language of the Mining Houses is it to these same and to such methods he will entrust the assets of the State? He will hardly say that these are reliable trustees for the steady revenue of the nation.

It may be replied that since that date, and in spite of the unanimous declaration of the Chamber of Mines that the expulsion of the Chinese would close the mines and land the country in disaster beyond repair, the mines have flourished exceedingly, and have increased the annual output from £23,000,000 in 1906 to £40,000,000 in 1916. And therefore it was unjust to call the industry a “sham industry.” The explanation is simple:

- (1) About the time the letter was written the shares had been boomed up to a price that was entirely ruinous to the “investing public of Europe.” On that market valuation dividends generally could not be paid. A slump reaching into many millions followed. And while the shares were dropping, and investors here and in Europe were ruined, the “Parent Companies” were paying large dividends due not to mining, of course, but to share dealing. When General Smuts wrote that letter a colossal slump was in progress. Between 1902, when the post-war boom was engineered, and 1907 the market value of 83 leading stocks fell no less than Two Hundred and Seventeen Million Pounds—i.e., from £292,846,509 to £75,621,362. Native labour was driven from the fields,^{19a} and the whole population starved into submission.
- (2) Companies were floated on reefs claiming to be “Main Reef Series” on evidence which, to say the least of it, is highly disputable. The loss to the public investor was enormous: England and France were severely treated. Among these flotations may be included that “line of derelict head-gears” on the Far East Rand to which the attention of the Government has been drawn as corroborative evidence that the reefs they are above are not the same as the pay-reef of the Government areas. By the inclusion of these failures, as if the same reef were now rich and now poor, the Government areas are unfairly depreciated for the purpose of securing more favourable terms for lease and mynpachts. Further East, two “derelicts,” Cloverfield and Rand Klip, may profitably be noticed in this

^{19a} Towards the end of 1916 Mr. Drummond Chaplin, Administrator of Rhodesia, said to the Conference of the Rhodesian Mining Industry: “When natives are plentiful do not go and reduce their wages. I have a most vivid recollection of the whole of the Transvaal industry thinking they would be very clever in doing that, shortly after mining operations were resumed towards the end of the South African war. That was attempted, and it was a most disastrous failure, and the mines paid pretty heavily for it.” This was the preparation for Chinese labour!

context, as they have now been linked in a lease actually granted while the Commission is sitting, with 651 Government claims on the farm Modderfontein—the richest gold area in the world—next to the Modder B, one of the most successful mines in the world. The effect of the lease is to “average down” the valuable gold claims of the State to the level of these notorious failures. After perusing the history of Cloverfield given above, the reader may pardon General Smuts for invective against financiers which cannot, however, be held true of the gold values of the proved reefs of the Rand.

It was not long after this letter was written that the first Transvaal Colony elections were held and General Botha was returned to power by British votes, greatly to the surprise of the “Corner House” politicians, who had arranged for the complete control of the Progressive Party. This high-handed course had irritated the representatives of the Neumann and Pullinger set, who formed the nucleus of the Nationalist Party. The result of the election was a surprise to everybody, for it was brought about by the undemonstrative resentment of a large part of the British vote against the Anglo-German control which had cost the country so dear. Candidates who claimed that they belonged to the nation which had given the suffrage to the Rand electorate were quietly turned down by that electorate in favour of the Boer Party which had refused them the suffrage.

As to the dangerous financial power placed in the hands of “private” persons engaged in mining, this is what General Smuts said during the debate in Parliament:—

“There are great interests in this country. *It is in the power of a small number of men to ruin the Transvaal.* They can do it, as they have done it before now. They can try now, Sir, by producing a financial crisis to rise into power on the ruins of the Transvaal. I trust no such policy will ever be adopted. I shall never forget the desperate enterprises into which this country has been plunged before, nor that it is possible that *this may be done again, and that on the ruins of the country another party may rise to power.* . . . They have had power in this country. They had the power of war, if they had not the power of peace. How did they use it?”

These grave words were used in reply to the resentment shown by members of the Progressive Party associated with the controlling mining groups—and the majority with German groups—because the British Government had launched the new Colony at the beginning of Responsible Government with a guaranteed loan of Five Millions at an easy rate. What was the view taken by the British Government in doing so? As will be seen by reference to Hansard,²⁰ it was expressly stated that the object of the British Government was to free the young Colony from the power of our “international” financiers to boycott any loan the country needed. Sir Percy Fitzpatrick showed great bitterness, because this weapon had been taken from the men, the Germans, he was associated with. He said his friends were prepared to “bargain” with the Government.

Sir George Farrar,²¹ quoting the Secretary of State for the Colonies, said:—

“Amongst the reasons which had influenced the Imperial Government in granting the guarantee was the desire to create a

²⁰ Hansard, Debate on Chinese Labour.

²¹ Hansard, page 68.

Government independent of the favour or ill-will of powerful local interests. I want to know," he said, "from the Right Hon. the Prime Minister whether the Government has ever been free to deal with a question of this kind. . . . You have your steam-roller; if that is not sufficient what other power do you want? . . . Mr. Mackarness, who is very well known in this country, in a letter to *The Times* contended that the loan will enable the Transvaal Government to deal freely with the labour questions."

This very necessary freedom for the young Colony was damned by speaker after speaker, representing the "Houses" as "interference of Downing Street in the affairs of South Africa."²² Sir P. Fitzpatrick, who harked on this note in spite of frequent interventions of the Speaker and a weary House, said:—

"We did not ask for a renewal of the Chinese licences, but we offered to meet and talk it over together, either by Committee, by adjournment of the House, or by agreement, so that we might find a way of unanimously putting it before the Imperial Government—that this country shall have the right to deal with its own affairs." This interference—"in my judgment a gross interference in the internal affairs of this country, and unpardonable intervention in self-government (*sic*)"—was an Imperial guarantee of a loan for £5,000,000. He begged General Botha to throw over the Imperial Government and come to the "Houses." "What is wrong with the proposal of our side that matters should be talked over? We want to co-operate. What is the harm of meeting us, and talking it over with us if you are free? . . . We will help you; it is all we can do. . . . Here is the epitaph of the Liberal Government and of the Liberal Government which sat in office to-day."

The epitaph he quoted were the words of the Colonial Secretary in the House of Commons, who had pointed out that the young Colony must be free of the financial boycott of the alien "houses" and so guarantee their first loan:—"No one can contend that it is right to grant the forms of free institutions and at the same time to preserve by some device the apparatus of control." Because the Imperial Government had used those words, and acted on them, they had written their "epitaph." Sir P. Fitzpatrick didn't hesitate to threaten even the Imperial Government if they interfered with the international control of South African finances. He would bargain, but the British Government must not set a Colony free from the vultures who had the power, as General Smuts and Mr. Quinn said and everyone else confirmed, to suck the life out of the country and grow fat on the ruin of all. And this Sir P. Fitzpatrick, a junior in the Corner House—had before this actually taken it upon himself alone to burden this country not with a reproductive loan of £5,000,000, but with a War Indemnity of £30,000,000.²³ There was no end to his innuendo and threat. "We hear of development through Delagoa Bay. We hear of reconsideration of the Customs Convention. Are we to go still further in the matter of secret arrangements for carrying out a public policy behind closed doors? Are we to have federation fixed up? Is that part of the price?"

The insolence of this speech, which was warmly repudiated by General Botha, will be in some measure appreciated when it is recalled that when the "Unseen Hand" had once more established its grasp, a pair of aliens—one an unnaturalised German who was chairman of the

²² Hansard, p. 67.

²³ See Hansard, p. 1,072: "That is the responsibility I took."

Chamber of Mines, and the other a German supposed to be naturalised in the Cape Colony but not in the United Kingdom—actually negotiated a treaty²⁴ with the Portuguese Government in secret and denied the public all knowledge of their acts. And in the matter of the “federation” (or union) these very same speakers “fixed it up” behind closed doors, and threatened Natal with violent language that she would be boycotted unless she threw in her lot with the others over whom the alien control was to be established.

But while the Boers were ready to battle at the polls with a light heart, many of the urban population shrank from a continued struggle with the financial control. Like most of the British population who have dwelt any length of time in the country, they had no ill-feeling against the Boers with whom they came in contact, but they feared that the Boers were not aware of the calamities which would be brought upon them in a struggle on the Chinese question with the foreign banks.

The late Mr. John Quinn said (Hansard, p. 168):

“You won’t hurt them (the millionaires), but who will you hurt if you follow up this policy? Feeling as I do certain of the effects it will have, I will tell you who it will hurt. You will hurt a very large number of small shopkeepers, and these small shopkeepers are a very important part of the people *you are supposed to govern*. I will tell you further who else you are going to hurt. You are going to interfere seriously with a large number of artisans. In a word, you are going to reduce the number of people who find it possible to exist along the Witwatersrand area. The farmers in the country districts all over the Transvaal will find that, instead of being able to get twelve months’ credit from the large commercial houses, these *houses will find* that they cannot give the credit. And so it will go on in an ever widening circle, and no one can say where it will end.”

That was the opinion of the stoutest opponent of Chinese labour; it was the opinion, too, of a man who knew that the policy of handing the mines of the country to groups of anti-national interest, allied with “international finance”—that is to say the influence of German banks—could again, as it had in the past, ruin every class in the country. He gave up the struggle as hopeless. “We had fought it,” he said, “and we fought hard, and sometimes it cost us more than the labour of fighting.” Both he and Sir Aubrey Wools Sampson took up the position that they themselves could weather the financial ruin that would follow opposition to the policy of the “Houses,” but they shrank from involving the general population in the distress. “If it brings ruin to scores or hundreds of people it won’t to me, but I ask hon. members if they are prepared to insist upon large numbers of people making sacrifices which mean their ruin, because those members are not affected themselves. I am not prepared to do anything of the sort, much as *I should like to see ideal conditions prevailing.*”

²⁴ Mr. Elkan, an unnaturalised German was Chairman of the Chamber of Mines when the *modus vivendi* with Portugal was altered to obtain natives under condition of paying the wages in Delagoa and not in Johannesburg. An outcry was raised among the merchants, but it was ended when a deputation of two from the Chamber of Commerce heard “in confidence” from Mr. Elkan all about it. They reported all well. One of the deputation was the local managing director of Orenstein-A. Koppel! The information was not given to the public or even to the Chamber of Commerce.

In a word, these speakers, Unionists both, gave up the battle for "ideal conditions" because they knew, and had felt, the coercive power of the alien financier on the very living of all classes in the country.

Mr. Andrew Johnston, of Pretoria, stated the issue very clearly.²⁵

"Was it," he asked, "or was it not talked of amongst the financiers of Johannesburg that when the Government wanted money these gentlemen held a trump card which they would be able to play? Were they not going to use that trump card as blood-money in order to get an assurance that they might retain the Chinese in this country before they would give any assistance to get the money for the requirements of the country? But because they now find that the ground had been cut away from under their feet, because they find that this Government is now free to deal with the affairs of this country, and because they are free to deal with the Chinese, and to obtain money on just and reasonable terms, is that the reason or cause that they now rise up in arms as members of this House and heap their abuse on the Premier of this country? These are my opinions, and I give them fearlessly, and am prepared to abide by them."

Mr. Drummond Chaplin, General Manager in South Africa of the Consolidated Gold Fields, Ltd. (and now Administrator of Southern Rhodesia), speaking of the intention of the British Government, said:—

"Let us put that in plain English. In plain English that means that the Under-Secretary of State for the Colonies and Mr. Mackarness believed that certain local interests, as they termed them, would have had sufficient interest in the money market of the world to prevent the right hon. gentleman from getting on reasonable terms a loan without the Imperial guarantee. That is the plain English of Mr. Winston Churchill's and Mr. Mackarness' statement. Well now, I think that in that matter both Mr. Winston Churchill and Mr. Mackarness have paid these 'local interests' to which they refer a really most undeserved compliment. It certainly was never in my mind that those local interests were sufficiently powerful to do any such thing. Will hon. members opposite honestly say that they think these unfortunate local interests have such influence with the financiers of the world, in Germany, in France and America, to say nothing of the City of London, that by their mere *ipse dixit*, by the mere declaration of their opinion, they could have prevented hon. gentlemen from getting a loan, and that they could have prevented the most powerful financial houses in the world from providing that loan if they had tried? Is not the case this: that whether they were interested in South African affairs or not, the greatest financial interests in the City of London knew of the policy which the right hon. gentleman was entering upon, and which, as I have already explained, was known in various quarters within a few hours after the right hon. gentleman had left, and the question is, did they think that that policy was such as to be an inducement to them to grant a loan on favourable terms. Mr. Speaker, to my mind the circumstances under which this loan has been obtained afford the best possible commentary on the policy of the right hon. gentleman with regard to labour in this country."

The comment on this is obvious.

(1) That was precisely, and rightly, the view of the British Government and of General Botha's Government—that the

²⁵ Hansard, p. 161.

Transvaal Government could not face a boycott instituted by the international groups behind the "local interests to which they refer."

- (2) Mr. Chaplin was local manager of the Consolidated Gold Fields, but he came to South Africa after the war, and cannot fairly be considered to be in the financial swim. It is to be presumed that he knew nothing of the international plots in which the Transvaal had been involved.
- (3) That Mr. Chaplin himself supplies the answer to his own argument, since in the debate on Chinese Labour he said: "The right hon. gentleman was interviewed in London—received a deputation I should say—from a large number of financial firms interested in South African mining enterprise . . . on behalf of the shareholders they represented. The right hon. gentleman in his reply to that deputation, which has been published, certainly did not say that he was going to keep the Chinese. . . . If the right hon. gentleman had said at any one of those public functions to which I have referred—if the right hon. gentleman had told that *deputation of influential financiers* who waited on him, that he intended so soon as he got back to South Africa to announce that the Chinese experiment was ended, and that the Chinese were to go, there would have been no possible room for misunderstanding—(hear, hear) . . . and bearing in mind the fact that, as it has appeared, there seemed very little possibility of getting a loan on the credit of this Colony alone on reasonable terms . . . it is not surprising that the two matters (*viz.*, Chinese Labour and the Imperial guarantee) were intimately connected."

This is very plainly an admission that the "influential financiers" in the City of London left "very little possibility of getting a loan on the credit of the Colony alone" unless General Botha would come to their terms, and to save them from this boycott (which Mr. Chaplin elsewhere deprecates as beyond the power of "local interests") the Imperial Government started the new Colony with a guarantee for a small and admittedly necessary loan.

OPPOSITION TO LAND BANK.

Generals Botha and Smuts will recall the similar opposition to the Land Bank which they proposed to form out of part of the moneys loaned by the Imperial Government. It is profitable to recall this opposition because it was based on the same arguments as we hear to-day against State mining, *viz.*, it is risky and injurious to the credit of the country, and that if it were profitable the local banks would assist. Mr. Chaplin said: "Now, I am sure that in the past—I do not say it is so to-day—when this Land Bank has been discussed, there has been present in the minds of some hon. gentlemen opposite a feeling that it is a matter which does not concern us on this side of the House" [this, by the way, an admission that the Unionist (then Progressive) Party was looked upon as purely a mining representation], "that it is a matter which only concerns the agricultural industry, and that it is in short a business which should be directed entirely and only by representatives of the agricultural interest. Now, I trace that feeling to some extent in the evidence given some months ago before the Land Bank Commission by

the Hon. Colonial Secretary, who is responsible for this Bill. I cannot help feeling that the desire which may have been present at that time in the hon. member's mind—I fear it is part of that suspicion of 'local interests' to which the Under Secretary for Colonial Affairs in London so often refers—that the mining industry should have no part or lot in this business, may be responsible for this. And I think that the hon. gentleman was really hitting at a bogey which had no existence. Because if the matter had been one of profit, it is perfectly obvious, as my hon. friend has said just now, that the banking institutions in the country would have been able and willing to deal with it. And the fact that they have not been either willing or able to deal with it shows that the business is not one of immediate profit. *It is a business in which there inevitably must be a large element of risk*, and for that reason I think my argument is all the stronger, when we at this time, whose constituencies for the most part have to bear the brunt of the taxation, are not perfectly satisfied that the position of the country is such that the risk can be taken at present." The rest of his speech concerned the risk.

Before the country could assist its agriculture it must satisfy the internationalists. Only if they were granted their own terms would they support Government proposals. Otherwise the financial agencies would call up the mortgages. In this connection we would counsel the Government to inquire what is the amount of loan and mortgage money in South African property held by enemies resident in enemy countries. It runs into millions. Therefore, Sir P. Fitzpatrick's opposition to the Land Bank had a sinister note. He made acceptance of the proposals for Land Banks conditional on satisfying the "Houses" on the Chinese question. "If the labour supply is short," he said, "and if there is continued depression, it will affect all classes of the community. It will affect through them the bank, and the merchants, and I tell hon. members that to-day one reason why there is not a very heavy calling up of mortgages and debts is because they cannot get the money. That is the reason, because I know exactly what I am talking about. They cannot call it up because they cannot get it. They are not going to expose the position, and they are not going to take up properties which they do not want themselves. They have got to face the position."

Colonial Secretary: "Why do you expose the position?"

Sir P. Fitzpatrick: "The thing has been bungled up altogether. The sooner the thing is known the better, and the sooner the cure will come!"

But Mr. (now Sir and Major) Bailey was more subtle. He did not use threats, but kindly, compelling arguments. Like the Government areas on the Far East Rand to-day the whole Transvaal was "too patchy" for safe investment of State funds in Land banks. That would be a gamble. "I think it is a mistake," he said (Hansard, p. 668), "to take for granted that the country is suitable for a (land) bank. . . . In this country there is about 25 per cent. of the land that is not fit to be inhabited by white men. Of the other 75 per cent. perhaps 10 per cent. of it is fit for horses, perhaps 25 or 30 per cent. is fit for sheep and so on. . . . The agricultural part of the Transvaal may be called very spotty." This, may one remind the reader? is the country concerning which the Unionist Party has for years put forward its great Land Policy, Immigration and Settlement schemes! "Too spotty!"

Continuing in the same strain, Mr. Abe Bailey said: "Leases under any circumstances are a very precarious kind of security . . . no security at all." Why does not this participating financier inform the

Government concerning the Government gold claims that "leases are precarious, and no security at all"?

Enough, however, has been said to show the hostility encountered by the South African Party in domestic policy without a "bargain."

By what means do the anti-nationals exert their powers? Does an examination of their methods warrant the State in taking any constitutional means to escape from them?

We have seen General J. C. Smuts characterise their methods as "bogus and sham," "fraudulent company promoters," "purpose of still further swindling the investing public of Europe," "general good of South Africa sacrificed to the sham," "the power of a small number of men to ruin the Transvaal." It cannot, surely, be that he will invest our great State assets in the groups he has thus characterised in a letter published in the London *Daily News* and from the Treasury bench in Parliament. He has written a book, too, which is no less complimentary. Such phrases are not for our use. We recall them for the use of General Smuts.

He was not alone.

The Hon. Jacob de Villiers, now Judge-President, and at that time Minister of Mines in the Transvaal, was reported in the Transvaal Parliament as having said, "The Mining Houses had faked the figures," a statement he did not withdraw when challenged (Hansard, p. 261).

General de la Rey (Hansard, p. 230), speaking of these groups, said:—"They declared that it was impossible to keep the Transvaal going under its own flag. *The object of the mine-owners was to retain the control in their own hands*, because they realised in anticipation that if we attained autonomy the actual power would concentrate in the people, who would soon be prosperous once more."

There is little doubt that the brave and chivalrous soldier was embittered to see autonomy fail to free itself of that control, and that this drove him along the paths of armed revolt or at least of armed protest.

General Botha himself, having heard his most influential supporters and friends thus speak openly of the enemy, did not hesitate to fling a further accusation at them. He not only exposed their financial tricks, but he accused them of rigging the labour market for their own ends. It is, of course, apparent to us all now that, in order to make a good case for Chinese Labour, the Kaffirs were got rid of, and it was declared impossible to find native labour. Then, as now in the case of the gold areas, Commission after Commission was quoted to the effect required. But General Botha put his finger on the spot. "Is the Chamber of Mines," he cried, "which is dictated to by the 'Corner House,' not the cause that the Kaffirs left, when the resolution was taken to lower the wages from 60s. to 30s.? By this, qualified natives were driven back to the land and Kaffirs became afraid of Johannesburg." He refused to yield to the boycott of the country, and in the debate he did not hesitate to put a name to the sinister power in the background. Of one Progressive member, an attorney, he spoke as "generally tied from head to foot to the Corner House." On appeal he withdrew this phrase, with the crushing comment that he was surprised that exception should be taken to what applied to so many, but if the hon. member claimed to be a "free agent" it was strange

that one who dealt so with "free agencies" should be offended at the statement.²⁶

GENERAL BOTHA'S SCOURGE.

After drawing a picture of the bitter need of the country at that time General Botha produced a Blue Book, which he used like a scourge. He showed how those who grudged the Imperial loan of five millions had promised to negotiate a loan of thirty millions, but on their own terms and under a non-national control. Then, as now, they must do what the country could not do.

"I believe," he said, "that it was the hon. member for Krugersdorp who stated that the 30 millions war debt would be imposed upon the country, by him and his friends, only if the country could bear it. I beg pardon, Mr. Speaker, it was the hon. member for Germiston West who said so. I was not behind the curtains at Johannesburg when certain firms guaranteed one-third of that loan, but I wish to read to the House what is recorded in this Blue Book, and I challenge hon. members to prove that it was intended to float the loan only if the country could bear it. I will read it. It appears in a Blue Book of February, 1904, and is a letter from Messrs. H. Eckstein and Co. to Lord Milner, and this letter says:

"From Messrs. Eckstein and Co. to High Commissioner.

"We have been given to understand that the apportionment of the amounts to the two Colonies has been left by His Majesty's Government in Your Excellency's hands, but that approximately 28 or 29 millions out of the amount will be devoted to the Transvaal, and, as we have had enquiries from our co-guarantor upon this point, we should esteem it a favour if Your Excellency could let us know whether this is correct.

"That a loan of 30 millions, bearing interest at 4 per cent. per annum, but without any provision for a Sinking Fund, be issued, and that the proceeds of this loan be paid over when received, free of all encumbrances, to His Majesty's Government as a voluntary contribution on behalf of this Colony towards the cost of the late war; that the service of this loan be a charge upon the general revenue of the Transvaal only."

Then it goes further and says:

"That the issue take place in three instalments of ten millions each, an interval of at least twelve months being allowed between the issue of the instalments. That the first instalment be issued about January, 1904, and that the success of this issue be guaranteed by certain South African firms."

²⁶ This member shortly afterwards crossed the floor of the House, and joined General Botha's party. He was not long afterwards followed by another attorney, Sir Willem van Hulsteyn, whose findings, as chairman of Lord Milner's Concessions Commission, had reflected very unpleasantly—no doubt the evidence was inconclusive and prejudiced—on the personal probity of Republican politicians. Sir W. van Hulsteyn afterwards stood against Sir L. Phillips for the Yeoville seat, and everyone admired the courage of a lawyer who, in view of the punishment publicly inflicted on an auditor for having independent political opinions, risked a most lucrative practice. He was solicitor to the "Corner House." However, all went well. All the former unofficial Unionists of the "Corner House" (without exception) have joined General Botha's party, even to essaying opposition in recognised Unionist seats. Sir P. Fitzpatrick shortly after the first session of the Transvaal Parliament, enunciated the policy of the "fresh start." From that date both he and Sir L. Phillips have supported General Botha, and are regarded as more pro-Botha than leading members of his own party. It was not the war that rallied Unionists to that side. They were there years before. Some time before this Mr. (now Sir) Abe Bailey, while actually Whip of the Party, declared in England that his Party was dead as the dodo." He "knew something." General Botha, however, did not hesitate to twit him with the story of the "York Mine."

But it goes still further :

“It is understood, as between the Government and the guarantors of the issue, that an independent arbiter be appointed to decide whether the conditions of the money market, at the time the issue of the first instalment is proposed to be made, is sufficiently satisfactory. We understand from our London friends that Lord Rothschild is willing to act in this capacity if requested by the Imperial Government to do so, and we would therefore suggest to Your Excellency that he be thus approached by the Imperial Government.”

Now what does Lord Milner reply to this?

Lord Milner says on the 27th January, 1903 :

“From High Commissioner to Messrs. Eckstein and Co.

“With regard to the statement that ‘it is understood as between the Government and the guarantors of the issue that an independent arbiter be appointed to decide whether the conditions of the market, at the time the issue of the first instalment is proposed to be made, is sufficiently satisfactory,’ I can only say that I am personally unaware of any such understanding. It is the practice of His Majesty’s Government before issuing loans of importance to consult with independent financial authorities as to the condition of the market and as to the best time and manner of issuing such loans. But I do not think they would be likely to accept anyone, not even so high an authority as Lord Rothschild, as an arbiter having power to control their action and to determine whether the loan should or should not be issued at a given time.”

Mr. Speaker, when people wish to raise arguments here in the House, then it is well that we should read from the Blue Books. Here is the book that proves, in the first place, that some firms agreed to impose a loan of 35 millions on this country, and, secondly, to lay 30 millions war debt on the country, not only without the approval of the people, but even in spite of the protests of the people.”

Sixty-five millions burden to be laid on the Transvaal and Free State alone! To-day all South Africa, according to them, cannot raise a few millions capital—half or quarter that amount—to gather in £600,000,000 of her own gold! Will he take their advice *now*?

But it was reserved for the Chairman of the Stock Exchange, Mr. H. Solomon, member of Parliament for a mining constituency in Johannesburg, also member, nominated by Lord Milner, of the Inter-Colonial Council and Legislative Council of the Transvaal Crown Colony, to expose what everyone knew, the *secret de Polichinelle* so well kept by the “double-entente press.”

“I remember,” he said (Hansard, p. 305), “attending a meeting of shareholders in a building of Johannesburg known as the Corner House, and I remember suggesting, and a few others like myself suggested, certain alterations by which that particular company could be run for the benefit of shareholders. But what did we find? When I looked around the room, and found that this particular boardroom was peopled by clerks and employees of influential men in Johannesburg, many of whom acknowledged to me afterwards that they never had any interest in the affairs of the company, though registered as shareholders by these people who ran the company.”

At this point Mr. Abe Bailey intervened on a point of order, and provoked the retort:—

“ I can quite understand that the hon. member for Krugersdorp does not like these matters to be referred to, being perhaps a manipulator or promoter of companies where similar tactics have been adopted. I want to show hon. members how things were worked in days gone by, and hon. members on the other side of the House have no reason to complain if now the “ steam-roller ” is on the other side. The position is this, that certain shareholders requested that certain things should be done in the interest of the company, and then they found the steam-roller of capital used; the interest of the shareholder is ignored and the interest of the promoter preferred. That is one of the reasons why we have depression in this particular country. . . . On the question of the loan . . . I think these mining magnates, some people call them ‘ capitalists,’ have so much influence in the financial markets of Europe that, as far as the Transvaal or South Africa is concerned, they can either drop or make any loan successful. . . . Some of them are very much dissatisfied that the loan was not negotiated in the same way as many others have been. They suppose that my right hon. friend the Prime Minister or the Hon. the Treasurer would go along to them and say, ‘ We want a loan.’ Then, of course, you are bound to take into consideration the financial methods which have been so ably emulated by the hon. member for Krugersdorp, and the want of confidence that has been shown from time to time by investors across the water, through the methods that have been adopted by the financial houses represented on the Rand. Then they thought it was advisable that they should trust the British Government instead of falling upon the necks of these financial people, and I think . . . that the methods adopted by the Government are correct, and the only business-like methods that one could have expected. . . . I wish to say in the most emphatic terms that I deny most strenuously that this depression is owing to the uncertainty of the labour supply. This depression is owing to the want of confidence which the European investor has in the Transvaal. (Ministerial cheers.) . . . I say that the depression exists on account of manipulation and over-capitalisation and borrowing money, which had been done by certain mining people connected with the mines in Johannesburg. Is it necessary for me to inform the hon. member of this House of the way in which companies were floated—that companies were floated to the capital of half a million *with a working capital that was never paid up, but which was guaranteed*, and these individuals made a clause in the prospectus by which they provided that the capital should not be paid up until such time as they found it necessary? . . . What do we find? We find that in regard to the companies that were floated five and six years ago not a spade has ever been put into the ground. We find that these shares were hawked all over the Continent, were thrown into the markets of Europe and realised £4, £5 or £6. What do we find to-day? We find that these shares stand at about 7s. in the market, and that in some instances, yes, in many instances, the working capital has never been paid up. . . . Over-capitalisation was a great factor in the depression. Companies were floated with a capital of £500,000, £600,000 or £700,000. What do we find in some instances? In some instances *where the money was paid up in the shape of working capital this money has been borrowed back at the*

cheap rate of 2½ per cent. and used by some of these persons for other purposes, and amongst these for purposes of investment in mines in other parts of the world. Now what is the outcome of this? It is this: The investor has finished with the country until such time as the Government can assure the people across the waters that methods will be adopted by them, that such a law will be passed by them as will give the investor some measure of protection. (Ministerial applause.) (A member has) told us that there are 117 mines representing £22,000,000 of capital which were not working . . . but I was disappointed he did not tell us if all the working capital had been paid up for these companies, or how much of the capital, if any, has been paid up by the directors and promoters of these companies, and, if paid, how much was worked. I do regret that hon. members have not been told how much of this working capital has been paid up. . . . I voted for the introduction (of Chinese), and I say to-night, I say it in this very room, that in the different circumstances the people of Johannesburg were inclined to favour the introduction of Chinese—we were starved into submission. That was the position of the people, aided and abetted by the Press controlled by you know whom. They were told: Give us indentured labour and prosperity will show itself. What has been the result? The pressure was intensified in this country. . . . Is there a new industry in the Transvaal? You can walk about the Transvaal any way you like: do you find prosperity or do you find starvation? . . . Here you are putting out yearly twenty-eight million pounds of gold, and the result is starvation. . . . The men who stand shivering on the brink of ruin are the men you hear very little from."

Such an issue "brings us to the parting of the ways," as Mr. Hull, the Colonial Treasurer said; "the issue between the white people of this country is no longer of Boer *versus* Briton. The issue is between those who desire to make this a country where a decent man can live and die and those who desire to make it a country to be exploited for the sake of its dividends, and to be abandoned like a sucked orange."

These excerpts—and there are many more bitter and perhaps more illuminative—have been taken from Hansard's Report of the Transvaal Parliament to show the real state of affairs in South Africa. It is rarely such things come to light. Hansard is now abolished, lest the tale should be brought up with its variations from year to year. "Confidential" extracts are printed at great expense for the use of members at election time, but the public is denied all knowledge of the transactions of Parliament lest they should use the power of reply! The Press reports what it likes, or rather what is known to be "suitable."

Here, however, you have the evidence of the Prime Minister, General Botha, of the Colonial Secretary, General Smuts, of the Treasurer, Mr. Hull, who for years transacted the legal business which at last ended in this monstrous and unscrupulous tyranny. You have the evidence of directors of companies like Mr. R. Goldmann,²⁷ and the disdainful

²⁷ "Our attention has been drawn by . . . the leader of the Opposition to the position of affairs which has developed in this country, when valuable mining areas on which large sums have been expended now hardly represent the market value of their cash funds, and he has suggested that this, too, is due to the repatriation (of Chinese) policy. I do not believe he could have selected a more unfortunate case than that of the Jupiter Mine to prove his contention. What is the position in connection with this mine? (Note—half the Board consisted of "Corner House" employees.) The vendors, having the best expert advice obtainable, formed a company with a large

accusation of Mr. de Villiers, now Judge-President and then Minister of Mines. And you have the evidence of the Chairman of the Stock Exchange, a man who not only occupied that position for many years but also held some of the highest and most responsible positions in the country, both before and after the Boer War. Summed up, it affords unimpeachable evidence:

- (1) That mining groups, by virtue of their grip on the industry, can control the loans, finances and policy of the Governments.
- (2) That, owing to this power, both the English and the Dutch-speaking population are both starved and kept dumb while the whole country languishes.
- (3) That the interests of shareholders are set aside for the sake of promoters, who run no risk and get all the gain whether it "boom" or "slump."
- (4) That gross abuse of their power has damaged the credit of the whole land, that every class of the community, (professional men, merchants, miners, farmers and natives) can be, and has been, "starved into submission" to their will.
- (5) That the only terms on which they will, for a moment, release the country from their oppression is a new "bargain" out of which they grow rich, while the land is a prey to still worse ills.
- (6) That the output of gold, towering in million above million, leaves nothing but mountains of disease-bearing dust topping the holes where the nation's assets once lay, debt and racial discord created and fomented by their press and cruel rapacity.
- (7) That the only means to end this vampire *régime*, with or without the help of the Imperial Government, is that the "Union Government can assure the people across the waters that methods will be adopted by them, that such a law will be passed by them as will give the investor some measure of protection." Those words were greeted by "Ministerial cheers." Is all this forgotten to-day?

Knowing, as everyone knows now, of the controlling connection of German Banks with so many of the strongest "Houses" of the Rand, and of the international operation of those banks, in company with genuinely or apparently British institutions, in the floating of national loans, it is perfectly clear that the "influential financiers interested in South African mining enterprises" have the power to make or break the financial position of any South African Government which refuses to yield all they demand, *so long as they can control the gold-mining*

capital, of which they received a large vendor's share, and the company was provided with a substantial working and debenture capital. In 1902, before Chinese were introduced, these shares figured in the market at 500 per cent. premium. To-day what are they worth in the market? (Note—They fell from £4 13s. to 7s. 6d.!) And yet this particular mine was well equipped with coolie labour, and shareholders were told that some 200 stamps, capable of crushing some 300,000 tons per annum, would be installed. That had all vanished into thin air, but can it truly be said that scarcity of labour or the agitation against coolie labour had been the cause of its downfall? They would have to look for other reasons for the depreciated value and not in the agitation against Chinese labour!"

industry of the Transvaal. The opportunity is now given to the Government to free itself and South Africa once and for all from these sinister and anti-national masters.

That is one supreme gain to be got from mining these areas directly—nothing less than the freedom of South Africa.

Will General Botha and General Smuts repeat that splendid defiance which brought the financiers to heel with their "fresh start" (viz., co-operation and a share in the Government!) and gave the country the beginnings of a hope that freedom in a real sense was dawning and South Africa coming by her own? Not one-tenth of what Ministers and critics said in Parliament has been taken out of the Hansard, but enough is there to make it more than worth while to remind General Botha and General Smuts that it is the belief that they have yielded to these enemies of the country which has broken their own party in two, has caused and embittered disastrous strikes that only just failed to lead to civil war, which has roused Natal to hostility and been the despair of the permanent population of both races in the country. Will they forget those simply true words of General Smuts:—"It is in the power of a small number of men to ruin the Transvaal. They can do it as they have done it before now. They can try now by producing a financial crisis to rise into power on the ruins of the country. I shall never forget the desperate enterprises into which this country has been plunged before, nor that it is possible that this may be done again, and that on the ruins of this country another party may rise to power!"

Once more all the preliminaries of a new financial crisis are prepared. We are warned that the existing mines are giving out and the country will lack the means of life. The Commissions are again arrayed with their evidence as they were in 1897, and during the ruin that followed the boom of 1902. Once more the "experts" (everyone of them in the employ of these manipulators) are announcing that the Government is too incompetent or too corrupt to manage its own affairs. Once more they protest against the raising of money either in the country itself or by aid of the Imperial Government: they threaten the financial stability of the country. Once more the local and controlled Overseas press is consolidating the pressure upon Ministers. Once more the dumb population is being starved into acquiescence. Once more Dutch are provoked against English and English against Dutch—and all that a group of German financiers may plunder the country yet once more, and this time on a scale of hundreds of millions that leaves all previous pillage dwarfed.

There is one reply to all this, the answer of 1907, when the Chinese and all the bogus evidence arrayed for them, were bundled out of the country. Let South Africa govern her own destinies and show the world by the aid of these fresh millions of gold that she is neither too incompetent nor too corrupt nor too much afraid of foreign bankers, who twice before in her history have threatened her with extinction, to be mistress in her own house and a joyful mother of children.

And when we address these words to the Government and the people of South Africa, we would put on record that what is called the English section is heartily sick of having its patriotism exploited for the gain of the enemy. Their thoughts are not expressed in the papers which write for English in South Africa. They have become aware of the trick. Editors of English birth and education—Garrett, Monypenny, Pakeman and John Stuart—have been selected to attack or "criticise" the Governments of the day. They did it conscientiously because they were party men. But

the unconscious effect of their writing was procured by the proprietors. All along it has been anti-English, and the Boers have for two generations been educated by the "English" press to condemn and hate "Downing Street," "Exeter Hall," "the Imperial factor" and so on in a score of suggestive epithets. Turn to the pages of the Hansard from which we have been quoting, and you will find from end to end of the first session, not from the Boer ranks, but from the ranks of the mining men who made up the so-called patriotic English party, one succession of base accusations against the Imperial Government! Even the Dutch cannot stand this, and the loyal words came then in angry protest from the Government of the young Colony which had been so fairly started with the goodwill of the British people not only with self-government but with the financial backing deliberately given to set her free from the insidious power of the intriguers who have shamed the name of England here. The true English turn up the records of the politicians who misuse their country's name and point to their employers or alien interests.

The first step—the national control of these Thousand Millions—will end the artificial animosity of the two races and unite them in a common effort and sustain their unity in the general prosperity of all classes.

PART II.

WHAT TO DO WITH THE GOLD.

Assuming that Parliament will not sanction the alienation of more of the national property but will mine profitably for itself, what will it do with the gain? The direct profit, as we shall see, will be not less than £225,000,000, while the indirect gain from stores bought in the country, income tax of employees, etc., are to be counted for more millions if the figures of the Chamber of Mines are to be relied on.

The most obvious directions in which the golden windfall of the State may be utilised are:

- (1) The creation of a RESERVE FUND to give stability to the national finance.
- (2) The REDUCTION OF DEBT ON PUBLIC WORKS.

It is often alleged that the railways and other great public works have been "built out of the mines." This is somewhat less than half a truth. Even if we admit that all the agricultural produce that finds its way to the Johannesburg market is to be credited to the mines, it must be remembered that huge debts have been incurred for the post-war resettlement. Again, harbours and railways, posts and telegraphs have not been paid for out of current revenue, and it is a poor argument to say that because the State has got into debt on account of harbours and railways, chiefly built for mines which have become exhausted or will be exhausted before such works are paid for, therefor the State must give away more of its assets to the debtors, coupled with some "amelioration of taxation." Not only do the mines benefit greatly from the "free list," but the public debt has reached 155 millions, and is going on rapidly to the completion of the second hundred million. The capital cost remains unpaid by the mines, which are the beneficiaries. There is no sound objection to the building of State lines or improving harbours. The full consent of the mining industry and its advice were taken in the large capital expenditure on railways by the Crown Government of the inter-Colonial Council. Sir Percy Fitzpatrick and Sir George Farrar warmly defended that policy in the Transvaal Parliament. But it is only fair that the beneficiaries and authors of that policy should pay their full share in the redemption. It is not an entirely absurd criticism of that policy to say that it bids fair to leave the country with a depreciated railway system ("The late Sir Thomas Price, General Manager of Railways, informed Parliament that the railways represent less by ten millions than the recorded valuation"), a relatively colossal debt, and against this the sepulchral mounds above the empty holes where the assets once lay on the strength of which we built up the more enduring debt. Debt is not reduced by parting with assets, nor do the mines build up the country by building up a debtor's monument *auro perennius*.

Mr. Hull, when presenting the Budget as Transvaal Treasurer, told Parliament that the Profits Tax from the mines "represents about one shilling a ton on the ore milled, or 2s. 4d. per ounce on the gold won, slightly over 2½ per cent. on the output value of the mines paying the tax. Owing to the allowance for amortisation the tax, which is nominally 10 per cent., works out 7½ per cent. with the yearly total of the companies' books." It should not be forgotten that the employees of the mines are regularly giving during the war 2½ per cent. of their

wages to the Governor-General's Fund, in addition to other generous subscriptions they make unregistered every week. On the occasion referred to the Treasurer said, "We want to give no State assets or property away."

That dictum is surely good still

An instructive analysis of the "revenue and indirect profits" obtained from the mines was presented by the Labour Party to the Commission, and it contrasts quaintly with the statements issued from time to time by the Chamber of Mines. In Republican days the complaining mines had it all their own way. The State got practically nothing of direct profits. The private (German) monopolies of the railway and dynamite absorbed much. That system has been greatly changed.

The Labour Party's analysis deals with the past five years. For this period it states that the average gold output of the Rand was 35½ millions. White wages averaged 7½ millions and coloured 5½ millions, stores 10½ millions, leaving a gross profit of 12 millions. From this latter is deducted the taxation of 8 per cent. (the nominal 10 per cent. always quoted, but never realised). The special war tax of one or one and a half million, payment of which was spread over three years, yielded a further 3 per cent. On the other hand, the total estimated State revenue for the financial year 1916-17 from all mining sources (including partnership interests in gold areas and diamond mines) was £1,700,000, inclusive of war levy. From this it is only right to deduct the actual cost of the State Mining Department (£200,000), leaving net revenue from mining at £1,500,000.

These figures are not completely exhaustive. Claim licences, so far as they are paid, do not seem to be reckoned, though against this the claim licences received from prospectors and others are some set off. On the other hand, it would also be fair to include a large item for police, schools, hospitals, law courts, etc., and the debt on the railways and harbours, together with the national bill for phthisis, to say nothing of the charges for commissions and other nuisances.

Another instructive way of looking at the State's share from private mines is got by taking the Government's "shares of its own gold and diamonds during the five normal years, 1910-14":

Gold production, 185 millions; *diamond production*, 44 millions;
total, 229 millions.

Working profit, gold companies ...	61 millions	= 30 %
Working profit, diamond companies ...	20 ,,	= 42 %
To the State from gold ...	5 ,,	= 2¼ %
To the State from diamonds ...	3½ ,,	= 8 %

(The last item, 6-10ths partnership in the Premier Mine.)

The total of both diamonds and gold falling to the State is less than 4 per cent. of the whole period of 15 years.

"The mining industries' imported requirements were upon the 'free' Customs tariff,* while the general community had to pay heavy duties on almost every article from oversea."

(3) RELIEF OF TAXATION, DIRECT AND INDIRECT.

While the war expenditure has added greatly to the former debts of the State, the mines seem to have acquired the power to assess their own taxation. A private meeting between the Government and Opposition resulted in fixing a War Levy, limited in time and amount. The

* The result of other "Commissions"!

first lease of the Government areas on Modderfontein escaped the War Levy, and no fresh sources of taxation are apparent. Yet the cost of living has risen (the *two-pound* loaf is sold for 8d. and even 9d.), and is rising fast. Even the existing taxes are burdensome, and the reduction of debt out of taxation will not be hailed with delight. The allocation of 2½ per cent. of the miners' pay in aid of volunteers' dependents has been mentioned, and it is to be feared that the voluntary fund will not be sufficient to meet the extension of the fund for the benefit of the men overseas. Employers and employees all over the country are proportionately self-taxed. Only the mines flourish beyond all precedent. The condemnation of so many skilled miners by the Phthisis Board will be reflected in the economics of the country, and the absence, permanent in the case of many thousands, of men gone to the Front will tell its tale at the Exchequer. It is not to be forgotten that up to the war South Africa was sending rather more white men out than she received. Railway rates, as has been said, are inequitable. They press hardly on the inhabitants and struggling industries, while the influence of the financiers stands them in good stead.

It is seldom the interest of anyone to present the case for the State; the resounding figures furnished by the Chamber of Mines occupy the Press, and it is natural that the people of the Transvaal, and especially of the Witwatersrand, should draw attention to what they pay and the little they get for it. This, however, is truer of the general population than of the gold-mining companies themselves. Mr. J. C. Sheridan, however, who was till recently Commissioner of Revenue for the Union, gave us an allocation in which revenue for services was separated from taxation proper. According to his statement, the burden of taxation is borne in the following ratio:—Land owners and users, 9½ per cent.; natives, 12½ per cent; mine owners and users, 25 per cent.; general community, about 53 per cent. At that time the "burden" was about twelve millions, and the Labour Party brings it up to January, 1916, when "Parliament dumped a larger proportion of taxes on the unfortunate 'general community' than on the industry, in the proportion of 75 to 25 of the increase." It is here that the reduction of taxation for repayment of debt may be advantageously begun, so that the population of the Union may begin to accumulate capital for themselves, and so be free from the need of seeking foreign masters at a rate of everything per cent.

(4) REPRODUCTIVE WORKS.

Under the present system the Government is never aware how to budget for income from year to year owing to its dependence on the mines, which suit their own inconvenience, or are disturbed by the various ills which will be found in the speeches of directors every year for the last score or more of years. Here is an instructive passage from Mr. Solly Joel's speech at the last annual general meeting of "Johnnies":—

"When I addressed you a year ago I referred to the severe criticism which had been directed against those responsible for the conduct of the mining industry, because of their policy in closing down the mines at the outbreak of war. . . . Our critics were not confined to members of the public, but included also some members of Parliament, who appeared to hold the view that our policy in stopping production was unwise. . . . I also told you last year that it was my intention, after consulting my colleagues on the boards of the various diamond mining companies in which I am interested, to restart operations.

The Government, in framing their last Budget, held such doubtful views of the position of the diamond industry that they did not estimate to receive more than £50,000 revenue from the entire industry during the current financial year. This estimate, though perhaps justified at the time, would have proved more correct if a nought had been added to it, for, instead of £50,000, the Government will get a revenue of over £500,000 this year. I think we may reasonably hope that this substantial addition to the estimated surplus may be conducive to some amelioration of taxation. . . . The indirect revenue accruing to the Government from railway rates, Customs dues and other taxes must also amount to a very substantial sum."

Without offering any comment on the policy of closing down the mines, even the closing down of a mine (the Premier) in which the Government is the owner of six-tenths, it is legitimate to draw attention to the sudden dislocation in revenue which is thus suffered by the State. First, the mines are suddenly closed down, and the revenue suffers immense losses. Next, they are as unexpectedly restarted, owing solely, it is to be observed, to the good offices of Mr. Joel on the boards of the various diamond mining companies he is connected with, and the Government finds itself in the position of having raised over half a million more than it required at the time when the people were suffering acutely through the war. This is called being "conducive to some amelioration of taxation." Under a system of State mining the State would be able to forecast its returns with much more certainty than it does now owing to its dependence on the eccentricities of private mining. The State Mining Commission has lately been reminded by a mining expert that on the West and Central Rand only one mine at or over a depth of 4,000 feet is commercially "paying." The hint is ominous of more closing down. A considerable sum could be safely earmarked for reproductive works. It could take the long view and embark on its reproductive enterprise with confidence. And even if it were possible that the State should get relatively less out of its own mines than the lessees may be able to spare from the limited areas they may take up, a certain and absolutely very large portion could be set aside for regular investment in reproductive public works after a contribution had been made to a reserve fund and the reduction of the Debt.

Such reproductive works are immediately suggested by the starving state of great numbers of the Boer population, as well as for the now hopeless outlook for the many thousand children who leave the State schools every year.

- (a) The Land. Two classes of people look, and naturally look to the land itself, to cultivation of the soil as the healthiest and most congenial mode of life, and they reflect that this is an abiding "industry."

First, the Boers have been dispossessed and feel exiled in the towns to which they have been forced by economical agencies they hardly understand, but generally are taught to associate with the English.

But before this debilitated population can be restored to the land much preparation has to be done by the Government, and at such an initial cost as has made all Governments, in spite of election promises, shrink from a task which till now was held impossible. Either they must appropriate a considerable part of the large Afrikaner landowners, a step which would shatter any Dutch political party, or they must turn upon the "companies" who shut up the greater part of the land in the Transvaal. This would have brought them into formidable collision with the financiers.

Drawing from the millions now assured from the State mines neither the collision with the financiers is to be feared—for with the means to do it no one will question the justice of ousting these interlopers from the millions of acres they have kept locked up so long, nor will the Boer landowners who have estates too large for their powers or their resources object to a land-purchase scheme which will be coupled with other measures to assist them to develop the spacious acres that will remain to them. Irrigation on an adequate scale requires many millions, and the state of South Africa is such that many millions of acres require it. After all, the land is the abiding basis of the country's health and wealth. For the newly settled, or resettled, Boers the land must be prepared, and all the skilled resources of an enlightened and well-endowed modern Agricultural Department be placed at their service for instruction and constant advice. According to the nature of the soil preparations must be made for afforestation, and in especial for planting of fruit trees and of selected seeds. Transport facilities are the chief need now that the European market is opened up; railway and auxiliary motor service are urgent needs both for the farmers and the urban population which is to be fed. But it is, above all, important that agricultural expansion should be begun on the High Veld, where the white man can breed and live through generations. The Low Veld comes second.

(b) *Education* is a need so great that nothing need be said to emphasise it.

(5) NEW INDUSTRIES.

There has been some proposal to establish an Industrial Bank to compete with the German banks and prevent them from laying hands on all the raw products of the country. The first news heard of this proposal seemed to associate it with the old controls, and actually to enhance the constant danger of foreign exploitation. *Timeo Danaos*—these gift horses bite, and have within their wombs a deadly brood. An Industrial Bank should be the Government's creation, as Mr. Hosken reminded the Commission, pointing to the Commonwealth Bank in Australia as giving relief from usury and accumulating capital within the country. After the first requirements of agriculture are met there are the leather and wool and blanket weaving industries. A small but not unsuccessful beginning has been made in these, but they can be greatly increased. The wattle-bark industry may be extended, too. A recent scandal of a "British" company in South America employing Germans almost exclusively in the production of tannin reminds us of the importance of this "key" industry. In the Vryheid-Ermelo district the coal and oil shales, which yield 2 to 2½ per cent. of nitrogen, have recently been exploited by the Brunner-Mond Company. The fertiliser sulphate of ammonia is exported to the East for intensive cultivation, and the demand is unlimited. The by-products are wasted.

Recent discoveries of iron and copper pyrites in the Cape Colony remind us of the importance of the copper industry. At present Messina stands first on the list, but the Cape Colony products appear to be of sufficient importance to merit the attention of the Government. The Guggenheim control which has entered South Africa may repeat what it did in America, and erect central smelting works. At present the oxidized ores of the Colony are smelted at Messina and the Falcon mines, and the pyritic ores could be used as fluxes by the Tanganyika mines, but are burdened by the immense distance they have to be sent by rail. Central smelting works in Middelburg, Vereeniging or Natal, where coal and electric power are available, would create a valuable copper industry for

the Union. The sulphuric acid to be obtained from such works is an essential basis for dynamite and other explosives, and is also greatly needed in the chemical industry, which ought now to be put on a national basis. The industry begun by Port Elizabeth merchants on the Rand has been translated into other hands by Dr. Schlesinger. Above all, the Union has all the requirements of a great iron industry. There is iron free from titanio acid in the Cape Colony, and perhaps elsewhere. And the unmeasured deposits of titanio ore in the Transvaal need only the energy of Government chemists to turn them to the use of the world. If we are to have the population to decide, as General Smuts says, the disposition of the Continent of Africa, such resources must be opened up.

It is not within the scope of this volume to suggest more precisely what form the State aid should take for this industrial revolution. It can be done without assailing private ownership and private capital. But State aid in some form is necessary.

There is a class of men, small but of great unseen influence, who see all life through columns of figures. The financial advisers of the Government have betrayed this tendency, which may be said to govern their attitude to the immense volume of enemy-owned property in South Africa. They say, as one of the members of the State Mining Commission has repeatedly said, that it is better that the Hun's money should be invested in the country than that the State should have to raise money. They see a column of figures headed, "Capital invested in South Africa": they think this means wealth for South Africans. They see "Gold Exported from South Africa": they imagine that that means gold coming into South Africa. Imagine what it would have been to South Africa if the Government had borrowed the capital at 5 per cent. for the exploitation of the Rand when its full length was discovered from Randfontein to Modder "B" in the 'eighties—for every successful outcrop mine is working on reef known then. Over five hundred millions of output are to the credit of that line of mines, and the actual amount of outside capital invested—apart from what has been produced by the mines themselves—is probably less than one-tenth of that amount. There would be no debt of millions upon us to-day, and no degradation of the population into the "mean white" for lack of education and opportunity.

There is a greater stake still before us. Can it be assumed that it will be trifled away, too, as the old reform song of satire had it, "to preserve the independence of the country"?

Nor let it be thought that because South Africa is rich in potentiality those riches will be made actual of themselves. This country has missed its opportunity in the past for want of intelligent government. The wool and the wine have even now to fight for a trade that was open to them before Australian wool and wine had found a market or even existed. After the great war in Europe, when the restoration of Belgium is seen to, it is Russia which will attract the capital and labour of the conquerors and of their friends. Unless the German makes good the boast of Herr Dernburg, that Germany controls the gold and diamonds of the world, and uses that power in South Africa to grasp our other national endowments, raw materials, in her own ruthless way, those will be idle while the hungry generations pass away. Some of us are more Imperial in sentiment than the rest of us, but for the last fifteen years at least we have hung on to the Empire for benefits. If we are to be of real service to ourselves or to the Empire, if we are to have the dignity of a nation, we must put our own shoulders to the task. This gold gives us the means. It is here that we can accomplish. Nationalists and Imperialists, we must put South Africa first

CHAPTER III.

THE GERMANS IN SOUTH AFRICA.

SUMMARY.—Early Colonists—Boers anti-German—“A Friendly Germany: Why not?”—Dernburg’s welcome on the Rand—Rhodes loses S.-W. Africa—Jan Hofmeyr’s “anti-German passion”—How Bismarck fell—Lippert and Beit quarrel—Germans bank the gold and so control the mines—Lippert exposes the Wernher-Beit-Eckstein connection—A scrap of paper for the Rand—Rise of Goerz, Albus, Neumanns, etc.—Disappearance of pioneers—First State Loan—Robinson and Barnato persecuted—Kruger makes Transvaal a German protectorate—The Raid and the War—Milner deceived—“Botoring”—The strike and its consequences—Johannesburg demands sequestration of German controls—Enemy Trading Act futile—Germans in possession now.

Emigrants from Germany before 1870 were glad to get away and glad conscientiously to become citizens of other countries. Within twenty-five years the German abroad had changed. It was not only military prestige which restored his Germanism: he found it paid. Young men were sent abroad in large numbers in order to learn business practice. The patient and humiliating study of the commercial methods of other countries, aided by the logical direction of his own national institutions, had fitted the disciple to desert with his acquired information in order to set up on his own account; but he retained a constant succession of relations in foreign business houses, who accepted remuneration for the information they sent home at the expense of the business connections of their employers. At home, under Imperial and Prussian guidance, technical education, railway and shipping rates, protective tariffs and the banking system were co-ordinated into the successful aggressive machine we describe; abroad, German clubs sprang up, employees of foreign firms were enabled to set up for themselves. Pan-Germanism had found a paying basis for patriotism. Gradually Germans all over the world were drawn back into the new movement: children were sent to German schools, and emigrants were renationalised.

In South Africa we have both the old and the new German, and it is safe to say that the children born of German parents in this country are more German than their parents. On the whole, the earlier German Colonists were of a useful kind, industrious and hardy. The Colony of Crimean veterans settled by the British Government in Kaffraria made their way up country by degrees, so that we find a ring of German landowners and professional men around all the principal towns of the Cape Colony, Free State and the Transvaal as they spread northwards. The Boers were quick to notice the changed attitude of

the younger generation, and resented their growing insolence. In a little volume written in 1913 by Lady Phillips (wife of one of the partners of the Central Mining and Investment Corporation) this fact is stated clearly, but in an amusing context. The volume was obviously conceived and composed under German suggestion, for it has all the *clichés* which the pre-war pro-German and the German apologist made us familiar with. The book itself was evidence, not only of the increasing German pressure in South Africa, but of the increased German control in her husband's "House."

"A Friendly Germany: Why Not?" the volume in question, asks "What are we to give Germany as a *dot* on the bridal day?" The reply to this is prefaced by a threatening letter from a German saying that Germany does not want to be at the cost of making Colonies for herself, but she insists on the right to exploit the Colonies of others—"Unser Feld ist die Welt" ('our sphere is the world') gives the essence of our economic position." "Nothing could be fairer than this," says the conciliatory authoress. But, however fair, it had the flaw that there is another section in Germany which wants more earth and which must also be conciliated. "A great German party thinks that Germany should have Colonies: well, if we are in earnest we must accept its view, express ourselves willing to remake the map of the world. With a single exception I do not suggest that an acre of British soil should pass into German hands: no such demand is implied in the cry for 'a place in the sun.' With all respect for German necessities I am compelled as a patriot to maintain that we owe those countries we have taken under our protection a continuance of our trusteeship. But there are other lands and other States whose Imperial destinies are ended. *There are vast expanses of territory now in the hands of effete Europeans who would gladly shelve their responsibilities* (our italics). There are, too, Mohammedan countries in a state of decay, but great in potential wealth. Walfish Bay, Angola, the Congo, Asia Minor, and perhaps South America, these are the signposts to a better understanding." The lady then shows how we must give Walfish Bay and Portuguese territory. Having overcome the trifling English and Dutch objections, which will presently be mentioned, the enthusiastic *financière* goes on: "So much then for Angola and Mozambique. But Angola should not be the limit of German ambition in the eyes of a nation which controls a greater number of human beings than any existing Power (*sic*). I want Germany to have more than Colonial possessions; it must have a Colonial Empire: the fairest jewel thereof would be the Congo." In allowing this acquisition "we should rule ourselves out of court and undertake to support Germany's ambition to lease or buy the territory, if this can be arranged with Belgium." But even if Belgium did not consent we are to rule ourselves out of court against what "must necessarily be a growing temptation. There is no African competitor save France, and as it cannot be said we have failed in our obligation to that country, either in the concession of Morocco or in the diplomatic support we have given it since 1904, I do not see that France is either entitled or able to oppose the grant to Germany of an influence we think right to accord that country." The lady's business sense makes only one reservation to this gift: 'modifications of the treatment of limited liability companies would have to be subject to our approval, proper protection would have to be given to British enterprise in the Katanga. . . . We should accept that a German Empire extending over the whole of Central Africa would, by giving our neighbours scope and occupation, prove a perpetual guarantee of international peace. An

incidental British advantage would be scientific Colonial co-operation with Germany. Herr Dernburg, a former Colonial Secretary, did us the honour of studying our methods on the spot, and was, I know, given every facility when he visited South Africa."

It is quite true that Mr. Dernburg had these privileges; it was his right to command them, for he has the director's pass of the Deutsche Bank and the Bank für Handel und Industrie. Mr. Dernburg visited South Africa with very serious intentions. He came to advise the Kaiser on the garrison of South-West Africa. The majority of the Reichstag, consisting of the Centre, the Social Democrats, Poles and Alsatians, had insisted on reducing the supplementary estimate for South-West Africa from 29 to 20 million marks, and also demanded a decrease in the Colonial force there at the end of 1906. On these grounds Buelow dissolved the Reichstag, and Dernburg came to consolidate the German military power in South Africa. As Lady Phillips says with justice, "he was given every facility in South Africa." Johannesburg and Pretoria saw to that.

The Germans have not had time yet, says our authoress, to show themselves masters of colonisation, but "it is open to question whether Belgian and South American administrators are more intelligent and more human than would be the German; it is not the least open to question that German Government is superior to the Portuguese equivalents." As for the Monroe doctrine, "it is the United States, and not we, who have erected it. We are not pledged to it, we do not respect it, we have no reason to support it, given especially that the United States have openly shown their bad faith and their enmity to us in the matter of the Panama Canal . . . let it be understood that we do not accept the fiction that the Americans are necessarily our friends and the Germans our enemies. If Germany wishes, then, to buy land or to acquire it by force, if even it chooses to take the risk of a war with the United States, it will do so without the fear of a hostile Britain in the rear."

"Lastly, there is the Bagdad railway. . . . The object of Germany is to build a line *viâ* Bagdad, from the Mediterranean to Bassora, on the Persian Gulf. The system, now past Eregli and planned for another 520 miles, involves many branch lines. When it is constructed and connected *viâ* Ispahan and Teheran, in Persia, with the Russian line at Merv, it will give Germany a special position" (this is a typical German diplomatic phrase, and here the authoress is well informed) "in Asia Minor." She sees that it would make our position difficult with Italy, France and Russia, and create difficulties for Austria and jar ambitions of the Balkan States; but "let us recognise that special position and grant that Germany may look upon the remains of the Turkish Empire as a legitimate sphere of influence, where it will carry the blessings of a Western civilisation which the Turk has shown himself so unfit to apply . . . it is for Germany to decide whether it can compensate or dominate, but it is for us to declare that we have no fundamental objection, etc."

The conclusion is that "hand in hand Germany and England may lead the world to a realisation of glorious ideals. Thus alone can the true interests of humanity be served, and Western civilisation will thus form a bulwark against the encroaching hordes."*

* "A Friendly Germany: Why Not?" by Lady Phillips, author of "South African Recollections." Constable and Co., 1913.

If Lady Phillips were a European of Europe this sort of stuff would be of no more importance than Mr. Morel's propaganda or such attacks as "Max Montesole"* made in the *Nineteenth Century* on the French Colonial Army as provocative of German and contrary to British sentiment. But the inspired authoress is the wife of a financier whose advice General Botha declared that he had been accustomed to take. We have seen the use his firm has made of its money in investments in what are now enemy countries. When in Johannesburg Lady Phillips is given the lead by the Women's Unionist Association. With Mrs. Krause she organised the women's vote. Her book was favourably reviewed and widely advertised in the Press. During the war she visited South Africa and wrote a bitter attack upon General Botha and his connection with the campaign in German South-West Africa in the *Cape Times*. No doubt she is heartily sorry for all this now, though the book has not been withdrawn from circulation. The volume is referred to in order to illustrate how an Afrikaner woman moving in German financial circles can absorb pro-German views quite contrary to those of the people of the country. She is aware of the contrast; for at the beginning of her thesis to prove that Britain should quarrel with every friend in order that Germany might acquire an Empire in Africa, an Empire in South America, and an Empire in Asia she writes, *apropos* of her proposal to hand over Walfish Bay—"one of those sorry reminders that 'whatever is good must be British'"—"it has been said that any British Government which proposed to surrender Walfish Bay would be overthrown; also that South African opinion would veto the idea." This is easily got rid of. The friendship of Germany would compensate the British Government, while "South African objections are of no great importance, for the two sections of the population who give any thought to the matter are negligible quantities. *The Dutch, who feel most strongly on the subject, would object because they believe that Germany wishes to seize the whole of South Africa* (our italics): thus they would regard the bay as the 'jumping-off' ground of German ambitions."

This opinion came naturally to the Dutch long ago, since they heard the German intrigues at first hand. In the Colony they were aware of what was going on in the Transvaal; in the South-West Territory there was no limit to the grandiose boastings of the population; and seeing the large ambitions against the British, as well as the careful commercial and military preparations, they knew that if Britain went their own freedom would have to be fought for.

In 1882 Herr Luderitz, of Bremen, acquired by native treaties a large grant of land around Angra Pequina. Bismarck quite legitimately pressed upon the British Government, which passed on the inquiry to the Scanlen administration, whether the numerous German subjects trading in the South-West were assured of Colonial protection in case of need. Upington's Ministry succeeded in 1884, before a reply was given, and Bismarck, failing to secure satisfactory assurances from that Minister, obtained the acquiescence of the British Government and cabled the

* *Nineteenth Century*, July, 1911. "La Force Noire": The Danger to France by her Black Army. By Max Montesole. The moral is that "the extinction of France would not greatly hinder the steady progress of the white races," and that "we (*i.e.*, Britain) shall not stand by and see a people (*i.e.*, Germany) to whom we are bound by ties of sentiment and common ancestry exposed to the fury of Moslem untainted by Christianity or Atheism, and Black Devils uncontaminated by Islamism." Where is this writer now?

German Consul-General in Capetown that Luderitz and his possessions were under German protection. The Cape formally claimed the Hinterland, but before she could make good by occupation, the German flag was hoisted and 320,000 square miles of South Africa became German. "Within a fortnight," says Sir Lewis Michell, in his "Life of the Right Hon. Cecil Rhodes" (Vol. I., p. 210), "on the 23rd August the Transvaal Volksraad gave to a group of German and Dutch (Hollander) capitalists the exclusive right to construct railways within the Republic, a decision that immensely increased foreign prestige at our expense. In September Germany attempted to gain a substantial footing on the East Coast of Africa by occupying St. Lucia Bay, in Zululand." Sir Henry Bulwer warded this blow, and the Cape picked up in haste Tembuland, Bomvanaland, Goalekaland and the Xesibe district. The Germans instigated the Portuguese to advance in Matabeleland, a group of Germans having squatted round the border. This led to a sharp exchange of blows.

The struggle was carried on by apparently innocent national revivals under the British flag, and here the trading German missionaries played an active and lucrative rôle. The Kimberley fields were a convenient nucleus, and an immense number of Germans gathered there. Even the diamond diggings had been claimed by the Berlin Missionary Society. The diggers made short work of them, but the German Society retained "perpetual rights" over Pniel for many years after, and the title under which the property is held to-day dates from the German concession. In the Free State the German group round Bloemfontein played a busy part. Some of them, like the late G. A. Fichardt, who made his money by trading in diamonds—a legitimate trade, since there was no Illicit Diamond Buying Law in the Free State, and a profitable trade for the same reason—had claimed and obtained damages for loss of British citizenship from the Imperial Government because they had been handed over to the new Republic. Others rallied to the German organisation, and found it convenient for all purposes. Karl Borckenhagen, a German whose patriotic tendencies led him to oppose Rhodes as "too English," used his newspaper, *The Express*, to kindle anti-English feeling. He sent his paper out gratis and trusted to time for repayment.

In 1887 Count Pfeil, a German agent, visited Lo Bengula, avoiding Bechuanaland and going by Pretoria, where the German Colony had now become influential and in close touch with Berlin. The revenue of the Transvaal was now advancing by leaps, and the "Treuhand" organisations were alert. The Count's mission, however, was checked by severe malaria, and the intrigue northwards was delayed, but only delayed. Meanwhile Borckenhagen, joined with Mr. Reitz, to bring into the Free State the propaganda of the Bond, which was founded by Mr. Du Toit. The object of this movement was to make the Transvaal the head of a South African nation. "Mr. Rhodes," said Borckenhagen, "we want a united South Africa." "So do I," replied Rhodes, "I am with you entirely." "We will take you as our leader," said the German pro-Boer (Sir L. Mitchell tells the story thus) "there is only one small thing: we must be independent of the rest of the world." Of course Rhodes rejected the proposal. It ought to have warned him of the force behind the organisation. Here was a new note, quite different from the policy of Jan Hofmeyr. Mr. Du Toit, indeed, was too South African for the German-Hollander group, which finally obtained his dismissal from the post of Superintendent-General of Education. And from that the "two-stream" policy dates—Krugerism under the German suggestion, and Hofmeyr's, which was territorial. The great issue at

that point was to decide which side the Free State would join. In a letter to the *Argus* Rhodes wrote: "I feel that the present is an opportunity that may not recur. The Free State is in the humour to join hands with us to mark its resentment at the policy of isolation pursued by the Transvaal." Blind to the great force behind this isolation, the Cape Colony missed the chance, and the new German invasion *via* Delagoa was finally established. The next step was the refusal of the Transvaal to attend a conference at Capetown to discuss a Customs Union. The Free State attended, and signed a treaty with the Cape later, in which favourable terms were secured. Kruger and the Germans had turned to the north, where a mass of concessions soon balked the way from the Cape. These had to be "bluffed or squared."

It is quite certain that Rhodes would have had no chance of success in the South had it not been for the banks. Sir L. Mitchell tells us that about this date he had purchased more than £1,000,000 shares in the Kimberley Diamond Mine entirely on credit, and that he blamed the Imperial British banks for the stringency in the money market. The Germans had no such difficulty. But the Imperial Government had a treaty with Lo Bengula prohibiting him from making any concession to a Foreign Power. The campaign had to be fought by Finance.

In May, 1889, the agent of the Wood-Francis-Chapman Concession Co. secured the support of a German bank for the "Tati Concession," which threatened to deprive Rudd's Concession of half its value. It required a military escort to send them from Matabeleland. The "South African Section" of the London Chamber of Commerce pressed the Government to exclude Cape Colony from the North. Mr. Fowell Buxton and the aboriginee people took up their side for reasons that have not been disclosed. The Tati Concession within a restricted area finally fell to a company in which Messrs. Max Michaelis and L. Floersheim predominated, but the Crown administered the territory. A procession of natives, shepherded by Mr. F. Buxton, supported the Exploring Company's concession, but was defeated of its main aim, in spite of the platonic attachment of Baron H. de Worms, then Under-Secretary for the Colonies. Rhodes raised a million, De Beers contributing £200,000, and pushed the Charter through under a joint-stock company. Here was a case where the German banks met a greater gambler and men with weapons in their hands, when the Germans determined to stir up war. Lo Ben repudiated the "Portuguese" pretensions.

But Reitz, the new President of the Free State, had concluded the "closer union" treaty which fatally joined the Free State to the Transvaal for their common ruin. This was a German victory, and Borckenhagen, whose ascendancy over President Reitz was very great, boasted that the English were defeated. But sufficient unity was preserved in the Cape by a judicious distribution of diamond shares, which now came to safety by the formation of the Diamond-buying Syndicate, which regulated the market and maintained prices. This Syndicate was essentially German in *personnel*, but Rhodes, as his Will shows, was attached to Germany, which he looked to as the proper ally of Britain in the world. These ideas he acquired from Beit. The members of the Syndicate were not looking for any flag.

At this point, Sauer having failed to form a Ministry, Rhodes became Prime Minister, inheriting the office (Public Works and Crown Lands) of another German, Colonel Schermbrucker. It was not long before he showed his apprehension of the German advance and moved in

the House : "That this House regrets that the Government of this country was not directly represented in the recent arrangements entered into between the British Government and the German Empire in so far as those arrangements affected territories south of the Zambesi, and is of opinion that the Government of this Colony should have a voice in any future proposed arrangements of boundaries south of that river." Upington said the Germans had coveted the territory since 1883. In winding up the debate Rhodes said that the Home Government had rearranged our map without consulting us, "but he thought it would not happen again." The resolution was agreed to without division. Sir Charles Dilke, who had been greatly opposed to the Anglo-German agreement, wrote immediately (July, 1890) congratulating Rhodes. The resolution, which would rejoice General Hertzog, will be recalled when the curious conditions supposed to attach to the recent reconquest of German South-West Africa come up for final decision.

The truth is that Rhodes had been so absorbed in his race against the S.A. Republic that he did not notice the more insidious German advance. Alfred Beit, a Hamburg diamond buyer, was his closest associate, and he himself was actually a member of the Cape Government which had neglected to take up what immediately became German South-West Africa, although the Imperial Government and Bismarck were awaiting the action of the Colonial Government. Thus he allowed his own route to the North from the Cape to be closed upon, just as the route to the further North was completely blocked by the Heligoland deal, which surrendered German East Africa, although it had been placed under British protection by the Sultan of Zanzibar. How near the Germans were to getting Rhodesia has not yet been written. A glance at the map of German South-West Africa will show how the Germans were allowed to push a great tongue of land across to the Zambesi. Rhodes never ceased to be annoyed at his oversight when he contemplated the map with "the German phallus," as he said, across the path.

South Africa has been called the "grave of reputations," as in fact it has been. But few have perceived that not the least of the causes of the failure of great men has been the unceasing and hidden intrigue of the Germans here. Among the great men who owe their fall to South Africa is Bismarck himself. He had won the first *point d'appui* without serious intention, through the sheer negligence of a Ministry, in which Rhodes and Merriman sat, to accept both the German and the Imperial invitation to annex the South-West to the Cape. But from that moment the German policy was conceived which led to this war. Still thinking of Kruger as the adversary, though the German attempt on St. Lucia Bay should have opened his eyes, Rhodes condemned the Imperial Officer Warren's management of the expedition which put an end to the attempt to join the Republic with German territory, and consented to Kruger's desire to obtain in full sovereignty a strip of land reaching from the Transvaal border to Kosi Bay, on the Indian Ocean. This was a purely German suggestion, for the plan was to run a German railway from the coast, no part of which should be within British sovereignty, and was the alternative to the plan, over which Rhodes got into some hot water, to connect with the Germans on the West. As a "national" line it would have been entitled to give preferential treatment against British Colonies. The grant was embodied later in the Swaziland Convention of 1890, and was actually conditioned by the undertaking that a railway should be constructed within three years.

Written history has little to tell of this extraordinary concession, which can hardly have suited the Cape book. In return for his support Rhodes obtained Kruger's undertaking to assist "the establishment of

law and order" in the Chartered Company's domain. Now the Transvaal Republic had the right by treaty to extend northward, and the "Ferreira Trek" across the Limpopo in 1890, which was turned back by Dr. Jameson with a show of guns, showed what might happen. The object was to join German territory in the North, which had been extended from Swakop mouth to the Zambesi for that purpose.

It was confidently believed that Rhodes would fail in the finance of the Chartered Company, and the territory was to pass into the hands of German financiers, who, a little later, arranged for the reconstruction of the Mozambique Company with the intention of dominating the Beira railway, too.

The Chartered Company had not yet made good its title. It has generally been attributed to Kruger's oversight that the Kosi contract was not renewed. But two things made it unimportant, and indeed useless to him.

In the first place, the Germans were unable to finance a railway without British assistance, and, in the next, a patriotic Hollander movement was afoot to connect with Delagoa Bay where the Machado concession to build the line from the Bay had already begun. In full accordance with the German system, the Hollander proposition was invaded, and the shares so arranged that the Republic should be responsible for finance, Hollanders for administration, and the control should be German. The line was well advanced before the Kosi concession had expired, and the admirable resources of German diplomacy turned on defeating the British pretensions to the Machado line, an effort which was crowned by the long delay and scandal of the Berne arbitration award.

In 1885 Mr. Gladstone had publicly welcomed Germany to the task of opening up Africa, and, though the occupation of the Cameroons nearly led to an ultimatum,* Britain was not prepared to go to war.

We have said that German policy in South Africa led to the fall of Bismarck. A few words will make that clear.

The complete success of German territorial and financial aggression in South Africa kindled the dream of Colonial Empire, which distinguished the young Kaiser's policy as opposed to Bismarck's. Bismarck had been active in promoting the commercial invasion of South Africa, but, when, in 1897, it was seen that a step further would have involved the South African Republic in war, which Germany would have been powerless to assist in, Bismarck was dismissed, and the policy of the fleet begun, Tirpitz being made Admiral. That policy was described by Bülow (before the present war) as conditioned, thus: "A conflict between Germany and England would never come to pass (1) if we built

* See Spencer Wilkinson's "War and Policy" (1900), pp. 325-6: "Most people have unfortunately forgotten that in 1884 Bismarck came to an understanding with M. Jules Ferry for a combined attack upon England in colonial matters, and how the two Powers acted in concert at the Congo Conference of 1884-5. Bismarck's action in regard to the Cameroons, Angra Pequena and New Guinea was so hostile and so deliberately provoking that had it come from a small Power it would have been met by an ultimatum. . . . In 1885, however, France was not ripe for co-operation with Germany. M. Ferry was expelled from office, and his Colonial policy execrated." "The action of Germany in regard to most of her African acquisitions and to Samoa is hostile action. . . . In every case it is *ête-toi que je m'y mette*" (*ibid*, p. 327). As Mr. Wilkinson shows (pp. 239 sqq), Germany from 1884 onwards endeavoured to use other Powers, America, France, Portugal, Russia and Turkey to provoke a quarrel with England so as to forward the German policy of dictation in Africa.

a fleet which could not be attacked without very grave risk to the attacking party . . . (2) if we allowed nothing to make an irremediable breach between us and England. That is why I always resisted all temptations to interfere in the Boer war, as that would have dealt English self-esteem a wound that would not heal." The Germans did, indeed, go as far as they dared, and even sought permission of Portugal to land troops to guard German interests on the mines during the Raid. But further they dared not go without a fleet. It is our duty, therefore, to remind those "Little Englanders," who declared that the creation of the German fleet was due to our jibes at the time of the Boer war, that that policy was definitely begun in 1897. "England's passive resistance to the international policy of *new* Germany (the italics are Bülow's) would have changed to active hostility (if they had thwarted England's South African policy). . . . Our navy was not yet strong enough for us forcibly to achieve a sufficient sea power in the teeth of English interests."

That the South African war did come about through German instigation is certain, but, as we show later, the Germans believed that "England would not fight," and they stimulated Kruger to refuse all settlement at Bloemfontein in that belief. They wished to create the utmost friction until they were ready. But they could not hold the Boers after that, for the very disguises the Germans had used—namely, Russian assurances of support in the event of war—encouraged Kruger in spite of the defection of the Kaiser.

One of the writers was privileged to hear the urgent advice which Dr. Leyds said he had tendered Kruger when he has hastened out from Germany about the time of the Bloemfontein Conference. Leyds declared then that he had urged Kruger to avoid war by temporising—" *festina lente* " was to be the order of the day—since Germany's fleet was not yet ready. The German "Houses" took the view of Leyds, and endeavoured to "square" Kruger by the negotiations told below. The German population in South Africa assured the Boers that it was only the Kaiser that prevented them from assisting, and that is the belief in certain quarters to this day in South Africa. So great events are made, and the German dream of using the Republics to win a Colonial Empire from the Equator to Lion's Head led to the disappearance of the Republics—which was no part of British desires—and to the creation of the German Navy and to this world of war. There are regrets in Germany to-day that Bismarck's policy was departed from. But we have anticipated.

The real anti-German at this time was not Rhodes, but Hofmeyr. Rhodes realised this later, as the following letter (quoted in the life of Rhodes by Sir Lewis Michell, Vol. I., p. 94) shows. The quotation justifies the statement of Lady Phillips that the Boers "believe that Germany wishes to seize the whole of South Africa":—

"Hofmeyr was, without doubt, the most capable politician in South Africa, and if he concealed in his breast aspirations for a United South Africa, in which Great Britain should have no part or lot, the concealment was very effective. My belief was that he was anxious to maintain the connection, not out of any love for Great Britain, but because the independence of South Africa was at the mercy of whatever Power had command of the sea. And you must remember that, though Hofmeyr had no particular affection for the English, *his hatred of the Germans amounted to a passion*. At the time of which I am speaking there was no danger of British supremacy being threatened by the Transvaal, and still less by the

Orange Free State. Again, in those days Hofmeyr was chiefly interested in withstanding Free Trade and upholding Protection on behalf of the Dutch, who were agriculturists and wine-growers. I had a policy of my own, which I never disguised from Hofmeyr. It was to keep an open road to the North, to secure for British South Africa room for expansion, and to leave time and circumstances to bring about an inevitable federation. I therefore struck a bargain with him, by which I undertook to defend the Protective system of Cape Colony, and he pledged himself in the name of the Bond not to throw any obstacles in the way of northern expansion. He did not like this condition, but I am bound to say he loyally fulfilled it, thereby incurring the hatred of the Transvaal Boers, and to some extent losing the confidence of the extreme members of the Afrikaner Bond. That was the whole secret, which was no secret at all, of my understanding with the Afrikaner Bond."

In spite of Majuba, or because of it, the Cape Dutch, under the influence of Hofmeyr, kept the road open to the North. The Dutch obtained the right to use "Cape Dutch" in Parliament, but otherwise stood firm. They knew the German intrigue, and feared it horribly.

That the German Government knew what it was about will be seen by reference to the Treaty with the Transvaal signed at Berlin on 22nd January, 1885. Whereas the German Convention provides "much more elaborate and stringently" for the retention of the political rights of German property-owners in the Transvaal, the analogous clauses in the British Convention, which were *supposed* to include equality of franchise, were so loosely written that they afforded the occasion for the Boer War of 1899. (See Michell's "Life of Rhodes," I., pp. 123-124.)

There were, again, extensive German concessions in Swaziland, which may yet lead to trouble in the Transvaal, since the German interests were given preferential treatment as compared with Transvaal Boers by the Commission appointed by the Crown to determine the concessions after the war. In 1890 these brought Kruger and the High Commissioner almost to blows. Hofmeyr went to Pretoria to urge the President to induce the Executive Council to confirm the draft Convention affirming the independence of Swaziland. Hofmeyr pointed out that the alternative was war, and gained his point. But the exasperated President shouted, "You are a traitor, a traitor to the Afrikaner cause." From then onwards Kruger's attitude was one of neutrality growing more "armed." In 1885 he had been ready to extend the railway from Kimberley to Pretoria. Sprigg's Government treated him with neglect. Now he saw that he had the Germans, but not the Cape, on his side. He was fortified by the Germans, who had made good their grasp on the gold.

It took Rhodes long before he discovered that the German banks were in his way, perhaps because they had aided him to secure the diamond monopoly. In the Cape House he showed that he was aware that foreign influence was at work, but he did not yet see it quite as national. In the Basutoland debate he said: "Here we have a despatch from President Brand. You may say he was put up to do it, but does anyone believe that? . . . While sympathising with the Transvaal, I think the Transvaal should return something of that feeling to this Colony, instead of shutting out our interest by leasing everything to foreigners for ten, twenty or thirty years. At Kimberley your Transvaal trade is ruined by being shut out through foreign monopolies."

Meanwhile the Colonial banks were falling like ninepins, and before the year was out the Cape of Good Hope, the leading bank, had closed

its doors. Banks were all to be on one side for the future. At least, they were against the small man who invested in the new mines. Local banking other than German has played a large part in the competition for the control of other people's gold mines. Financiers in Kimberley, who had used their resources beyond all legitimate banking, wrecked the Colonial banking system entirely, and provoked the Cape Colony Government to formulate a law governing banking accounts. But in the Transvaal managers were in a difficult position, *vis-à-vis* the growing "Houses." If an overdraft were refused to a shaky company the business of the whole House, controlling many companies, would be taken away, and the manager stood the risk of dismissal. When the time came to clear out the local shareholders by a colossal slump the banks were used to press for the realisation of share securities, with the result that South Africa as a whole was left with little direct interest in the mines.

Curiously enough it was over a bank fraud that the great schism in German interests began, which culminated in the Jameson Raid and the Anglo-Boer war. The case of the *Liquidators of the Union Bank v. Mr. Alfred Beit* in 1892 was based on a claim for payment of certain promissory notes and guarantees for sums of £53,300, £11,400 and £104,035 purporting to have been signed by Messrs. Max Michaelis and E. Bruch *qq.* Alfred Beit. These were forgeries by a relation of both Mr. Beit and of Mr. Lippert, but the plaintiffs pleaded that the defendant should be ordered to pay on the ground that his course of conduct had virtually admitted his liability. Mr. Beit had indeed assisted his near relative to take up the first batch of forged bills without disclosing the fact of the forgeries to the bank. That he should have made so liberal an attempt to save a relative's credit would be held by anyone not degraded by the law courts to be an honourable and humane act. But the mania for share-gambling which had seized on the culprit made further protection impossible. The result was a breach between Beit and Lippert. Mr. Lippert, a German subject of great financial capacity, economic foresight and courage, opposed Wernher, Beit and Co. at all points, and they organised a battle against him, which was finally taken up by Mr. Joseph Chamberlain. On 22nd April, 1891, Lobengula granted to Mr. Rennie-Tailyour a land concession, which Mr. Edward Lippert acquired three weeks later. The quarrel had not yet broken out, and Mr. Lippert offered the concession to Lord Rothschild, who, however, declined it, since the Chartered Company, which had obtained the Royal Charter in the previous year, contested its validity. Toward the end of 1891 Cecil Rhodes, on the advice of Beit, it is said, purchased this document through Mr. Rudd. Of all the German concessions in the way north this was probably the most important, for the famous Lippert Concession gave the company its undisputed right to deal as owner with the entire land rights of Rhodesia. Julius Weil transferred half his concession to the Chartered Company.

English people will learn with amusement now that the Germans actually looked on Rhodes as an ally, but there were not a few in the Cape Colony who thought that Rhodes went on the other side of loyalty in his relations with the Bond. The Germans had that excuse for their mistake. They heard, too, of his phrase "elimination of the Imperial factor." Their financiers were in the closest connection with him; he had been in the Ministry which, as it seemed, deliberately presented them with South-West Africa. They were well aware of Hofmeyr's anti-German passion, but they read him, wrongly, as a separatist, and therefore concluded that Rhodes shared his view. With Rhodes and Hofmeyr to foment a separatist nationalism at the Cape, and Kruger moving to war under their inspiration and promises, the way seemed

easy for them. They almost counted the diamonds and the gold their own.

Afterwards, when the split came, Rhodes invented a phrase to distinguish between his German friends and those of Lippert. He called them the "Continental gang."

The quarrel between Beit and Lippert was not composed by their meeting in Tati in 1892. The Union Bank went on with the case against Beit, and the breach was eternal. Lippert, to whose foresight Johannesburg owes the planting of the Sachsenwald ("Lippert's Plantation") was participator in many of the Corner House interests, and scandalised the world by revealing that the gold of one of the richest mines, the Robinson, was being handed over to Wernher-Beit in London. There was no question of the gold being lost, but if Wernher-Beit were permitted to be the bankers holding the gold "in transit," it would seem that they were obtaining important privileges free. The right to handle even for a week or so the Witwatersrand output would confer immense power in the London Money Market, and had not Lippert raised his scandal it is likely that a sort of vested right would have been created, embodied in trust deeds.

Even now the movement of gold and the knowledge of its movements affects the Money Market to such a degree that it is madness for the State to leave it in the control of an increasingly German combination. Shareholders who ask about the destination of the gold are told curtly, "it is with the company's bankers," a phrase that is not necessarily informing.

Lippert "did not question the stability of the House, but the principle and propriety of such proceeding." The Chairman, H. Eckstein replied that "the firm of Wernher, Beit and Co. had received gold consignments ever since the existence of the company . . . and the firm had advanced them sums of from £10,000 to £15,000 without security at 6 per cent. per annum."

It certainly seemed startling that a firm which had nothing to do with the mine itself, but was the "parent firm" of the Chairman's company, should have the use of the thousands of gold (£80,000, or twice that amount on this particular date) belonging to the mine, and *while holding this gold* (on this date for not less than two months, and probably for four) *lend* money at 6 per cent. to the mine. "Without security!" What security had the mine for its gold? The Chairman was hard put to it to find a reply. He said: "Many companies, besides their bankers, consign their gold to private firms in London. For four years Wernher, Beit and Co. have advanced money to companies at a time when institutions, which to-day are so liberal, would not have given you twopence for the whole of the Robinson mine."

The "liberal institutions" were the German banks, which had only come into operation on the grand scale about four years before, and only for that reason would not have bought the Robinson for twopence. The statement was a brazen lie, only possible because the shareholding was not at the meeting, for the Robinson paid immense dividends from the first crushing. It was certainly a pull for Mr. Wernher and Mr. Beit to be able "for four years" to finance rich mines with their own output. It was no wonder Mr. J. B. Robinson fell out against such competition.

But Lippert put his tongue to another scandal. By holding the annual meeting in Johannesburg and the collection of proxies in Europe the Board had become entirely a family party—Eckstein, his brother-in-law, and two of his partners. The Chairman replied that "a family

party had been absolutely necessary to carry the Robinson Company to its present position. It was only by united action they had been able to accomplish what they had." This was bitterly true, but Lippert pointed out that gold had been detained by the firm at their pleasure, and it "must be patent to all that too much money had been spent on plant and machinery," and so forth. Shareholders had, in fact, been "choked off" by a $2\frac{1}{2}$ per cent. dividend at a time when everyone on the Rand wanted money to carry on mining with. This four years' arrangement left them dry. It was no wonder the Corner House and its patrons got the pick of the companies in their control. Two hundred and thirty thousand pounds of the Robinson profits had been spent on machinery, a perfectly proper thing, only—unexpected. It ought to have been a charge on capital. At this meeting Mr. Hanau, whose partnership with "H. J. King" and S. Neumann had just been dissolved, supported Eckstein, and was backed by F. J. Dormer, the editor of the *Star*, a paper which a little later in the year was nearly wrecked by the town on account of an extremely offensive article on the death of the Duke of Clarence. Hanau was chairman of the Chamber of Mines at this date, and the "Corner House" determined to carry the war against Lippert by assailing his concession for dynamite.

Had it not been for this fortunate and characteristic quarrel between Germans the history of South Africa would be very different. But Lippert's concession would have enabled him to harm Beit's mines if he cared to, and Beit and his friends were in the difficult position of being bound to London by the De Beers' interest, while the German banks which favoured Lippert had come to divide the Rand with them. The German diplomatists were urging Kruger towards State armaments, and had to support the concession for their own sake. If Rhodes had started an explosives factory, it was pointed out, he could arm Johannesburg, and a different complexion would be over South Africa. The Corner House approved of State monopoly, but out of the hands of Lippert. Since the Anglo-Boer war the Dynamite Company has been fostered by protective tariffs and preferential railway rates. As for the price of dynamite, the mining men cared exactly nothing, and if there had been no concession, Nobels (also German) would have fixed the price at their pleasure. The agitation, so far as it concerned the Uitlanders, was a fiction inspired by the "Corner House." Even to-day the De Beers directors will tell you that were it not for De Beers factory the price of dynamite would be determined in Germany.

The allusion made by Eckstein to the new financiers who were "so liberal" leads us to the new invaders. It will be seen that Eckstein's defence that "everybody's doin' it" shows what an advantage a cunning group obtained who secured the majority of company boards. They banked with themselves. Just as the bank of the Robinson was advertised as the "Standard Bank," while the real deposit was with Wernher and Beit, so the German banks placed the "gold with the companies' bankers"—and used it.

It was, indeed, necessary for the Germans to influence the English against the Dutch to hide their own success and to find some outlet for temper. The mines were financing themselves, but the German system did not exhibit the fact. The public were taught that it was the dynamite and the railways that choked off the capital needed for machinery. It was untrue; but as the agitation grew it made itself true. The Germans had obtained the discretionary power with the dividends, and soon tired the investor. The London *Economist* and Labouchere in *Truth* pointed to the directorate as the authors of evil, but as long as the directors got the gold out of the mines this criticism only assisted their attack on shares.

At the meeting of the Robinson Mine referred to, in addition to Lippert and the Eckstein lot, there were present Von Hessert, Dettelbach, A. Goerz, Bettelheim, G. Albu, F. Mosenthal and A. T. Schmidt. The lesson was not lost upon them. By 1892 the Rand had put out eleven millions of gold. Ten years more and the output would be nearing a hundred millions. It was an inspiration. It was easy to "guarantee" working capital when you could handle the output and get a turnover of the capital from the plates every fortnight. The Robinson, as Lippert pointed out, needed no financiers with their onerous conditions. "It was," he said, "bad financial management if the company required advances at all." He "strongly objected to the principle of any financial house being entrusted with the whole funds of a company like the Robinson." That's where he was wrong. It was good financial management—for the German family party. It was what L. Phillips called "loyalty to the mine" in a speech he made at another meeting about that time. It was, he said, "only for the good of the mine" that his "House" lent it money and made conditions. Herr Hermann Eckstein may have spelt the word mine "mein": it was a natural correction for a German.

If you had gone a week or so later to the Meyer and Charlton meeting you would have heard G. Albu saying that no more quarterly dividends were to be paid; they were to be half-yearly, and everyone was going to follow their example. This wealthy mine had a capital of £64,500, and its cash balance was nearly half of that. It needed a lot of financing. "Perhaps you will remember," he said, "that some years back the company was in an interregnum state. It was necessary for the Board to bring it back into the favour it once held." All the Rand had been in an interregnum state. A few years back the Afrikander and British prospectors had been regnant: now it was the holy German Empire's turn. The eagles had settled on the carcase. Fitzpatrick's book on the Transvaal from Within the Corner House does not tell that story.

Since those days the record of the Meyer and Charlton is that it has paid over 1,400 per cent. on the capital issued, and still has a long life. It was not surprising to hear from Sir G. Albu the confession in 1915 that the company's reserves had been placed on fixed deposit with the Dresdner Bank in London, and the fixed deposit had not yet expired. They had, he said, ample security, and the money would be repaid as soon as the fixed deposit expired. That money "on fixed deposit" is tied to Berlin.

One illustration must serve as an example of German growth.

Adolph Goerz was a very intelligent advance agent who gave his name to the firm Ad. Goerz and Co., which was an aggressive "finance and investment" company limited under German law. The organisers of its credit in Germany were the Deutsche Bank, the Berliner Handelsgesellschaft and Jacob S. H. Stern. Armed with this Mr. Goerz was welcomed by the various syndicates and companies which were getting along fairly well, but saw that adequate machinery would give them fortunes. For this capital was needed. Mr. Goerz was ready with his offer. Nothing was easier for a man with a bank behind him. Only it must be remembered there was no cash to be spent except what came out of the mine. A company with £10,000 capital needing help would be reconstructed. The German would make the capital £50,000, say, and would pay out the holders *in shares*. He would retain control and the power to increase the capitalisation, always securing further options on the shares. The machinery was supplied from Germany on consign-

ment—arranged by the bank; and the first call on the mine was the payment for machinery. The bank control insisted on this. Thus the trade and the raw product were secured at one swoop in return for shares, which, under the control, presently slumped to the price of wall-paper.

In the course of nature the original peggers and promoters dropped out, and Mr. Goerz and his friends found themselves in control of a lot of smallish groups of claims, which they amalgamated into companies. These mines, being secured by mortgage, became the basis of promised finance. The patrons in Germany had the highest technical advice of the country at their service. Professor Suess, Dr. Pelikan, Dr. A. Koch, among others, supplied the science. On the assurance of the experts manufacturers were willing to accept the bank's recommendation to supply machinery on consignment and long credit. Naturally the original discoverers, prospectors and owners stood a poor chance against this formidable competition. Mr. H. Miltz, who, as we shall see, was a Deutsche Bank-Goerz employee, was withdrawn from the manager's office in the Nationale Bank, and presided over the office in Bishopsgate Street Within, and Monsieur P. Mairret at 26, Rue Laffette, for it was no part of the policy to risk a penny of German money where English and French money could be found to experiment with. When Mr. Goerz and his friends entered, Germany had the first call; orders for machinery, mortgages, debentures, founders' shares, and so forth constituting a guarantee that whether a mine were payable or not, the bank's guarantee should be made good, if not out of the mines, then out of the British and South African shareholders' money. This was made easy by the supply of machinery by firms under the protection of the bank. Thus the bank had seldom to put up cash. If the business was successful Messrs. Goerz came in for their share as "technical managers," finally the ordinary shareholders. If the mine was successful more shares were issued and more options secured. If the mine failed machinery had to be paid for out of share profits, and Messrs. Goerz were debited by the bank.

The management was capable and generous to employees. Security of finance and skilful control induced the public to follow the lead of Goerz. It was known that there would be no doubt of a mine being equipped and of having its licences paid. Imperial diplomatic recommendations at Pretoria smoothed the way. Naturally the Deutsche Bank did not allow its name to be used until Mr. Goerz had made good. The syndicate he gave his brains to in 1889 was gradually extended till Ad. Goerz and Co., the firm under German limited liability, blossomed into A. Goerz and Co., Ltd., and registered in the Transvaal in December, 1897—a year after the Raid. The directorate was as follows: Right Hon. Lord Battersea (chair), Adolf Goerz (managing director), Amandus Brakhan (managing director in South Africa), Count Jean d'Ayguessives, Otto Braunfels, Arthur Gwinner, H. P. Powell, Max Steindthal, Max Winterfeldt. Berlin staff: Dr. A. W. Kastan (manager), Anton E. Steindthal (sub-manager) and C. Schubert, 11, Behrenstrasse. Paris staff: Henry Strakosch (manager), Dr. O. Frommer, Count Lizzo-Noris. Johannesburg office: J. L. Kuhlmann. London managers: Alfred H. Märker and J. Kitchin. London office and secretary: F. A. Carson, 20, Bishopsgate Street Within, E.C. Every member of the Board and staff was either a director or virtually a paid servant of the Deutsche Bank. The arrangements of the commerce connected with the mines is described in Chapter VI.

This company took over the whole of the assets and liabilities of Ad. Goerz and Co. for £640,000 fully-paid ordinary shares. The

authorised capital was 1,015,000 of £1 shares, of which 15,000 were "founders' shares." All these were issued, 800,000 being fully paid and 200,000 having 5s. per share called up. In March, 1898, a private syndicate appeared and offered 200,000 to the public at £1 12s. 6d., 7s. 6d. on application, and £1 5s. on delivery. The founders' shares, of course, had important rights, and in 1903 were extinguished by the issue of 100,000 ordinary shares, £85,000 being taken from the reserve and "placed to capital." This company was now a full-fledged "parent company," and able to deal, according to art, with "subsidiaries"—a most suggestive name. The control was secure. In April, 1902, A. Goerz received 20,000 shares each in Northern Geduld and Central Geduld G.M. Companies from the Geduld Proprietary Mine in return for "technical management" of these companies, and in the following year A. Goerz and Co. bought 5,700 acres of freehold land on the East Rand. The company has other wide interests, and in 1903 had a cut at Eastern Gold Mines, Ltd., "and so arranged the business that in the event of success attending the boring operations it will, by virtue of options, be in a position to acquire at a low price a predominant interest in that company." It further joined hands with A. Dunkelsbuhler (Mr. Anton Dunkels afterwards cut off the last part of his name) and Co. in securing from the Transvaal Coal Trust a long option to form a company to acquire the mineral rights (gold, not coal) on De Rietfontein. Sir George Albu was "qualified" for the directorate of this latter company, and complains that he has been badly treated. Mr. Max Francke, the alternate of the great German banker A. Gwinner, is understood to have had charge of the highest interests. Carl Meyer, P. Mankiewitz (brother-in-law of J. Wernher) and I. Zutrauen have also been members of the board in recent years.

As has been said, the man with money or a banker's guarantee found no difficulty in possessing himself of the gold claims discovered and exploited by another. Reward was practically certain. In outcrop claims the gold had been concentrated, so that mines paid from the first if they were able to find equipment. In 1890 the yield per ton was 53s., as compared with 27s. to-day. The Lancaster Gold Mine is a typical example. The mining company floated by the early Goerz group was made up of some 300 claims on the "Botha" and "Battery" reefs, a mile south of Krugersdorp, in the neighbourhood of the York Mine—the "electioneering" mine about which General Botha twitted Sir Abe Bailey in Parliament. The "sacrifices" necessary to the new dragon were the old Monarch Company, the Battery Reef Extension and the Van Wyk. Having collected the *débris* of these companies and picked up a few adjacent claims, Messrs. Goerz's German friends placed them on the market as the Lancaster Gold Mining Company in 1895—nominal capital £300,000, a large sum for those days. Of this, £134,500 fully-paid shares were issued to the "vendors," working capital £100,000, reserve 65,500 shares. In succeeding months the total expenditure for prospecting and development did not exceed £1,000 a month. As values became more certainly stable the old investors were shaken down. In 1896 23,450 reserve shares were offered to shareholders *pro rata* at £2 7s. 6d. Of these, 1,439 were taken up and Goerz and Co. acquired the remaining 22,011 at 45s., agreeing to lend the company £50,000 at 6 per cent., repayable a year later. Four or five months before this payment fell due borrowing powers were increased to £200,000, and the loan from Goerz and Co. was increased to £85,000, repayment being extended for a further six months. In return for this kindness options were granted, 18,000 at 37s. 6d., 14,000 at 42s. 6d. and 10,050 at 45s., at convenient dates. Goerz and Co. took these up as it suited them. The

public were offered 30,000 shares at £3 10s. in April, 1899, the issue being guaranteed. Before this last issue A. Goerz and Co. secured £180,000 6 per cent. debentures at par in "bearer bonds" of £10, £50 and £100, subject to their offering their bonds to the shareholders at £105. Proceeds of this debenture issue were used to pay off all advances by A. Goerz and Co., amounting to £111,000, to pay for *machinery on order* and increased stamping power. In February, 1902, 48,689 reserve shares were offered *pro rata* to old shareholders at £3 per share—two new for 15 old.

It will be observed from this brief summary, from which a good deal has been omitted concerning the commission paid on the issue of mortgage debentures, that our industrious Germans made their way into the properties of other persons on strength of their ability to equip the mine. On the strength of this guarantee the shares went up, and were off-loaded judiciously. The mine was really paying Goerz and Co. interest on their capacity to order machinery. This capacity was created by the bank. Marketing of shares was easy on such terms, so that the general public paid the bank, which had never been out of pocket. The bank enabled the Goerz combination to control the properties, the mines paid Goerz and Co. commission for this favour, and gave them further control. The German machinery firms supplied plant on the security of the bank, and commission is again paid for this. All the while the mine was fully able to pay for itself, and had no need whatever of these successive bleedings. The market price was over £4 in 1899, gentle heavings up and down enabling the controllers to reap a constant harvest from the British and French public, who had really financed the concern. In the 1903 boom shares stood at £4 7s. 6d., and thereafter descended, with reassuring fluctuations to 2s. 6d. in 1907. That is what is meant by "subsidiary." The share operations are conducted by the "parent," which, in such cases, is heir to the off-spring. The claims that belonged to the original simple prospectors and owners had passed from them for little more than a firm undertaking to put up German machinery. The public valued the property at over £2,000,000 in 1903, and found itself with the shares at 2s. 6d. in 1907. The Deutsche Treuhand Gesellschaft remained fast and true in its watch on the Rhine.

Under English conditions a firm supplying plant would be glad to do so at a fair profit, and would be content with the payment. But the Circle got paid for the machinery, aided the German railways and shipping, reaped an immense and continuous harvest from share transactions and acquired the goose that laid the golden eggs to boot, all for nothing. The other transactions are of the same kind (1) promises to supply money for the plant; (2) acquisition of control and mortgage; (3) payment for plant; (4) share harvest and complete ownership. Power to run shares either way. Out of this the Transvaal got the wages, or some of them, and the value of the mealties it consumed. Before the Anglo-Boer war the railway profits went to the German-Hollander Railway (N.Z.A.S.M.), running from Delagoa, in which the German share control was paramount. After the war German mining materials were favoured. The system is told in detail in Chapter VI.

Conquest of the Transvaal, however, was not to be achieved by the ownership of a few unfinanced gold mines. The money had to be collected from others. That is what "financier" means. The banking power was needed. German policy on this point was decided and clear. A glance of what was happening at the same date in Italy will serve to show the identical policy and methods pursued in the Transvaal. There are four steps: (1) Finance sound businesses by means of "reconstruction" or increased paper capital; (2) provoke others to attack the public credit,

and then come to the rescue with national and private loans conditioned by commercial and banking privileges; (3) banking control, spreading to control of all economical institutions of the country. In Italy the French were set to harass the Government and to deny loans, the attacks being composed by Germans in Paris. Crispi was encouraged to go to Germany, and the loan was made with conditions. The Banca Commerciale of Italy was founded under the auspices of the Prussian Foreign Office, Herr Schwabach, head of Bleichröders Bank, assisting, to give the business a private aspect. The capital was £200,000, enough for German purposes. Their agents in Italian employ were able to advise where credit should be given, and overdrafts were liberally extended. It became the dominant bank in the country, and of its capital of six and a quarter millions in 1914 63 per cent. had been subscribed by Italians, 20 per cent. by the Swiss, 14 per cent. by French, and only 2½ by Austria and Germany put together. But the control was entirely German. Italian dignitaries were, of course, placed on the directorate *pro formâ*, but Messrs. Weil, Joel and Toeplitz ran the business. Within a few years, by the aid of their intelligence system, their liberal finance and the pressure of the money-lender, often an agent, the bank had ruled the chief economical institutions of the country, with its nominees on the boards of everything worth being on, and the trade diverted to Germany.

With a capital, partly subscribed in Germany, of £200,000 the bank has included in its control "eighteen of the largest companies of textile industries, sixteen of the most important companies of chemical, electrical and kindred industries, six of the chief companies of alimentation, twenty-six transport companies, twenty-seven of the principal companies of mechanical industries and naval construction, six building companies, five of the chief mining companies, twenty-eight of the largest electrical companies and twenty-two miscellaneous."* "It is obvious," says a commentator,† "that the influence of such companies in administrative and political elections is put forth in congruity with the interests at stake, a circumstance which explains how it comes that many Italian politicians and representatives are, directly or otherwise, chained to the chariot of the Banca Commerciale and indirectly to that of Germany's policy." The German bank collected even the savings of the poor Italians in the savings banks. No wonder they were able to finance the political parties, and, having prepared everything during the first

* *Giornale d'Italia*, 7th November, 1815, quoted by Dr. Dillon, "Ourselves and Germany."

† "Preziosi, *La Germania a la Conquista dell'Italia*," pp. 66-67. "This institution," writes this Italian expert (*ibid.*, p. 57), "being mistress of the dominant economic organisms of the nation, makes use of them to carry out a Germanophile policy. It employs them for the purpose of exercising a directive action in all elections, commercial, provincial and general. The position of arbitress . . . carries with it possession of the keys of national wealth. (He is referring to shipping rates 'against all industries, Italian and foreign, not affiliated to those of Germany.') The Banca Commerciale, having obtained that supremacy, forced the Italian companies to lead a languishing existence in straightened circumstances, whereas they might easily have grown rich and flourishing." It is of a piece with its attack on Mr. Hughes and its Germanophile peace-policy that the London *Statist* in its banking supplement makes no mention of the German control of this or similar banks created and managed by Germans and financed out of the resources of the countries they live upon. See *Statist* "Peace Terms," 2, 16 and 23 September, 1916. "President Wilson's Note," 30th December, 1916—generally to the effect that "we venture to hope no demand for indemnity will be made." Certainly, the economic downfall of German economics would stop the receipt of many thousands of pounds for German advertisements. The *Statist* is specially favoured by the "Houses" of the Rand.

year of the war, during which Italy abstained from declaring war on Germany, showed an immense profit, and "did not suffer any serious disturbance when the final plunge was taken."

Just as our own Anglo-German Press in South Africa claims now to be anti-German, so in Italy it is the Germans who, like Richard the Second with Jack Cade's crowd, will be the anti-German leaders. Germans hate losing the control of anything, even the control of an anti-German association. A pamphlet issued by the Italian Electro-technical Association contained a list of manufacturers of electric machines and requisites in Italy, saying: "This list is addressed to those who at the present moment feel it to be their duty to uphold and encourage the production and development of materials for electricity. Importation from abroad, which we favoured when Italian industry was still in the embryonic stage, *degenerated, especially in consequence of the action of the Germans into a veritable conquest of the markets*, and no weapon, licit or illicit, was spurned to destroy our sources of production and suffocate our nascent initiative." The list of "Italian producers" contains A.E.G., Thomson-Houston, Mannesmanns, etc.—the very agents and principals of the German conquest.

It is like Orenstein-A. Koppel's directors in Johannesburg presiding over the Chambers of Commerce and Mines and Goerz companies, and giving evidence to a British Royal Commission on British trade. That happened, too!

Every new control added to the funds at the disposal of the bank, for the business naturally went to the financier. Every increase of funds added new control. It may be said at the last that the Intelligence* Department of the Bank knew more about the financial position of Italy and of every man in it than the Government of the day or the private persons themselves; for their position might be reversed at any time on a banker's suggestion. A Russian parallel could be provided; in fact, a parallel can be found anywhere almost. Our trouble is that the parallel is perfect here. In finance and politics the German rules all.

When President Kruger's Government found itself in want of funds Mr. (now Sir Joseph) Robinson lent £100,000 at 5 per cent. The times were bad, for Kimberley was hovering between success and ruin. The English Uitlanders were supplied with grievances, and, as these focussed in political demands under the inspiration of persons connected with the "Corner House" (*supposed to be connected with Rhodes*), the Boers were instructed that annexation was indirectly aimed at. By a series of Acts of the Volksraad the qualification of Uitlanders for the suffrage was made more and more impossible. But this added to the German Uitlander's power, as he had secured by Treaty the political rights attached to property.†

Robinson was never forgiven for this intrusion, and shortly afterwards he found himself considerably worse off for his participation in the richest property on the Rand with the Germans of the "Corner House" group. He was knocked out—a lesson he never forgot. The Anglo-German Press have never ceased to boycott Robinson's properties from that day and to attack himself as pro-Boer or anti-British! Rhodes, duly informed by his German friends, declared later that he was not "going to upset President Kruger for the sake of President J. B. Robinson." Thus a powerful British alliance that had actually been meditated between Robinson and Rhodes was effectively turned to a bitter rivalry. It was

* For "intelligence" in South Africa see Appendix at end of Chapter VI.

† See Mitchell's "Life of Rhodes."

in vain that Robinson started newspapers for himself. His editors could not make them pay, because they did not know what they were up against.

Provision was now made to prevent Robinson from repeating his loan. He had announced his readiness to lend the Republic two or three millions, or more if necessary, in order to enable the Government to build its railways and assist the Rand, which needed machinery and supplies of all sorts. It was "Ad. Goerz" who was to achieve in the Transvaal what Schwabach and Bleichröder did in Italy. Without any warning to the other banks of South Africa, which scanned the London Convention in vain for redress,* Ad. Goerz obtained a banking concession for "De Nationale Bank der Zuid-Afrikaansche Republiek, Beperkt, constituted in the S.A.R. by special decree of the Volksraad Art 1231, dated on the 9th August, 1890. Authorised capital, £4,002,000; first authorised issue, £1,002,000; subscribed capital, £502,000, in 50,000 shares at £10 each and 200 founders' shares at £10 each." And, in addition to this concession and many other privileges, the bank had a bank-note "concession" and the concession of the Mint and the *preference in all State loans!* No Englishman should lend to the Government again! This "national" institution, whose capital was created by an entry in the books in Berlin, was a branch office of the Deutsche Bank! It played an important part in the German system in South Africa (described in Chapter VI.), for the German method is much more than "long credits and goods on consignment," as the English Chambers and Press are instructed to say. It was going to give long credits where it knew it was safe in the first place, and where it would gain control in the next, and so *find itself crediting itself.* That is long credit for Germany, indeed! Eckstein's supplied the vice-chairman, the "Republican Loan and Trust Co." supplied Mr. (now Sir) J. W. S. Langerman, Adolf Goerz represented the Deutsche Bank and the control. There were two Government nominees, but the precaution had been taken to add Mr. W. Verwey to the Board. This gentleman was Chief Engineer to the Netherlands South African Railway Company, another concession chiefly owned by Germans, and therefore called Hollander—a concession which had yet to be financed.

This concession was finally financed at the expense of the Republic and the gold mines. So far as the Netherlands administrative control went, it was honourable and serviceable; but the German financial power in the background deliberately made it a cruel engine of extortion and cause of political agitation. Together with the other German concession, dynamite, it supplied fuel for agitation destined by Germany to keep Boers and British at white heat until the time, "The Day," should arrive. It was of some service in the Raid, and though claiming to be "neutral" in the Anglo-Boer war, it had been prepared and was used, on the straightforward admission† of the General Manager, an ardent, truthful and chivalrous Hollander patriot, as a powerful aid to strategy and ordinance.

The "National" Bank had as secretary Victor Schoenmehl, and two joint general managers, Dr. Wilhelm Knappe and Hermann Militz. This last name should be noted, for when the System was in full swing he was drawn off to be secretary to the Goerz mines. It was opened judiciously at the end of the first great slump—a slump that was unnaturally to be expected because, though it was believed that the railway from Delagoa would shortly reach the Rand, the Germans knew that it would not. Both the time and the route were to serve the

* *Mining Journal*, 1892.

† See evidence before Milner Concessions Commission.

German interests. Space will not serve to tell this story in all its ripe fullness. It will be recalled, however, how the Natal and Cape lines were blocked in the German interest, and that President Kruger went to the edge of war on railway policy (The Drifts), and was only deterred because the Cape Government had entered into a secret agreement with Mr. J. Chamberlain to send an armed force at joint expense to the Transvaal. Although the State supplied the greater part of the money for the railways, the control was reserved for the German group. The State's interest justified the boycott of Natal and Cape Colony.

For the first year the bank came off with a balance of £2,608 15s. 6d. to the debit of Profit and Loss Account, "chiefly due to the heavy initial expenditure consequent upon the founding of the bank, which your directors thought it advisable to write off at once." It gave a handsome look to the slump, and did not worry the branches in London and Delagoa Bay, to say nothing of those in Potchefstroom, Pietersburg and Johannesburg. Six branches on a capital of half a million! This small sum, or book-entry, was quite safe. The best part of the German mine accounts were transferred to the bank; the State had to bank with it. Before long it became "uncle" to all the businesses struggling with the slump, and the political agitation created to bring the slump about.

The policy set by the National Bank* was forced on the other banks. They had not the advantage of expert mining advice. The German advances on scrip threatened to attract all the business, but the German advances were made with an exact knowledge of the mining company's position it was desired to assail. They knew what and when dividends would be paid or withheld. They knew, too, the position of the customer it was desirable to lend to, and when his overdraft would be called on, and they knew of the time to be taken by the railway and its route. When the German bank foreclosed it got what it wanted. The Deutsche-Bank-Goerz control would be secured. Goerz on the bank did *no* harm to Goerz on the mining companies.

But while the Deutsche Bank captives were being grouped round the Goerz control, as described in Chapter VI., other groupings were being made with other banks.

The Albu brothers were on a smaller line at first. They had sold much scrip in Germany, but were not at first as successful or, perhaps, so cautious as the Goerz people with their Imperial councillors and experts.† The ordinary German public had suffered from the slump, and the Deutsche Treuhand Gesellschaft of Berlin took a hand with Herr Dernburg, K. Schrader and Kastan as a Berlin Committee. Goerz was associated on the boards. In London Charles Rube (also associated with the "Corner House") and A. H. Märker looked after things. The disappearance of Messrs. Meyer and Charlton, the pioneers, from the mine they gave their name to exhibited the tendency. Eugen Gutmann and Luebeck, both German bankers, one in Berlin, the other in London, negotiated affairs till the big move to the General Mining and Finance Corporation, Ltd., was made in 1903, when the big combination of leading German banks came in with Krupps as an adjunct, as Siemens had been adjunct of the Deutsche-Goerz group.

* After the Anglo-Boer war the National Bank became British, and its concessions were cancelled, and the authors do not wish to suggest that it is now different in policy from the other British banks. It has amalgamated the Bank of Africa, the Natal Bank and the National Bank of the Free State.

† No doubt the Custodian of Enemy Property will now learn of the *worthless* scrip bought by Germans then. There is more difficulty in tracing the dividend-paying scrip.

The German holding in the Meyer and Charlton and other mines and the patronage of the Albus by the Dresdner Bank brought in another range of financiers. G. Rolfes, the liquor agent, was on the London Board, with J. Freudenthal and A. H. Rehbein. George Nathan was the chief Dresdner Bank official in control. The other banks interested were the Disconto-Gesellschaft, Bleichröder, the Schaffhausensche Bankverein. This house worked in connection with Krupps, and where "Tecomeco" or Koppels were disqualified to tender or participate, for various reasons, the various ramifications of Krupps could take up the running. Among these ramifications was the United Engineering Company, capital £50,000, in £50 shares, the usual two shares being held by Sir G. Albu and Mr. French. Krupps always inspired fortitude, so it is not surprising to find such names as "Grusonwerk Buildings" in Johannesburg, or "Armature," which is the telegraphic address of the U.E.G. Friederich Krupp, of Essen, with his share capital and advances, owns between 80 and 90 per cent. of the firm. Mr. Hans Rosendorff, Sir G. Albu's brother-in-law, was on the Board, and boldly represented the German Navy League. After long agitation this company has been brought under the operations of the Enemy Trading Act, and Sir George Albu and, of course, Mr. French have been appointed liquidators. This is the State's business.

More of this combination will be told in Chapter VI. It is sufficient here to say that while the British Government was making G. Albu a baronet the Kaiser was raining eagles on him and his staff, too. Eugen Gutmann's soul was rejoiced by the title of Geheimrath, and the full Board in 1914 consisted of Sir G. and L. Albu, General-Consul A. Blaschke, J. Freudenthal, Geheimrath Gutmann, M. Luebeck, G. Nathan, Dr. E. Schroeder and F. Urtig. There was no longer a pretence of British-born on the Board. It was a Dresdner Bank Board, just as Goerz was a Deutsche Bank Board.

A review of the directorates shows that in the year of the return of Carl Meyer and Dr. Magin to the Rand, 1892, the groups were becoming distinct and the pioneers (miners) were becoming wage-earners. Amalgamations, reconstructions, increases or reductions of capital loans, debentures, mortgages, options—all the advantages of German capital—without the money—had wiped out the Boer and the Briton.

The year 1892 was memorable not only for the visit of C. Meyer and the first loan, or for the dissolution of partnership between S. Neumann and Hanau and C. S. Goldmann. It was remarkable for a wholesale European movement. On the British side we can reckon on the appearance of Joseph Chamberlain as a shareholder, but what was much more important to us Dr. Leyds, re-elected as State Secretary, in company with E. Lippert and other members of the Chamber of Mines, formulated a radical amendment of the Gold Law, designed to drive out the claimholder finally. President Kruger was told it was the best law in the world, and Leyds had come, in 1884, with the highest recommendations. He was, in fact, the Hollander blind to hide the German intrigue. President Kruger in the Raad said they could take great credit for getting this complicated and original law passed, and "as the expense had been £1,000 he said he expected the Chamber of Mines to pay it!"

The original law and its successive modifications by Leyds and the Chamber advisers invented the claim system, and used it to the disadvantage of the farmers and the British. The first draft had deprived landowners of the full mineral rights over their farms, which was the rule in the Orange Free State, and made provision for prospecting—it limited the owner's right to one-tenth of the proclaimed area. At that

point the Germans had no money to buy farms with, and wanted prospectors' rights, which had occasioned no difficulties before the German arrival. As the values of the Rand became apparent the cheapest way for the longer purse than the prospectors' was to buy out the freehold. When the Germans had for a trifling sum accomplished this little business (with the exception of Randfontein and the Goldfields holding) they got Leyds to alter the law. It appears that Kruger jibbed at this, but German pressure won the way. They increased the freeholders' right from time to time, and made the claim-holder pay a State exacted tax to the freeholder.

This was the Law that enabled the Germans finally to dispossess the claim-holders—they ruined them with dues. This law was glorified by the *Star* and the other Anglo-German owned papers in the land, and Sir P. Fitzpatrick, then a clerk in the Corner House, actually quotes with ridicule in his clever book, "The Transvaal from Within," the statement of President Kruger in the Volksraad, 5th August, 1891, that "the owners of properties had quite sufficient privileges already, and he didn't want to give them more."* Kruger, however, was right, and the writer who wrote about the Transvaal from Within the Corner House was supporting the view which gave Germany the contest and dispossessed the British and the Boers.

The loan by Rothschilds, which Carl Meyer (of Rothschilds and Goerz and Co.) negotiated, was lent with the full and public knowledge that it was to assist the Netherlands Railway. The shareholding was equally known to him. It was dominated by Germans and by Hollanders, chiefly nominees of Germans. He was one of the heads of the house of which the house in which Fitzpatrick was employed was a subsidiary then and when he wrote his book. Yet Fitzpatrick wrote: "As the holder of an absolute monopoly, as the enterprise which has involved the State in a National Debt, and as the sole channel through which such money has been expended, the (Railway) Company worked itself into the position of being the financial department of the State." His own chiefs had brought this position about.

The fact is that the Transvaal gold was becoming too big even for the seven big banks of Germany. The claim licences enriched them and paid† them at the expense of the claim-holders, as they are still doing to-day, and Fitzpatrick and his friends—no doubt without perceiving the trend of events—have been the chief political agents in the work. At that date it was seen that the Transvaal gold was too big to be financed by Germany without British and French help. The Gold Law written by Leyds, as we read in a Rand paper,‡ was amended to keep back expansion in order to insure monopoly. Leyds is interviewed and greeted with encomiums for saying: "He considers the clause leaving the proclamation of farms to the discretion of the Government a very wise one, as preventing the unnecessary multiplication of goldfields." The German houses covered the country with options of purchase wherever the prospector reported a find, and no expansion was allowed until "the time was ripe," *i.e.*, until the British and French investors should recover sufficiently to be skinned again to invest the German groups with equipped mines on the properties they had secured with the investors' money.

* As a legislator in the Crown *régime* afterwards he applied this argument to the South African owners of the Premier Diamond Mine. The party he leads now has quite other views about the German owners on the Far East Rand, although the mynpachts have been doubled already.

† See "New South Africa," pp. 69-70, for a boast by G. Albu to that effect.

‡ *Mining Journal*, June, 1892.

Mr. Klimke, recently in the employ of the German Government, and sent out by a German syndicate to inspect the Knysna goldfields, was a useful assistant as State Mining Engineer.* He was educated, like Mr. Kotzé, at Freiburg. We read that in this year Mr. H. Eckstein is to retire to "give his attention to the Continental branch of his business." As well as Meyer, Goerz, Eckstein, Magin, Lippert, all the leaders in fact, and most of the little ones down to Abe Bailey, go home in this year; and home for all but the last is Germany. For all of them London and Paris are the hunting grounds. Mr. Hermann Eckstein had a comfortable passage, for he was enabled to announce with satisfaction that "at a dinner party of swells in London he had sold many thousands of shares in the Transvaal Silver Mine at top price." Top price for these shares was 65s. Before long the top price was nothing. He had the satisfaction, too, of declaring that "the scrip room cost nothing," a simple phrase which meant that the market and shareholders had bought the scrip he had sold at a price which paid for the shares he retained.

Monopoly was now secured, but as disappointed shareholders would not put up more money the mines had to be worked seriously, and we find H. Eckstein assuring people in an interview published in the *Mining Journal* that the mines will finance themselves and the new mines as well. So they did. German capital was never required and never given for that purpose.

Perhaps another example of how the Rand did not "finance" itself, but paid its way from the beginning, will be enough. The grand figures of the whole output of over £500,000,000 must be taken for the whole proof that it is nothing but a myth that these Germans "brought in the capital and built up the industry." They took out the capital and amalgamated the industry in the process.

THE BOARD OF THE FERREIRA MINE.

Naturally, the name of Ferreira himself had disappeared from the Board. A mere Afrikaner had no right to be there. Mr. Lionel Phillips in the chair, supported by Otto Beit, Gustav Sonn, H. David, J. G. Schulze, were national enough figures, but the new thing which quite knocked out the unorganised South African investors was the collection of proxies in Europe. Aided by the Eckstein proxies and by those put in by S. Henrichsen, R. Kann, I. Gaus, J. Wesselhoft, Emil Goldschmidt and M. G. Saloman, a total of 6,358 shares was represented at a critical occasion.

The following extracts from the Chairman's speech will show where the money came from:—"During the half year you will notice that nearly £17,000 has been *spent out of profits* for the increase of machinery and plant. Since the date of the report the directors thought it wise to sell the 1,000 reserve shares in hand at £9 10s., and this £9,500 had been placed to the credit of machinery account." The whole of the machinery, new and old, was paid out of profits, and in 4½ years, ending December, 1894, a profit of £397,250 had been made on a capital of £45,000 (increased to £90,000, August, 1894), equal to 884 per cent. on the capital of the Company. The original capital was £12,000. In 1895, 1,000 reserve shares were sold for £15,000. The 300 per cent. per annum dividend was afterwards an average for years.

* President Kruger consulted Mr. H. Eckstein before making this appointment. Dr. Mangold, a German doctor of medicine, was the second in the election by the Volksraad.

It was never the policy of the German control to waste money in holding worthless shares. Such shares were sold before control was relinquished; the shares in the best paying mines were held. Being on the Boards, they knew when dividends were coming or not coming. The banks could always supply proxies, and the costly advertisements in the London and Paris press secured such prestige for the men who "made the industry" that proxies enough were easily obtained. There was now no opposition; only a handful of proxies was required, but for the purpose of the intelligence department the lists of shareholders were all carefully tabulated and scrutinised. The multifarious agencies—syndicates in China, for instance—which purchased Rand stocks for invasion of the board or "rushing" a poorly attended annual meeting were impossible to trace without organisation. This, too, was a walk-over. So when we are told, as the Government and Unionist speakers say, that German capital has built up the country, and when the Controller of Enemy Property looks round and is told by the Chairman (Central Mining and Investment employee) of the Chamber of Mines that the German shareholding is only 5 or 7 per cent. of the total the press is not struck by the contradiction. It would seem that Germans only invest in mines till they are ready to pay dividends, and then sell out in order to obtain no reward. Otherwise, where is their capital?

Before leaving the memorable year 1892 it should be said that the Chamber of Mines, controlled by Germans, and presided over by a German, wanted a Charter from the Government to run the Rand. This finally became the basis of Mr. Chamberlain's grotesque proposal for the solution of the Transvaal question by granting "Home Rule for the Rand." It showed Mr. Chamberlain's innocence. It was the financial Ministry, or rather office, the Germans were aiming at. In this year, too, the attempt was made to condition the loan by the appointment by the Corner House of the Financial Adviser to the State. As long as Goertz controlled the National Bank and Leyds was State Secretary this control was exercised. But the same attempt was made upon Lord Milner and General Botha, as has been told in the last chapter. In the Chamber of Commerce the German subject Malcomess was President.

In the first quarter of this year a rather sensational article appeared in the *Diamondfields Advertiser*. It was the news of the Diamond Syndicate, composed of L. Breitmeyer, representing Wernher, Beit and Co.; D. Hains, of Barnato Bros; E. Bernheim, of Mosenthal Bros.; G. H. Bonas, of Joseph Ross; and B. Oppenheimer, of Dunkelsbühler and Co., and their agreement to buy all the De Beers output. An immense consignment of stones had been sent to Mr. (now Sir P.) Stow, one of the life governors, and shipped direct by him to Antwerp. The *Advertiser* stated that some of the directors know nothing of the deal, "notably Mr. Rhodes"! True or not, it showed the feeling in Kimberley.

The German control had always feared the growth of a mining town, in which, of course, they would have been in a hopeless minority, since nearly all of them were merely speculators and company riggers, though there was a number of German engineers who were given appointments for certain reasons. They succeeded this year, too, in taking the mines out of the sanitary system of the town, in obtaining a Government veto on all decisions of the Sanitary Board, and preventing Municipal loans from being raised on the mining property within the township area. We owe the narrow streets and absence of town lands to that policy. Johannesburg was the worst built and worst endowed

town in Africa at this date; yet it was the richest had its riches not been taken from it. Barnatos bought town land, but the German companies took little interest in town lots.

It must be left to another volume, which the authors propose to issue, to describe in detail this immense scheme for obtaining, as it did, the German financial control of the Witwatersrand, the Republics, and South Africa. The defeat of the French banks and the departure of the French Colony, to the loss of Johannesburg culture, are a striking episode in the plot. Only the outline is given here. The story of the loan referred to is suggestive, and recalls the assault on the finances of the first Responsible Government of the Transvaal Colony.*

Robinson being headed off from lending to the Republic, and Rhodes being kept busy away from the Rand, the Government found it hard to raise a loan. The poor little bank could not help. It was only toddling yet; it only had the right to get in the way of ineligible offers. Baron Oppenheim was permitted to attempt the impossible. With a commission to float a State loan of £3,000,000 at $4\frac{1}{2}$ per cent. at 87, that gentleman, of course, failed. Inspired comment said, *in English*: "It is certainly a little unfortunate that this, the first attempt to finance a comparatively small loan on the Continental market, should have met with failure, for failure it is, and we can only attribute it to the fact that the business was introduced to European capital by persons whose financial standing was not sufficiently high to command public confidence. As a matter of fact the Baron has, we fear, slightly exaggerated or over-estimated his powers. . . . Since his arrival in Paris, however, no communication of any definite character has been received, and the Executive have very naturally cancelled the offer made to him. With the security and the price which the State offers the money can, of course, be easily obtained, and there is no end to be gained by permitting the loan to be hawked about the Bourses of the Continent, more especially, at a time unpropitious, if one may judge from the Russian Loan, for a business of this description. The State has no necessities that cannot be met for the present at any rate by the National Bank, to whom in the terms of this concession this and all future business of a similar description must be offered in the first instance. A *Reuter's* telegram to hand states that an influential English firm has offered the whole of the money required on easy terms." But Mr. Robinson, who was credited with the offer of £3,000,000, was not to have his say.

During this year Mr. Carl Meyer had returned to the Rand with Dr. Magin, who was to take a position under Herr Dernburg. Mr. (now Sir Carl) Meyer expressed himself publicly as very pessimistic about deep levels and "the unwarranted boom of three years ago." He "preferred to remain silent" about the Chartered Company. He approved of "the magnificent staff of English and American engineers," and "with regard to the financial side of the question (he) should certainly like to see more capital imported into the country and fresh blood." "I fully acknowledge," he said, "that those who have been the pioneers have financially done the best under the circumstances, and it is not fair that they should be asked to find money for everything, and come forward in every undertaking that has been, and is being, set on foot. They must naturally protect themselves, and if in the eyes of some people the terms and conditions they ask seem somewhat exorbitant and grasping, the fact must not be lost sight of that the original pioneers are the only people who have been found willing to supply the cash to carry on the gold mining industry so far."

* See Chapter II.

By "pioneers" this gentleman did not meet those wretched fellows who find and dig reefs. He meant the people who "floated" their syndicates with balloons on top and lead down below. "It wasn't fair" to go on asking these people to lend. The time was ripe for "new blood." That was not to mean new blood-suckers, because the "somewhat exorbitant and grasping terms and conditions" had practically sucked out the first blood. The boom, the slump, and the bank failures, the delay in the railway, and the Gold Law now just achieved by Germany had finished off all but the strongest. Yet there was no direct tax on the mines. A proposal to place a tax of $2\frac{1}{2}$ per cent. on the increased mynpachts is called the "last straw."

The failure of the Government loan at $4\frac{1}{2}$ per cent. for 87 "in Paris!" was accentuated by the over-subscription of the Cape Colony loan of £1,000,000 at $3\frac{1}{2}$ per cent. for 96. Pretoria was told that this failure was due to Rhodes and the English spite and boycott. It was only after the departure of the pessimistic representative of *haute finance* that it became generally known that a State loan had been floated by himself, and on terms more favourable through the previous failure of the English baron, Lord Oppenheim. Naturally, the Nationale Bank, being the Deutsche, had acquiesced in the transaction by Mr. Meyer, of Goerz. President Kruger, however, looked on Mr. Meyer as a German, which shows how wrong "back veld" views may be. He was grateful to Germany, as we shall see.

Mr. (now Sir C.) Meyer's pessimism about the deep levels—it must be understood that these were not what we mean by deep levels to-day, but were quite near the outcrop—was all the more surprising, as he had Dr. Magin's advice after long and careful study. Dr. Magin's German friends thought differently, and they were buying in at slump prices as hard as they could, as the change in the directorates clearly showed. All the first row of deep levels paid in due season. No wonder the discoverers and prospectors felt sore about "somewhat exorbitant terms." Later they were to appreciate the meaning of "conditions." For the present it is enough to say that "conditions" meant mortgage, control, right to supply machinery and take up options, and finally to amalgamate.

AMALGAMATION.

The German passion for amalgamation had begun and did not stop. By and bye everyone knew it. Amalgamation of the whole Rand was a national expectation for many reasons. There was the successful precedent of the Kimberley claim to awaken ambition or apprehension. But for a prospecting trip made by Mr. (now Sir) J. B. Robinson to the Western Transvaal, which prevented the meeting which had been arranged between him and Rhodes, it is likely that the two would have accepted the suggestion then made of purchasing the farms along the outcrop on the whole length of the Rand. That was in the earliest days, and though the feverish excitement which followed, and the several methods pursued by those financiers brought about a breach which was never bridged, the thought of amalgamation never sank quite out of sight. There was not exactly a division of the territory on the plan followed by Abram and Lot, but Robinson went from Langlaagte westwards, Rhodes and Rudd created the Consolidated Goldfields and the German group from Kimberley owing its allegiance to Wernher Beit formed the "Corner House," joining Robinson on the west and picking up what they could get eastwards. To Mr. (now Sir Lionel) Phillips was assigned the acquisition of properties and the company work. In spite

of his cleverness, Robinson got the worst of his participation in certain properties with the Ecksteins, and the name of the Robinson Mine, owned by the "Corner House," was an abiding reminder to him of the danger of control shared with Germans. Other German agents were playing the same game on a smaller scale with the miners along the Reef, and before long the "group" system became clear. The Germans in Pretoria represented Rhodes as the intruder, and secured advantages of various kinds. They had, however, to join with the gold industry as a whole to secure other gains. So they played a double game. They represented the Consolidated Goldfields as the enemy's stronghold, and pointed to its alliance with Rhodesia. The connection between Beit and Rhodes was not missed by Kruger, who could never make up his mind whether the control was British or German, though he reassured himself about some of the individuals concerned.

At that date the unity of the German system was not achieved, and the Deutsche Bank group, which contained Goerz, Siemens, and some others, was separate from the activities of the Dresdner, Disconto-Gesellschaft, Bleichröder, etc., which finally gathered into the General Mining and Finance Corporation, whose amalgamations had been brought about by the Albus. Neumann's nucleus became clearly defined after some time, but his association with Martin Lübeck, of the Dresdner Bank, marked one current while his co-operation with the "Corner House" indicated another. A bitter quarrel, whose consequences are still active as causes in the political and economical history, arose between the agents of Neumann and Wernher-Beit, so that the fusion was not completed. This rupture was displayed in the first Transvaal Parliament when Messrs. Hull, Solomon, R. Goldmann, Cullinan, and others less prominent faced the Corner House group from the Government benches. The rank and file of each party began then to taunt their opponents as a millionaire preserve. The policy was not, however, a new one; for in the earliest days J. B. Robinson had made friends with Kruger; Lewis and Marks were on the same side, and Lippert with the Dynamite Concession ranked then with the German diplomats. The Germans prominently associated with mining houses on the Rand had to keep up the appearance of concert with the people on the goldfields. Kruger was much befogged, as the South African League was, in the difficulty of discriminating between the genuine and the bogus patriots.

Somewhat later the Bank für Handel und Industrie lent its aid to the process of amalgamation, and the groups began to coalesce through common interests on the Rand and common interests in the banks in Europe behind them. For the banks were amalgamating in Germany, and consortiums were formed to run Rand interests.

Each succeeding period saw the amalgamations growing bigger and bigger. So that when the Dominions Royal Commission arrived in 1914, Mr. George Nathan, of the Dresdner Bank, Mr. Neuhaus, of the Deutsche Bank, were able, in the name of the Union of South Africa, to persuade the Commission that amalgamation was necessary. Perhaps they went too far, for the innocent Commissioners advocated amalgamation in order to get rid of the competition which had introduced "anarchy and unrest and inefficiency" in the white and native labour! Mr. Schumacher, director of the Rand Mines, and Central Mining and Investment Corporation, was in a difficult position. Not long after the Commission's visit he resigned his position,* and probably felt that

* Resumed after the outbreak of war, on the retirement of directors of German nationality.

hands beyond the control of the old "Corner House" were at work. Mr. Max Francke had then come from the Deutsche Bank groups to be chief of the Central Mining group after the liquidation of the Wernher-Beit estates. The "Corner House" looked like being amalgamated, and he didn't like it. Mr. Kotzé had advocated it, all old friends seemed enthusiastic, the idea was "theoretically unassailable and attractive," but goaded by cross-examination he blurted out: "I think it would certainly be in the interests of some shareholders, but it might be a little difficult to prove it would be in the interests of other shareholders." There's all the difference between amalgamating and being amalgamated. Mr. Kotzé's more logical and organising capacity, trained in a German University, saw with Mr. Nathan, of the Dresdner Bank, how splendid the thing would be. Mr. Nathan spoke even with contempt of the "Groups Committee" of the Chamber of Mines. The day for that sort of thing had passed, because the groups were coalescing. But Mr. Schumacher said prudently:—"The members of our firm three years ago (mark the date, 1911) gave the matter due consideration when it was first raised, but we at once came to the conclusion that it would be most inadvisable for us to attempt to put the theory into practice. We had only a few years before effected a number of amalgamations of an important and even epoch-making nature, and we were determined to await the results of these amalgamations, about which we were most hopeful, before again allowing everything to be thrown into the melting pot. The factor which, however, weighed chiefly with us then, as it does now, was that the carrying into effect of one big amalgamation scheme, which *might involve the closing down of a large number of poor mines*, would create a great upheaval here, *the consequences of which it was impossible to foresee.*" Mr. Nathan had no doubt about the consequences. They suited Germany. Mr. Kotzé's expert advice approved.

But why, one may ask, should "poorer mines be closed down" with all the advantages of amalgamation, if they could continue without it? Well, of course, the labour supply would run short again as it had been arranged before.

The fact is that in 1911 the Central Mining Group, upon which Mr. Max Francke now appeared, had acquired the Wernher-Beit goodwill (except the diamond business; Breitmeyer went out with that) and the goodwill of H. Eckstein and Co., and interests of Otto Beit and Max Michaelis. Neumann's* were steadily being added, and the control had left old hands. It was no wonder Mr. Schumacher had packed his bags, sold his furniture, and left Johannesburg for good. The serpent becomes a dragon by devouring other serpents, as the old world knew well. "Hohenheim," the Wernher-Beit residence, the focus of the Rand, inhabited by so many Germans, and lastly by Sir Percy Fitzpatrick, became a convalescent home, a gift greatly appreciated. There was no one who could afford to occupy Mr. Schumacher's more imposing and later-built residence. Failing a buyer, it was also handsomely donated as a convalescent home for the young. Had the Great War not come in time such institutions would have hardly been necessary for the British population able to remain. The expert miners were going fast either to the cemetery or Australia. Everyone was preparing to fly. South Africa alone in all the world was losing population. The Germans were seeing to that.

* It is announced (in March, 1917) that Neumann's has been taken over, as from the beginning of the year.

It has been said that Sir J. B. Robinson was boycotted and attacked by the Anglo-German press, and held up to the British as anti-British. His bank, like his newspapers, could not stand against the continual suggestions of meanness and pro-Boerism, though he brought the *Star* and *Daily Mail* to apologise on threat of libel actions in Africa and prosecuted other agents in England.

A similar set was made against Barnato. If one turns up the file of the Anglo-German press in these early years one will find continual innuendoes and more than slighting remarks. The *Star* was brought to order in due season. But Barnatos triumphed because they had discovered the secret of the Trust Deed. The Germans did actually invade the Barnato companies, but got bitten when they found that proxies were no avail for control. Many a raid did the Barnato House make on the best-laid schemes of the Germans. The "Corner House" Englishmen used to complain that Barnato's "didn't play the game." With the absence of Rhodes or a principal to play his own hand, the Consolidated Goldfields lost influence on the Rand; being committed to Deep, deep levels it had not the best of the luck.

Animosity against the late Sir George Farrar only developed when he looked like setting up for himself on the East Rand. He was smashed.

Other groups were penetrated and made to co-operate under German initiative. No one unattached to the German control is allowed to emerge. The only funds for political parties were supplied by the same power, and the agents who "obtained" these supplies ruled in the party executives. These executives became as exclusive as if they had been, as they were in fact, fixed by the company "articles of association."*

The attack on the Southern Van Ryn Reef G.M. Company in political and financial circles, and in a section of the London financial press is the outstanding example to-day. A property large enough and probably rich enough to become another Van Ryn and New Modderfontein rolled into one cannot be allowed to remain in South African hands. Boycott, press innuendo, and Gold Law exactions have been used to produce the necessary squeeze, though without success.

Naturally people prayed for "a friendly Germany." And, as Lady Phillips cried, "Why not?" Billets depended on it. Not all of the beneficiaries were disloyal to South Africa or to Britain. Far from it. But most of them belonged to that class which holds that it is "un-English" to kick a man when he is up. They honestly prefer German capital supplied on paper converted by English capital into cash. They think it broad-minded to attend a German Club where the unhappy incident of the *Lusitania* is forgotten in innocent recreation; and "prosit" is a prayer which all can join. They will connive at the importation of German goods during the war, for their economics are humanitarian, and they know that trade will be resumed after the war. They like to see children happy with German toys; they are not so mean as to dismiss a German chauffeur. They will emasculate an Enemy Trading Act in Committee and give a year or two of "law" to enable their German friends to remove their banking accounts.

There is, of course, an admirable side to this superior kind of toleration, and there is a profitable one. At least it does not agree with

* The prestige of Sir L. Phillips at one time in the Unionist Party may be assessed by the fact that on one occasion at least he entered the Executive of the Transvaal Province, of which he was not a member, and reversed a decision which had just been made.

the questionable morality of Montaigne "que le dommage de l'un est le profit de l'autre." It is beside the point that the German thinks and behaves differently, and was able to look out on the British dominions in the East across Australia and South Africa and watch the raw materials of the world becoming his monopoly and his banking system at last beginning to accumulate the gold which, after all, banks require if they want to be quite safe while they destroy others.

But we have anticipated the end, and must return to mark the steps. The financial conquest was fairly complete after the first grand slump, and would have been perfect if the cupidity of the "controls" had not led them to water stock yet further in order to sell more and more shares to the British and French public. The sale of hundreds of thousand of shares left it possible for a Shareholders' Association or powerful rival to raid them. In addition to the need for circumspection in this quarter the lesson of the '90 slump suggested another magnificent coup. The Rand was due now to produce from Twenty to Thirty and even Forty Millions a year. Further, the political headquarters saw with dismay that the Free State had absolutely rejected the Bond (there were only three members in the whole State) and that the Hofmeyr policy, Nationalist though it was, was inspired by a "hatred of Germans amounting to a passion." Even the Hollanders were running a patriotic policy which was not German, though not anti-German.

Kruger had shrunk from a war on the Drifts Question prepared for him by the German control of the Railway Company. The Free State, which actually had "Immigratie" on its flag, sympathised with the immigrant population. There was one thing that would make Kruger fight, would join up the Free State and the Colonial Boers: Invasion.

The Raid was hatched in the Corner House. The principals were Germans except Mr. Hays Hammonds, the American engineer. The Aeschines of the Corner House, Mr. (now Sir P.) Fitzpatrick was secretary to the "Reform Committee." The German principals did not appear for diplomatic reasons. Mr. (now Sir Lionel) Phillips represented them in control. It had to be a Rhodes plot. Rhodes fell very naturally. He depended on Beit, and got his information from the Corner House. The Germans were to arm Johannesburg. They said they had done so. There were not 3,000 rifles. The Boers knew all about it. The Germans had told them. There is no space to tell the story here. That is to come. Jameson was "sold a pup." Dr. Woolf failed to meet him as arranged. In order to hide the traces, after Dr. Jameson had actually started, a number of leading Johannesburgers were brought into the "Reform Committee," and duly took the blame. It must be admitted that most of the fines were paid for them. Naturally all Johannesburgers sympathised with the little band of adventurous soldiers, and the "Reform Committee"—the inner section—just escaped a bad handling at the hands of the English when it was learnt that no help could be given and the little army captured in a long prepared trap.

The thoroughness of the German control even when this business became a fiasco is shown by the fact that a German solicitor in London, Braunstein by name, prepared the evidence on the message sent by Mr. L. Phillips to Dr. Jameson at Doornkop. The intention was to discredit the British soldiers and to disconnect the "Corner House" from the escapade. (See "Transvaal From Within," Appendix, for a bitter attack on the officers in command.) Instructions had been issued from Germany that no Germans must be associated with the British flag. That was the "flag" question which was used to excuse the shifty tactics.

Mr. Schumacher proved subtle in the witness-box. Not long afterwards he became a partner in the House of Eckstein.

Gallant and adventurous as the Raid seemed on the side of the English in Johannesburg, to whom the Boers were total strangers, the thing looked very different to a country population who were told that the English had come to "take the country" and rob all in it. The Free State had been anti-Kruger and all for immigration, with the most complete good-fellowship in all relations of life. Dutch and English had never any friction. In the schools the language question was treated with commonsense to everyone's satisfaction. All was changed with the Raid. A great part of the Cape Colony changed, too. Germany had announced friendship for a small people assailed by an Empire led by money and land grabbers. An alliance with the Transvaal forced the Free State to "stand by her ally" in the new catastrophe preparing in Berlin.

The fullness of German control was expressed by President Kruger in his speech on the Kaiser's birthday in 1895:—

"Therefore I shall ever promote the interests of Germany, though it be but with the resources of a child, such as my land is considered. This child is now being trodden upon by one great Power, and the natural consequence is that it seeks protection from another. The time has come to knit ties of the closest friendship between Germany and the S.A. Republic—ties such as are natural between father and child."

No words need be added to that extraordinary statement, which did not surprise Germans, but seemed so utterly preposterous to English people that it was hardly commented on. But Kruger believed what he said. The Germans supplied the evidence. He was encouraged thenceforward by German diplomatic representatives and by Russian diplomats* still more emphatically to force the English hand. The Russian agents, it need hardly be said, were German. A long game of provocation was now played from Berlin *via* Leyds at Pretoria. Sir Alfred Milner's attempt at a square settlement was distrusted and rejected.

Lord Milner's failure at Bloemfontein must be attributed to one grave mistake, which he had not the means, nor could have the means, of knowing. He was made to believe that the mining houses were supporting his plea for franchise. So they were in their Press, which was represented as English and run by Rhodes. But at the same time the Germans were also urging Kruger to resist. At the very moment when the Anglo-German Press was jeering at President Kruger's Government for its inability to raise a loan a message was conveyed to Dr. Leyds from Johannesburg that the Dresdner, Disconto-Gesellschaft and Bleichröder banking group would lend up to five million pounds, 5 per cent. interest, at 87. As the public debt was only two millions—the Rothschild loan—the security was perfect and the terms outrageous. As Mr. Solly Joel vainly pointed out to the President, he was borrowing (he referred to two small loans negotiated at the time) at higher rates than the Johannesburg Stadsraad (Town Council), whose security was a second call on the same resources as the State had. Meanwhile Krupps and other factories financed by these banks poured guns and ammunition into the Cape Colony and the Republic, not only through Delagoa Bay, but through Cape ports as well. The trade routes were in German

* The *Transvaal Leader* urged President Kruger at this time to investigate more closely the credentials of the "accredited diplomats" who were urging him to war. The articles were written by one of the authors.

hands, and the gun supply this time was managed better than it had been at the Raid. Sir Alfred Milner was informed that President Kruger would "bluff up to the cannon's mouth," and the Intelligence Officer sent to the Transvaal was, to the great amusement of Pretoria, a guest of the Goerz group. Just before the invasion a member of the Corner House entrusted with the "intelligence department" declared that war was not yet likely "because the British Government was not yet prepared"; but, on the urgent representations of one of the authors, then acting editor of the *Transvaal Leader*, accompanied by the acting editor of the *Star*, this gentleman consented to call the Uitlanders' Committee, who, after hearing that Natal would be invaded within a fortnight at the outside, gave the signal for dispersing. With "intelligence" of this sort conveyed through the appointed Uitlander representatives it was impossible that the Colonial Office and the High Commissioner should learn the "inwardness" of the situation, and inevitable that Sir William Butler and his A.D.C., Captain (now General) Bulfin, should take a quite different view of the situation, since nobody troubled to impose upon them, and their acquaintance was not German.

After the Bloemfontein Conference great pressure was put upon President Kruger by his friends at the Cape to withdraw from a collision otherwise inevitable. He was urged to accept the extremely moderate terms put forward by the High Commissioner, and to trust for Cape support in all matters touching the independence of the Republic. Lord Salisbury was known to be averse from war, and Sir Alfred Milner had admirably extricated the Colonial Office from the futile controversy about the suzerainty. The moment was seized by the foreign financiers to offer to act as something more than arbiters in return for what amounted to the old claim of control over the public finances. But the Republics had made up their mind, and the publication of the correspondence revealed the bad faith of the foreign interveners. The *démarche* was quickly resented in Johannesburg, and the explanations offered may be found in the "Transvaal from Within." The author of that volume was pressed upon the High Commissioner as the most trusted and best-informed representative of the Uitlander loyalists. He became the sole mouthpiece. The S.A. League, a British League which was widely established all over the country, was at one time, indeed, in doubt whether to accept his serviceable offices, but the friction was smoothed over, and it was conveyed to the League, as from the High Commissioner, that too much activity would embarrass him. It must be confessed that the League was eager for a resort to arms, and was ready enough to adopt any grievance to "ginger up" the diplomats. But the mass of the Transvaal members, at least, hoped that a British *régime* would rid them of the tyranny of the German Houses. For them the *démarche* of the financiers was exceedingly distasteful, but their loyalty to Sir Alfred Milner was supreme. Thus Sir P. Fitzpatrick became the sole and powerful representative of the "Uitlanders" in the years that followed, and it would have been impossible for Lord Milner, or any other man, to have doubted the genuineness of his position, for Fitzpatrick, too, was in receipt of a most cordial and loyal trust, of which the remnants still linger in certain quarters.

The war followed the abortive negotiations at Bloemfontein and another market *coup*. The state of the market and its fall have been told in the last chapter. The boom was accelerated by patriotism. It was stated that the population would increase by millions. And so it

should have done, for the gold reefs were there, and if Lord Milner had been allowed to follow up his reservation of the State areas from pegging by State mining, coupled with the release of prospectors from the cruel terms of the Gold Law, the restoration of the Transvaal would have been brilliant both for the Dutch and the ex-Uitlanders and the rapidly-growing immigrant population. But upon this the mining houses put their veto. They said that the Gold Law should only be altered by an elected Legislature, and they urged upon the Commission, upon which foreigners and nominees sat, to press yet more heartlessly on the men of the country. Dr. Corstorphine, a geologist who now ranks among the *élite* of the official tribe, unfortunately gave a favourable opinion of the Coronation Reef, which, directed by the sanguine Hanau, absorbed hundreds of thousands of pounds. The capital was increased, and large numbers of shares were issued and sold at enormous premiums before Dr. Corstorphine accepted the view of experienced prospectors and withdrew his opinion. The Coronation adventure collapsed at once; but the boom still went on in the stock of the Houses, and shares stood a hundred millions or more above intrinsic value. It was time to strike a fatal blow. Kaffir labour was driven from the mines, and a colossal slump organised. The Chinese labour intrigue insured general ruin. All through the long period of loss and despair that followed as the market fell the "Houses" paid huge dividends. They were dealing in shares; who cared for the mines? The German system on the Rand makes as much or more profit when the mines stand still.

It was then that General Smuts wrote the letter to the *Daily News* recorded in the last chapter. Lord Milner was being silently blamed for the economical *débauché*. While he was on board ship on a brief visit to London Messrs. Reyersbach and Schumacher—senior partners in the firm of which Sir Percy Fitzpatrick was now a partner—took occasion at company meetings to comment on the extravagance of the Government, although the Crown establishment was much smaller than the "leaders of the industry" and other "natural leaders of the community" (hallowed phrases of the *Star*) had warranted, and indeed compelled. Sir P. Fitzpatrick still had Lord Milner's confidence, and it must be admitted that everything representative of Johannesburg commerce and mining acquiesced in and confirmed his position. The Crown Government had no means of knowing the general discontent, and if a letter to a paper or a word dropped in conversation alluded to it the subject was brushed aside as the grumbling of disappointed stock jobbers who would brighten up when the market changed—that is, when labour should be got for the mines. Mr. Pakeman was roughly bundled out of the editor's chair of the *Transvaal Leader* because that paper, though ardently devoted to Milner and the Empire, as indeed were all the people of the Witwatersrand, showed a tendency to reveal, or rather hint at, the seamy side in the hope of assisting the Government. The whole of the editorial staff, aware of what was coming, had written to Mr. Pakeman handing in their resignations *to date from his dismissal*. They left with him, Mr. Chamberlain, formerly of the London *Standard*, informing the manager that he would sooner enter a *bordel* than that office again. Absorbed in the splendid work of rebuilding the country and restoring the Boers, and terribly handicapped by the mysterious failure of the mining industry to recover, Lord Milner had no time for gossip, and was misinformed about Johannesburg feeling. German agents were busy with the Boers.

In the Free State, which up to the Raid had been fairly free from German rule, owing to the absence of German companies, a colossal

attempt to absorb completely the wholesale and retail trade was made by a German-Hamburg organisation known as the *Ko-operatieve Unie*. They promised to give farmers a certain percentage down for wool and all produce and to give the balance when the goods were sold in Hamburg. The commission charged was higher than was usual even with German firms in Port Elizabeth, but Mr. Abraham Fischer, to whom the farmers referred the proposal, gave it a cordial testimonial. Farmers who joined were also to be given credit for all supplies needed. In order to maintain the racial antagonism they had created, a foreign fund was supplied by the same operators for the support of "national" schools in opposition to the schools established by the Government. These finally failed for want of popular support, in spite of the ardent efforts of the *Schulverein*. With similar objects in view, the same operators chartered a boat to convey the remains of President Kruger to South Africa with the object of making a racial demonstration. The sympathetic attitude of the English population went a long way to reverse the effect aimed at. The remarkable success of Sir Hamilton Goold Adams' Government had conciliated all opposition even in the schools. The leading Boers, farmers of the old time, gave evidence before the Ridgeway Commission that they had no desire for a change of Government. They feared to be handed over to a *régime* financed with foreign money, and they had had no experience of Party organisation in the Republic, and were averse from promoting machinery which would inevitably bring up racial antagonisms rapidly dying out. The Report of the Commission was suppressed. Sir J. G. Fraser, brother-in-law of Sir L. Phillips, was not encouraged to lead a party to carry on the progressive policy, and, as the Boers had warned the Government, they joined the "*Unie*" in self-defence and in order to avoid being marked down as anti-national. As time went on they fell further and further from sympathy with the Botha Party in the Transvaal, on the ground that the Transvaal policy was dictated by the interest of the "foreign fortune-seekers."

Money-lending on mortgage was the chief implement in this campaign. An agent of a German "trust" company advances money, and the unsuspecting farmer is willing and glad to pay back his loan by the sale of his wool or produce. Or he will give such a "trader" the sole right to trade on his farm in the well-founded hope of getting his machinery and stores on credit. The immense size of the farms is not thought of, and in this way apparently insignificant traders have secured monopolistic rights over immense stretches of country. These will prove a formidable tax in time, and should be ended by law during this War.

In the Transvaal Lord Milner did not lose the affectionate loyalty of the old population on the Rand, but the disastrous results of the mining policy, the slump and the Chinese intrigue weakened the political party which professed to be British and loyalist, but was, to its ruin, dominated by the Corner House. This combination having stage-managed Mr. Joseph Chamberlain through South Africa, had made certain of victory. They had repeated the offer of a loan with the same effort—to obtain the appointment of a Financial Adviser for the Government—as had been made at the time of the Rothschild-Meyer-Goerz-Deutsche Bank loan to President Kruger. The announcement that they proposed, with Mr. Chamberlain's sanction, to impose a war indemnity of twenty or thirty millions on the stricken country—Fitzpatrick was the agent who conveyed the offer, he told Parliament afterwards—completed the public chagrin at the course of events.

Lord Selborne avoided the snare in which the new Government had been entrapped. Before studying the important but intensive

view of Johannesburg and the financiers he made the acquaintance of the Boers with the happiest results of a cordial understanding, which Lord Milner had always been prevented from. There had been enough going on to justify Lord Milner's hardly concealed distrust of the unsettled Boers, but Lord Selborne, more free to move about, quietly arrested a dangerous movement, and as "Farmer Selborne" was able to give the Boers a juster view of British policy.

It was most unfortunate that the Imperial Government gave Responsible Government in the way it did. In their eagerness to free the young Colony from the domination of the financiers they made the mistake of making the gift of Responsible Government appear as if it were opposed by the people of the Witwatersrand. It had been better to have left it all to the sagacity of Lord Selborne, in whose hands the transition would have revealed a united people with a better understanding. What difference, in truth, should they have? As it happened, the dower of Responsible Government had the effect, aimed at by some, of setting the old and the new British subjects at variance. The inclusion of the late Sir S. Neumann on the Board of the Premier Diamond Mine, represented by three gentlemen, with the usual *aliases*, or *noms de guerre*, led to another German split. Mr. Hull and Mr. E. P. Solomon joined the Generals as the Nationalist Party. The "loyalist" vote was split—as it turned out, happily. General Botha was made Premier. It was a general surprise. The other "Houses" had made certain of victory. They had backed the wrong horse.

When General Botha's Government was seen to be firmly established the order was passed that there was to be no more opposition. The Whip of the Opposition took the singular step of announcing that his Party was as "dead as the dodo." Mr. (afterwards Sir Lionel) Phillips came out from London, and was engaged in what the amused "kindergarten"—the group of young Civil Servants sent out to assist Lord Milner—called "botoring"—that is, following General Botha on a motor. Sir P. Fitzpatrick issued a pamphlet entitled "A Fresh Start," which was read with increased amusement. Sir G. Farrar left the House in disgust. Steps were taken to bring about the Union, and a rather threatening attitude was adopted towards Natal, where the population were somewhat apprehensive of having their traditions lost in amalgamation and of being involved in the cosmopolitan intrigue. Peremptory orders were given to the Press, and even while the Unionist Party were preparing for the first elections the *soi-disant* Unionist papers declared for General Botha. The issue of the Union elections was doubtful, as there had been a strike on the mines, and it was correctly anticipated that the Government would lose some, if not all, of the seats on the Witwatersrand, which had given the former majority. The unrest in the Civil Service was expected to return Opposition members in Pretoria, and P. Fitzpatrick availed himself of the position to defeat the Prime Minister designate. Mr. Phillips wrote to the papers that he had joined the Unionist Party, and General Botha replied that he regretted the act, as he had been accustomed to take Mr. Phillips' advice, and, of course, could do so no longer. The bewildered population did not know what to do. Presently it was announced in the Anglo-German Press, and repeated in the cables, that a "Best Man Government" had been arranged, which was at once understood to mean that the chief members of the Transvaal Cabinet would combine with the Mining Houses to form an "inland *versus* coast" Ministry. What explanations were offered to Mr. Merriman, on the one hand, and Dr. Jameson, on the other, have not been made public. It is likely that both were exceedingly uneasy. The "Best Man" farce was never

staged. It is said that when Lord Gladstone commanded General Botha to form a Ministry the Ministerialists of the Cape and Free State handed him a list of Cape and Free State names for his Cabinet with the laconic message, "All or none." True or not, the story, told everywhere in judicious confidence, served to end, or rather "postpone," fulfilment of the Best Man treaty.

Although in the mysterious ways of Providence these things were ruled to a great end, and General Botha and General Smuts have achieved historic names, the first Government was far from a success. The dissensions in the S.A. Party were never healed, and frequent Cabinet changes marked the secret troubles. The fall of Mr. Hull had been expected, because he had stood in the way of our masters' advance upon the State property on the Far East Rand. It is true Mr. Hull is not in favour of State mining under the present conditions, but he had put up a fight against the German boycott. His resignation was "sensational," but it turned upon the immediate point of Cabinet responsibility. General Hertzog's dismissal turned on another question which need not be discussed here, beyond saying that the English-speaking population neither offer nor feel any opposition to the treatment of Dutch with every national dignity which the most sensitive patriotism can demand.

The resignation of Sir Starr Jameson from the leadership of the Unionist Party, without a single word of explanation to his constituency or his Party from that day to this was alarming. A similar resignation without explanation was made by Sir George Farrar from his constituency and the leadership in the Transvaal branch of the Party. Natal was discontented, and an effort at reform within the Unionist Party was betrayed by German agents. The Young Unionist Party dissolved, and many joined the Labour Party. Had the Unionist support of General Botha been given to assist him against that extreme form of nationalism—English or Dutch—which excludes national unity itself, the Party would have merited the praise of the country. Or had the support of the "Opposition" first been given when the "mad dog of Europe" broke its paper collar and drove the nations to subordinate all questions to the supreme necessity of safety, both Dutch and English would have approved. But this was not the case.

The first Union Parliament opened nearly eight years ago without such questions being raised. Mr. Merriman, with something more than the secret approval of Cape Unionists, attacked the financial policy of his Party in a most damaging fashion, and the Transvaal Unionists devoted the first two sessions to attacking Mr. Merriman. There was the greatest apprehension among the influential Unionists lest General Botha should find it necessary to resign in favour of Mr. Merriman, who was looked upon as hostile to the economical pretensions of the masters of the Rand. The support given to General Botha turned out to be fatal to the solidarity of his Party, for Mr. Hull was driven to resignation, and the Hertzogite Nationalists were actually created by a revolt against the foreign fortune-seekers. It is true that General Hertzog was unable to formulate a definite charge. He could say that the only time the Unionists had ventured, or would venture, to challenge the Government was or would be a question affecting the interest of the "Houses"—the miners' phthisis question, for instance. But the great reward, the bewaarplaatsen, the manipulation of the Gold Law and the gold of the Far East Rand had not yet been given, though great pressure was being used. An ill time had set in. Native disturbance was followed by

Indian demonstrations, two strikes, emigration, industrial unrest and agitation marked the period.

The second strike was deliberately engineered. The strike leaders had, it is true, threatened to choose their own time for another strike, and many people, besides Germans, felt that such a position was intolerable and calculated to hold the wretched country in suspense. A condition had been made at the time of the first strike, when labour was in possession of the situation, that the "Houses" would acquiesce in any Government settlement provided a Defence Force were created to deal masterfully with another situation of the kind. The Defence Force was prepared, and the railway men were forced into an unwelcome choice between the abandonment of the Trade Union or a strike; a flagrant breach of law forced the hand of the miners; the inevitable result followed. A collision between British civilians and burgher troops, led by De la Rey, De Wet and Kemp, was achieved. The Defence Force, under Beyers, had strange uses afterwards. Deportations without trial outraged the common law of the Empire, and a Judicial Commission reflected severely upon the conduct of the employers. A wave of indignation went over the country, and in the Provincial elections of the Transvaal, Unionists and Ministerialists were swept from town seats by the Labour majority. General Botha would have been stronger without this "support."

It is not too much to say that this baleful support of General Botha provoked the rebellion, too, for the Defence Force, created for the purposes of the strike, was found unequipped for national purposes, and served as a mask for the handful of rebels, led by Beyers and the men who had been brought in to ride down the town; for the great majority of men classed as rebels had no intention of assailing the flag, but were tricked into the field, and imagined they were engaged in a lawful errand or, at the worst, in a political protest—armed, yes, but that has always been a familiar spectacle at political contests.

It is not to be supposed that all the Unionist Members have acquiesced in all this. Mr. (now Captain) Blackwell, Mr. Parrack and others of the East Rand especially condemned the policy. There have been agitations in the Caucus and out of it, but the terrifying threat is held out that General Botha will resign. After all, it was the war which put all to the test, and here General Botha and General Smuts have won too great renown to need the support of financiers or to stoop for the toleration of the agents of German banks. And the Dutch have vindicated their honour in a great trial, have vindicated their honour too fairly to be rewarded by the surrender of the people's possessions, the wealth which will set them free of economical servitude.

Greatly as we in Africa, and all the world outside us, honour General Botha and General Smuts and rejoice in their fame, it would be a base return to their kinsmen for us to say that those two alone are necessary to the peace of South Africa. "Hallo! where have you been?" asked an English bank clerk of a Nationalist and ex-rebel who had just returned from German East Africa. "I've been fighting for my King. What are you doing?" A new and living pride has passed within this young nation, and in the victory which shall crown their arms they will have conquered more than their enemies. We are not among those who say it would have been no reproach to them had they joined our foe and theirs. But they have answered the pride that trusted them with as great a pride in their trying day. And though it may be hard for a Botha to pardon one of his own blood who failed, if only for a moment, in the trial, we who know the severity of that trial can urge him to clemency in the charge that has been committed to his hands.

For the Africander Dutch, like the rest of British South Africans, have had their patriotism exploited by a common and treacherous enemy. The wrongs of English against Dutch and of Dutch against English are not commemorated by such names as Colenso Heights or Majuba Hill. No, nor were they greatly wrong in heart who rode to Doornkop with Jameson, nor those who rode to Lichtenburg to hail a rebel flag unfurled by the simple and chivalrous De la Rey. Both were moved by patriotism, though both were misled. And those who knew Koos de la Rey know too what wrestlings of the soul he passed through before he set out on the journey at whose end death, alas! awaited him, but no base hope of gain. The wrong of Boer to Briton and from Briton to Boer is that both have trusted the felon guest who set them at each other's throats that he might profit by their ruin.

With such bitter thought and in the knowledge that the German here is no other than the German there, we appeal to General Botha before it is too late to cast away from the snare that is laid about his feet. Do not impoverish and enslave this people by trading away the sustenance of their freedom.

But if the Ministry at Capetown is minded to defile its faith and deliver the nation's gold to the empty coffers of Germany, the first steps along the road are easy, for the enemy has prepared the way. Politicians have been committed before they saw the trap.

Still, Natal is discontented. The rank-and-file Unionists in the Transvaal are in despair. No one dare tell the truth outright, but the whole misery, from the day the German flag was flown in South-West Africa to the day (to-day) when the German colours stand on the mine-stacks, is due to the intrusion, the prevalence, the complete domination of the German system. If the German control of South Africa were less complete more would be heard of it. If the German principals were in evidence there would not be such unanimity. But there is no such unanimity as the unanimity of nominees. There is almost no escape from the situation; so the population owing allegiance to its own flag is a silent prey. But the indignity of subordination to nominees is bitter, Men of honour and spirit will themselves bear arms and send their boys to battle, while they acquiesce in the Permanent Hypothesis of South Africa that in all civil affairs it is only a fool seeking his own ruin who will oppose the German control. Too often it means the surrender of one's career. There was a brief attempt to isolate the German factor after the Anglo-Boer campaign, but it expired by mutual agreement. It is not only in the mines and locked-up acres of the country that the German is supreme; patronage places his nominees everywhere. Thus the banks are particularly liable to intrusion. Here is a means of competitive information so obvious and dangerous that nothing more need be said than that the boards of directors need the most stringent scrutiny and revision. Indeed, it should be illegal for an alien, naturalised or other, to sit on any bank directorate or to nominate a director. Machinery, no doubt, would have to be provided to attain that relief; but while Sir William Plender is probing his way underground, power should be taken to compel all bank and company directors in the Empire to make affidavit under severe penalty for deception declaring the nature of their qualifications, and the data and method of acquiring the same. The method of "*J'accuse*" could deal with the survivors. Shares justifying persons to sit as directors should be legally under deposit until resignations are satisfactorily made. In industries of national magnitude the State should have directors on the boards, and the auditors should be a branch of the Civil Service jealously guarded.

The nominee is the mask of the invader; he must be swept out, or the game is over. In South Africa such nominees obtain, or perhaps deserve, a certain social standing which makes them eligible for Town Councils (where their candidature is often backed with large sums of money), Schools Boards, Hospital Boards, University Councils (or Senates), the governing bodies of schools, agricultural societies, land companies, house agencies. At a recent gathering of associated commercial travellers the chairman was found to be a German. Sporting associations, benevolent and patriotic institutions, even Church Councils—nothing is too small for their attention. Wherever patronage can be obtained or exercised, wherever it may be advisable to restrain a movement or check a rising reputation the nominee appears. He joins anti-German associations and Labour parties as readily as any other. When women obtained votes for Town Councils and School Boards the organisation to direct them was prompt and effective. Sycophants follow eagerly, and those who would be *comme il faut* join in with an eagerness that is none the less keen because as often as not they are unaware of the purpose they are serving. In this way the men of authority and “weight” are gradually selected. They are honoured with the King’s distinctions. It is they who are appointed to important commissions, and are quoted as “natural leaders.” A clerk in a German house may preside over the most important corporations, as, in fact, an out-and-out German, who was “travelling in Germany when the war broke out,” actually presided over the Chamber of Mines. Such persons occupy responsible positions on military organisation, and their influence in—but as this book is meant for publication, and not for the perusal of the Censor merely, the list will stop there.

Italy was conquered by a capital of £200,000. The Transvaal was conquered by its own first output from the Rand. The great majority of the Boers are impoverished and unhappy. The English population at the outbreak of war was contemplating the general ruin. Yet there is the gold. Five hundred millions taken out, and twice, thrice or four times that amount remaining. There is not a single national service adequate to the public need. The “key” industries are steadily monopolised. The Coal Trust has its quarters in the building of the General Mining and Finance Corporation, and the export of coal on a grand scale is effectively checked. Every new industry is throttled or collared. The national debt is a hundred and fifty millions. There is a legend in the Press that we have done something in the war in South Africa.

Yet, because Mr. Newhaus says, “I object as a taxpayer to the State gambling with my money,” the State must hand its money to the German bank that paid Newhaus and sent him here from Petrograd. Nor does the State propose to have its mines “farmed” for it directly. It is going to hand them over to “subsidiary” companies, whose finances, capital, machinery and staff can be borrowed, lost or destroyed by their own parents.

This has dominated politics. The Unionist Party has declared in favour of the State surrendering its wealth. The Government will be guided by a Commission. The Commission will be guided by a majority, and the majority’s views were intelligently anticipated.

Other countries have found means of getting rid, more or less, of the German control. South Africa has not. Even a protest is regarded as disloyal. The control is more complete than in Russia, and the news that comes from this country is of a stamp with the kind that comes from that country—loyal to the Allies in word. The Russians will some day escape by a revolution,* what hope have we?

* The revolution, it seems, has come.

The Government, of course, has no difficulty with the Press. Before the war, in fact before the arrival of Lord Gladstone to send for his first Prime Minister of the Union, the whole of the "English" Press of South Africa, which up to that time had violently attacked General Botha, and in the case of some of the journals, *e.g.*, the *Pretoria News*, had even scandalously impugned his honesty, became suddenly converted to the view that he was the only possible Prime Minister for the Union. The Unionist Party, even before going to the first as well as to the last general election, expressed the same view through the mouths of its leading speakers, and they have officially held that view ever since. There is now no Unionist Press in South Africa—a remarkable fact, that has never been mentioned publicly. In the Transvaal there is only one paper which opposes the semi-official proposal to jettison these gold areas, but as the *Chronicle* has had to face a boycott from Reuter's Agency, a severe shortage of paper on one or more critical occasions, and numerous other difficulties created for or by it, its extremely intelligent criticism of the position cuts no ice.* But not only has the Government the conservative and patriotic support of the Press, the official "opposition" is more "pro-Botha" than his own party since it has taken up the well-considered position that on no question whatever will it take any action against the advice of General Botha, at least during the war. As this was its unpublished practice *before the war* its decision and prescience are still more justified—the earlier by the later and the later by the earlier.

PUBLIC DEMONSTRATION AGAINST GERMANS.

All would then be well were it not for a large, steadily and rapidly increasing number of people who are in revolt against what are known in South Africa as the "natural leaders" of the people. On the Rand this phrase is applied to the representatives of outside capital, and to this well-informed and responsible group of politicians General Botha is now added as a loyalist and a patriot. But it is incredible that General Botha should continue to submit to this foreign tutelage.

It is unfortunate that spontaneous movements of English-speaking people should have assisted to put General Botha in a difficult position. There was nearly a strike on the mines about the time of the *Lusitania* incident—an incident which it is now tacitly agreed in influential quarters was at worst an error of judgment and more probably a justifiable part of the submarine blockade of England. Unable then to take this dispassionate view the miners objected to working during the war to create dividends for the enemy. An immense and perfectly orderly mass of Johannesburg citizens took control of the Town Hall, in spite of all official obstacles and the severe disapproval of Unionist leaders. This was by far the largest meeting of all the historic meetings of Johannesburg. It was presided over by the Mayor and Council, who had prohibited the meeting up to the last moment, as the Mayor explained, only because they were instructed that it would "embarrass the Government." The demand was carried with crushing unanimity, however, that an end should be put to the German financial control of South Africa, that alien enemies

* The *Chronicle* has now ceased publication. The attitude of the *Pretoria News* (of which Sir P. Fitzpatrick and Mr. Duncan are directors) may be inferred from the fact that it enthusiastically welcomed the German "Peace Terms." In view of the anger of the populace the leading article next day said that the leading article of the day before had been written by "inadvertence." Reuters were unwilling instruments in the boycott which was forced on the Cable Agency by the "amalgamated Press."

or their British nominees should be deprived of the power to control the industry, trade and agriculture of the country, and the resolutions were cabled to the Imperial Government.

This was followed up by a monster petition to Parliament demanding an Enemy Trading Act of a drastic nature. By a policy of masterly inertia on the part of Government and press this ill-considered interference was defeated. Later, the Government, following certain precedents in Britain, acted in certain formal ways. But this only aggravated the discontent. The State admission that certain firms were really German—a retreat from the earlier denial—embittered the concession. It was pointed out that many of the leading mines and mining houses had placed immense sums at the disposal of the German Government just previous to the war, that Sir Lionel Phillips, in commenting on this, had said that he “had no personal predilection for foreign investments,” but that most of his associates were Germans. It was pointed out that German commercial firms had filled their country agencies with ammunition, for which they claimed—and no doubt obtained—compensation from the Government or district societies when the rebels “looted” the same. And these troublesome people still maintain that whatever liquidation of German capital may have taken place in London, precisely the same nominees continue to run the mines, industries and land companies. The official liquidation, or its methods, is distrusted. They draw attention to the fact that an alien chairman of the Chamber of Mines was permitted to negotiate and practically conclude a national Treaty with a Foreign Power for the supply and payment abroad of native labour—an arrangement which, though gravely affecting local trade and opinion and the national revenue, was submitted to by the Chamber of Commerce on the confidential report of another servant of the Germans and confirmed by the Government. They point out that the most important civic body on the Reef—the Rand Water Board—which not only controls the water supply of Johannesburg and other Reef towns—but is also a taxing body, has had for directors similar nominees, and at the outbreak of the war had actually two enemy aliens on the Board. They point out that the whole output of the Diamond Industry—in which the State (owing to the action of Lord Milner) is a prominent partner—is controlled by a monopoly of German diamond buyers, with the consent of the Government.* They allege, too, that the major part of the land of the Transvaal is held and “locked up” by such groups. There is, indeed, no end to the troublesome issues ever and anon brought up. Some even go so far as to say that the terrible toll of life, white and black, taken from the gold miners by “miners’ phthisis” would never have been allowed to continue had the mines been under the control of people resident in the country and interested in its welfare.

In addition to a host of such questions, which, happily for our credit, never reach England except in the mildest form—the Press agency sees to that—these people are bold enough to intrude into “high politics.” They say that the German part in the control of the Government’s revenue, through the mines and chief industries, added to their actual possession of millions of acres of locked-up land, coupled with the

* Against this we have to set the tried loyalty of the old friends of Mr. Rhodes on De Beers, the staunch, almost aggressively staunch, English character of Mr. Oats, and the influence of the Barnato house, represented by Mr. Joel, who is generally believed to be carrying on a financial war against the Germans. The closing of the diamond mines, of course, upheld the value of diamonds during a period when it could not have been anticipated that the world would be in a mood for diamond buying.

influence of the enfranchised citizens of "German South-West Africa" and the actual German vote of the country, will without any difficulty turn over South Africa to German control—no matter what the issue of the war may be. They say, too, that as the leading merchants were at the mercy of the mine-owners, or rather mine-controllers (for they take care to own little continuously, but change their holdings from mine to mine for dividends and control), a meeting of Chambers of Commerce which might conceivably during or after the war influence an Imperial decision on tariff or economic matters would in point of truth be a German voice in commercial English. They even say things about the campaign in German South-West Africa that one would not like to repeat. And worse besides.

The German grievance against the world was that the world had been occupied too soon by people with a kultur inferior to that which the German finally developed. As their chief writers admit, or rather assert, with the utmost frankness, they are driven to conquer what belongs to others. Just as some persons maintain that the white man should dispossess the black man from regions which he does not put to the fullest use, so the German must displace the inferior white races. It was a perfectly conscious aggression.

We can now look back and wonder at the power and subtlety of this grandiose scheme for monopoly of the world's wealth and productive processes which is expressed in the circles of the academic Hun as "imposing German kultur on the world." It has nothing to do with "culture," which, as our pedants would say, is a "subjective" thing. It is objective, as the use of the Latin word *cultus* implies: it has to do with things, with owning things, and organising the control for the glory of the Dynasty, the emolument of unproductive financiers and the fleeting vanity of a servile people.

But while we wonder at the immensity and success of this system and marvel at the indolent vice of the civilised nations which have tolerated its corruptive power, there is nothing of constructive imagination or superhuman skill in it to win our consent to it as a genuine advance in social order. The way was prepared for it by civilisation. It has nearly conquered, as the Roman Empire was dismantled, not by a "fair fight," but by the tolerated and even encouraged immigration of envious, treacherous barbarians. When they have shattered the civilisation they have been admitted to, they have nothing to put in its place. Even the German Empire was, and is, unstable, and the crew held together only as pirates do when the prey is in sight. The Zulu affords an honourable parallel. Throughout South African history the same phenomenon appears. The savage sees the externalities of civilisation, a breech-loading gun, or the furnace and lever of a locomotive, or the switch of the electric light. He then thinks he is numerous enough and, having learnt the secrets of the white man's civilisation, powerful enough to strike a savage blow for mastery. It is troublesome, and as the scale grows larger, to be dreaded. The repetition is certain, and so is the result. Fortunately, the savage can never wait long enough to make sure.

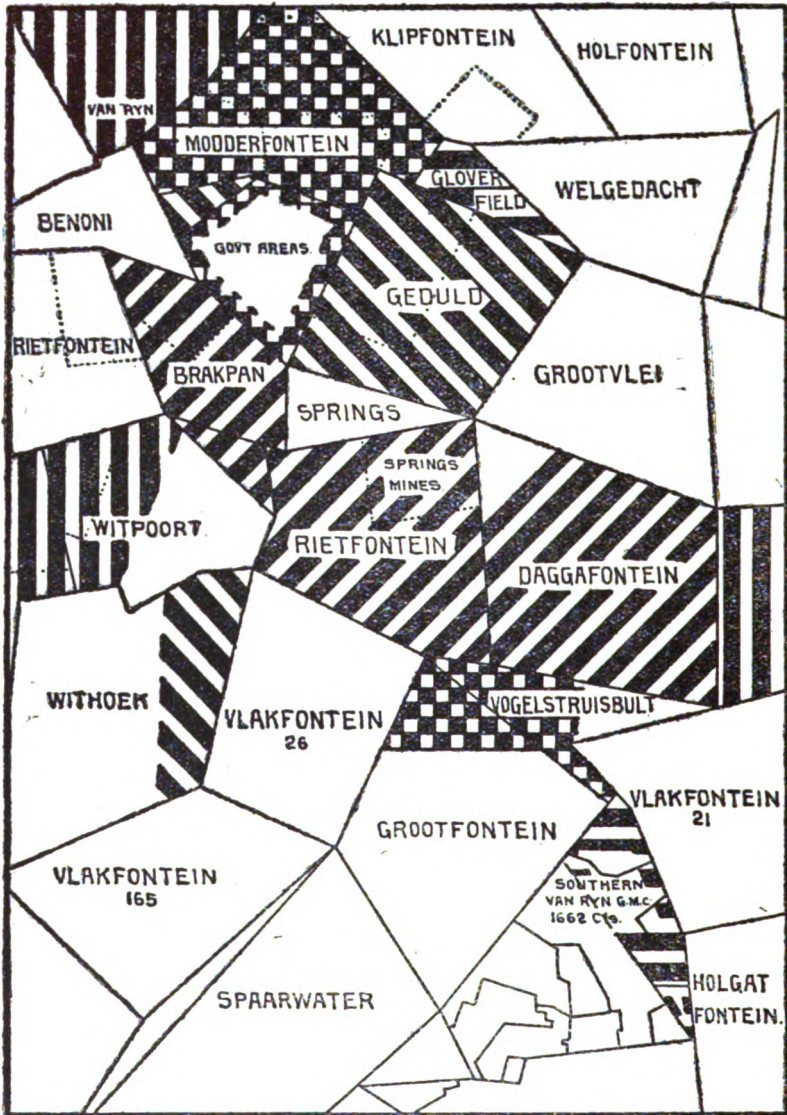
But the German was always a plotter. In Cæsar's time he allowed himself never less than a year of preparation. The time had grown longer in the time of Frederick the Great (great what?), for armies needed a longer cultivation then, and it was necessary to deceive many people. Bismarck and Moltke were as systematic in hidden preparation and treacherous assault. The last of the Hohenzollerns has made the longest preparation for the foulest, because the most widespread, catastrophe.

The steps by which the German acquired the mastery of the world of capital are only marvellous in the result: they are exceedingly simple in their progress. Indeed, their simplicity is the source of their strength. It is plainly to be read in South Africa as we look backwards. We see him enter as a "smouser"—a parasite on the diamond diggers. With the discovery of the Rand he flocks to prey upon the Boer and the miner, who trust him as frankly as they trusted white men in general. It was like the conquest of Canaan, outside the morals of decent folk.





Strengthened by the gains made in Kimberley and Pretoria, his envious gaze turned to where the Rand lay discovered for nearly two-score miles. It was a place of adventure where men readily accepted partners and believed them "square." But the German had no mind to venture his little available private capital in gambling on the share market or buying in at a fair price. The future of diamond values was very doubtful at the time, and most were in debt. The determination was made to enter the contests by means of banking powers, and the German banks were the only banks in the world which would lend themselves to the intrigue.

Having satisfied themselves by careful inquiry that there were at least one, and possibly two, thousand million sterling of gold on the Witwatersrand, their banking nominees entered on the unequal war with the local miner and the French and British shareholders in Europe. They simulated an alliance with the Uitlander against the Oligarchy and with the Boer against the Englishman. They made them distrustful and quarrelsome. The German was the *tertius gaudens*. To make the entry easier German subjects were protected by treaty with the Transvaal Republic, German political agents courted the Republican politicians, while their agents masqueraded with the opposition parties, and every means was taken to bring about friction and unrest, so that shares might be got or impounded for small outlay, and claims taken up for nothing by their agents when the disheartened and over-taxed discoverers had abandoned them in despair.

Sketch plan showing areas on the Far East Rand controlled by houses of German origin or association as to freehold or mining rights or both.



Consol Mines Selection . . . Shown thus

Neuman		COPY RIGHT.
Goerz		
Albu		
Central Mining		-W.E. Bleloch-
Marginal hatching denote freehold only.		-Febr. 1917.-

Vogelstruisbult: Partly Central Mining and Investment Corporation.
 Grootfontein: About 20 per cent. Central Mining.
 Government Areas, Modderfontein: Only the freehold Central Mining.
 Marievale: Only the freehold mynpachts "Neumann."
 Withoek: One-third Goerz.

ERRATUM.—The diagonal hatching should have been omitted from the area on the farm Geduld, owned by the New Geduld Company, about one-twentieth of the farm. See other maps.

CHAPTER IV.

THE GOLD SECRET REVEALED—THE VALUE— THE CONTROL.

SUMMARY.—Far East Rand gold dominates politics after the War—First steps to public ownership—Premier Mine—Reserved gold areas—Objective of the “Houses” —Who all go over to Botha—General Botha’s difficulty—Public protest against German control—The public case—The German “Gold Law”—Value of Far East Rand gold—Necessity for true valuation and discrimination between poor and reliable reefs—25,000 gold claims hold £600,000,000—Ten index mines—Capital required—Comparison with neighbouring Government Area (Modderfontein)—Colossal State Mine—In partnership with Imperial Government—Profit of £367,187,500 for the State.

[In Chapters IV. and V. the evidence presented by Mr. Bleloch to the Select Committee and to the Commission on State Mining is reviewed by the Collaborator in its bearings on Capital, Risks and Reward.]

Behind all this lay the knowledge of the great possibilities of the Far East Rand. The problem for the financiers now definitely associated in the popular mind with hostile German influence was how to overcome the popular prejudice in favour of the public ownership defined in the Gold Law. Lord Milner’s Government, it is true, had broken the tradition of public pegging in the case of the Premier Diamond Mine, and the reservation from pegging of these Far East Rand areas was a step towards a new method. The brilliant success of the Premier Mine overcame the public disappointment, which, however, was renewed in another, and more justly bitter form, when it was realised that the original owners of the Premier had been bought or squeezed out in spite of the great financial aid afforded by the national partner, and that the control of the mine had practically passed into the hands of German financiers and German diamond buyers. The silence of the Transvaal Press about the gold areas left the Boers and the population of the other Provinces undisturbed, and nothing more than a strong general prejudice against the Rand and its “leaders” existed. Fortunately for the State, Mr. Hull was the Financial Minister both in General Botha’s first Transvaal Ministry and in the first Union Ministry. The sharp animosity that prevailed between him and the dominant “houses” held these financiers in check. With Mr. Hull’s advice the Government drew up a system of tender to lease the rich Government mining areas, and its provisions not only assured some share, beyond the nominal Profits Tax, to the State, but left it open to a hostile Ministry if so disposed to administer the law in ways

uncongenial to the financial practices in vogue. Mr. Hull, as was natural, fell from power, but not before he had inflicted a blow on the boycotting ring by inducing Barnato Bros. to tender for two of the areas which they obtained, and have, of course, proved an El Dorado. There is now no Minister who has shown a disposition to risk a contest with the foreign money power. The "houses" are General Botha's most ardent supporters. But the publication of the Barnato winnings on the Government areas has awakened the old uneasiness.

Largely on account of these conscious and unconscious influences, General Botha's Government finds itself in an unpleasant quandary. Briefly, the difficulty of the South African Government is that it is told by the Government Mining Engineer that, in spite of its best efforts, it finds itself in possession of some 247 square miles of gold-bearing land, served by three State railways, with coal and water at hand—actually on top of it too. The richest part of this—the richest piece of land in the world—is the absolute property of the State. The calculation of the Government Mining Engineer is that "gold to the value of £450,000,000 will be extracted from this area." But that is on the basis that half the claims containing the gold reef at less than 5,000 feet might prove unremunerative, and after a deduction of 60 per cent. for non-productive zones and other adverse assumptions. This is admittedly a "conservative" calculation, and the facts now published, and undisputed even by interested opponents, show that over a thousand millions of gold are lying within easy mining access in and about this locality.

It is of high importance that Parliament should be aware of the magnitude of the gold content of what is known as the Far East Rand, and in order to be on the safe side we exclude, in the calculations that follow, practically half of the area, "247 square miles, or about 107,440 claims," referred to in Mr. Kotzé's Memorandum, and deal with 125 square miles only. Mr. Kotzé himself also confines his calculations to an area smaller than the total, and has given us the "calculation that if only one half of the 73,988 (say 37,000) claims in this area *not held by producing companies*, and containing reef at a depth of less than 5,000 feet, prove remunerative, after a deduction of 60 per cent. for non-productive zones," and assuming 9,000 tons per claim and 27s. 6d. per ton milled, "it will yield gold to the value of approximately £450,000,000."

He has since informed the Commission (Answer 9919) that 10,500 tons per claim is his estimate for the Far East Rand, and this would bring the calculation up to £525,000,000. Comparison with the Schedule at the end of this book will show that Mr. Kotzé has taken almost exactly half of the claim value, viz. £24,200 per claim, of the ten working mines in the neighbourhood for his estimate of the value of the rest of the area, viz., £12,162 16s. per claim, and his estimate is based on a tonnage per claim of only five-seventeenths of that of the ten mines. "There are now available for leasing," he tells us, "a total area of 16,842 claims. When the balance of the reef-bearing land is proclaimed, amounting to 64,863 claims, about three-quarters of it, or about 48,000 will become available for leasing, bringing the total approximately to 65,000 claims, of which 49,200 claims contain reef at a depth of less than 5,000 feet."

As we are dealing with a practical proposition of State Mining, we take almost exactly *half* of this available area belonging to the State, or 25,000 claims, as a basis for calculation. Two reasons will be enough to justify our ultra-conservative limitation.

First, no matter what the correct *geological* opinion of the reefs which underlie this area may be, *all authorities are in agreement, Dr. Mellor, Mr. Kotzé, Mr. Bletoch and the rest, that the reef which gives its value to the Van Ryn Mine and its wealthy neighbours underlies the whole of these 25,000 claims.*

Second, as will be seen later, we have an unflinching guide to the payability of this limited area.

In order to obtain a synoptic view of the gold which will be produced from this (limited) area we present the following tabulation:—

GOLD EXTRACTION OF FAR EAST RAND AREAS.

The following is a *résumé*, on the conservative basis discussed, of the value of the gold which can payably be mined on the Far East Rand:

Claim Area.	Total Recovery Value.
New Kleinfontein	£31,700,000
Van Ryn	18,550,000
Van Ryn Deep	24,250,000
New Modder	49,500,000
Modder B	42,750,000
Modder Deep	18,000,000
Geduld	38,410,000
Brakpan	21,400,000
Government Areas (Modderfontein)	52,950,000
Springs Mines	24,125,000
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*Total for Ten Mines	321,635,000
Two new leases (Brakpan, Modderfontein) on same basis	37,500,000
†25,000 picked Government claims: 25,000 × 12,500 tons per claim at 32s. 6d. per ton recovery value	507,812,500
17,000 privately held, including mynpachts: 17,000 × 12,500 at 32s. 6d.	345,312,500
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Grand Total	£1,212,260,000
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* See Schedule for values and portion extracted.

† It should be said at once that in considering the practical proposition of mining the 25,000 State-owned claims a still greater reduction of tonnage and values is estimated for, but the conservative basis of the above will be judged by the facts that—

- (1) Of "the 73,988 claims not held by producing companies and containing reef at a depth of less than 5,000 feet," only 42,000 in the picked area—i.e., 57 per cent.—are included.
- (2) The tonnage per claim is reduced to 12,500, as compared with 14,844 of the Index Mines of the Schedule; and this is the nett tonnage per claim after deducting 50 per cent. of the ore content per claim as unpayable. The true average is indicated as being nearer 60 per cent. payable.
- (3) The Government, owing to the indirect gain—given by the Chairman of the Chamber of Mines at "between 9s. and 10s. per ton"—can profitably mine reef even with a loss on the mining. This would enormously increase the output, and probably save costs in development owing to exploitation of areas which a private company would neglect after exploration.

The problem of the Government is how to get rid of this without a scandal of such magnitude as might not only eject the Ministry from office, but lead to the repudiation of the deal or something equivalent in the way of vindictive special taxation afterwards. On the other hand, all who have come under the influence of German finance are determined to force General Botha into leasing the new areas to the old grouping or to new combines.

Naturally, the problem is not presented quite in that way. A Select Committee has sat and a Commission is sitting, and the Government Mining Engineer has drawn up some proposals and a Draft Bill which happily coincide in the essentials with the draft legislation and proposals of the Chamber of Mines.

Mr. Bleloch is not a politician in the current sense of that word, but he has placed certain strictly economic views before both Government Commissions. These views have attracted great attention. It is true that the *Mining Journal* ignored his statements altogether, and the *Star* dismissed him with a brief summary to the effect that Mr. Bleloch advocated State mining on the ground that "the profits might be given to the poor!" It is unnecessary to tell the reader of all this careful evidence that nothing of the kind was said by him. Neither is it a just reflection of his views to say simply that he "advocated State mining," for he has not taken up a Socialist position, nor based his advice on the ground that the State should own the instruments of production and distribution. His plea is as much for the individualist worker of the country as it is for the national development of State assets. It is as Imperial as it is South African. It is concerned with cash values, the freedom of South Africa and the opportunities for British and other finance without politically aggressive *arrières pensées*. He has addressed himself to the actual problems referred to the Select Committee and Commission appointed to advise the Government how to adapt the Gold Law in view of the need to develop these gold areas speedily.

THE GOLD LAW IN THE WAY.

The main purpose of the evidence before these two bodies will be better understood if it is explained that the Gold Law of the Transvaal differs in certain important conditions from every

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- (4) The Van Ryn Reef, which underlies the whole of this area, is distinguished as the only reef on the Witwatersrand which has never failed to show on development a minimum of 45 per cent. of the total reef, or area, payable.
 - (5) The possibility, urged by Mr. Bleloch, that the Nigel Reef also is payable through a considerable part of the area, is omitted from the calculation.
 - (6) The experience of the Government Area (Modderfontein), as the development reaches towards the areas immediately on its south, still reserved to the State, warrants a far higher tonnage per claim. At the annual meeting of "Johnnies" in November, 1916, Mr. Joel said: "The thickness of the reef, the excellent values, and the high percentage of payability so far disclosed are features which it is difficult to estimate. . . . The reef disclosures have been of a highly satisfactory nature, both as regards width and value. This has been particularly the case in the southern section of the property. . . . a security of investment which has seldom, if ever, been afforded by a gold-mining venture."
 - (7) Even if one takes a tonnage 30 per cent. less than that indicated by the data of the Ten Index Mines in the neighbourhood and a value per ton 8 per cent. less than the same, the total still exceeds the Thousand Millions by over twenty millions.

other gold law in the world. It was drafted by the agents of German financiers in the days of President Kruger, and was altered from time to time at their suggestion. It was carried in the Volksraad by the process known to Germans as Bauernfängerei and in this country as Boer-verneuking—"beguiling the yokel." The law is ostensibly in favour of the farm-owner, and on this ground was passed by the farmers of the Volksraad. But the Boer farmer does not own mineral farms on the Witwatersrand. These, save in certain cases where the Government owns, as will be seen later, are the property of "companies." Under various titles, then, such as mynpacht, werf, or vergunning claims, a considerable and increasing area of the minerals which by law are State property are given to the owner of the freehold. The balance of the proclaimed land is open to public pegging, but the State and the "owner" between them tax the prospector so heavily that he is invariably "frozen out," and the wealth he discovers falls easily into the hands of the "groups." In this way South Africans have had only a very indirect interest in their mines, and, though the companies have never found gold reef except when the broken prospector showed it them, practically no mine owners exist in South Africa, and the discoverers are for the most part and designedly bankrupt. No Government has dared to put a stop to this anti-national and cruel parasitism, although its effect, or perhaps because its effect, is to leave any Government and the national credit at the mercy of the "houses" and the banks they influence. As editor of the *Standard and Diggers News* twenty years ago, the writer pressed, with wide popular support, for the reform now, as well as then, advocated by Mr. Bleloch. Similar proposals for the relief and assistance of prospectors were made when Lord Milner's Government amended the law, and had Mr. Bleloch as an advocate. The current system of plunder would not be tolerated in any other country in the world. It is too obvious, and not a word is alleged in its defence. It needs no defence, because the Party Executives provide that it shall never be attacked.

The evidence before the Select Committee given by Mr. Bleloch was directed to relieve the working prospector of these onerous and usually ruinous conditions. As he puts it, the working prospector, Dutch and English (who discovered the whole of the Witwatersrand gold reefs, as well as those of Barberton, Lydenburg and elsewhere) is fined at the bidding of the Chamber of Mines, and only just escapes being put into gaol for debt. Mr. Bleloch advises the State to break down the barbs and entrenchments behind which the alien "peaceful penetrator" has established himself on the minerals and wealth of the State and its citizens.

FAR EAST RAND GOLD.

The second main purpose of the evidence given before the Commission established to advise on the disposition of the gold areas actually the property of the State, was to point out that they are immensely more valuable than the "nominees" will allow when testifying to a Government Commission. When circulating tips for the sharemarket they speak with a different voice. It is here that his geological and prospector's facts are of immense importance. It is common cause that the particular areas chiefly in question, viz., those that belong to the State and are "reserved from pegging," are notoriously the pick of the lot, although they may not prove ultimately to be the richest per claim. They are situated next to developed and working properties of

proved and immense richness. They are now being eagerly sought after by the groups who, if their own geology is correct, have actually at their disposal practically unlimited areas of the same geological value. The question the average man asks is why these people with so many square miles on what they allege to be the same reefs as the Government property contains, do not mine them at the trifling charge of the Profits Tax (nominally 10 per cent., though actually 7 to 8 per cent.), but move the press and the politicians to hand over the Government areas as well. The reply made by these financiers is that they wish to save the State from "risky" operations, from "gambling"—though not on moral grounds, because they propose to do the "gambling" themselves. Their activity now is not less remarkable, because the Government has been advertising for six years an offer to lease these areas. The Government offer was boycotted, as is admitted, by an exclusive ring of the "groups." Only the firm of Barnato Bros., which has more than once broken in on the financial arrangements of its neighbours, made tenders for two of the areas offered. The tenders were accepted, the areas were amalgamated, and on 10th of October, 1916, the market price of the shares stood at 54s., *i.e.*, a valuation of £2,470 per claim. When the Select Committee was sitting the price of shares stood at 31s., which, as several witnesses, including the State Mining Engineer, pointed out in identical words, as the result of an impromptu calculation, was no more than the present value of £1, invested seven years ago at compound interest!

It is, however, no longer possible or perhaps advisable to disguise the value of these shares, now called amusingly "Government areas," and the market has recovered to 54s., and will, doubtless, go soaring when it is allowed to. Meanwhile there was going on an arrangement by which other influential persons shall share in the same control. There may, however, be some restraint on the market, because further concessions are being required from the State.

There remain to the State, right on the border of these wealthy mines, over 203 square miles, and it is the pick of these that the financiers are after. Mr. Wallers, the president of the Chamber of Mines, and an employee of the "Corner House," whose controllers Sir Lionel Phillips described above, declared before the Select Committee that the (nominal) 10 per cent. Profits Tax was the extreme limit to which any financiers would go for these areas. But the increasing talk of the State undertaking the exploitation of the areas had the effect of enhancing the values mentioned before the State Mining Commission. There is no doubt, however, that whatever tenders may have been put in, or may be put in, the areas have, by "conversations," to use Mr. Patrick Duncan's euphemism, been allocated by themselves among the groups, so that the appearance only of "competition" may be assured. A "knock out" sale, as Mr. Merriman hinted, is the result threatened. Further, in order to depreciate the value of the properties, they mass together the areas outside the reserved areas with the areas under question. They point to a group of closed-down mines on the areas open to them, and use these failures to emphasise the extremely hazardous nature of the "tremendous gamble" they are so anxious to spare the State. The immense significance of Mr. Bleloch's evidence now comes in. He protests against this grouping of areas. He contends, with a mass of data actually obtained by twenty years of practical prospecting in this district, that the derelict mines are on totally different reefs from the reef giving such rich value to the Government land as well as to its exceedingly prosperous neighbours. He says that an overwhelming body of ascertained and unquestioned facts, admitted on all hands and even by the Government Mining

Engineer, has determined the existence of the rich reef—the Van Ryn he calls it—on the Government ground, and his estimate of its value to the State, based on the actual results obtained on the neighbouring mines, quite subverts the deprecatory views of those who propose to acquire the ground. Quite apart from the geological evidence he offers, he points out that these 25,000 claims—that is considerably less than one-third of those at the disposal of the State, calculated (conservatively) by the Government Mining Engineer as practically certain to produce, if mined, not less than £450,000,000 of gold—are situated in immediate proximity to and on the same reef as ten producing mines, which afford a very wide and safe basis for the estimation of values. As will be seen by the standard quotations presented in the large schedule given with this book, these ten mines recovered gold up to the end of June, 1916, to the amount of £41,750,000, with an average yield per ton of 31s. 3d. and a profit of 11s. 6d. They had at the same date 32,150,000 tons developed of an estimated recovery value of £55,410,000, and for the ten mines the estimated total recovery value from first to last is £321,635,000, with a total estimated profit value of £142,812,500.¹ These are not Mr. Bleloch's figures merely. *The Statist*, for instance, considerably exceeds the figures he presented to the Commission.²

¹ It is most important that the reader should not forget that the values given above and the estimates of the gold in the 25,000 selected claims held by the State dealt with do not depend in any respect upon any geological theory. Throughout the whole of the area of which these claims form part the existence of the extraordinarily valuable reef, called by Mr. Bleloch and others the Van Ryn and by Dr. Mellor "The Main Reef Leader," is known and acknowledged by every geologist and mining authority who knows the Far East Rand. About this there is no dispute or doubt whatever. That is to say that the reef mined in the ten Index Mines is one and the same as that which underlies the Government areas in question, whatever its nomenclature and correlation may be. About this Mr. Kotzé, Dr. Mellor and the writers are in agreement. This point is most important, because it is already apparent that some members of the State Mining Commission appear to think that because geological questions were discussed the reef and its values were in doubt. Mr. Miller (questions 4907 to 4909, State Mining Commission) made it quite clear that the value of the State-owned claims does not rest on geological theory, but on the actual fact that the reef is there proved by many shafts and miles of drives in the mines adjacent to (and some surrounded by) the Government ground and also by many boreholes in the State-owned claims themselves.

² The following are the figures given by *The Statist*, 7th October, 1916, for six of the mines on the "index." It will be seen that they are considerably larger than those given in the Schedule for the "Index Mines":—

	SCHEDULE.	STATIST, 7th Oct. 1916.
	"Estimated profit value, total payable tonnage remaining developed and undeveloped 30th June, 1916."	"Gross profit value of initial area."
Van Ryn Deep	£12,400,000	£14,246,680
New Modderfontein	£22,500,000	£24,026,200
Modder B.	£21,712,000	£23,662,268
Modder Deep	£10,312,500	£10,300,500
Geduld	£12,200,000	£14,196,060
Brakpan	£5,925,000	£6,617,200

As will be seen further on, the basis of Mr. Joel's figures for Modderfontein Government areas gives the highest results of all. None of these, any more than Mr. Bleloch's, has anything to do with geological theory. The object of Mr. Bleloch's geological evidence is set out in the introduction to that evidence (Chapter VII.). As far as the totals are concerned, that evidence reduces the payable area as compared with the calculations of Messrs. Kotzé and Mellor.

There must be no mistake or whispering about the data on which these figures are put forward. If our figures are not reliable, then a colossal swindle has been engineered, and is being continued, in the interest of the "Houses" concerned. For the figures we present are below the expectation proclaimed by financial Press and speech to warrant share-buying by the public. Springs Mines, for instance, have been up to 65s., and have been talked up to £4. If the gold to be recovered and profits to be made do not exceed our figures, then the public is being imposed upon by the present prices. If the Government does not credit our data, an impartial expert inquiry into the intrinsic values must be held at once, for the whole of the national finance depends upon these returns.

Now, on the basis of this very "generous sample" the average total recovery value per claim is £24,200 (=32s. 6d. per ton), which would give for the 25,000 claims in their immediate neighbourhood and on the same reef a total recovery value of over £600,000,000. The average total profit per claim of these ten mines is £10,700 (=14s. 6d. per ton). The same rate applied to the 25,000 claims belonging to the Government would give the Government a profit of £267,500,000. But this is not all. The State Mining Engineer and everyone else admits that the main gain made by the State is by the indirect profits of mining, railway rates, stores, income tax, etc., and Mr. Wallers, president of the Chamber of Mines, made it his business to draw the attention of the Select Committee to these indirect profits. His object in doing so was to exhibit the great advantage to be got by the State in encouraging private enterprise. Under private enterprise, he said (question 650), "On practically every ton milled—these are the figures for 1913—the Government gets between 9s. and 10s. per ton from the Witwatersrand in revenue, direct and indirect." And again (question 677), "I should say that roughly 50 per cent. of the total output of the fields is distributed in the country." As the main argument against Government mining is the risk of loss, these figures of the President of the Chamber of Mines prove the case for the Government only too clearly. Taking the Government Mining Engineer's "very conservative" estimate of £450,000,000 of gold as a basis, Mr. Wallers proves that even if the State mined without profit it would still gain at least £225,000,000 on this output. No one suggests that anything like this amount would be required in capital. The total *original* capital of the ten mines referred to operating in this area was well under £3,000,000. (Note: In estimating the "issued capital" of these companies some attention should be paid to "vendors' shares." In nine of these companies the original vendors' shares amounted to £2,357,086, against £1,505,000 original working capital. In the tenth the issue of "vendors' shares" was disallowed by the Government lease). In order that the conservative nature of Mr. Kotzé's evidence should be made clear, it will be well to quote his own statements to the Select Committee (query 174): "That figure, £450,000,000, is intended to show gold that will actually be produced. . . . It is not a forecast of what the ground will produce." (Query 383) "It will yield that amount of gold. 450 millions is, in my opinion, a conservative opinion, and I am quite prepared to stand by it as such."

Query 140: What is your opinion as to the payability as to the East Rand areas?—The whole area?

Query 141: Yes?—As far as that is concerned I want to take at least 60 per cent. as being unpayable to start with. As a forecast to estimate the financial possibilities I would not consider it safe to take a larger percentage as payable than 40 per cent.

This is "very conservative" estimating. But consider this reply also. Mr. Kotzé had prepared a memorandum estimating the profits likely to be made on these areas if mined by private enterprise. Apropos of this, Mr. Madeley (Labour member) asked (Query 323):

"You give an estimate of the dividend that should be payable to the private enterprise on page 7 (of the Memorandum). Now, if the State were working these private enterprises and they did not get a penny of dividend out of it—they simply worked it not at a loss—it would still pay the State, would it not?"

Reply: "I think so. *If there were no loss and they got no dividend at all, and they sunk two million pounds in it, I think one could contend that it did pay the State on account of the indirect benefits.*"

Before the Select Committee, later, Mr. Kotzé repeated this statement with further emphasis. Indeed, he could hardly have mentioned a lower figure than £450,000,000 without ridicule, and of that he was well aware. He gave the lowest possible figure.

CAPITAL REQUIRED.

Now, if the State is to get this minimum of millions out of its claims, a certain amount of capital will be required, and a great bugbear has been made of this.

We have, however, a very valuable guide as to the *maximum* of capital required in the experience of the Ten Working Mines in the neighbourhood.

These Ten Mines had originally 13,296 claims, and the total working capital supplied for them, including Loans and Debentures, was £11,635,000—that is, £875 a claim. The Government Mining Engineer (Memorandum, page 3) says: "The existing producing companies may be looked upon broadly as adequately provided with capital." On the same basis the 25,000 claims of the Government now being considered would require not more than £21,875,000 of capital. And this is a very generous estimate. The Government, of course, has not to buy its own claims.

Again, some part of the issued capital of the Ten Mines consists of Loans and Debentures (*viz.*, £883,569). The Government would save much of this, as the people who arrange loans for private mines and "subsidiaries" require a liberal commission, and are in a position to see that they get it.

Many other considerations would decrease the amount of the capital required by the Government, for not only can it borrow more cheaply than private borrowers, but it also escapes the "double income tax" payable in Europe. The Government could co-ordinate trade and industry for the advantage of South Africa, and possibly assist towards the solidarity of the Empire by co-operation with Australia. The large profits made on harbour dues, Customs and railway rates which, in the case of private mines, involve a large increase of capital would really represent a portion of the Government's mining capital being returned to it.

Of course, all this capital would not be required at once, and if evenly spread over, say, six years, the interest charges *plus* capital would be less than £25,000,000, or £1,000 a claim. We certainly do not suggest that the Government need spend anything like so much, but this figure is presented as a *maximum*.

As we shall see immediately, a practical example on a large scale shows a maximum capital requirement of less than £15,500,000, which

would be begun to be repaid within six years of the first spade-stroke, while the average returns of any one year of regular working after the mine was in its stride would be equal to almost double of the total capital expenditure.

Some of the obvious capital savings open to the State have been mentioned, though our estimates has been based on the maximum of private requirements. Unquestionably, Mr. Leisk, Secretary for Finance, is right in suggesting that the best means of raising capital is not by means of a special loan, but out of general loan account. "In his opinion," he is reported as telling the Commission, "the proposal that State-mining should be financed out of general loan account was the simplest and most satisfactory way of dealing with the matter. In the first place, it preserved in the fullest degree the control of Parliament, and, secondly, financing out of general loan account would be in harmony with existing practice in relation to public capital expenditure. That method, in addition to securing the full benefit of the Government's ability to borrow on the cheapest terms, would occasion a minimum of disturbance as regarded the existing issues of Government securities. . . . An expert board of control would submit annually to Parliament an estimate of the capital funds required for development, etc., and Parliament would authorise the Treasury to make the necessary capital issues when money was required. . . . During the development period" (which, we shall see immediately, need not be more than four years) "interest would have to be paid to revenue out of loan account. The taxpayer would not be affected, as he would not be required to pay interest on capital, the amount being a charge on the loan account. By this means the true capital expenditure would be shown when the mine reached the producing stage."

IMPERIAL PARTNERSHIP.

But, beyond all question, the happiest and most secure plan is for the Union Government to become the partner of the Imperial Government, the latter supplying the capital and sharing the profits. The maximum capital required for the first five years would be less for each year than the amount required for one day's maximum expenditure on the war, and repayment would be begun with the fifth year.

More than one gain may be made by this means.

(1) It will be the most magnificent of all the financial proposals which may be made at the Imperial Council. For, while the profit will afford the Imperial Government the readiest means of paying off an immense part of the war debt, beginning the reduction of debt within five years, the Union Government will be saved from any worry about capital expenditure and local intrigue.

(2) The Imperial Government and the Union Government would be brought into close touch in a business affecting the prosperity of both.

(3) The Imperial Government would be assured of very large indirect gains through the supply of mining materials, stores, transport and employment, while the Union Government would be making parallel gains of great magnitude.

(4) Representation of both Governments on the common expert Board of Mining Control would deprive the opposition of the last argument—namely, that the Board would be inefficient through Parliamentary favouritism or corruption.

(5) The Union Government would be freed of the crushing economical and political power of absentee undertakers dealing with national assets.

(6) The imminent danger of a majority of hyphenated aliens or of out-and-out aliens ruling the Union would disappear.

(7) The Union Government could safely proceed to open up the agricultural and other economic resources of the country.

If General Smuts can bring this splendid operation to pass he will win a genuine historic name, for he will have vindicated the genuine freedom of his country, viz., economic freedom, which is the first condition of all real freedom.

Let us now consider more closely, with apt guidance, the problem of the State mining these areas, with the reward and expenditure which may justly be reckoned on.

A PRACTICAL EXAMPLE.

A useful basis for computation is offered by the immediate neighbour on the Reef, the Government Areas (Modderfontein) leased to Barnatos. If the Government followed the practice of this company, resolving to sink its shafts without borehole exploration, they might begin with, say, twenty shafts to mine an area nine and a half times the size of the Barnato area. Let us suppose that the Government incurs the maximum costs—owing to the apparently unanimous belief, of instructed circles, in the incompetence and dishonesty of General Botha's administration.

Following the parallel, we find that Government Areas (Modderfontein) began shaft-sinking in January, 1911, and crushing in October, 1914. At the same rate, the colossal State mines would be ready to crush in three years and nine months—say, four years. The total capital expenditure of our exemplar up to December, 1914, including three months of crushing, was £1,569,000. Allowing the Government nine and a half times this outlay (it would not, of course, be so much relatively), the total expenditure would have been £14,905,500 in four years. In order to be at the *maximum*, let us add £500,000 for extra footage, and we have not reached £15,500,000. With such an area opened the Government could not easily experience the "bad luck" as our example did. But, assuming they did so and recovered gold at the same rate, they would have recovered £11,400,000 of gold in one year and nine months from the date of crushing (five and a half years from first shaft-sinking), and within another year the total recovery would be just short of £18,000,000. It will be seen, of course, that the interest charges on the capital would have been considerably reduced with a large instalment ready for the repayment of the debt. In another year the mine would be in its stride and making towards a production of over £30,000,000 or more a year for the remainder of its life of twenty years.

COLOSSAL STATE MINE ON BASIS OF MR. JOEL'S REVIEW OF MODDERFONTEIN STATE AREA.

Mr. S. B. Joel's review of the Government Areas (Modderfontein) G.M. Company at the annual meeting of the Johannesburg Consolidated Investment Company in November, 1916, provides us with later figures which afford a means of judging the conditions under which the State could mine the gold-ground in the vicinity. It may be noticed, by the way, that Mr. Joel had to report that the reef disclosures both as regards width and value have improved as they went towards the neighbouring State ground.

The following diagram shows, at a glance, the relation between such a State mine as we have envisaged and the mine on the leased Government area in its neighbourhood, the data of the one as given by Mr. Joel being taken as a basis for the expectation of the other.

Diagram showing value of State Mine on 25,000 State-owned claims compared with adjacent Government Areas (Modderfontein) Mine.

(Drawn to scale).

<p>Govt. Areas, Modderfontein.</p> <p>Claims - - - 2,633</p> <p>Payable ore - - 58%</p> <p>Tons payable ore 45,814,200</p> <p>Gold value, 7·2 dwts. @ 30/6 - £99,866,655</p> <p>Profit value @ 12/6 £28,633,875</p>	<h1 style="margin: 0;">Colossal State Mine</h1> <p style="margin: 10px 0;">(ON SAME BASIS).</p> <table style="margin: 20px auto; border: none;"> <tr> <td style="padding: 5px;">Claims - - - -</td> <td style="text-align: right; padding: 5px;">25,000</td> </tr> <tr> <td style="padding: 5px;">Payable ore - - - -</td> <td style="text-align: right; padding: 5px;">58%</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="text-align: right; padding: 5px;">= Cl. 14,500</td> </tr> <tr> <td style="padding: 5px;">Tons payable ore - - - -</td> <td style="text-align: right; padding: 5px;">= 435,000,000</td> </tr> <tr> <td style="padding: 5px;">Gold value, 7·2 dwts @ 30/6</td> <td style="text-align: right; padding: 5px;">= £663,375,000</td> </tr> <tr> <td style="padding: 5px;">Profit value @ 12/6 - - - -</td> <td style="text-align: right; padding: 5px;">= £271,875,000</td> </tr> </table>	Claims - - - -	25,000	Payable ore - - - -	58%		= Cl. 14,500	Tons payable ore - - - -	= 435,000,000	Gold value, 7·2 dwts @ 30/6	= £663,375,000	Profit value @ 12/6 - - - -	= £271,875,000
Claims - - - -	25,000												
Payable ore - - - -	58%												
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Tons payable ore - - - -	= 435,000,000												
Gold value, 7·2 dwts @ 30/6	= £663,375,000												
Profit value @ 12/6 - - - -	= £271,875,000												

In considering these gorgeous gold-winnings we have to remember that they do not include the indirect gains of the State, and if we accept the repeated statement quoted above of Mr. Wallers, speaking officially to the Select Committee as Chairman of the Chamber of Mines, the State will gain, in addition to its *profit* of £271,875,000 which it makes by mining for itself, a large additional percentage of the £663,375,000,

viz., 50 per cent. *plus* foreign income tax—*i.e.*, through Customs, railway and harbour charges, income tax of employees (white and black), locally provided stores, foodstuffs, etc., demanded by the enlarged market. There has to be added to this huge accretion the saving made in the cost of the original capital and the absence of the overhead charges of the governing "house," with its ramifications in Europe.

Further, it is not to be forgotten that Mr. Joel discards all reef under 4 dwt. as unpayable. In view of the indirect profits of the State, the Government could afford to mine reef quite unpayable for private owners. The above figures would, therefore, have to be increased yet further in favour of the State.

A total recovery value, on the basis of this neighbouring area (leased by Government) of £663,375,000 and a direct profit value of £271,875,000.

Is it not discouraging?

The figures presented in our Schedule are much less sanguine than the results given by Mr. Joel would warrant as a basis for the calculation of the returns to be got from 25,000 neighbouring claims. The later returns of the Barnato mine are much richer than those recorded in the earlier period covered by the Schedule.

The following is the result obtained from a mere severe calculation on the basis of the data given by the Ten Companies mining the Van Ryn reefs in the immediate vicinity of the State-owned areas in question:—

BASIS AFFORDED BY TEN NEIGHBOURS.

These mines are (see Schedule) the New Kleinfontein, Van Ryn, Van Ryn Deep, New Modderfontein, Modderfontein B, Modder Deep, Geduld, Brakpan, Government Areas (Modderfontein), Springs Mines (of these the Springs Mines alone has not begun crushing, so that the totals are decreased by the inclusion).

Total number of claims	13,296
Average payable tonnage per claim	14,844
Estimated recovery value of tonnage, per ton	32/6
Estimated profit value of tonnage, per ton	14/6

COLOSSAL STATE MINE ON 25,000 ADJACENT CLAIMS ON ABOVE BASIS OF RESULTS TO 30TH JUNE, 1916

(BUT REDUCED NEARLY 16 PER CENT. IN TONNAGE).

Claims	25,000
Average payable tonnage per claim (Schedule)	14,844
Average payable tonnage reduced nearly 16 per cent. for "conservative" purpose of this calculation, on account of flatter angle of dip in the deep levels	12,500
Payable tonnage (Schedule), 25,000 × 14,844 =	371,100,000
Payable tonnage (reduced as above), 25,000 × 12,500 =	312,500,000
Gold Value (Schedule), 371,100,000 @ 32/6 =	£603,037,500
Gold Value (reduced in tonnage), 312,500,000 @ 32/6 =	£507,812,500
Profit value (Schedule), 371,100,000 @ 14/6 =	£269,047,500
Profit Value (reduced in tonnage), 312,500,000 @ 14/6 =	£226,562,500

[NOTE.—On the basis of figures afforded by Mr. Joel's report of the Government Areas (Modderfontein), pay tonnage per claim is 17,400 over the whole area. In the Schedule the average payable tonnage per claim is 14,844. For the purpose of the above calculation this has been reduced to 12,500. It will be seen how much further from the known facts is Mr. Kotzé's "conservative estimate" of 10,500.]

Once more the reader must remember that these greatly reduced totals do not represent the whole profit of the State. For the total profit of £226,562,500 is arrived at after deducting all the indirect gains of the State, viz., income and profit tax, railway and harbour dues, Customs, stores, etc. These have to be added, together with the income tax of employees etc.

No incompetence could ruin such a proposition. Lose one-third of the yield, double the capital, increase the miners' pay, manage it as indifferently as the worst of the Government departments—nay, sink twice as much capital as Mr. Solly Joel's mining skill requires and mine the gold without much direct profit! If such a miracle of misrule were possible, you still have the repeated evidence of the Chamber of Mines that "roughly 50 per cent. of the total output—i.e., over £250,000,000—is distributed in the country," and that "the Government gets between 9s. and 10s. per ton in that from the Witwatersrand in revenue direct and indirect"—that is, a revenue of over £140,000,000, possibly over £180,000,000 as the result of mining this portion of the State property without any direct profit from the mine.

Outrivaling Mr. Kotzé in conservative estimating as we have done, although to some extent by a different method—i.e., by basing our estimate on only 25,000 of the State-owned claims, that is about one-half of the total number (49,200) which Mr. Kotzé says carries the reef at workable depth—we arrive at the following:—

Direct Profit—

From mining the 25,000 claims selected, from the 49,200 claims of the Government Mining Engineer, on account of the proved certainty that they contain the Van Ryn series at workable depth, the direct profits to the State to be expected on the basis of the result of the Ten Index Mines, but with the tonnage reduced nearly 16 per cent.—i.e., 312,500,000 tons at 14s. 6d. per ton =	£226,562,500
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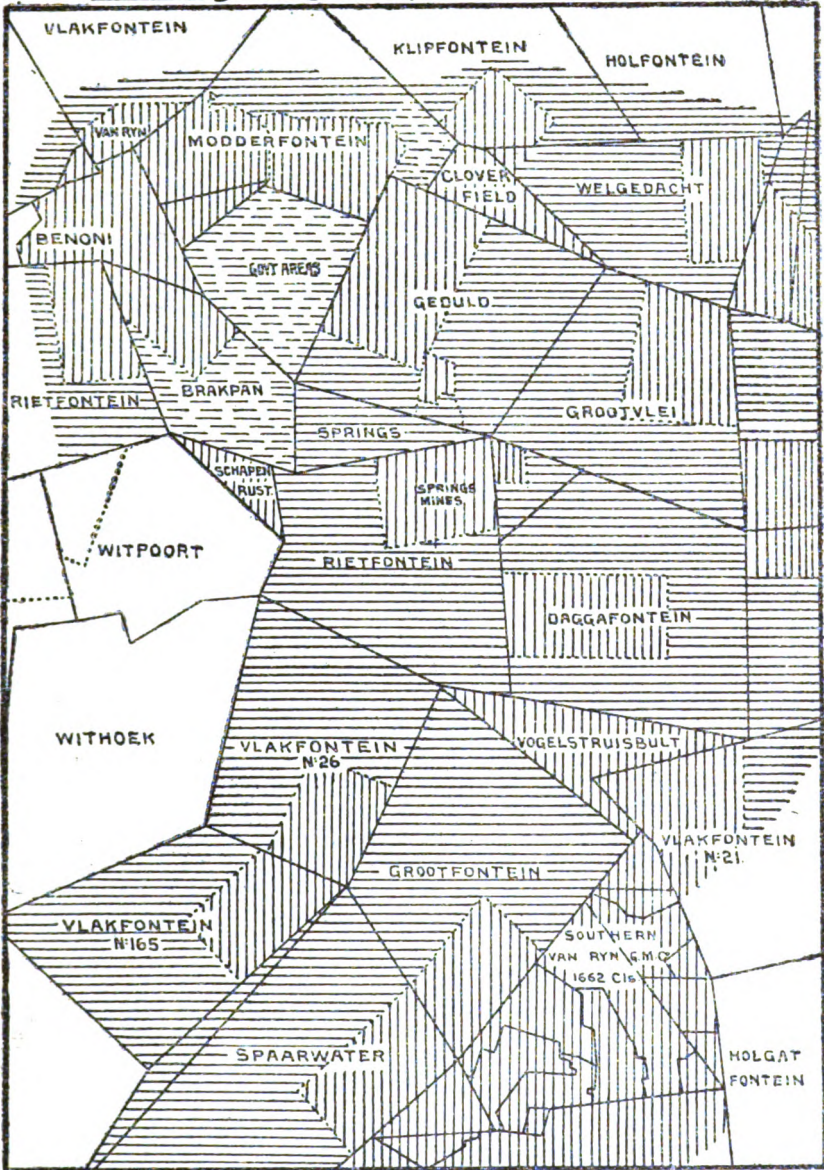
Indirect Profit—

From mining these 25,000 claims, taking the indirect gains to the State at 9s. per ton (Mr. Wallers' lowest figure), 312,500,000 at 9s. per ton = ...	£140,625,000
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<i>Total State Profits, direct and indirect</i>	£367,187,500
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It is absurd to talk of "risk" in the face of an insurance of such magnitude.

Sketch plan shewing the areas in the Far East Rand containing the Van Ryn & Nigel Reefs at workable depths.



Note.

Mynpachts and claims held by companies.
 Mining areas held by the state.
 Mining areas held by the state and leased

shown thus

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W.E. Bleloch

Febr. 1917.

On the farms Grootvlei, Daggafontein, Vlaktefontein No. 21, Grootfontein, Vlaktefontein 26, Vlaktefontein 165, and Spaarwater mynpacht areas equal to about one-fifth of the extent of the farms in each case are shown in the most probable positions, but as the mynpachts on these farms have not yet been located, in some cases owing to an abuse of the Gold Law, it must be understood that they are shown on the diagram merely to exhibit the relative areas and not the actual positions.

CHAPTER V.

THE RISK EXAMINED.

SUMMARY.—Risk and counter risk—Location of the reef—Its payability—Evidence of Government Mining Engineer—of Dr. Mellor—of the Reef—State and private exploitation compared.

[In Chapters IV. and V. the evidence presented by Mr. Bleloch to the Select Committee and to the Commission on State Mining is reviewed by the Collaborator in its bearings on Capital, Risks and Reward.]

THE RISK OF LOSS OF CAPITAL.

This must be considered with the converse risk that the areas may be left untouched for lack of *sufficient private* capital, although the State will have forfeited its title if it has leased ground to companies inadequately provided with capital. The main risk is confined to the *existence* at minable depth of *payable* reef.

(a) In the first place, we will take the combined evidence of Dr. Mellor (Government Geologist) and Mr. Kotzé. They have supplied us with a map and statements showing in this district “about 65,000 State-owned claims available for leasing, of which 49,200 claims contain reef at a depth of less than 5,000 feet.”

Mr. Kotzé was clear on this point.

Query 166. Mr. Raine: “The depth on these large areas is very low. How do you determine the depth of the reef?”—“I have indicated this on the map. You must see how these lines are fixed. They *are determined from information given by bore-holes*. It gives you the depth of the reef.”

Dr. Mellor was equally certain. Select Committee, 389: “I suppose there is no area in Africa, and few areas in the world that have been so thoroughly explored by boreholes and shafts.”

In addition to this establishment of the reef's existence by bore-holes, we have the evidence of the mines within the area. Mr. Joel was able to tell us that the evidence of the Government Areas (Modderfontein) Mine showed that the reef improved in width and value as it got closer to the areas in question—that is, towards the south.

You can draw a straight line (see schedule of mines along the line, with the data on opposite page) from the northern boundary of the Van Ryn Mine to the southern boundary of the Southern Van Ryn Mine, a distance of 18 miles (see diagrammatic section in the pocket at the end of this book), and be practically the whole way inside the 5,000 feet contour line, the deepest point being about three-quarters of a mile south

IN THE HEART OF THE THOUSAND MILLIONS.

Broad line from Van Ryn Mine to Southern Van Ryn Mine, showing values and widths of reefs disclosed at distances from Northern and Southern outcrops.

Name of Mine.	Van Ryn.	Modder Deep.	Brakpan.	Govt. Areas, Modderfontein.	Springs Mines.	Daggafontein.	Southern Van Ryn.	Vaal River Gold Estates.	Nigel and Sub-Nigel.
Miles from Northern Outcrop ...	0	2½ <small>Southern Boundary.</small>	4	5	8½	12	16 <small>Northern Boundary.</small>	18	18
Miles from Southern Outcrop ...	18	15½	13½	13	9½	6	0	0	0
Van Ryn Reef— Values ... Widths ...	7 dwts. 72 inches	8.3 dwts. 73 inches	9 dwts. 53 inches	7-2 dwts. 72 inches	10-4 dwts. 50 inches	Borehole No. 6. 11 dwts. 23 inches	Henderson Shaft. 5 to 7 dwts. 96 inches	not opened —	not opened —
Nigel Reef— Values ... Widths ...	not mined —	not mined —	not mined —	not mined —	not mined —	8 dwts. 40 inches <small>Stopping Width.</small>	Borehole No. 3. 5 dwts. 26 inches	30 dwts. 20 inches	up to 10oz. usually 3in. to 30in. <small>One place 9ft.</small>

Several of these mines, notably Brakpan, Government Areas (Modderfontein) and Springs Mines (8½ miles from northern outcrop) are richest towards their southern border.

of the Springs Mines (Government Mining Engineer's plan). This line will pass through the New Modder Mine, one of the greatest and richest gold mines in the world; the Modder Deep, with values of 37s. per ton on a width of 73 inches; the Government Areas (Modderfontein), with value of 30s. 6d. per ton on a width of 72 inches; the Springs Mine, with value of over 40s. per ton on a width of 50 inches; Brakpan, with a value of 9 dwts. on a width of 53 inches. Reaching further south, but some distance to the east of the line boreholes on Daggafontein have cut the Van Ryn Reef, 2,100 feet and 3,100 feet, with values of 19 dwts. over 8 inches and 11 dwts. over 23 inches, and this mine, in addition, is showing values of 8 dwts. over 40 inches stoping width for the Nigel Reef 1,400 feet lower than the Van Ryn. At the Southern Van Ryn Mine, towards the south-eastern edge of the Far East Rand basin, you have the reef sloping upwards to the sub-outcrops and actual outcrops. On the Southern Van Ryn property development on the Van Ryn Reef from the old Henderson Nigel shaft, showed values of 5 to 7 dwts. with a width of 8 feet, and borehole No. 3, cone $1\frac{3}{4}$ inch diameter, yielded 5 dwts. over 26 inches for the Nigel. Shaft No. 1 on this property has just disclosed the footwall portion of this reef, showing good values, promising well for high payability when the full section is exposed.

In his report on the "Marievale Nigel" property Mr. Sidney Farrar stated, twenty years ago, that eight shafts had been sunk on the property, four of which he examined, with the following results:—No. 1 Shaft: Reef $2\frac{1}{2}$ feet at depth of about 40 feet. Average assay, 4 oz. 2 dwt. No. 2 Shaft: Reef $2\frac{3}{4}$ feet at depth of about 50 feet. Average assay, 1 oz. 7 dwt. Values of $14\frac{1}{2}$ dwt. and 1 oz. 6 dwt. respectively were found in the other two shafts over a considerable thickness, and a leader of 3 feet in width at a depth of 77 feet gave an assay of 5 oz. 12 dwt.*

The reef has not shifted since Mr. Farrar investigated it. There is evidence that in the subsequent work Messrs. Neumann lost the true Nigel Reef, and worked on another reef, unfortunately unpayable, still lower than the Nigel, and they could do nothing with the property in the "slump" years which followed. Mr. Farrar's report has been confirmed by the values obtained on re-opening of the true Nigel Reef by the present owners, the Vaal River Gold Estates, in November, 1916, in their No. 1 shaft, where it showed values of 30 dwts. over 20 inches.

The Nigel G.M. Company produced 4 million pounds worth of gold, of which nearly one million was profit, from this reef. The Sub-Nigel is at present developing very high-grade ore on the same reef. At one place on this mine the reef is reported as being 9 feet thick with values of 11 dwts., and at another 43 inches with 35 dwts.

Mr. J. Dale Lace has cut the Van Ryn Reef in his borehole on Spaarwater, the moderate deep level of the Sub-Nigel.

It is obvious that Dr. Mellor's theory that the reefs decline in width and value towards the south has no basis in fact; on the contrary, as the work of development proceeds the unfailing average of payability of the Van Ryn Reef is more and more confirmed both as regards outcrops, semi-outcrops and deep levels, and in the case of these southern areas the rich values of the Nigel Reef, in addition, must be taken into account now that its true character and geological position are being made manifest. The great economic value of this lower reef here is becoming more and more established.

* *Statist*, No. 1,980, p. 216; also S. Goldmann's "South African Mining and Finance," Vol. I., page 215. See Appendix "A."

All these facts, viz., the data established by (1) bore-holes, (2) shafts, (3) paying mines (see Schedule), have determined, beyond possibility of dispute, the existence of gold-bearing reefs at minable depth throughout the whole area in question.

That is the realm of fact.

Now, as to *payability* considered in the light of certain *assumptions*.

It is important to note that when the Government Mining Engineer *assumes* the *possibility* of a percentage of unpayable area, he does so in order to be on the safe side—*i.e.*, as a *conservative adviser* to the State, not because he believes that result will fall as low as his “estimate.”

We have seen that the Government Mining Engineer protects himself from optimism by assuming that 60 per cent. of the area is “unpayable.” The assumption is made for the sake of safety. But he has said elsewhere (Query 88), “One has to admit that the areas which have been tackled show up well.” (Query 46) “. . . I have to point out *in this particular area* on the Far East Rand some of the mines show quite as good reef (at depth) as that found at the outcrop.* It is a peculiarity of this area that the payable ground is comparatively well marked out by nature. The reef is either quite unpayable—two or three penny-weights or less—or there is no reef at all, or it is highly payable. This enables mining to be concentrated in a certain sense.”

That is to say, as Mr. Bleloch’s evidence points out, you have in any given mining area “areas of enrichment.” The private company concentrates its stoping on these areas within its mining area, and so *avoids the risk* of unpayable mining. The Government Areas (Modderfontein) went through several poor patches at the beginning.

The point first to be noted is that this well-defined differentiation into payable and unpayable patches *minimises the risk* of unprofitable mining. While the 60 per cent. estimated for such barren or unprofitable areas does not decrease the total of £450,000,000 which Mr. Kotzé states will be extracted, the concentration in the other 40 per cent. ensures *payability*.

So far Messrs. Kotzé and Mellor, though one is opposed to State mining, have satisfactorily proved the existence at convenient depth of the pay reef on the State-owned area. Later we shall have to consider the basis of Mr. Kotzé’s opposition to State mining. It is not for want of gold values. As for Mr. Mellor, it is clear that he considers the risk of mining the area good enough for him, as he has left the employ of the State to serve the “Corner House” group, which is tendering for these areas.

Now, as to *payability* considered yet a little more closely. On pages 7 and 8 of his Memorandum the Government Mining Engineer shows what *payability* means to him: “On the financial side it will be assumed for the purpose of this memorandum that by a ‘working mining proposition’ is meant a mine returning annually over a period of 20 years, after paying its share of profits to the Government, a dividend of at least 15 per cent. on the capital sunk, and also a further sum which invested at 3 per cent. C.I. will at the expiry of this period amount to the capital invested. The capital so invested, referred to subsequently as ‘accrued capital’ is the amount spent on shaft-sinking, equipment and advance development, *plus* interest at the rate of 6 per cent. up to

* This statement is a confirmation of Mr. Bleloch’s statement that the Van Ryn Reef shows good values wherever it is opened up on a sufficiently large area.

the date of commencement of production. These assumptions necessitate a dividend of approximately 18 $\frac{3}{4}$ per cent. on the accrued capital when the life is 20 years. This may seem high, but, considering the risks run, such an expectation is by no means an unreasonable demand."

This passage requires careful digestion, because its assumptions are the minimum basis of what Mr. Kotzé is recommending to the State, and the Chamber of Mines is demanding, and the financiers are making sure of, in the case of private acquisition of the areas.

In consequence of this view Mr. Kotzé is pressing on the Government that he and three other civil servants (who must accept his conclusions *ex officio* on all questions of mining, and even of finance where it is determined by such technical details) shall have power to conclude deals on this basis of a minimum payability of 18 $\frac{3}{4}$ per cent. profit, and so dispose of what may be considered as the pick of the areas.

The procedure is to be this: Mr. Kotzé is to be allowed to have private and confidential negotiations with any financier who selects an area that suits him. As the basis of the negotiation the financier is to get a "workable mining proposition" as so defined with a minimum payability of 18 $\frac{3}{4}$ per cent. profit. And to make its payability more certain Mr. Kotzé estimates* on the lowest possible basis the recovery per ton milled, the profit per ton milled, the gross profits and net profits, and he estimates on the highest possible basis the period of non-productive years (thus gravely affecting the ultimate profit, as the time-factor is a most important element in this calculation), and the number of claims required to constitute a mining proposition. He considers it right to pay 6 per cent. interest on the capital over the non-productive period, an incalculable time in the hands of an astute financier, and he thinks right to allow 22·2 per cent. distributable profit to the company for 20 years. In saying that the estimates are "highest" and "lowest" estimates, one means compared with the actual figures of the ten mines working the area.

Estimates of Government Mining Engineer compared with the data derived from the results of the Ten Index Mines in the immediate neighbourhood; or, Fact *versus* Diplomatic Statement.

Upon certain "assumptions regarding tonnage recovery and other factors" Mr. Kotzé has presented in his Memorandum "the estimated minimum areas, equipment, capital expenditure, etc. of leases of average depths of 3,000 and 4,000 feet with productive lives of 20 years." In making the following comparisons it is not suggested Mr. Kotzé has not acted prudently in giving over-cautious estimates, if the "bull" be allowed. Civil servants, like Chancellors of the Exchequer, are wont to estimate for deficiencies; the consequent "surplus" stands to their credit.

In regard to the "assumptions," Mr. Kotzé's average recovery value of 27s. 6d. per ton milled is gravely affected by the inclusion of the earliest and poorest results of the Modderfontein G.M. Areas Company, viz., 16·57s. This figure at no time represented the capacity of the mine. It does not cover more than a few weeks of work, and that at a time when the full reef was not being mined. The yield for the quarter ended

* Page 8 of Memorandum—this estimate will be considered below.

30th September, 1916, showed a value of over 27s. 6d., and later results are even better, the reef improving in width and value as it reaches the Government areas which yet remain to the State. Again, the average yield for New Kleinfontein up to 30th June, 1916, was 29s. 3d. per ton, against Mr. Kotzé's figure of less than 27s. Including the earlier and poorer results of Government Areas (Modderfontein) the average of the ten index mines up to 30th June, 1916, was 31s. 3d. The estimated average, in view of later data, is 34s. 3d. In our estimate presented above for the 25,000 claims the figure is put at 32s. 6d. The capital expenditure for a mine of 2,445 claims is assessed by Mr. Kotzé at £1,975,000=£807·7 per claim. The ten index mines give £875 per claim. Mr. Kotzé, however, raises the total expenditure by 6 per cent. interest over a non-productive period of seven years. We have seen that the Government Areas (Modderfontein) began to be productive in three years and nine months—say, four years. For the private speculator Mr. Kotzé requires 15 per cent. on this "accrued capital," which, with other charges, brings the capital up to £993 per claim. This represents a total capital of £24,825,000 for the 25,000 claims. But, as we have seen, experience does not warrant this figure. According to the three standards, the capital required is:—

On basis of Ten Index Mines ...	... £21,875,000
On basis of Mr. Joel's figures for Government Areas (Modderfontein) less than ...	... £15,500,000
On basis of Mr. Kotzé's estimate (2,445 claims, depth 4,000 feet) ...	... £20,192,500

In consequence of his lower valuation as compared with the showing of the Ten Index Mines, Mr. Kotzé's figures for "annual recovery" falls far short. Thus, 1,100,000 tons at 32s. 6d.=£1,787,500, as compared with £1,512,500 he gives; and the annual gross profits of £550,000 on the same tonnage compares poorly with the figure £825,000 which will be deduced from the Schedule. These figures have to be multiplied by 10·2 to determine the effect on 25,000 claims.

Finally, the "total milling tonnage" he gives is 9,000 tons per claim—that is, *less than the least* of the Ten Index Mines—while the "minimum of claims" required to constitute a mining proposition, viz., 1,445 for 3,000 feet and 2,445 at 4,000 feet, is considerably above the average, 1,329·6 for the Ten Index Mines, and nearly four times the claim area of Modder Deep (378 claims).

We shall return to these significant figures later in relation to three important conditions, viz.: Whether such estimates are to the advantage of the State; whether they would achieve—what Mr. Kotzé and the Government declare to be most important, viz., rapid exploitation of the area; and, finally, their justification at all as a condition of procedure.

We shall see that, in addition to other grave risks, the State will suffer a large disadvantage by taking Mr. Kotzé's advice, which amounts to much the same as the advice of the Chamber of Mines. This will be considered in the "counter risk."

RISKS ON MR. KOTZÉ'S BASIS.

We are now to see the actual risk run by the State if Mr. Kotzé's estimates are correct.

(1) The mining companies who are eager to get these areas consider that they can make the "minimum required for payability." Mr. Imroth told the Select Committee it would have been "a tremendous

gamble for the State" to undertake the Government Areas (Modderfontein), and "I am inclined to say," he added, "that somebody would be able to buy State property at a very low figure after a while." Passing over the repetition of these imputations against General Botha's Government, implying corruption, favouritism and incompetence on such a scale as is impossible even with the worst intentions, note what Messrs. Barnato did!

Mr. Imroth, deputed to speak for them to the Select Committee, stated (856): "Barnato Bros. undertook a liability of £1,400,000 without asking anybody else." (867): "The public did not put up the money?" "No. Messrs. Barnato Bros. put up the money, and still have the shares." Now, Mr. Solly Joel is not the man to gamble £1,400,000 in the dark. Nothing more was known of this mining area than is known of the neighbouring land now owned by the Government. Indeed, a great deal less, since we now have the splendid results of the Government Area (Modderfontein) to reassure us. Yet, without even a preliminary bore-hole he put it up under what they have shown—and the Government representative agreed—were disadvantageous and undesirable conditions. They were bound to spend the whole of the £1,400,000 even though they should have learnt from exploration that it would be a dead loss. Unlike the Government, they could not explore first, and consider whether to spend afterwards. They went through a poor patch at first—"hundreds and hundreds of feet when the mine was first explored were practically valueless: if the money then had given out the whole of the area would have been lost." (844) Messrs. Barnato were undismayed: they went on, and at the last meeting presided over by Mr. S. B. Joel we learnt that "the debt is being gradually extinguished out of profits, and the dividend-paying stage should be reached next year (1917). The thickness of the reef opened up on the mine and the high percentage of payability, taken in conjunction with the terms of the lease from the Government, tend," in Mr. Joel's expressive phrase, "towards a security of investment which has seldom, if ever, been afforded by a gold-mining venture."

That is what they thought of the risk, and they "risked" far more than the Government would have done in a like case. And this is where Mr. Joel was so certainly wrong when he said the Government would not have gone on through the poor patch. Mr. Joel risked the whole of his £1,400,000. The Government, in the first place, would not have had to raise that capital at all. In the next, the poor patch would have paid them, and, further, they would have *expected* the poor patch, just as Mr. Joel did, and just as he expects, or should expect, to find further poor patches.

These poor patches are due to the convenient concentration of the gold in areas of enrichment. The State has now the further example of Mr. Joel's mine to give it any confidence it may need. This brings us to a further point in the "Counter-risk."

(1) Private companies, we have it in evidence, cease to progress when their capital gives out and they can raise no more. Cloverfield, that financial Aelcdama, has been hung up for years, professing to want capital. It has had a new life under the latest State lease, which yokes it with the valuable ground next to Modderfontein. The Cinderella is another notable case—a mine which should be taken over by the State, since it has been left to languish for want of some £300,000 which was needed by the German group to put the mine in a working condition. Doubtless, it is hoped that the Dresdner Bank will come to its assistance after the war. Yet, without these particular instances we have the

constant wail that private capital is shy, and so the reefs have been neglected. The Government cannot afford to leave these areas to that risk.

(2) Private companies cannot mine profitably reef below a certain value. The State, as we have seen, can safely and profitably exploit reef far poorer. It follows that in private hands the State "risks" having a large portion of its reef neglected.

Under private enterprise it is certain that much even of the indirect profits will be forfeited by the State, for when these allied companies are in possession of the assets of the State no Government or Party will be able to resist their money power and influence. Customs and railway rates will be reduced, the colour bar will be removed and wages cut down until the uttermost farthing is exacted from the country. So that even if the State got 20 per cent. of the profits it would be worse off through the loss of the indirect gain.

In any case, advocates of private mining have to face this dilemma:

Either these areas are rich enough for private mining—in which case the State can mine them at a gorgeous profit; or they are beneath the payability of private mining (18½ per cent., according to Mr. Kotzé—say, 10 per cent.) in which case the private companies will not mine or will mine only on condition of being absolved from the paying of the dues which make the indirect profits of the State. Many mines admittedly payable for the State have been closed down for years.

The Commission, or rather some members of it, have made a ludicrous mistake in this matter. Acquiescing in Mr. Kotzé's statement that it would pay the State to mine even if it lost the capital and made no direct profits, they say, "Yes, it would pay, but if the State had known it was going to come off so badly as that, it would not have started." They suggest, though they dare not say, that the indirect profit is too little reward. Now, we have seen that a maximum working capital of £15,000,000 (on the analogy of the private mines) will produce an *indirect* profit for the State, according to the evidence of the Chamber of Mines, of 9s. to 10s. per ton—*i.e.*, £140,000,000 or more. Supposing, therefore, the rock milled is worth only 18s. a ton—*i.e.*, only 55 per cent. of the value in neighbouring mines—there would still be a minimum indirect reward (according to Mr. Wallers) of £140,000,000, or nine times the capital sunk, after paying thirty per centum on the capital. There would still be £334,000,000 of the gold extracted, and at that value no doubt twice as much. Now the State cannot possibly forego this indirect profit, which Mr. Kotzé has told us is far more than the 10 per cent. Profits Tax. What is hopelessly impossible for private mining is not only a large gain, but is an *absolute necessity* for the State if it is to keep up its railways and harbours and find employment and markets for its people. The State is committed to mining. It cannot take the risk of private failure at all.

It is perfectly clear that under the frank and business-like questioning of Mr. Madeley Mr. Kotzé revealed that he did not think the State ran under any dangerous risk, indeed it was certain to gain as far as mining pure and simple were concerned.

Compare, for example, Query 90, which was put to Mr. Kotzé: "Take the Brakpan, for instance, or some mine that has proved a highly payable proposition. If one works within a few feet of their boundary, would it not be advisable to take the risk?"

Reply: "From the point of view of the State I do not know that you could consider it dangerous. Supposing it was clear that in a particular area, for some reason or other, no money was forthcoming to work that area. It might be advisable for the State to start a mine to give people employment. If we take the revenue that is indirectly acquired from the working of the mines, one must admit that it is very large. It is an indirect benefit to the State." . . . A direct profit even so small as 10 per cent. would be (91) "only a very small portion of the profit the State gets from a mine." He admitted, in fact, that the State could make a considerable profit even if it ran the mine at a considerable direct loss. Thus, no poor patches could discourage or impoverish the State. If in Australia or in America a 3-dwt. proposition can be run at a profit by private persons, the Government here could run a similar grade without loss.

There is, therefore, no other conclusion but that it is no sort of risk whatever for the State to mine these areas. Mr. Joel would have regarded it as a loss to make less than 20 per cent., on Mr. Kotzé's showing. He put down a million and a half "blind" on a certainty of that profit. The State in his position would still have had a certainty *without* that 20 per cent. In any case, it could have afforded to lose even the £1,400,000 and still make a profit. Mr. Joel had to make the £1,400,000 and 15 per cent. besides or he would have had a loss. Where, then, is the "gamble" for the State?

Mr. Kotzé, indeed, gave the whole of the case away in his reply above (Query 70). "From the point of view of the State" means that *where there might be a "dangerous risk" for an exploiting private company* the State would be safe owing to the immense indirect gains. And the rest of the reply crowned his whole case with a *reductio ad maxime absurdum*. For he said that after the speculators had had the pick the State might take up the rejected remnants and mine "in order to give people employment!" The private speculators take 100 per cent. more risk than the State, and yet their own consulting engineers and their geologists advise it. Mr. Joel is ready to turn out millions "blind"; the share market, which has put the Barnato Government Areas up to 54s., and will put them much higher (although the State severely limits the highest levels of profits in this case), and the informed public—all back his opinion at a premium. On the top of this General Botha's Government is patronised, and Mr. Imroth feels entitled to lay emphasis on its incapacity and Mr. Kotzé to discredit its administration—for that is, as we shall see, what their criticism and the whole of the opposition to State mining boils down to.

THE EVIDENCE OF THE REEF ITSELF.

Some confusion has been brought into the consideration of the whole question by the discussion of geological theory. Let it again be stated with the utmost emphasis that the *only evidence* used in this volume in relation to the practical proposition of the State mining the 25,000 claims dealt with here *is the visible mined reef itself*—whatever its name and correlation may be. It is not a matter of theory, but of fact. It is common cause that the reef exploited by the Van Ryn Mine underlies—has been *proved* to underlie—the Government areas in question. The reef theory of Mr. Bleloch certainly adds other favourable factors, but its chief importance in this context is negative—that is, it denies to certain properties on the borders the existence of the pay-reef admitted to be on these Government claims.

The weakness of the Government position was revealed to the State Mining Commission (10027) by Mr. Kotzé when he said he did not personally investigate for himself the data in the field.* He accepted Dr. Mellor's conclusion because he was the departmental authority. He admitted he had not read Mr. Bleloch's evidence. See also his reply to the Select Committee (330): "The Government has a very competent geologist as adviser in this matter. *We depend upon him.*"

We have seen that there is no financial risk whatever—still less a "gamble"—for the State even after we have heard of Mr. Kotzé as *advocatus diaboli* (the title is used in the correct and complimentary sense, and not as in the unpopular Press). But under the guidance of the geological evidence put forward by Mr. Bleloch the case for the State becomes brilliant. The first public service this evidence renders is to show that Mr. Kotzé has accepted too readily the contention of Dr. Mellor that the derelict and closed down mines on the outer borders of this district are proof that their risky and possibly unpayable character must affect the judgment of the whole area, still less of the choice areas alone.

The contention that passes for "orthodox" is that the much boomed but now silent failures of Cloverfield, Rand Klip, Van Dyk and Rand Collieries are on the same reef series as the great successes, New Kleinfontein, Van Ryn and Van Ryn Deep, New Modderfontein, Modder B, Modder Deep, Geduld, Brakpan, Government Areas and Springs.

* Asked if he agreed with Dr. Mellor in regard to the Rietfontein Reef, he said: "I do not care to express an opinion, not knowing sufficient about the geological facts." When he told the Select Committee that he agreed with Dr. Mellor and considered Mr. Bleloch wrong, the necessary point is given by the following question and answer before the State Mining Commission:—

10017: Did you read Dr. Mellor's evidence?—Yes.

10018: And Mr. Bleloch's?—No.

Mr. Minnett Frames, who was associated in the valuable work done by Dr. Molengraaff, and whose knowledge of the Reef is reinforced by scientific acquirement and long practical experience, has added the weight of his testimony against Dr. Mellor. "Dr. Mellor," he says, "further argues that the reefs become more attenuated and diminished in development as they proceed in a south-easterly and southerly direction. This statement has been promptly countered by the reef in the Sub Nigel Mine developing a thickness of 9 feet with high values." After speaking of the location of the Nigel Reef (Mellor's "Main Reef Leader") Mr. Frames says:—"On comparing the sketch map accompanying this report with the one brought out by Mr. Bleloch in February, 1916, wherein he shows the Nigel or "Main Reef Leader" as pursuing a general north-westerly course, it will be seen how close his theoretical reef strike is to actual fact. It is interesting to note that he based his work on a rather obscure outcrop of a reef overlaid by shale which correlated with a similar reef occurrence underlying the Nigel Reef in the village of that name. I congratulate Mr. Bleloch on the accuracy of his observations and his field work in connection with the strike of the Nigel.

The outcrop of the reef overlaid by shale is to be seen near Mr. Dearlove's residence on the western side of Blesbok Spruit, on Vlakfontein. The strike of the Nigel Reef on the Southern Van Ryn property (approximately one mile, if not more, west of where it is shown on the Government engineer's map of the Far East Rand, and maps by other engineers) dipping at an angle of over 60 degrees, throws a flood of light on the negative results obtained from drill holes east of where we have located this important reef. The general belief has been maintained amongst engineers that the reef was not developed in that area except as a very inferior reef or a mere contact. The reason for this mistaken belief is obvious. Boreholes put down east of our line, being behind the sub-outcrop, *could not possibly cut the reef, as it does not exist there.* Now that the true position of the reef has been determined by shafts and boreholes at four points along a line of three miles, with widths of 18, 24, 46 and 12 inches respectively, such a belief must be abandoned."

The history of how this view came to be "orthodox," in face of the practically unanimous declarations of the men who have, unlike the "orthodox" authorities, been over the whole area constantly for a score of years with pestle and mortar and pan, would make instructive reading. It will not be written here. In such a land orthodoxy needs no Holy Inquisition. It has, however, an unholy one.

THE NEW ORTHODOXY.

But Mr. Kotzé's orthodoxy is perfectly proper. As he explains, the State has, or had, a Government Geologist. That official's opinion is binding on other officials. Mr. Mellor's views are unquestionably his own. His ability as a theoretical geologist is recognised. Mining companies have been dispensing with geologists during the last ten years, but Mr. Mellor has taken service with the "Corner House" now, and his advice in the matter of tendering for Government areas will be esteemed. It is Mr. Mellor's opinion that the derelict mines (Rand Klip, Cloverfield, Rand Collieries and Van Dyk) mentioned above are on the same reef as the Bonanzas around the favoured Government areas. He has no great opinion (Reply 870) for the "many people who have gained most of their acquaintance with geology on the Rand." In all gold fields the man of local experience is valued above the text-book expert. The experience of Australia justified that conclusion. The early "professors" on the Rand damned the whole proposition; only the prospectors found reefs. Geologists have never done so.

Mr. Mellor says that the Main Reef Leader is the only reef profitably mined on the rich mines quoted as our Index, and that the same reef is worked by the profitless mines quoted above. Mr. Bleloch points out that the Main Reef Series is a *group* of well-known reefs known for 30 miles of mines along the Central Rand, and that both these sets of profitless mines are on single reefs.

Mr. Mellor says the Main Reef Series on these profitless mines becomes strangely one reef. Mr. Bleloch points out that the Rand Klip reef, for instance, and the Van Ryn reef have unmistakable and very different characteristics. They are quite different reefs. Mr. Mellor admits there are differences, but contends they are the same. He does not say what experience in other areas has taught him that the Main Reef Series of the Witwatersrand should behave in this erratic way all of a sudden, and he thinks Mr. Bleloch's experience of 20 years of almost daily contact with these reefs has unduly prejudiced him in favour of a recognisable reef series.

Mr. Bleloch points out that wherever what he calls the Van Ryn Reef has been developed it has given invariably rich values, but that the reef mined by the Van Dyk, Rand Collieries, etc. has never shown a percentage of payability adequate to make a profitable mine, and much the same is true of the other reef mined by Rand Klip and Cloverfield. But the Van Ryn is peculiar in maintaining its values wherever it is worked in a mine sufficiently large (200 to 500 claims) to allow its average of payability to tell, and it does not lose value in depth either. Mr. Mellor cannot deny these mining facts, but says that it is a perverse way the "Leader" has, as competent geologists, whose studies have mostly been elsewhere, would be ready to admit. And here he refers to a scale of values obtained from bore-holes not made public and certain impartially selected sections which have thoroughly and remarkably confirmed the view—the "orthodox" view—he started with, though these selections were certainly not made with the object of favouring that view. Mr. Bleloch calls aloud for this selection and comfortably

shows that, taken with a generous sample of some sixty millions of tons of mined reef, together with the facts of *all* the bore-holes and *all* the shafts, added to the work of his own pestle-mortar and pan, drilling and sinking at a cost of a quarter of a million pounds during twenty years' continuous prospecting of this area, Mr. Mellor's sections really confirm his view.

Yet Mr. Mellor would like to show that he has a theory that the Van Ryn Reef follows his theory, viz., that the reef grows poorer and thinner as it leaves the outcrop—that is, in depth and towards the south. Here, however, Mr. Kotzé steps in with disconcerting evidence of facts known officially to his own Department, and asserts the well-known peculiarity of the pay reef (Van Ryn) on this Far East area—that it has payable mines two, four or seven miles south from the outcrop, a statement of fact which everybody knows cannot be said of the Main Reef series on the Central Rand even at one mile south of the outcrop. Confronted with the poor values of Rand Klip on the extreme *northern* outcrop of his "Main Reef Leader," Mr. Mellor's memory failed him (Select Committee, 1110), but he rather thought "the results obtained at Rand Klip were not very favourable" (a meiosis too glaring for anyone who looks at the meagre reef there). The whole series, he averred, "tends to become attenuated in a south-easterly direction" (alas, it reaches 15 feet in the Government Areas, Modderfontein!), and perhaps he had never read Mr. Sidney Farrar's record (*vide supra*) on the rich values *twenty miles away south*!

The record of fact is as follows:—

SOUTHERN WIDTHS AND VALUES.

In the *Sub-Nigel Mine* you had reef up to 9 feet, value 11 dwts., and recently a strike has been made of 43 inches, value 35 dwts.

In the *Nigel Mine*, the richest banket mine in the Transvaal, for many years the reef ran from £3 to £8 per ton in value.

On the *Vaal River Gold Estate* claims Mr. Sidney Farrar has put it on record that he found reef 3 feet thick, value 5 oz. 12 dwts.;

this has been confirmed recently by the present owners, who have found in their shaft the reef 20 inches in thickness, assay value 30 dwts.

That is the record of the furthest South. Quite the reverse of the *theory*, and, happily, not dependent on theory, for these are facts on which *profits* have been made, not on the share market, but from the mill, of over a million pounds.

At the outcrop on the North the reefs of Rand Klip and Cloverfield have swallowed a million or more out of the share market, and no profits are hoped for. Stay! These reefs have now been amalgamated with the rich reef on the Government ground on Modderfontein, and have been named anew as "Modder East." Why not "Rand Klip West"?

This is their record:—

FURTHEST NORTH RECORDS.

The most northerly outcrop mine, Rand Klip, for 4,395 feet sampled showed only 4·6 dwts. over 21 inches.

Cloverfield.—The drives, 2,175 feet in length, disclosed reef of average thickness 13·5 inches, value 13·4 dwts.

At this point Mr. Mellor politely closes an unprofitable controversy, "smiles as a master smiles when one not of his school has spoken," and—joins the service of a Corporation which is most carefully following Mr. Bleloch's advice, neglecting the property it has already, or can get, on the reef that Mr. Bleloch has declared is proved worthless, and is competing *ventre à terre* for the State areas Mr. Bleloch says are priceless.

But Mr. Bleloch does not close at this point. He draws attention to his own property, the Southern Van Ryn, which both Mr. Mellor and Mr. Kotzé have marked as carrying the "Main Reef Leader." Even this concession, although it makes the Southern Van Ryn property one of the most valuable, if not the most valuable on the area (since it is an outcrop and cheaply minable at a depth where Mr. Kotzé says that 200 claims on a payable reef would give an ample reward)—even this concession does not mollify him. He has *found* the Van Ryn and Nigel reefs by means of five bore-holes, but he has no desire to call either of them "Main Reef Leader," as the "orthodox" map has it. Not that 1,600 claims on the outcrop of the Main Reef Leader would not make even a millionaire's mouth water. In any case, a mine with the reefs which have shown such splendid values, and with reef at a dip which not only makes mining inexpensive and development rapid along its best areas, but also increases its ore content above the relative content of mines like the Government Areas (Modderfontein), with a much flatter dip—such a mine needs no further technical testimonial. Mr. Bleloch thinks that his mine, which reproduces very faithfully the conditions of the Van Ryn Mine itself, and has besides a claim area of some eight times its size, is good enough "risk" for him.

But Mr. Bleloch will not have it called by the golden name of the Main Reef "Leader," as Messrs. Mellor and Kotzé will have it—and for a remarkable reason. The reason is, he knows where the Main Reef Leader is. As he told the astonished Select Committee, the Main Reef Series, just like it used to be, and not metamorphosed, as Dr. Mellor will have it, is sticking out of the Government's own property on Witpoort.

"Why don't you go for it?" asked the astonished Mr. Merriman.

"The Gold Law won't let me," replied Mr. Bleloch.

He offered to go to the Government property, at the spot he pointed out on the map, and prospect it at his own cost free of reward. The Select Committee had Mr. Kotzé up to probe into this startling business. "Yes," admitted Mr. Kotzé, after a good deal of rather pushful questioning, "it would be a good thing for the State, but it cannot be allowed." The grotesque position arrived at is that, though we have, or had, a Government Geologist, and although it is asserted that the Main Reef Series is outcropping on State land, the Government Department will neither itself prospect nor permit another acting on its behalf to prospect and open up this area, if only to prove the value of the State ground. The fact is that State mining ground is becoming too valuable altogether for the available market.

Mr. Bleloch points to a sinister paradox. There are two distinct sets of reef failures, and the owners of the mines on both of these are urging the failures to decry the value of the Government ground admitted by everyone to contain the Van Ryn Reef—the only reef on

the whole Rand that has never failed in depth*—and with characteristics evidently different from those of the reefs which have made the “failures.”

Closing down the mines they had, they have asked for the Government ground, but they want it cheap on the plea that it is probably no better than what they have! In the case of the Van Dyk and Rand Collieries Gold Mines, they have mined the Blue Sky Reef. The Van Dyk shaft was sunk north of the Main Reef Series, and the values were unpayable (8 dwts. over 24 inches). The Main Reef Series, in the opinion of Mr. Bleloch and many experienced, practical men, does overlie the Blue Sky Reef southwards of the Van Dyk mine. The failure of these mines was due to the false identification of the reef they were working with the Main Reef Series, which, again, has been wrongly identified with the Van Ryn. The State most lawfully *refuses* to allow itself to be informed, and therefore, suffers its possessions to be depreciated. Here it is the Main Reef Series which gives value to the State-owned gold ground.

In fine, Mr. Bleloch and many other competent judges—practical men—contend that, in addition to the poor reef, there is a very valuable reef—the real Main Reef Leader, together (as is natural) with the rest of the Main Reef Series—and beg the State either to investigate the matter itself or allow others to do so. The Government say they can't because they are unable to reward a prospector who should find a second and a valuable reef there, even if he does not want a reward.

It will be seen that, rich or not rich, the State can mine its own ground without risk and with a certainty of profit of many millions. But there is a grave counter-risk in accepting the proposals of Mr. Kotzé and the mining groups. Every mining man who gave evidence before the Select Committee and the Commission has drawn attention to the fact that the capital of private companies has been frequently exhausted when they got into unpayable reefs, and so they had to close down and further condemn the area. Mr. Joel and Mr. Imroth boasted, justifiably, that most private companies faced with the initial difficulties of the Government Areas (Modderfontein) would not have had the

* Mr. Wilkinson has pointed out that on the Central Rand “if you take the length of the reef from the Aurora West to the Cason, and suppose it were intact, and you were to start on it to-day from the outcrop, there is not a single mine but what would pay, and pay well. Now, then, if you go down to a depth of 4,000 feet there is only one mine to-day which is paying. By “paying” I mean a decent return on the capital invested and also pay back the capital during their life.” In answer to the question, “Then, the further from the outcrop one goes the greater the risk?” he replied, “What I have given you is not a matter of opinion; it is a plain statement of what has taken place.” When this was put to Mr. Kotzé he revealed the *contrast* in the consistent nature of the Van Ryn Reef: “As far as the East Rand is concerned, we have mines like the Brakpan and Springs Mines which are situated further away from the outcrop than any mines on the Central Rand area and at great depth.” In asserting that the eastern reefs on Rand Klip and Cloverfield are identical with the Main Reef Leader on the Central Rand, Messrs. Wilkinson and Mellor have to reconcile this antinomy:—

The Eastern Reefs (Rand Klip and Cloverfield) are *unpayable* at outcrop.

The Central Reef Leader is *payable* at outcrop.

The Central Main Reef Leader is *unpayable* in depth.

The Eastern Reef Leader is *payable* in depth.

In fact, the “competent” geologists have established the *identity* of the reefs by their *differences*. The *spots* are changed, but the leopard won't play the game.

courage, or the money, to go on. They would have closed down in the midst of failure, and thus have damned the whole of this gold-shot area for ever.

It is, however, to be noted that Mr. Imroth in tendering for Barnato Bros. was compelled by the Government terms to guarantee to spend the whole of the capital on the mine, payable or not. Probably this was not the reason why they went on in that case. As the experts say, "They knew something," and would probably have gone on in any case. But few other Houses are in the position to guarantee to spend the whole of the capital estimated as necessary for a payable deep-level mine, on a mine that preliminary exploration may have condemned. For that is the ludicrous position of the terms at present. It is generally agreed that this provision shall be withdrawn by Parliament, so that the new leases will allow companies to take up areas and "fossick" about in them in the hope of finding a good thing, and then trading it to the public. Nothing could be more certain to hang up these areas as they have been hung up hitherto. The amendments proposed by the Chamber of Mines and approved by Mr. Kotzé simply mean that, if the reef on these choice areas is as patchy as the 60 per cent. suggested by Mr. Kotzé, another group of derelict head-gears will await drearily for refloitation as before. They will not get the capital for a property that shows poorly on initial development. Everyone is agreed that it is imperative for the financial stability of South Africa that these areas should be opened up and mined rapidly and exhaustively. Just as there are mines of known richness closed down to-day for want of working capital, the new proposals will close down the areas that belong to the Government if the new conditions releasing the capital guarantee are accepted, and Messrs. Kotzé's and Mellor's estimate of the reefs is right.

WHERE WILL PRIVATE PERSONS RAISE 50 MILLIONS?

Further, if Mr. Kotzé were right and 50 millions of capital be necessary, where is it going to come from? Certainly not from England or South Africa. The tale of American financiers interested is too secret to be pleasant. Some more hyphenated exploiters is the last thing to be wished for. Mr. Wallers, President of the Chamber of Mines, told the Committee that it was a mistake to suppose that there was any quantity of American capital anxious to come here. If not from England and America, there is only one other alternative. The German banks are at it again? They are still allowed a most invidious freedom of action under their own officials. Their half-nationalised compatriots and their non-German associates assist them in their mysterious operations on the Stock Exchange. There is also this text to ponder. Asked if Messrs. Barnato had fulfilled the Government's demand for a cash guarantee of working capital, Mr. Imroth replied to Mr. Madeley (862), "No, a banker's guarantee, which is equivalent." But everyone with a banker's guarantee is not as safe as Barnatos. Their's is a British "House." To-day, it may be that certain circles esteem the guarantee of a German bank as equivalent to cash. They must be counting on our defeat in the war, for victory will not leave the national banks of Germany with that sort of credit, even if the economic agreements of the Allies permitted this sort of exploitive conspiracy.

To sum up the element of risk, nothing can be clearer than the statement of Mr. Kingston, the consulting engineer of Messrs. Lewis and Marks. He read a memorandum to the Select Committee on behalf of his firm—which, by the way, is said to have interested American investors in the matter. The avowed object of the memorandum was to obtain

larger areas for the companies proposing to exploit the Government ground. (1340) "If," said he, "an attempt is made to develop the district on the basis of the minimum areas suggested in the Memorandum (Mr. Kotzé's) there will probably be a large number of failures, and much capital will be wasted. *If, on the other hand, large areas are granted it is certain that most of the enterprises will be successful and very little capital will be wasted.*" As the State can make a beginning with some 25,000 choice claims of its own, undisturbed by mynpacht troubles, an area equal to nearly twice that of the total claims owned by the ten prodigious successes, and also situated on the same reefs and in their proximity, the Consulting Engineer of Messrs. Lewis and Marks has proved the case for the Government up to the hilt.

An area nine times the size of the Modderfontein Government Areas, in the heart of the rich expanse having the best part of Rietfontein, Brakpan Mines, Government G.M. Areas (Modderfontein) and Geduld on its immediate north, Springs Mines and Daggafontein south of much of it, and extending on into the shallower areas, where it joins up with the Southern Van Ryn at its southern outcrop, is as safe a proposition as the average annual harvests of the world. It is in no sense a "gamble." In Mr. Kingston's words, but with ten times more insurance, "it is certain." Mr. Kingston only asks for 3,000 claims for each of the mines his firm proposes to handle. If 3,000 claims make "certain," what will 25,000 do, when the discovery of only one mine on the area equivalent to the area which Mr. Joel took up "blind" would pay off the whole capital and the whole of our war debt to boot? Remember, too, that Mr. Kingston was speaking of a "certainty" for the private investor, who needs 18½ per cent. profit (he very frankly and honestly disapproved of State mining even at a profit), but "from the point of view of the State," to use Mr. Kotzé's words, the State can make a handsome profit in millions where the most powerful private financial companies will close down.

COUNTER-RISK IMPLIED IN PRIVATE EXPLOITATION.

There is, then, the counter-risk against the certainty of State profit from State mining that the areas may, on the orthodox theory, languish for want of private capital. There is a second counter-risk—that the areas, if rich, will fall into the hands of German financiers, who will then control the world's gold market. There is a third counter-risk involved; in that South Africa will be exploited by an anti-national interest backed by an overwhelming mass of "naturalised" Germans dependent on them for orders, employment, land and trade. There is a fourth counter-risk—the State will get far the worst of the bargain, and corruption will be inevitable. There is the fifth counter-risk—nay, this is certain loss—that the enormous volume of reef below the profit limit for private enterprise will not be mined at all, and so be lost entirely.

THE DRAFT PROPOSALS.

In this context the proposals of Mr. Kotzé's Draft Bill, which it seems have secured the support of the Minister and the Select Committee, must be examined. These singular proposals are based on the theory declared to be experience, that the Government has failed to dispose of these areas, which it has been trying to get rid of for the last six years, because its terms, but chiefly its methods, were not "elastic" enough. Capital, being shy, cannot wait for Parliament to confirm its contracts. The terms are not "attractive enough" for capital. Again, a private

financier may "take a fancy" to a particular area which does not conform with any area demarcated by the Government under the present law. Accordingly, it is seriously proposed that a Board of three or four Civil Servants should be left with the widest possible power to conclude the terms of leases. The present system is that there is an Advisory Board, consisting of the Government Mining Engineer, the Secretary for Finance and the Secretary for Justice. The Governor (this title remains because the law was made by the Transvaal Parliament, and the Cape and Natal and Free State had no business in the matter, and so are quite unfamiliar with the law), on the advice of the Government Mining Engineer, divides a selected portion of the available land into areas each in the opinion of the State Mining Engineer "sufficient in extent to constitute a workable mining proposition." The Minister advertises this diagram, and calls for applications for the grant of a lease. The lessee must provide within a specified time the capital required for the equipment of the mine to be worked under the lease and all further working capital necessary for the development of such mine. The lessee must mine "to the satisfaction of the Minister," unless prevented by influx or scarcity of water, serious accident, damage to mine or machinery, disputes with workmen, or any other cause deemed adequate by the Minister. An agreed-on percentage of the profits must be paid by the lessee, determined on the lines of the Profit Tax. Rent must be paid in lieu of the former claim licences. Failure to carry out the terms, or, where arbitration is allowed, the terms of the arbiter, leaves power to the Governor to determine the lease and sell the claim for costs if it is not renewed in six months. Rights thus obtained may be transferred or mortgaged with the approval of the Governor.

The Government Mining Engineer, the Select Committee and the Chamber of Mines approve of substituting a Statutory Board for the Advisory Board. All restrictions are to be abolished, and none of the former safeguards left. The procedure is to be as follows:—The State is not to mark out the areas considered to be suitable mining propositions, and it is not to advertise such. Speculators are to have continual access to the Government Mining Engineer and hold "conversations" with him, at the end of which they can make certain of the terms the Government will accept. They select an area that meets their own fancy. They no longer need survey or fence the desired area; they need no longer guarantee the necessary capital. Having agreed with the State Mining Engineer, "the initiative," as Mr. Kotzé explains it, still rests with the speculator. Certain now that the area he has selected has the support of the only technical adviser the Government has, he puts in a tender, which is considered by the Statutory Board—Mr. Kotzé and two secretaries. On all technical points this Board now advises the Minister, who confirms the contract in the name of the Government. If the Government acts contrary to the advice of the Board the papers may be tabled in Parliament. Such papers, by the way, are never published in South Africa either by Government or Press.

Mr. Kotzé has very plainly confessed that the first of such tenders which embodied the results of diplomatic "conversations" with himself would get the lease. (1225) "I do not think anyone will make any offer to the Government before ascertaining whether the general terms of his proposed tender will meet the Government's approval." It is true that Mr. Kotzé says, "What we would not expect a tenderer to indicate would be the share he was going to offer the Government. That he would naturally keep to himself up to the last moment. We might indicate the formula the Government would accept, but anything on that point he

would keep to himself to the last, so as to preclude his competitors knowing his plans." But the tenderer now knows Mr. Kotzé's generous views. He knows (183) that Mr. Kotzé will not expect competition among tenders in "specific areas." (198) He thinks the farm-owner (*i.e.*, the mine company) is "not sufficiently rewarded." They know (232) that he prefers that the duty should not be "thrown on the State of deciding what a workable proposition is," but he has already published the State view that 18½ per cent. profit is the minimum a private tenderer should demand. He leaves this initiative to the private tenderer, who knows, too, that Mr. Kotzé, in the absence of competition, is prepared to accept almost any terms—he has gone so far as to suggest a bonus (356) if all other means of getting tenderers failed. The first tender by a rich man will be accepted (270)—"First come, first served." (265) "The Government (*i.e.*, in this case, Mr. Kotzé) has to make up its mind whether the offer is sufficiently good. After all, if one always has to wait for better offers you would never do business. If terms are favourable enough for him the business man does not consider *whether more favourable terms are likely to come in, but closes*. It is ordinary business." It is arranged that the speculator who has been having "conversations" of a conciliatory nature shall have three months' start of any other tenderer. (266) "The next possible parties that come in can only come in three months later. I think it is fair to consider first the previous tenderers who have come in earlier and to give them their answer first." (251) "I do not think any party would consider himself unjustly dealt with if his tender came in later than another." Reply 1223 shows us the kind of man who has the only chance of succeeding: "The Government will to a certain extent be guided by the character of the applicant, whether he is a reliable man, and will be able to find the money ultimately therefor." The simple significance of this is that no man has a chance who cannot get a bank guarantee for a million. No bank in South Africa with which Barnatos do business will refuse any guarantee they proposed. The representatives of Germans can work through American branches. This finally closes the door to the prospector and "small man of the country." For them to be sure of putting up the money they must float a private syndicate before approaching Mr. Kotzé at all. This is immediately known, and the cheque-book miner has only to have ten minutes' talk with Mr. Kotzé and place his tender in before the small men are ready. This is the other side of the blackmail alluded to by Mr. Kotzé: (261) "The particular individual you are negotiating with is subject to blackmail." The small man's guarantee—*i.e.*, cash—is required. The big man (1164) need not even guarantee. "We only deal with money actually spent"—his "character" is as good as his bond.

THE ADVISORY BOARD.

Mr. Kotzé was diplomatic with the Committee, but Mr. Upington fairly cornered him. Naturally the back-veld would be indignant if it thought a unity in trinity of civil servants could dispose of State property in this way. Mr. Kotzé, therefore, always called this new Board an "Advisory Board." The Advisory Board is the only thing that takes the place of all the careful safeguards laid down before, when Mr. Hull, in the Cabinet, was in opposition to the leading "Houses." See 250 to 256. But Mr. Wallers gave the secret away. (616) "The Board is more than a purely Advisory Board." Clause 6 of the Draft Bill gives Mr. Kotzé more power than the Minister and Governor. They can make no alteration in his terms without his consent, and the same power rests with Mr. Kotzé and the two secretaries to modify the contract after it has been granted.

Well might the President of the Chamber of Mines say, "The Board is more than a purely Advisory Board." It puts the disposal of between £500,000,000 and £1,000,000,000 of State assets practically in the sole hands of Mr. Kotzé and whoever holds his post. He and his successor alone are "uncorrupt and incorruptible in a filthy generation."

THE ONLY BARRIER.

Of course, Mr. Kotzé is secure even against this temptation, but his successor,* or the succeeding Minister, might succumb in the face of such glamour, and the compulsory companionship of subtle financiers which is forced on him from morning to night by the new Bill. Incorruptible, of course Mr. Kotzé is, but is he sufficiently skilful? His own negotiations show him at fault more than once. For instance, the law under which he supervised the famous Government Areas contract lays it down that the lessee shall pay rent equivalent to the former claim licences. These licences were 5s. per month per claim, increasing to £1 per month as "diggers' claims" as soon as they produce ore. In the former case Barnatos would have to pay the Government £7,899 per annum—the endowment of five professional chairs—and in the latter £31,596. This has been calmly avoided by adding the amount to "working costs." Again, "loans and debentures" are added to "costs," and there is exactly no limit which a company need put to these items. (Reply 158) "Working costs and other things as well" count as "working costs" for the purpose of decreasing Government share of profit. Such loans and debentures are a profitable source of income to the incubatory "Houses." Hence the system of "subsidiaries." See replies 157 to 162 and the significant conclusion that the elasticity of "working costs" "comes in the financing of the mine." These, by the way, are the exception to the general rule that the State gains chiefly by working costs. This is the useful loop-hole. "Working costs" that include "other things as well" at the pleasure of the lessee have no indirect gains for the State, but direct losses.

Again, legislative bungling has (1234-5) permitted Government Areas (Modderfontein) to escape the War Levy—a most grievous matter. This happy conclusion did not prevent Mr. Joel from hoping that the Government would decrease taxation this year, on the ground that the Government had kindly been allowed to resume diamond operations on its own mines in a degree to be strictly limited still by Breitmeyer and friends.

These significant loop-holes leave room for doubt whether Mr. Kotzé, aided by the two secretaries, is alone a safeguard sure enough to dispense with all the guarantees established. He has placed the country in the absurd position that to recover a war levy or other tax, claim licence or what not from the wealthy areas he has leased to Barnatos there must be a special law passed having reference to this particular property. Lawyers and politicians dislike particularist legislation.

In addition to these defects, Mr. Kotzé has exhibited other disadvantages which tend to diminish his ability to fulfil the post of almost sole bulwark against the subtle intrusions of the expert financier on the State El Dorado. Thus he has countenanced the repeated statement made before the Select Committee, and even by the Minister, that the law declares that a mynpacht must "constitute a workable proposition." This improper statement completely nullifies the work and conclusions of the Select Committee.

* In the Report of the Concessions Commission, Government Mining Engineer Klimke is recorded as the recipient of a handsome present from the Dynamite Factory! An income commuted to a lump sum!

MYPNACHT INTRIGUE.

Again, it was frequently said that a mynpacht is "one-fifth of the farm," whereas it is only one-fifth of the proclaimed gold area on a farm (*plus* at most one hundred claims for discoverer's rights and exploratory work at depth). The mynpacht is a survival of the right conceded to the farm-owner on whose farm an outcropping reef was discovered to peg off a block of claims which he might either mine or sell. It was never suggested that he should be allowed to hold up the public pegging until he had made sure of the best. The pervading influence of the financiers has brought it about that it has been allowed to pass for truth that the mynpacht-owner has a right to prospect on his farm long after the discovery of gold. Such a discovery is notifiable under penalty. It is then within the power of the Government to proclaim the area. The farm-owner must select his mynpacht within three months. It has become the practice on the part of the Government to permit the farm-owner to carry out extensive exploratory work before the mynpacht site is selected and the ground proclaimed. And this concession has at last been formulated as a definite claim—first, that these long periods should be granted as a legal right, and, next, that the Government should be prohibited from dealing with the remaining four-fifths of the area until the owner has satisfied himself as to where he should place his mynpacht, and, next, that his mynpacht had been proved to be a workable proposition. For these two operations he requires a period up to four and a half or five years, during which the Government must await his pleasure before dealing with the State ground. Mr. Kotzé's evidence appears to favour this view, which, without the slightest foundation in law, and indeed being a flagrant disregard of the clear provisions of the law, may be justified on the particular ground that the State should not mine on any pretence unless it be for the sake of public relief works, and otherwise it is best to give the capitalists any conditions that will encourage them to mine and the public to lend them money to do it with. It is part of the policy of yielding to the capitalist boycott and forfeiting the public assets. (35) The Government terms, in his view, now are too high. It has actually come to this: that Mr. Kotzé wants power to *give away* State ground to mynpacht holders.

How is it that the Government has permitted one company on the Far East Rand actually to *mine* for years without even taking out its mynpacht, and presumably escaping payment of mynpacht dues?

Again, Mr. Kotzé's capacity for private negotiation has not been enhanced by the Government's fancy deal with the owners of Schapenrust. The negotiations have ended in such a hopeless tangle of privy agreements and ignorance of the law that only special legislation can release both parties from the amorous but fatal grip that enthrals them, and quite prohibits mining altogether, although the proposals were "very advantageous" at the start.*

Another strong point against putting Mr. Kotzé in the invidious position recommended is that he has already reduced his bargaining

* It is to be noted that in the case of the special privileges granted to the Schapenrust owners for the purpose, as Mr. Kotzé said, of "preventing their being frozen out," the benefit has been reaped by the partner of Mr. Baerecke, who is interned, and by Mr. Katz, whose brother is interned. The privilege of this sort of protection will be news to the ordinary South African claim-holder, to whom such privileges are unknown. It is to be hoped that Mr. Kleudgen will be as magnanimous and give his German partner a "show in" when the trouble blows over if he has not already secured it.

capacity by many admissions we have mentioned and by several others—*e.g.*, the release of the guarantee for capital and the tendency to yield to Mr. Waller's demand that the State must delay its rights till the mynpacht holder has spent years in probing (551, 611, 642, 678, 682 and 693) the ground with the possibility of finding the markets adverse (705) to his operations at the end; the readiness to give away State land without return in order to confer unlawful rights on mynpacht holders. against the provision of the law that they must mine what they have got or be liable to dispossession. In the interests of speed he has taken every risk of delay; in indulging mynpachts he risks damning the whole State property (561, 708).

Another point that must count against Mr. Kotzé's diplomatic skill is the fact that though it was made an essential that the tenderer for the Modderfontein State areas should find the capital, the State has lent capital, and not only has it lent capital, but has lent it free of interest for the specific purpose of reducing costs—that is, of reducing its own indirect revenue.

Another oversight of Mr. Kotzé's is that under private control considerably less rock will be crushed, involving large indirect losses to the State. For, as Mr. Kotzé has ardently emphasised it, private companies cannot mine rock under a certain payable margin—they must get 18 per cent. profit. Therefore, they will neglect the poorer patches. But the State can afford to mine rock unpayable for the profiteer, since, though it forfeits direct profit on the mining, it is recouped indirectly. Therefore, the surrender of State-owned areas makes a practical certainty of a large loss on neglected rock.*

It would not be difficult to increase the list of pitfalls into which Mr. Kotzé has fallen, or will be bound to fall into once he has forsaken the clear path that the State should mine its own properties, taking its infinitesimal risks squarely instead of taking part in a really dishonest "gamble," in which the public in the long run takes all the risks and at a high premium, while the whole fabric of the National Budget is based on miserable by-products of the private gamble. The real risk is that the future of the State is being pawned. The development of these areas is easy for the State without encroaching upon private right. If they are not developed the financial edifice of the State will quake. The State can develop them at a 100 per cent. less risk than the private contractor, and without loss of time. The private contractor has demanded, with Mr. Kotzé's approval, more attractive terms at the expense of the State. He requires to enlarge his mynpacht gratis at the State expense. He demands that the State shall confine its gains to a nominal 10 per cent. on net profits, an elusive factor, since it has been found impossible to avoid the risk of the private financier enhancing costs by various manipulations of loans and debentures. Thus, he puts gold claims he acquires free from the Government on the same basis as claims bought in the market. He avoids paying claim licences by charging them to working costs. He demands freedom from the obligation to guarantee that he will work the mine, and Mr. Kotzé appears to agree. He demands three or four years or more in which he may, with more or less energy, turn over State land in order to get the pick of it as a mynpacht, and claims as his right that the four-fifths of the State land shall remain idle during that period. He has to wait upon times and seasons for a favourable market to float his gamble, and the poorer the season the more Mr. Kotzé yields from the State profit.

* Government Areas (Modderfontein) report that they are rejecting 4.6: dwt. as unpayable.

Finally, he desires every existing safeguard and guarantee of State interest to be removed in order that he may bring his totality of expert evidence, his skilled lawyers in the complex law he devised for himself, and his own long and subtle experience in finance to bear upon a single technical official of the State, who has many other duties to attend to. The long experience gained by enhancing and breaking the hopes of small claim-holders till they drop their claims in despair is to be focussed on an official who at the same time may be exposed to the criticism of their Press or to their strictures in Parliament and to the "conciliatory" policy of inter-party negotiation.

To one "questionable feature"—that is, hole-and-corner contract—the official proposal, in the words of Mr. Merriman, "adds the settlement of the terms of such contract, or disposal, by higgling to be carried out by a Board of irresponsible officials subject to the control of the Minister, . . . a course which will lead if not, as in other countries (polite man!), to mischief, at any rate to great unpleasantness." Nor did it need the anguish of the frozen-out population of the Transvaal to endorse Mr. Merriman's conclusion: "The unrestricted bargaining between Government officials and mining adventurers, however carefully it may be hedged round, is . . . sure to lead to trouble which will not be compensated by the hypothetical gain to be derived by this method."

"UNREST AND ANARCHY" PREFERRED.

Asked by the Select Committee what other "risks" he saw in the Government mining its own property, Mr. Kotzé said:

"I doubt if the State will be able to work the ground as cheaply as private people," because of "the tendency to try all sorts of experiments on a Government mine. The Government would have very strong pressure put on it to try experiments in various directions as to organisation and payment of labour, for one thing. In such matters as new inventions for proving things, and for the benefit of health and life—very strong pressure would be put on the Government to try these things on the mines, and to a certain extent reasonably so, I think. All these things would add to the cost of the mine. Private parties can largely escape them. They do not try these experiments unless they are promising of success. As far as efficiency of labour is concerned, I doubt whether labour would be as efficient on Government as on private mines."

This surprising list is the total of Mr. Kotzé's expressed objection to State mining, and Mr. Hull has added—as his only objection—that Parties would favour adherents in the mine appointments. This last objection has rather struck the popular malice, which is sick of all parties, and comparisons are made with certain military appointments and others which are said to have shown a belief in the theory that "justice is to benefit one's friends." It may be considered first.

- (1) On private mines and mine boards it is notorious that completely incompetent directors (paid) have been appointed either to gild the script or to introduce financiers into more genteel avenues for various purposes.
- (2) On private mines auditors have been appointed or dismissed on account of their views on public questions. This is popularly known as "Pimming."

- (3) The workmen believe that it is dangerous to have political opinions, alleging that Unionists, Labourites and anti-Unionists, party men, have been, as a policy, deprived of their jobs at various times.
- (4) It cannot be admitted that the post of General Manager of Railways, Posts and the chief Civil Service officials have been Party appointments. A Government will job a reef store concession, a medical appointment, or a seat on a Commission or a judgeship (General Botha wanted to make General Hertzog a judge, and a week afterwards called him a man of no judgment and questioned his veracity!), or a contract. But when it wants a capable man to raise revenue for it a Government will have the best man if he is reasonably discreet, no matter how his vote goes. After such an appointment the discreet man generally believes in the ability of the Government. Besides, if such jobbery were the rule, the Statutory Board of Officials which it is proposed to substitute for Parliament is liable to jobbery in far greater degree. The staff job means perhaps a thousand pounds or so. The statutory civil official has the giving of £600,000,000!

Mr. Hull and the rest have proved too much by this argument.

Mr. Kotzé thinks the Government would feel pressure to try inventions for the benefit of health and life.

- (1) That is true. If the risk were the other way, as it is in private mines, it would be too damning altogether; but
- (2) healthful and safe conditions make for efficiency; and
- (3) they minimise labour discontent; and
- (4) the national saving by abolishing the preventable disease of miners' phthisis would be an economy far greater than the cost of dust-proof and well-ventilated mines.

This argument is all in favour of the State, and when, as it will, it has abolished miners' lung on the State mines, the private mines will have to bear the charge now placed upon the State. They do not like the prospect.

- (5) Even Mr. Kotzé admitted that this pressure was "to a certain extent reasonable."
- (6) The admission that "private parties can largely escape" such humane precautions that make for efficiency as well is an argument for extending the State mining activities beyond the State-owned areas to the private mines of which such an admission can be made by an official who has mine inspectors under him.

As to pressure on the Government to try new technical inventions for improved mining, there is no reason whatever to suppose that it would be more subject to such pressure than private employers. This will be further considered under the heading of efficiency. It is enough to say that it needed a lot of private agitation to get the directorate, who are not miners but merely financiers, to take up stope-drills. In any case, it would be a great gain for the country if the Government with a body of its own experts were to institute a Patents and Improvements Board, with facilities for experiment. Such enterprise is the mark of efficient management in advanced countries. This also makes for efficiency.

As to wages, Mr. Kotzé said, "I do not think it is a very serious difficulty." There is, of course, no reason why mine wages should cause more difficulty than railway wages.

"INEFFICIENCY" OF LABOUR ON GOVERNMENT MINES.

(1) We have seen that improved health conditions expected on a Government mine make for efficiency.

(2) As a large mining proposition such as we advocate on the State property would give the Government a group of consulting engineers and other experts who would not be afraid of expressing an opinion, as in the case on private mines, where it earns dismissal, the State would have an expert body of officials chiefly interested in efficiency, and not at all in the share market. With this large group of experts, solely interested in their own career and the success of their work, the efficiency on the mines would without doubt be greatly increased. The chemists and other experts could also be used to attack other important State problems—*e.g.*, the treatment of the immense beds of magnetic iron ore, the development of new industries—*e.g.*, the treatment of copper pyrites and other numerous mineral deposits of the country.

(3) A State mine would not be run inefficiently for share purposes. Without going into the ghastly history of the past, the transactions mentioned before the Select Committee are enough to finish the argument :

- (a) Mr. Kotzé said (1,173), "We had a case some years ago of a mine putting in dead rock—that is, rock with nothing in it at all—to load the costs!"
- (b) The notorious case of the rich mine (99) which put up an expensive plant, already condemned by expert opinion, and then closed down for want of capital. A similar case was mentioned by Mr. Wallers (674).
- (c) Another mine (closely connected with the last (101-3) lost £100,000 on an experiment with the Foster Return Water Turbine system.
- (d) Another mine (104-111) spent a million and a half before reaching the production stage, sank six shafts, and then "reconstructed."
- (e) Mines sinking in dolomite (113, 114) without preparation for dealing with water.
- (f) The gross case of the hundreds of millions of mining capital paid by the public and the little of it put into the mines.
- (g) It would be easy to add many and worse examples if the case were not well enough proved. There was the case where gold was brought from one mine's battery to another. The *scandalum magnatum* on the E.R.P.M., which cost the rival Houses immense sums and the public still more. The Jameson Raid and the war were not indirectly concerned with German ambitions, operating through the mines.
- (h) In some ways the most conclusive and disastrous argument against the efficiency of private mining is the complete and admitted insecurity of tenure of employment. It is nothing for a score of managers and underground staffs to be "sacked" in a year. The figures are appalling, but nothing is said of the fact or the motive, because the man that complains publicly must quit the Reef. He is blacklisted fatally.

- (i) Owing to the consistent discouragement given to research work on private mines, the results of research there cannot be compared with, say, the work of the Agricultural Department, the treatment of disease of live-stock, rinderpest, horse-sickness, etc., or of the Clinical Research Laboratories.
- (j) The reduction of accidents, the mitigation of disease in white and black and other things making in the direction of efficiency in private mines have been the result of public pressure through the Government interference. And this is largely balked by notorious conditions which would be absent from a State mine.
- (k) The State mines would be directed by mining men for the sake of the mine. It is not necessary to contrast this with the directorates, and the higher directorate, of the private mines. Much of the discontent has been due to the fact that these gentlemen have had no experience as employers of labour, as technical students, or as South Africans, or even as British.
- (l) Bantjes! and no one called to account!

“RIVALS IN INEFFICIENCY.”

Hear now two brief extracts from the pages devoted in the Report of the Dominions Royal Commission as to the “*Inefficiency and Unrest*,” “*Lack of Training*,” and other “*evils unremedied for an indefinite period because most of the known reforms have to be approved by an overpowering majority of seven rival financial organisations termed Mining Groups* :—

- (1) “*It is, in our judgment, incomprehensible that the mines’ administrations should have lent themselves for so long to the perpetuation of a system leading so directly to unrest and anarchy.*”
- (2) “*It would seem, however, that the present system having been tried for a quarter of a century or more, may now be definitely declared not to produce satisfactory results. The position is that shareholders are dissatisfied and distrustful, what white labour is discontented and resentful, that the outlook regarding native labour portends future trouble. It cannot be said that any section is fully satisfied either with the result of the past, the conditions of the present, or the prospect of the future.*”

“IT IS NAUGHT, SAITH THE BUYER.”

The whole story of these proposals is merely an illustration of the proverb, “It is naught, it is naught, saith the buyer, but when he is gone his way then he boasteth.” We have just been treated to the boasting over the Modderfontein areas disposed of to Barnatos; we are hearing that “it is naught” in regard to the rest of the areas.

The awful example of Cloverfield is a worse case. Used as proof of the danger of loss, it is now become an advertisement of gain, since it has been allied with a rich State area.

The testimony is unanimous that in any future leases the State will get worse terms than it has got for the Government Areas Modderfontein lease. This requires looking into. Parliament and people are being treated like fools.

- (1) When the vendors of claims on Geduld, Springs and Brakpan sold their claims to the companies they put the price at over 36 per cent. of the capital, *plus* a large sum in cash, together with most profitable option rights and the control to boot. Contrast this with what the Government gets! We have caused impartial inquiries to be made in the best-informed circles of private mining, and the unanimous statement is made that the Government will get out of the Government Areas (Modderfontein) lease not more than 30 per cent. as a *maximum*. The figure generally given was about 25 per cent. *This includes the 10 per cent. profits tax.* That is to say, the Government may expect to get 15 to 20 per cent. for the surrender of the immensely rich areas on Modderfontein. And it has got no options, no extra cash, while it has forfeited the control, the right to impose a war levy, and possibly ("certainly," the lawyers say) the right to make further taxation if necessary! Out of its own property the Government must get far less than half the German Bank did!
- (2) A calculation of the State's share in the so-called Brakpan and "Modder East" deals shows that in return for the valuable areas on Modderfontein and Brakpan the State gets about 15 per cent. of the total profit watered down in the interests of the Consolidated Mines Selection Corporation and its shareholders, including the Bank für Handel und Industrie, and whoever else is interested in the gulf of Schapenrust and the derelicts Rand Klip and Cloverfield, which the departed Neumann interest has handed to the Corner House.
- (3) What, then, is one to make of the state of mind of those three members of the State Mining Commission who persistently procured admissions from witnesses that these were favourable terms for the State, inasmuch as at one end of the sliding scale the figure 60 per cent. is written as the State's share? "Do you not think," they ask, "it is a good contract if the State gets 60 per cent. without risk? Is it worth while putting up all the capital and taking all the risk for the sake of another 20 per cent.?" The question is disingenuous. Mr. Kotzé might have gone on sliding that scale till the Government got 100 per cent. or 1,000 per cent., but the mere drawing of a curve does not make it in the least likely that such profits will be got. The company simply will not run the mine to give the State those fancy profits at the end of the scale, even if, as no doubt they might be under State mining, they were possible. The question should be: "The State has given away its assets worth (on Mr. Joel's showing) some fifty millions in return for 15 or 20 per cent. of the profits. Would it not be better for the State to have mined its claims and made the other 85 or 80 per cent. of the profits?"

As we go to press a copy of the *African World* reaches us, which shows that the financiers knew all about the Commission's report before it was presented—before it sat probably. In reading the following extract the reader will not miss the point that a property is poor while the State owns it, but a bonanza when "Yankees" (that is, Germans) have it. As we prophesied when this book was begun, State Mining Areas (Modderfontein) have gone up to 59s. They will go further.

Under the heading

EXIT STATE MINES : STATE MINING KNOCKED OUT,

the *African World* quotes the *Financial Times* of 8th February, 1917 :—

“The *Financial Times*, commenting on its correspondent’s cable, says it will come as no surprise that it is generally anticipated that the majority of the Commissioners are expected to find against the socialistic proposal. Always provided that the existing leasing system continues to assure the Union Government a reasonable share of the profits (this will) clear the way for the Mining Leases Bill, which there is every reason to hope will reach the Statute Book during the pending session of the Cape Assembly.

“The risks of State mining on the Far East Rand outweigh any probable advantages.

“A telling point, too, was made by Mr. H. Newhouse, of Messrs. A. Goerz and Co., “That the Government should not risk ratepayers’ money in mining while there were opportunities in irrigation, afforestation and other development directions to which the taxpayers’ money could be devoted with certainty of gain. . . . While an individual is quite entitled to gamble in money when he has money to burn; on the other hand, the State can never have money to burn.

“The passing of the Mining Leases Bill will result in the introduction of Yankee capital to the Rand by the financiers of the East Rand Mining Estates, Grootvlei property. . . . The development of the Eastern Rand—‘The Rand of the Future,’ Mr. Joel calls it—has made splendid progress since the war.”

Next, as to the size of mynpachts on farms held in freehold. As the whole of the district is marked gold-bearing on the evidence of bore-holes and shafts, the Government can proclaim the whole of the farms, one-fifth of any of which is, in point of claim area, large enough in all conscience for a payable mine. Mynpachts should be marked off at once. Many are, for the time has been extended through years already contrary to the spirit and letter of the law. As the law never contemplated that the mynpacht selector could prospect the whole area, and so delay proclamation, he needs no further privilege in point of time, which will only delay the matter indefinitely. As to the angle of the reef making mynpachts too small, where that may be the case, and it suits the convenience of the State, let the area be extended at once, reserving a proportionate share for the State.

The simplest way of dealing with mynpachts where owners are not ready to mine is to include them *pro rata* in the State mine, where the ground is favourable to that arrangement. If they were treated exactly as Sir P. Fitzpatrick wanted the Premier Diamond Mine treated when it was owned by South Africans, the mynpacht owner would be compelled to mine the whole farm and give the Government four-fifths of the profits.

In conclusion, it will be obvious that the proposal for the State to mine its areas of known value is the simplest and most profitable in every way, and, at the worst, attended by the least risk. It avoids delay and the wooing of the market in troublous times. And what a magnificent reward in revenue, efficiency, content and improved moral! What a fine standard to judge private mining by, in health conditions, in expert research, in simplicity of finance!

Naturally, there is some shirking from such "competition!" But in other respects there is less than no competition. Private property is not assailed. Armed with expert advice, experience and wealth, the State can aid the private citizen in his efforts to prove new land, from which the State can draw fresh revenue and find employment for citizens and markets for its farmers and merchants. Take Mr. Bleloch's own property, the Southern Van Ryn, for instance, the reward that remains after twenty years' work that others have profited by, and the expenditure of a quarter of a million pounds. Having removed all the iniquitous taxes on exploration and industry before profits are won, why should not the State sink a shaft or two on his discovered reefs, and claim as a reward a small partnership share in the mine? At any rate, it is to the interest of the State to aid the private explorer and miner, and there is no competition in the price of gold. Mr. Bleloch owes a good deal less than nothing to the State for the discovery of the Southern Van Ryn, but when that property reaches the producing stage it promises to add £45,000,000 of gold to the output, of which, on the orthodox calculation, half goes to the State. The State can risk some aid on an outcrop mine with such a chance in its favour. A fund has actually been voted for such purposes, but there is great reluctance to use it.

The problems solved by State mining on its own rich areas on a large scale are many and important. Many have been referred to, not the least of which is economic freedom and escape from the control of the alien money-lender, or rather middleman, or "undertaker," to use the old-fashioned economic term. Then the problem of employment for returned soldiers is solved at a step. Such an enterprise affords room for technical men of all kinds, clerks, accountants, surface men, carpenters, builders, gardeners, railwaymen, storemen, etc., etc., etc. On the pleasant valleys of the Far East Rand the men's quarters should be built remote from tailing and mine works, surrounded by gardens irrigated by the State water supply. This is one of the "experiments" that pay. Indeed, the surface should be gardened all over. The native labour problem will be made much simpler by Government garden-compounds. By that is not meant a Kimberley enclosure, but an adequate "Kaffir-stad," with houses as well built as you see the Kaffirs have got for themselves in Rustenburg district. Here let them bring their wives and cultivate the ground, making new homes and avoiding the Black Peril. The check at the gate—no more stringent than the check at an Oxford College gate—with the superintendent's records will serve for much police control outside. Inside let there be market overt, a bazaar-street for reputable traders. Security of tenure for white men and black will greatly affect the character of both populations. Let it be known as the "National Workable Proposition."

UNION OF SOUTH AFRICA STATE MINES.

With such a prospect of national wealth before us as the data given in this book reveal, Parliament and people can hardly refuse to accept the golden store which now belongs to the State without need of expropriation or interference with private property; for it is never to be forgotten that the whole establishment and finances of the Union are now based on the belief that these areas can, and will, be mined profitably. The only question to be decided is:

Whether the nation shall be contented with the leavings of private finance, which is doubtful in itself, anti-national in its methods and absentee, if not alien, in interest—

Shall the people, in fact, retain the whole of its riches or be content with 20 per cent. from the overflowing coffers of non-resident speculators who can, at the best, repay the State even this pittance out of the State's own gold alone? For that is what leasing means.

A Government which shall secure the People's heritage will win great fame; but the Government so futile as to be persuaded to abandon or surrender this heritage will assuredly be visited with the Nation's wrath.

Still, it may be that prudence and patriotism are too poorly developed in our country and timidity prevails among the Treasury clerks; so that, for the hardness of hearts, an alternative may be put forward which will appeal to the money-making spirit and yet retain the wealth in the country. In short, why should the Government not take a leaf out of the German book and organise the credit of the country for its own development, and, unlike the German banks, reward those whose credit is so organised? Let the people be partners with the State.

We suggest, therefore, as an alternative that the Government should invite the people of South Africa to mine their own property for their own profit, and that it shall preside over the formation of a limited liability company for that purpose.

INDUCEMENTS FOR CITIZEN-INVESTORS.

Consider briefly, then, what valid inducements the people have for investing in this proposition. A few striking facts will show it:

- (1) The value of the gold on one farm alone, Modderfontein No. 17, is £172,000,000. (See illustration before Chapter I.) That is to say, these 6,301 claims alone are equal to, or more than, the total value of all the diamonds taken out of the Kimberley group of mines in the half century during which they have been worked.
- (2) The value of 25,000 picked Government claims, carrying the same reefs as this farm Modderfontein, and proved to be payable in the deep levels eight miles from the outcrop, are worth:
 - (a) On the parallel of Modderfontein, over £680,000,000.
 - (b) On the parallel of Government Areas, Modderfontein, over £660,000,000.
 - (c) On our reduced estimates, £507,812,500.

- (3) If we set down the value at the lowest figure (*i.e.*, less than three times as much as Modderfontein farm, although the claim area is four times as much), this total is about equal to all the gold taken out of the Witwatersrand from its beginning till last year, and equal to over £400 per head of the total white population of the Union.
- (4) Worked by the State, as we have seen, the direct and indirect profit is over £367,000,000, or over £289 for every white man, woman and child in the country.
- (5) Recent work on Government Areas (Modderfontein) and Springs shows increasingly good values on the borders of the State property. The latest results from our area far exceed even the brilliant values hitherto recorded, and make the data of our Schedule excessively conservative. They are summarised in the March number of *The South African Mining Review* as follows:—

	Footage.		For Payable.	
	Sampled.	Payable.	Dwt.	Ins.
Brakpan	3,425	1,815	14·8	43
Geduld	2,950	*	5·9	51
Government Areas	3,180	2,410	13·1	52
Modder B... ..	2,904	2,084	35·9	24
Modder Deep	940	*	10	56
New Modder	5,050	3,265	43·1	13
Van Ryn Deep	1,884	1,483	29·5	15
Springs	3,140	1,319	27·4	21·2

* Not stated separately.

Our State mine is in the heart of this area.

- (6) Capital and interest required, as we have seen, for 25,000 picked claims are considerably less than £15,500,000. On the exact analogy of Government Areas, Modderfontein (capital £1,400,000), the capital required would be £13,200,000. But as we propose to raise the capital by instalments, the interest charge will not be so great; and, in any case, the reward is so great that the question of interest will not arise in the method we propose to adopt.

CAPITAL AND PROFIT.

To raise the capital required for this undertaking it is perhaps desirable to secure certain conditions:

- (1) That in raising the capital too much of the people's savings shall not be drawn off exclusively in one direction to the prejudice of other businesses requiring capital.* We shall provide for that by two devices:
- (1) The capital will be raised by instalments.
 - (2) The greater part of it would be constantly in circulation through being equitably distributed among the banks at fixed deposit, the amount to be drawn off being (a) for wages or local stores, which circulates (b) for equipment (the only part which goes abroad), which is reproductive from the moment of installation.

* Deposits in South African banks have increased from £45,000,000 to £53,000,000, or eight millions since the war.

- (2) That the people as a whole—that is, the State—shall be sure of at least 45 per cent. of the direct reward, and that there shall be no risk of forfeiting the indirect reward by concessions (reduced tariffs, easy leases, etc.) to alien or absentee speculators at the expense of the State.

The direct profit thus assured to the State is ...	£101,953,125
The indirect profit thus assured to the State— <i>i.e.</i> , 9s. per ton according to Mr. Wallers’ evidence—is	£140,625,000
Total State Profit	£242,578,125
	Say, £242,000,000

Or Twelve Millions per annum for Twenty Years.

- (3) That a reward over and above the general reward shall be given to those who invest their savings in the State enterprise.

That reward, 55 per cent. of £226,562,500, is £124,609,375—say, £124,000,000.

We have seen that on the analogy of the Government Areas (Modderfontein) the capital required will be between £11,000,000 and £15,000,000 for the whole 25,000 claims.

In the first case investors will get back their capital 11 times over, and in the last case 8 times over.

These, as the foregoing chapters of the book show, are minimum figures.

Therefore, in case blind prejudice against State mining should lead to the loss of this wealth and bind South Africa in deeper bondage to the dominant aliens, we propose that the State property be directed into two parts, and be floated successively into two national companies to be financed by public subscription organised by the Government.

We offer, therefore, for consideration a National Prospectus for the mining of one half of 25,000 picked Government claims—a proposition which, on the testimony of *all the experts*, to say nothing of the eagerness of private financiers to obtain them on lease, is the most certain mining proposition ever put before the world.

NATIONAL PROSPECTUS.

UNION OF SOUTH AFRICA STATE MINES, “A” LIMITED.

AUTHORISED CAPITAL - - £12,500,000

In 12,500,000 Shares of £1 sterling each.

Registered in the Union of South Africa.

Property: 12,500 claims on the Farms Springs, Geduld, Grootvlei,
Daggafontein and De Rietfontein.
Bankers—All South African Banks.

METHOD OF RAISING CAPITAL.—Of the first issue of 4,000,000 shares, of which 45 per cent. (=1,800,000) are to be issued to the Union

Treasury as fully paid, 2,200,000 are to be offered for Public Subscription at 25s. per share on the following terms, viz.:—10s. per share on application, and 5s. per share in six, nine and twelve months from date of registration.

SHARE ISSUES.—Applicants for 100 shares or under will receive allotments in full, or *pro rata* if there are more applications than the 2,200,000 shares offered.

Applicants to whom allotments of the first issue are made shall have the right of option, and shall receive certificates of such option rights to apply for shares in a second issue of 4,000,000 to be made within 18 months after the first. Of this issue, in like manner with the first, 45 per cent. of the shares shall be issued to the Treasury as fully paid, and 55 per cent. shall be issued at 27s. 6d. per share, the first allotments being made to the holders of the option rights given in respect of the first issue who may lodge their option certificates and apply in terms thereof.

After having received the allotments and the option certificates in respect of the first issue, holders can if they wish exercise their option rights during the first three months after registration of the company and may call for their shares of the second issue, which shall in such case be issued to them at 25s. and on the same terms as regards payment by instalments as the first issue.

ALLOCATION OF FUNDS.—The funds obtained from the first two issues would be as follows:—

1st Issue.—2,200,000 subscribed shares at 25s.	...	£2,750,000
2nd Issue.—2,200,000 subscribed shares at 25s. and 27s. 6d., say	... ..	£2,900,000
		<hr/>
		£5,650,000
		<hr/> <hr/>

Of this cash only £4,400,000—that is, the proceeds of 4,400,000 shares reckoned at par—are to be used as working capital. Of the balance, approximately £1,250,000, obtained for premiums on shares, one half will be retained by the company and held as a reserve for the first two years, and one half is to be paid direct into the Treasury as a bonus, but these funds shall be used or held by the Treasury for the purpose of buying in shares of the company if they fall below par.

After the first areas are producing and making profits, not more of the profits are to be distributed than is sufficient to pay dividends of 15 per cent. on the then issued capital in any one year; all surplus profits are to be applied to opening up further areas of the 12,500 claims. The accumulated reserve funds obtained from the company's share of the premiums on shares are likewise after the first three years to become available for working capital account, and these funds and the surplus profits are to be applied as working capital till the mines are fully developed and equipped. The Board of Directors are to have the power to make further issues of capital beyond the first two issues from time to time on such terms as may, by majority of the Board, be deemed advisable. Of all such issues the Government is to receive 45 per cent. of the shares issues as fully paid, and 55 per cent. are to be issued at such prices as the Board may determine.

All the issues from first to last are not to exceed in the aggregate 12,500,000 shares.

Of the premiums on all issues after the first and second, three-quarters are to go to the company and one quarter to the Treasury, to

be used during the first five years for the purchase of shares under par if any such be available.

Registered holders of preceding issues are, as far as possible, to have precedence in later allotments.

The original shares allotted to the Government are not to be sold, but are to be held for dividends until the mine is exhausted. All shares purchased by the Government in open market at or under par may be sold from time to time at prices not under par as the Treasury may think fit.

The operations of the company are to be restricted to the original 12,500 claims.

PROPERTY OF FIRST MINE.—The 12,500 claims to be mined by this company are the half of the 25,000 adjacent to the working mines, and would include the 11,000 State-owned claims referred to by the Government Mining Engineer as being almost certainly payable, and 1,500 of the further 6,000 claims considered as probably payable.*

On the basis of estimated profit for the whole 25,000 claims the direct profits on these 12,500 will be approximately £50,000,000 in dividends for the State shares and £63,000,000 for the subscribers' shares are issued the dividends on the 6,875,000 subscribers' shares would than the first two issues of 4,000,000 shares each will be issued, as the surplus profits over 15 per cent., *plus* the company's share of the premium money may be sufficient for the development and equipment of the whole area of 12,500 claims. If the full capital of 12,500,000 shares are issued the dividends on the 6,875,000 subscribers' shares would be approximately £9 per share, while if only 8,000,000 are issued the dividends on the 4,400,000 subscribers' shares would on that basis be approximately £14 10s. per share.

GOVERNMENT OF MINE.—The company shall be under the control of a board of seven directors, four to be nominated by the Government and approved by Parliament, and three are to be elected by the shareholders of the first issue, each shareholder to have one vote for his holding up to the first hundred shares, and one vote for every additional hundred shares he may hold, otherwise the election to be conducted according to the ordinary rules for such elections. The chairman is to be appointed by the Government from among the directors nominated by the State. The chairman is to receive a salary of £3,000 a year, and each director £1,500 a year. The Board is to have the technical advice of a staff of consulting engineers. Such a staff would consist of, say, one mining engineer-in-chief at a salary of not less than £5,000 a year; one assistant mining engineer-in-chief, at a salary of not less than £3,000 a year; one mechanical engineer, at a salary of not less than £4,000 a year; and such other officials as the Board may deem necessary. During the first two years the Board of Directors will open up those areas of the 12,500 claims which on the advice of their technical staff may be deemed to be the most certain to produce payable results in the shortest given time, and in the case of the area of South Geduld and Springs being chosen, the reduction plant necessary for working,

* Asked if he could state what proportion of the Government claims were "almost certainly remunerative," our conservative Government Mining Engineer said, "I consider 11,000 of the claims as almost certainly payable and 6,000 as probably payable." Anything "included in the 11,000" he would say was "almost certainly payable." No stronger terms could be used by any experts. These claims are, of course, included in the 12,500 with which our State Company is to make a beginning.

say, 3,000 of the claims could be erected and ready to crush the first ore developed in, say, about three years from the beginning of the work of shaft sinking.

ADVANTAGES OF THIS METHOD.

- (1) The Government creates credit, encourages saving, retains the country's national wealth, ensures employment for its population at a high standard of living, and makes a profit which, if desired, would pay off the whole of the National Debt and leave more than as much again for the development of the agriculture, industries and education of the country without one penny of taxation. The population would be far the richest per head in the world. The impetus given to other industries would be incalculably great.
- (2) Every person in the country who can pay, say, £10 on application and the succeeding instalments as they fall due within the next 18 months and take the option can confidently expect to receive within the life of the mine from £360 to £560. Later instalments could, no doubt, be financed by means of the first allotment. So that an applicant for 40 shares able to pay £20 and the subsequent instalments

ERRATUM.—Line 20 on page 170 should read :

“ shares. It is very probable that not more ”

- (4) By adopting the method of the Imperial Government in connection with the last great loan—*i.e.*, by providing a fund for the State to maintain the value of the shares in the market—shareholders are guaranteed in their investments against a “ slump ” of the kind engineered by the invading alien financiers.
- (5) The Government has no direct liability.
- (6) The contingent liability (of purchasing at par all shares not applied for) is partly covered by the premiums set aside for the purpose of maintaining the market value of shares, and, with or without this guarantee, the shares will certainly be over-subscribed, since the proposition is the most certain ever offered.
- (7) Compare the possible profits offered by the Consolidated Mines Selection, supported, as we have seen, by several German banks. Take Springs Mines, for instance. From the scheduled values it will be seen that the total expectation of profit is £10,625,000
Of this, debt and interest take, say £1,265,000

Leaving profits available for shareholders ...	£9,360,000
One million shares at market price (£3¼ October, 1916*) =	£3,250,000
That is, an investor will not obtain in dividends three times what he invests.	

* Owing to the vagaries of “ private ” finance, these shares have fallen 10s. as this book goes to the binders. No such loss could be incurred in our National Mine.

(8) To put it picturesquely: If a man will deny himself luxuries to the trifling amount of 1s. 9d. a day for three years and two months, he will have an annuity of over £40 a year for 20 years.

And that is not all.

As a citizen he will have his share of the £242,000,000 which *the State gets through his saving*—that is to say:

He will escape income tax and the many heavy taxes which would otherwise be imposed on him.

His banker, making a small percentage over an enormously larger turnover, will reduce the charge on his overdraft (if he should require it), or lend him money at easy rates if he were a business man and wished to increase his business to suit the prosperous times.

If he were a married man he would save immensely in proportion to the size of his family.

Farmers, builders, in fact all existing industries and many new ones, would add to the universal wealth in which he would have an increasing share.

The alternative is to give the gold to the Hun, who will demand reduced taxation on rail and harbour, which you will have to pay. As he will be your *baas* and the *baas* of the politicians, he will reduce your wages. The heavy taxes of the State will burden you and your children, who will have no careers open to them and no money for education.

Which is better? Freedom with wealth, or slavery to the Hun with poverty unredeemed by hope?

FINANCIAL EPILOGUE.

THE GAMBLE.

All the spokesmen of the Mining Houses—the politicians will follow—have said that Mining is a gamble, and they conclude that the State must not do it. They are ready to do it themselves: it is their *métier*. Sir G. Albu says it is not a gamble for them, but legitimate business, and we see in our exposure of the German system that mining on the Rand is not a gamble for institutions directed from Germany. In that case it is all profit and no risk for the German, the British and French public puts up the money: the German supplies the machinery, has the first call on the money and a mortgage on the mine. Whether the mine proves good or bad the German cannot lose. In this sense the financial reputation of the German banks is protected against the conservative reproach that they gamble with customers' deposits!

The fatal answer to those who instruct the Government that gold-mining is gambling is that the finances of the State for a generation are based on mining. If the mines fail, the Exchequer will have a black look-out, and the recent accretions to public debt are beyond anything known to South Africans. An analysis of the actual State gains from the mines, set off against the services (harbour, railways, police, schools, native labour, hospitals, mining department, printing establishment) reveals the disquieting fact that the State gets less than 10 per cent. from the direct Profit Tax, while it surrenders much by means of the "free list" on transport charges, has an immense establishment for education, police, schools, hospitals and mining and printing establishments, and foregoes much white and coloured labour from agriculture and other industries, all of which services make an immense demand on the "indirect gains" from mining about which we hear so much.

Crime does not grow less, but more. The hospitals are overcrowded. The schools have no room for the children, and the children see little room for themselves in life. There are more to provide for. It looks as if the revenue from the mines is proving insufficient, and certainly if the State gets no more out of its leases than it is promised from the two last escapades the population must face a heavy taxation.

To increase the direct Profits Tax on the gold mines offers little hope for the Exchequer. In private hands, we learn from Mr. Wilkinson, there is but one mine on the Central and West Rand that pays at, or beyond, a depth of 4,000 feet. "Pays" he defines like Mr. Kotze, *i.e.*, "a decent return on the capital invested and also to pay back the capital during their life." Obviously these will not bear more taxation on that basis. They would, of course, pay the State very well, and that is an argument in favour of the State taking such mines up when private hands can no longer support the

burden, as in the case of the Cinderella Deep, for instance. There are many other mines on the margin of payability. A steeper graduation of the Profits Tax is not popular.

Financiers and their experts with one accord tell us that the State must not expect more but less from the terms on which they will lease new State areas they are so anxious to get. In that case it would be wise of the financiers to encourage the State to derive a direct revenue from its own mines so that the private mines may be relieved from the coming burden. A mining State would be a State sympathetic to mine-owners. Failing to take that prudent course, they will have the less ground for objecting to bear the burden themselves.

In any case, if the mining is a gamble the State is pledged to it either on its own account or at second-hand. Everything is staked now on the mines, and if that is gambling the State is already a plunger. Why should it not go into the ring with the book-makers instead of waiting for the paltry remainder after their commission?

There is Mr. Solly Joel to give us a lead. He is not ashamed to set an example. He has embarked on a leviathan career enough to engage even his millions. Can we learn something from him and his experts? He has told us he put his £1,400,000 down "blind" on the Modderfontein Government Area Mine, and is ready to do it again and again. He has the *veine*, because that little punt, on the persuasion of Mr. Hull, the ex-Minister of Finance, is going to bring in a profit of over twenty, and possibly over thirty, millions.

Consider the odds against this sportsman when he put down his money to win or lose it all; for the Government bound him to spend it all, win or lose! Admitting that there was no "guide to form," as no one knows what is under the ground, you'd expect him to ask long odds. But no; the betting starts at 6 to 4, an orthodox book-maker's opening. ("In that—the Far East Rand—area the average proportion of failures to successes is assumed to be about 40 per cent."—Dictum of Mr. Wallers, Chairman, Chamber of Mines. But that is for mines, as regards payable reef Mr. Kotzé predicates 60 per cent. worthless.) But he is backing a starter. Still, *rouge et noir* offers better odds; and at this price Sir J. B. Robinson would be glad to run the bank against him single-handed. Sir George Albu's evidence is "As a matter of fact, I can tell you that the whole Rand is not paying more than 10 per cent. It is not all beer and skittles." We certainly cannot call Sir G. Albu a gambler. "Please do not use that name. Gambling you may apply to horse-racing, but this is not gambling. These people are speculators. It is not gambling; it is a business, and these men have put their money in it, and by doing so have benefited the country more than themselves." Well, that explains the baronetcy, doesn't it, though it may not account for the Black Eagle. The bird of prey may have been lured by the German colours painted on the smoke-stacks. Still, the State "speculates" on what it can get from these philanthropists, when it builds railways and organises defence forces. It certainly cannot go on Sir George's plan, who could say: "The issued capital under my control" (did he include the

Dresdner in that megalopsychic remark? Did he forget Nathan der Weise, who was "travelling in Germany when the War broke out"? "is £3,280,000 and the capital expenditure is £8,000,000. The shares were underwritten at high premiums. Every working company's shares were subscribed, not at par, but at premiums sometimes of £8 per share." If the whole Rand pays no more than 10 per cent. on par, Sir George and his friends must have lost. Perhaps Mr. Nathan hadn't a return ticket and can't afford to buy one *via* Switzerland. As for Sir George: "The Company (Rand Collieries) owes me something like £200,000 in cash. . . ." After having spent £700,000 we have got nothing." It is to be hoped the Governor-General's Fund is not neglecting Lieut. Albu. No wonder this philanthropist-speculator, when asked his "opinion about the State going in for State mining," replied, "Fools rush in where angels fear to tread."

Clearly we musn't rush into Rand Collieries, where Sir George did not fear to tread and be trodden on. It is that other angel, Solly, who does not fear to tread, even on the other angels, who must be our leader. He has, indeed, succeeded in persuading the State to "have a bit on with him" already. Quite outside the contract, too.

Now when this gambler—he's not ashamed of the name, like poor Sir George Albu—staked blind at 6 to 4, fancy the public buying his chance at odds on!—54s. for 20s. they pay and are glad. Of course, there was our Government Mining Engineer informing his Minister that not less than 6 per cent. per annum compound interest should be paid as a premium to such a gallant punter during the five or six years passing while it is being found out if the mine is really going to start with the gold colours up. Yet this reward depends on the mine itself. What's the secret? Turn to Mr. Joel's expert adviser, Mr. Lawn! He is really discouraging. He tells us, as an expert come out especially for this deal in Government Areas, that if the State works as capably as anyone else and puts up the "necessary 50 millions to win 360 millions," *and wins them*, it will only get profits whose present value is 12 millions!

Perhaps Mr. Joel keeps this pessimist to give him thrills, for what must he have said about that plunge "blind" into the Government area on Modderfontein?

It is easy to see what he said from the way he treated Mr. Kotzé's figures. This is what he said:—

KOTZE (*loq.*): Gold to be won, £450,000,000.

LAWN (*loq.*): Deduct mynpacht owner's one-fifth, leaving 360,000,000.

KOTZE: Profit = one-third gold value, £120,000,000.

* The movement on the share market when it became known that Sir G. thought so highly of the stock, or rather the mine, that he promised to lend them £150,000, is instructive. It accentuates the "risk" for private persons. But if Sir G. had felt inclined to take a profit on shares at the time he would have got his £150,000 back, together with another £50,000, and the debt to the good. Of course, he didn't. It must have been somebody else.

LAWN: Yes, but on a life of 20 years that's only £6,000,000 a year. Now present value of £6,000,000 per annum, for 20 years at 6 per cent. = £68,819,520. Worse still, while present value of profits slump, p.v. of capital swells. Thus £50,000,000 capital, less £10,000,000 for mynpachts = £40,000,000. (In our confusion we might have forgotten that blow to the mynpacht-owner and have reckoned on spending this enlarging 50 millions ourselves.) But value of 40 millions 6 years hence (when profits begin) at 6 per cent. = £56,740,800. Deduct that, and all the present value of the profits you have left is £12,078,720.

"And jolly lucky to come out so well," he added. "The slightest slip, and you'd be on the wrong side altogether!"

One hundred and twenty-million decimated, in the Cæsarian or actuarial sense of that word in five sentences (time sentences) by a financier's expert!

The Secretary for Finance came to the Government Engineer's relief three weeks after this blow. No journalist, correspondent, clergyman, school inspector or other publicist had noticed that Prof. Lawn had made a mistake in his arithmetic. And yet it is the most exciting question in our world. There was no getting over it. A proper distribution of the expenditure over six years brought interest charges and capital to £46,500,000 instead of £54,400,000. Seven million nine hundred thousand saved from our disappearing millions, bringing the present value of our £120,000,000 profits up to £19,978,720. Perhaps Mr. Joel doesn't go to his mining expert for figures and knows better himself how to "allocate interest charges."

In any case one can imagine him reasoning with his pessimistic expert thus: "It can't be as bad as that. Anyhow, there's always 'perks' for the control. But let's see. 'Present value, nearly twenty millions.' What's that? Come, that means that on the very day the Government promises to put up forty millions capital (we poor mynpacht chaps have to stick up the other ten) it has as good as got twenty millions profit. Mustn't let Jannie get a swollen head. If he goes making twenty million a day there'll be no use patronising him. It'll depress Hull, too. Besides, if you turned your arithmetic on my little scoop of £30,000,000 on the Modder Government Area what would become of it? See, this is how it works out on your figures.

SCENE.—On the Lawn at Ascot.

SOLLY: Gold to be won Let's hope a pot full. Who knows?

LAWN: Deduct a minimum of 10 per cent. and a maximum of —oh, but you must put a figure to it.

SOLLY: Well, I went it "blind," as you know, but I see from the schedule in the "Thousand Millions" (which *won't* be for Germany, if I can help it) that a comparison with the rest of the farm, guaranteed by Brakpan on the West and Geduld on the East, with Springs looking not so bad down below—h'm!—my claim holding is about equal to the three mines on the rest of the farm. Yes.

They work out to win about 90 mills. Put that down. Gold to be won, £90,000,000.

LAWN: Profit one-third, £30,000,000.

SOLLY: That's just the figure I'll tell 'em at the Johnnies meeting. (He did.)

LAWN: Deduct profits tax, one-tenth.

SOLLY (putting down £0): Put it on working costs and get it back from Government.

LAWN: But I didn't bargain for tricks; I'll work it out exactly as I did for the Government.

SOLLY: That's right. I can't do worse.

LAWN: Well, suppose you're the Government.

SOLLY: I am.

LAWN: I mean, put yourself in the Government's place.

SOLLY: I have.

LAWN: No, Mr. Joel. Business hours, you know. I work it out this way. If the Government's 120,000,000 worked down to 20 millions, your 30 millions will work down to £5,000,000.

SOLLY: Mozzeltof! I'd as soon have Jan Langerman to look after me.

LAWN: I'm working it out by Rule of Three.

SOLLY: Oh! I'm not leaving it all to Gustav, Karl, and Johnnie Munro.

LAWN: And you'll have to give the Government a minimum of 40 per cent. on that, if you're as good as the rest of Modderfontein. That brings you down to £3,000,000.

SOLLY: Go it! You'll have to go to old Kitzinger's next meeting and croak.

LAWN: And you have no "indirect revenue," like the Government.

SOLLY: Oh, haven't I? No; I do think.

LAWN: And there's the war levy of half a million.

SOLLY: We diddled his nibs out of that.

LAWN: Even then you'll only make—

SOLLY: Go round to Christo at the Gold Fields and tell him he can have a wad of scrip. It'll give him a lift in the world as a financier, dong le move-a-long. And I'll go round to Malan and get him to stick up a bit of what I promised him for capital.

LAWN: Even then you'll only get—

SOLLY: Send for Mabson and the Editors!

Enter JOHN M.: Shares 60s., sir!

SOLLY: Let em' have half a million.

LAWN: Then you've got your capital back?

SOLLY: Yes. How's that for Present Value? I'm on velvet, and a bit off the top.

LAWN: I'll have to correct that subtraction.

SOLLY: Never own to a mistake, Prof.! Let's go to Kimberley and have some present value.

Exeunt in fifteen motor-cars, admirers, solicitors and Press, together with two complete Theatre Companies, to catch Kimberley Special Train, Solly reading with demure satisfaction the Government Memorandum on the necessity of abolishing the Johannesburg Secretariat of the Mining Department.

CHAPTER VI.

THE GERMAN SYSTEM.

PART I.—AS A WHOLE. II.—THE RING SYSTEM IN SOUTH AFRICA. III.—THE POWER TO INVAD. IV.—THE SCANDAL OF WAR TIME.

PART I.

SUMMARY.—National unit: Must win against private units—Agents of penetration—Bülów's admission—Flag follows trade—State property in Germany—Immense revenue—State-owned mines—Net profits pay one-quarter of State expenses—Adaptation of transport rates—Small industries have special services—Conquest of tenders—Johannesburg example—Special attack on Turkey and South Africa—False criticism of British manufacturers.

During his examination by the Commission one of the members exhibited a good deal of incredulity at the position taken up by a witness that, although one might have a gold mine of ascertained value, it was next to impossible to obtain the financial support necessary to develop it without recourse to Germans.

"Is it," he was asked, "your opinion that the British and Dutch in this country are so far defective in their methods that their organisation must be done through the State?"

After explaining that the conditions of competition and the German system of finance were all-powerful against individual effort, the witness concluded: "It is strongly advisable to rescue this community, especially in the case of the Far East Rand, otherwise we shall have Germans sitting on our necks for the next hundred years."

"What is to prevent these people prominent in the realms of finance from controlling the State?"

"They do control it."

The conclusion does not differ from the statement made in Parliament by General Smuts which we have quoted.* It is an everyday fact, like the weather of the country, which provokes no comment worth publishing. But it differs from the weather in that it is not safe to publish that sort of remark, and a man loses his business reputation if he allows his lips to break the tacit convention. It is bad form.

It is, however, not less true that it was not German capital, but South African, British and French capital, which opened up the mines discovered by the Dutch and English prospectors. How, then, did it

* "There are great interests in this country. It is in the power of a small number of men to ruin the Transvaal."—See Chapter II.

come about that the Germans gained the control and even now are in a better position to absorb the new areas than the French, who have disappeared from the Rand altogether, and the British, who struggle on? The answer is that neither France nor England have efficient machinery for taking up large propositions of this kind. When they are inclined to do so they have not the information necessary before such big blocks of capital can be collected. They refer to "experts" on the spot, and in every case the answer is dissuasive.* Like the Union Government, they are informed that the new proposition is too risky. New-comers would interfere with the monopoly. It is the German system which has brought this about, and against it our methods cannot stand. British methods are described by the *Round Table* (December, 1916): "Roundabout, slow and costly methods of negotiating financial business through company promoters, trust companies, and so forth, in London, compared with the immediate and thorough consideration given to them elsewhere (meaning Germany) by powerful and combined financial and industrial interests." The writer in the *Round Table* was not thinking of South African mines in particular, if at all, when he wrote those words. They are, however, not quite accurate. German business here, though undoubtedly under the patronage of the Reichsbank itself, is "negotiated through company promoters, trust companies, and so forth." These provide the initiative. But they have the system to aid them. By that means they, and they alone, are able to close at once with business involving the guarantee of millions.

Just as the *enclave* was adopted for territorial aggression with the doctrine of the hinterland to follow, so the invasion of the industrial and commercial world was achieved by the private syndicate and supported by the German Bank.† When such syndicates had ascertained what was worth invading they made their entry by means of loans or other financial assistance—such loans, etc., being secured on the attacked property itself—with the clear policy and certainty from the first of obtaining complete control. Often several groups of apparently independent shareholders, very frequently called Trust, or Exploration Companies, Claims Trusts and such like, would obtain a holding, and in a fictitious contest with one another would gather the proxies or support of the men who had originated the business. Before long the

* See remarks of Sir L. Phillips in *L'Envoi infra*.

† This policy is clearly set out by Dr. Riesser, whose book (*Grossbanken*) is an ardent defence of the German system. The following passages will indicate the fact:—

"The permanent assumption of large risks in enterprises by Credit Banks is incompatible with principles of sound banking policy. Transgressions of this rule have almost always brought their own atonement, often of a cruel nature . . . in order to avoid direct participation have to a large extent resorted to the invention of trust and finance companies for the purpose of exercising their promoting activity."

Again, the Banks have "promoted a great number of fusions, whose object was either to get rid of troublesome competition, to combine successive stages in the process of production . . . especially in the case of the mining and electro-technical industry."

Through these steps the banks went on "to the conquest of entire branches of industrial activity and to close affiliations with commanding concerns, cartels and syndicates."

Thus, "large scale industry and capitalism, bearing to each other the reciprocal relations of cause and effect, were enabled by the aid of the German banks to unite in an inseparable alliance which impressed its characteristic stamp on the entire development of Germany."

It is, he says the duty "of the bank, according to the well-established and sound practice of German banking, to retain such permanent control."

reconstruction, reorganisation or amalgamation would be carried out, the trust deeds superseded, and the Bank's monopoly established. The Bank then issues the securities and finances the new concern with its representative directly on the boards, side by side with the enterprising missionary who had led the way. If one compares the directorates of the Rand of 1887 with those of 1892 (a slump between) the history, method and purpose of the German monopoly are made evident.

The more capable, or more fortunate, of the small men like Goerz, nucleated into established "Houses" sufficiently sound in investments and important in controls to have representatives of the Grossbanken on the boards, and a Berlin Council or Committee of the Banks to consider questions of policy when more than one of the Great Banks were involved. Even internal rivalries are provided for, but when the survivors emerge from the strife the administration is merged in a *consortium* or "konsortien." Thus the A.E.G. and the Siemens-Schuckert group were the outcome of a heptarchy of rival electrical enterprises, and the activities of those in turn are co-ordinated by a Bank Council. The chemical industry, again, has required the State-aid for the provision of monopoly or supply of raw products and the regulation of exports and imports. During the war the two chief chemical groups have amalgamated. The amalgamations or "konsortien" are often reflected abroad by additions to boards of directors. This accounts for the interlocking of once rival institutions on the Rand, which still preserve their original façades.

Everyone knows how the credit of the Witwatersrand has been ruined by the reconstructions, amalgamations, refutations, and other processes under which the original shareholders were stripped and the new controllers vested with powers to repay themselves from the properties, the loans or guarantees on the strength of which they crept or intruded or climbed into the fold. Without these upheavals and reconstructions the German invasion was impossible. They are the signs of the German occupation, as the molehills betray what is beneath the lawn. The same phenomena were repeated in Australia. Here the reef was richest where it was first mined, and the outcrop paid from the first. The mines themselves supplied the capital. Had they not been harassed by the Government, on German instigation, on the one hand, and invaded by the "friends in the City" who ran them into debt to Germans on the other, the outcrop mines would have thriven by themselves. They would have financed the mining of the reef in depth. Instead of a few five or six storied "Houses" in the midst of a "mining camp" of tin shanties on stands 50 feet by 50 feet, we should have had miles of gardened houses, the property of the men who really "made the industry."

The Bantjes, Masons, Strubens, Taylors, Nourses, Wolhutens, Meyers, Charltons, Van Ryms, Wemmers, Ferreiras, Knights, and a hundred others, that is the discoverers and pioneers, disappear from the boards sooner or later and entirely from control, while a new swarm, not of miners or industrialists, but of aggressive credit-mongers, assume the power and the names that dominate the boards are Wernhers, Beits, Ecksteins, Reyersbachs, Neumanns, a Friedlander (later called King), a Hanau (the brother of Katzenstein), Dettelbachs, Albus, Strakosches, Goerz, Wetzlars, Kitzingers, Dunkels for short, Eplers, Franckes, Imroths, Sonns, Ehrlichs, Neuhaus, Elkans. In the supreme places behind in London and Germany, where all is fixed and correlated with the internal system of the banks and industries, are the powers indicated by the names like Gwinner, Rathenau, Braunfels, Hirsch, Ochs, Dernburg, Luebeck, Borsig and Krupp.

A few of the South Africans and English survived in a more or less precarious position, like Farrar, only to be merged with a greater fall. Almost every British name on the Rand boards to-day is the name of an employee of the Germans. At one time the prisoners-of-war—the British pioneers and old owners tolerated for their names' sake—covered the advance of the German army. Now it is the direct employee in Johannesburg and London (or in the Parliament at Capetown, if one searches a little closely) who holds the British flag over the fortress owned and commanded by the victorious invader.

The most recent case is the Premier Diamond Mine. Nor can we do other than rejoice to see that a British invasion has in turn displaced at least part of the German garrison and the Managing Director, who ruled it like a Prussian Governor in Belgium. Although this mine paid from the first, and the £1 shares went to £50 and £90, so that there was no lack of capital, the political attack was led by Sir Percy Fitzpatrick, no doubt with most patriotic intentions; the bankers' attack followed. The original group, which risked all for the discovery, has disappeared from the control and, with one exception, from the directorate. Thus it is the most natural thing in the world that the last Annual Report should tell us:—"Your Directors, with profound regret, have to record the death of one of their colleagues, Sir Sigmund Neumann, Bart. Sir Sigmund Neumann's services were of great value to the Company." And afterwards, under the heading "Roll of Honour": "Your Directors have to record with deep regret the loss of several of their employees (*unnamed*) who have been killed in action."

The clan has a name that is nameless by day,
—or even on a "Roll of Honour."

Sir Percy Fitzpatrick, the context suggests, has now an opportunity of being as patriotic in regard to Government gold property as he was in the case of the Premier Mine. In the case of the diamond mine discovered and owned by South Africans, without any German assistance or "leaders of industry," Sir P. Fitzpatrick thought the State should take 75 per cent. of the whole "diamondiferous area," leaving 25 per cent. for the South Africans with which to compete against powerful rivals. He wished to compel the owners of the 25 per cent. to mine the whole, under a State board, giving the State 75 per cent. of the profits. Failing that, the State was to take over the whole property and pay the owners *pro rata*. The *Mining Journal* at the time challenged Sir P. Fitzpatrick to apply the same principles to the auriferous areas, and the *Star*, which was backing the Fitzpatrick proposals, agreed that the principle should apply to gold. It may be said that this committal made sure of the retirement of Mr. Monypenny. It didn't need a difference of policy on the Asiatic question to bring the *Star* editorship to an end. To have yielded the point that the State was entitled to limit mynpachts and retain the control of Far East Rand gold would have given too great a check to the German invasion. It would have been inconvenient to have Monypenny take his *congé* on the gold question. It would have attracted too much attention to the game.

Sir Percy, however, has his opportunity now, and let him once more exact the uttermost farthing for the State. To apply the Fitzpatrick precedent exactly the State would take back to itself the mynpachts (one-tenth that is, not the one-fifth since obtained) and then as an act of grace give the mynpacht owners another one-tenth on condition that they mined the whole property, of which 80 per cent. would belong to the State. What Mr. Wallers is claiming is that the mynpacht holders, unlike the Premier, shall retain their enlarged mynpachts and be

entrusted with the rest of the *State's own domain*, out of which the State shall have 10 per cent. and the company 90 per cent.! *Pro patria!*

There are, of course, British "Houses" on the Rand, and no one will suggest that men like Messrs. Joel, Christopherson, Dalrymple, and Sir J. B. Robinson are under German control. But they have not been able to resist the German intrusion. The Consolidated Gold Fields Company, for instance, seems to have ceased to take up new business of its own, and is sending abroad money derived from South Africa. In the recent tenders for Government Areas it now appears that this English House did not tender on its own account, but "went in" after Mr. Imroth's tender had been accepted. Sir J. B. Robinson, after having complained that he was being forced into surrender of his control, has relinquished his position. The notorious and unhappy struggle for the E.R.P.M. drove Sir G. Farrar out of public life and left him with a greatly diminished fortune the Chairman *fainéant* of a company which had passed from his control. This concession of the chair was made in contemptuous terms, which were meant to be significant, as may be seen by reference to the published speeches at the meeting of the E.R.P.M. when the contest was decided. The German groups had, indeed, resolved to amalgamate the whole Witwatersrand,* and had mixed in everyone's business, no doubt with that end in view. Already they had carried through immense operations of this nature, though the results have been singularly unfavourable to the British and French shareholders.

Mr. Solly Joel has now taken up the aggressive *rôle*. He has nothing to learn from the Germans, since he has as fellow-directors in London Mr. Julius Friedlander, who has been associated with the Deutsche Bank Boardmen, men of the Goerz companies, and Messrs. Gustav Imroth and Karl Marx near at hand. It is certainly not meant that any one of these gentlemen are connected now with German finance, but their long experience must have taught them something. It was not Mr. Joel's, but Mr. Imroth's, tender that was accepted by the Union Government for the lease of the Modderfontein Government Areas. The tender was not backed by cash, but by a banker's guarantee, which, as Mr. Imroth told the Committee, is "as good as cash." In this case it was better, though in these days of international banking it can hardly be safe to take Mr. Imroth's dictum as universal. Mr. Imroth must have some acquaintance with the German methods, for in 1895 he was alternate for Mr. A. Wagner in the directorate of the Roodepoort United Main Reef G.C.M. He had a Berlin Committee, then exceedingly active in South African affairs, consisting of Herren Karl Schrader, Bernhard Dernburg and Dr. A. W. Kastan; and the German control was exercised from the Deutsche Treuhand-Gesellschaft, Behrenstrasse 9, Berlin. Fourteen years later the directorate of this company was G. Albu (alternate W. H. Betz), G. Nathan, of the Dresdner Bank (alternate A. French); M. Francke, who was directing the Central Mining and Investment Corporation at the beginning of the war (alternate Amandus Brakhan); L. Albu (alternate A. Rosendorff); W. Adye (alternate J. L. Kuhlmann). London Committee: P. G. H. Carvill (alternate A. H. Rehbein), J. Freudenthal, A. H. Märker. Resident Manager: C. Hoffman. Berlin offices, 51, Markgrafenstrasse. The history of the parent company is instructive. It need only be mentioned here that in December, 1903, a quarter of a million reserve shares were sold at £2 15s. per share (they stood up to £4 in 1902) to a syndicate consisting of Messrs. Albu, the Dresdner Bank, the Direction of the

* This is clear from speeches delivered by L. Reyersbach and the evidence given by Mr. G. Nathan and Mr. Neuhaus before the Dominions Commission.

Disconto-Gesellschaft, and S. Bleichröder, of Berlin. In December, 1906, the capital was increased from £1,250,000 to £1,875,000, the new shares being sold at 25s. to the syndicate, strengthened by the addition of the Schaafhausensche Bankverein. In the Johannesburg buildings of the controlling company is lodged the United Engineering Company, "direct importers of gold mining machinery, such as Krupp stamp batteries and ball mills, Krupp tube mills and cyanide plants, ore and handling plants, Krupp's forged steel shoes and dies and other battery accessories and spares, stonebreakers, prospecting plants, etc., etc.; machinery for cement and brick factories, sugar milling and fibre extraction, cranes, etc. Large stocks always on hand and to arrive of all mining requisites, steel plates, girders, channels, angles, coke, lubricating oils, A.F. grease; also Carnegie's X quality bar iron. Agricultural implements of every description specially selected to suit Transvaal and South African conditions." Agents for Fried. Krupp Aktiengesellschaft, Grusonwerk, Magdeburg-Buckau and Essen, milling and crushing machinery, steel products, etc.; Friedrich Wilhelms Hutte, Mulheim a/d Ruhr, hoisting engines and pumps, air compressors, etc.; R. Wolf, Magdeburg-Buckau, patent superheated locomobiles, portable and semi-portable with removable tubes, from 10 to 500 b.h.p.; Schaffer and Budenburg, Magdeburg-Buckau, instruments of precision, steam engine and boiler fittings, indicators and injectors, throttle and stop valves, engine governors, water gauges and glasses, valves, cocks, etc.; Morris Machine Works, Baldwinville, N.Y., special manganese steel-lined slugs pumps, solution pumps, high-lift centrifugal pumps, electrically-driven pumps; Rumsey and Co., Geneva Falls, N.Y., triplex geared pumps and deep-well working heads; Cappel and Co., London, oil engines and suction gas plants; Charles Burrell and Sons, Thetford, traction engines and trucks; A. J. Skelton and Co., London, differdange broad flanged steel beams; H. F. Eckert, A. G., Lichtenburg, Berlin, ploughs, drills, mowers and reapers; Heinrich Lanz, Mannheim, thrashing machines, chaff cutters, cream separators. Berlin office, 9, Victoria Luise Platz, Berlin W., 30. Tel. address: "Machinery." United Engineering Co., Ltd., Lourenço Marques. Offices: Rua Aranzo, P. O. Box 417. Tel. address: "Armature." Landing, shipping and forwarding agents; extensive shed and yard accommodation for all classes of goods.

This is unmistakable. It may be added that Mr. Hans Rosendorff, the buyer for the "House," was also secretary of the German Navy League in Johannesburg, and was released from internment owing to the kindly offices of his brother-in-law, Sir George Albu, Bart. It is understood that the Portuguese have since interned this unfortunate gentleman at Delagoa Bay.

In 1909 the directorate of this House was as follows:—

GENERAL MINING AND FINANCE CORPORATION, LTD.

Directors: G. Albu (chairman), L. Albu (alternate G. Nathan, Dresdner Bank), Geh. Kommerzienrath F. Guttmann (Dresdner Bank, Berlin), Martin Luebeck (Dresdner Bank), Jacob Freudenthal, Dr. A. Salomonsohn (of the Direction der Disconto Gesellschaft), Albert Blaschke, Regierungsrath S. Samuel. Managing Directors: G. Albu, Johannesburg; L. Albu, London. London Committee: L. Albu, M. Luebeck, F. W. Lunan, Jacob Freudenthal. Berlin Committee: Geh. Kommerzienrath E. Guttmann (chairman), Dr. A. Salomonsohn, Albert Blaschke, Regierungsrath S. Samuel. Among several banks, the Dresdner Bank at London and Berlin. Secretary at Head Office: W. H. Betz. London

Manager: J. Freudenthal. Joint Managers in Johannesburg: G. Nathan and A. French. Berlin Manager: Gustav Hermann.

If Mr. Imroth can explain the interconnection of the Deutsche Treuhand-Gesellschaft, the Dresdner Bank, Bleichroder, the Disconto-Gesellschaft, Krupps (the universal provider for South Africa), the Geh. Kommerzienrath and Regierungsrath, and all the agencies named and unnamed, he will be able to place a knowledge of the whole German system at the service of Mr. Joel. Mr. Karl Marx can explain the German interest in the *Transvaal Leader* and how the Argus Company controls the newspapers and news of South Africa. They do not need to tell him that Luebeck is manager of the Dresdner Bank in London (and a partner of Neumann), and that Guttman is the Berlin representative of that institution; that Salomonsohn represents the Direction der Disconto-Gesellschaft; that Blaschke represents S. Bleichroder. These things he knows. The knowledge they can give him may help to prevent him from suffering another secret German intrusion. Similarly Sir George Albu (who only just escaped being made a Peer at the time the list was prepared to swamp the House of Lords) can reveal how he has got rid of the bulk of his Germans, exchanging them for the good Switzers, who have, on his advice, registered their bearer shares at the Schweizerische Bankverein. If they are also able to impart to him how Anglo-German financiers who are privately in need of money can produce "bank guarantees" for unlimited millions, he has all that is required to become the English equivalent of a Regierungsrath, and with his two henchmen as English Geh. Kommerzienraths he will gain undying gratitude as Right Hon. Government Councillor to the Imperial British Government (if there be such a thing) in its effort to untangle itself from Germans. Poor Sir William Plender has too much on his fork.

At the cost of prolonging this digression still further, it is right to say that Messrs. Marx and Imroth are British subjects, and looked upon by their large circle of friends in Johannesburg as very good Englishmen. Mr. Imroth, of course, has never been in the inner side of German national finance. His directorial acquaintance has been for the most part with C. S. Goldmann, "H. J. King," R. Oppenheimer, A. Wagner, F. von Hessert, S. Schwabacher, M. Lilienveld, L. Ehrlich, Gustav Sonn, Julius Berlein, O. Dettelbach, E. Lippert, J. Friedlander, F. W. Strakosch. Most of these are English, too, though they also have seen something of that busy "Treuhand"—the "genuine touch"—from Französische Strasse and Wilhelmstrasse.

The Germans who came to these fields after their discovery by British and South African prospectors could never have acquired their large possessions and dominant influence if they had not behind them a machine more powerful than themselves. They were for the most part men without means, but they had the power to "float" companies, to invade and reconstruct existing companies, and then to obtain from the British and French investors the funds they were pledged to provide. This German control, in fact, was the result of an economical attack on South Africa by the organised credit of all Germany.

But before examining the system in detail as it operated in South Africa it is instructive to see the system as a whole in Germany, the relation of political parties to it, and the political theory that includes the policy of the national commercial unit.

It is late in the day to have to point out that national organisation either for peace or for war must be carried out in the closest touch with

the administration. It is, of course, possible to erect most powerful trusts which seem to hold their own in the world, but even the strongest and richest of such groups cannot compete long with a great nation in which all resources and efforts are combined, aided and even forced along the road to capture and control. The Commission has been instructed to inquire as to State mining practice in other countries, and the unfortunate part of it is that the only country where State-aid is carried out systematically is closed to their inquiry. It is proposed, therefore, to describe shortly the connection between government and mining in Germany, and then to show the actual working of the German system on the Witwatersrand. Unless this system is clearly grasped, neither South Africa nor Britain can fail to be absorbed in the German financial control, as Mr. Runciman's confessions in Parliament have shown they were being absorbed. What that means consciously to the Germans is sufficiently expressed in the following words by Prince von Bülow:—

“A distinction must be made between the *domain of State rule and a Nation's ownership*. The two rarely coincide. The attempt to make them fit, whether it be by obtaining State control over the regions where the nation has settled, or whether it be by spreading national civilisation in the domain where the State has power, is responsible for a great number of complications in recent history. It has found its most modern expression in that form of Colonial policy which is called, sometimes not quite rightly and sometimes quite wrongly, Imperialism.

“Nations of military ability and economic skill and of superior culture will mostly reach further with the arm of their State power than with the sway of their national culture, and will expend their energy on making the national conquest follow in the wake of the political.

“Weak and incapable nations must look on while foreign nationalities gain in number and importance within the borders of their State.

“There is no third course. In the struggle between nationalities one nation is the hammer, the other the anvil; one is the victor and the other the vanquished. If it were possible in this world to separate nationalities definitely and clearly by means of frontier posts and boundary stones, as is done for States, then the world's history and politics—by which history is made—would be relieved of their most difficult task. But State boundaries do not separate nationalities. If it were possible henceforward for members of different nationalities with different language and customs, and an intellectual life of a different kind, to live side by side in one and the same State without succumbing to the temptation of each trying to force his own nationality on the other, things on earth would look a good deal more peaceful. But it is a law of life and development in history that where two national civilisations meet they fight for ascendancy.”

That is the position in South Africa, stated with the cynical frankness of the German who believes he can do what he means to do. We are the “weak and incapable nation” which “must look on while foreign nationalities—*i.e.*, the German—have gained in numbers and importance within the borders of our State.” The “national conquest” will quickly “follow in the wake of the political” which was the inevitable outcome of the economic conquest of culture. As Bülow points out, almost in the words of the evidence given before the State

Mining Commission, "there is no third course." We have to put the German out or be put out by him. Hitherto we have been the anvil beneath the hammers wielded by German industrial banks under Imperial direction.

STATE-OWNED ENTERPRISES.

Enterprises owned or influenced by the State in Germany are not anti-individualist. The repugnance awakened in the ordinary English mind by the above title is due to the long and muddled controversy about Socialism "in the abstract." The haphazard interference of the British Government with the current system has never been satisfactory; it always inflicts some relative injustice, and must fail in its purpose because it is not thought out as a whole. It suggests confiscation and insufferable bureaucrats. And it is easy to point out private operations of national magnitude which are far more efficient and satisfactory to the public than similar State-owned enterprises. The private telephone system of the United States, for instance, gives far more adequate results than the backward methods of the British Government. The advantage of competition has almost become a divine law since the theory of the "struggle for existence" passed undigested into the general mind. What one has to remember, like it or not, is that to-day competition is national—*i.e.*, international. So that State enterprise will not lack the spur of competition. And it is also true that the resourceful individualism of our race and other characteristics that have achieved material success in the past need not be lost but enhanced in national organisation. The truth is far otherwise: State control should aim at getting the best out of the individual. In any case a British State system, even if it resembled the German in externals, could not help reflecting the national character. There is, however, no alternative. Unity or defeat.

An extremely well-informed American, in presenting the results of his study of the German railway policy some years ago, wrote as follows:—

"The non-German trading upon a frontier of the world has the uneasy sense that in competing with the German *he is opposing not an individual but a nation*. The American in the Levant, South Africa or the Far East may be supported by a corporation powerful at home, with wide-spread alliances, yet he becomes dimly aware that while he after all only represents an individual company, somehow behind his German competitor is the German nation in a real and co-operating sense. It is the inter-action of Government business, the conscious adjustment by directing mind of one part of national endeavour with another, that makes possible much of the narrative of trade conquest told quarterly in the thin brochures of the Imperial statistical office."

That is the case as put to the Commission, and one can illustrate it with a sufficient body of fact. But first a few facts as to the central organisation in Germany itself.

Since the time of Frederick the Great, if not before, all great reforms or organisations have received their impetus from the dynasty. They are "oetroyiert." Municipalities, of course, had the Roman tradition of endowment, and provided the spirit that aided the monarchy to the collective ownership of lands, forests, railways and mines. In 1911 the Imperial and State Governments of Germany took profits from the various businesses directed by them amounting to

1,413,746,120 marks. Capitalised at 4 per cent., the value of State-owned properties is 35,343,653,000 marks, and these are added to steadily as a matter of State policy.

In 1912, 38 per cent. of all financial requirements of the federated States were met out of profits on Government-owned enterprises, and about one-quarter of all the expenses of the State and Imperial Governments for the army, navy and for all other purposes were paid out of the net profits of Government business. Had South Africa been mining the State-owned properties of the Far East Rand we should not be paying men 1s. a day in Flanders—the whole cost of the army would have been insignificant compared with the revenue. It should be noted that no tobacco, malt or spirit monopolies are included in these figures. Prussia, whose revenue from State-owned business is constantly increasing, derives from them more than twice the income from taxes. "The State income from public properties exceeded the total income from taxation and borrowings combined." "The policy of Prussia, which dominates the Empire, is strongly in the direction of increasing the participation of the Government in industrial enterprises. The Prussian Legislature, acting upon a recommendation of the Emperor, in the speech from the Throne at the opening of the Diet in 1906, passed a Bill extending widely an old Act, giving the State the right to take over at a valuation any discovery of mineral riches on private lands." But though the policy of Germany is in favour of State ownership of mines, forests and lands and of partnership-control in other important industries, it is quite untrue to represent it as repressing private combination. The truth is exactly the opposite, for German manufacturing and mining is more completely under the control of combinations than is the case in any other country. What the German Government does is to increase and even compel syndication, so that all resources may be combined for the end in view. The Prussian Government has even employed the Dresdner Bank to purchase a controlling interest in the coal industry, and though this policy has not yet been fully developed, there is no question but that the Government will obtain a vote in all the master syndicates. The policy has been fought, even in the law courts, but ripe experience has shown that private enterprise does not lose, but gains enormously by association with the State and by the associations of resources brought about by sovereign power. The following is a summary of State-owned properties before the war:—

	Values. Marks.	Net incomes. Marks.
Farms	825,511,354	33,022,121
Forests	3,045,409,167	121,816,367
Mines	537,115,521	21,317,954
Railways	19,823,248,958	799,763,292
*Telegraphs		
*Telephones		
*Express Packages	2,895,069,042	115,802,775
*Mails		
Other Works	1,813,270,417	72,531,150

* These services are Government monopolies.

The policy of State ownership and control is supported by the conservative classes and chief orthodox economists, and "the policy of acquiring and managing industries, lands, mines, and means of communication by the Government is a vital and living part of the German Empire." There is no question of the efficiency of this immense and complicated machine. The cost and management of war-supplies as

compared with our own is a sufficiently instructive and indeed humiliating lesson. The British Government began with "business as usual," and its amateur association with the work of banks, stock exchange and factory, transport and distribution, struck a note of extravagance at the outset from which the Allies first, and next all the neutral world, have suffered severely. The food and fuel supply failed in individualist hands: the State was forced, and increasingly forced, to intervene. But the effort was reluctant and half-hearted, and therefore extravagant, leaky and ineffective. It has been said that the Conservative classes are in favour of the Crown Socialism of Germany; the theoretical Socialists are opposed to it, but only in theory. They recognise and gain by its efficiency, but they are keenly aware that their status is increasingly servile in a world where capitalism and the Crown are united. It is not impossible to avoid such a result here.

ADAPTATION OF TRANSPORT RATES.

The fundamental condition of successful competition abroad is an intelligent, and, if you like, aggressive, transport system. The German Imperial Government uses both private and State owned lines to this end with amazing power even in the smallest detail. The Bundersrat at intervals holds a "general conference" for regulating railway rates, and the business is prepared by "a permanent rate commission from 14 railway boards. A sub-division of membership called the Traders Committee is made up of five representatives of agriculture elected by the combined chambers of the Empire, five representing the manufacturing districts, and five the distributing commercial interests. The two latter classes are elected by the Chambers of Commerce of the country acting together." These recommend authoritatively to the permanent commission, especially in adjusting rates equitably among zones of traffic, so that a shipper in one part of the country shall not be at a disadvantage in internal trade. By means of district advisory boards, representative of agriculture, forestry, manufactures, mines and trade of the divisions, the Government has created a central administration world-wide in its outlook, but so closely differentiated within that a small manufacturer or inventor can appeal and obtain assistance by special internal and external rates or by the association of his product with others for their mutual benefit, so that he can obtain a rate on, say, the Johannesburg market calculated to defeat all competition. If a shipper finds a rate unsatisfactory he can always appeal.

Exceptional rates are quickly devised to meet competition in foreign markets. The following instance is illustrative: "A man of enterprise in a village, having found that the sand near by is adapted to the making of a certain kind of glass, decides to start a factory provided he can have the combining chemicals and coal brought to him at a price low enough to make his idea a profitable one. He applies first to the Chamber of Commerce within whose jurisdiction his locality is. It is the duty of the Chamber of Commerce, which in Germany is a semi-official body with a compulsory contributing membership, to investigate the value of the idea technically. Should the project appear commercially sound, the governing body of the Chamber will support an application for an *individual rate* on the materials required. A fresh examination is made by the railway authorities, and, if the conclusions of the Chamber of Commerce are verified, the extraordinary rate is granted." The bulk, nearly 70 per cent., of the freight on German railways is carried at exceptional and wisely privileged rates. Thus, an inquiry from

Johannesburg, placed in the United States, England and Germany, for a price on a given line of goods landed here, inclusive of all charges, would have a striking result. The American and the Englishman must begin a wide study of the transport, terminal and forwarding charges by rail and ship. Much of this information is not easily available, delays ensue which are attributed to neglect, and finally a price is estimated to cover the conditions of freights, forwarding charges and the foreign shipping rates. The German simply turns up his South African rate-book, and finds exactly and at once what it will cost him first and last to land the order in the Kazerne here. His special rate has been compiled for him in consideration of any possible foreign competition.*

Once a shipper consigns to rail, the Railway Administration takes all other responsibility for the delivery by ship and rail, obtains for him a bill of lading at the port upon which the shipper may obtain his money at a bank, or, if he prefers, will forward the bill to the consignee. Even the smallest, as the largest concerns, can deliver their quotations and consignments at secure competitive rates and with as little trouble as we have in posting a letter. Everything is worked out for him. When you add to that that your German has his nominees in your Chambers of Commerce and Town Council the whole business is easily understood.

Nothing is more provoking to one who knows how the game is played than to hear the constant patronising sermons of public men and newspapers upon the "conservative" "unadaptive" ways of the British manufacturer. It is beyond his power to "adapt" himself to competition against a rival supported by all the forces of the German Empire. The German Government has made a special study of the South African trade and of the Levant, and has long made Turkey and South Africa the chief objects of her ambition. Although rate-books have been compiled for all parts of the world, only those for the Levant and South Africa are published. The places chosen are significant of the Imperial aggressive views of the German Government when they set out to induce the whole country to establish its market control in those two places. Although they employ all the methods of the "trusts," discriminating rates, rebates, exceptional treatment for localities and individuals, and charging all the traffic will bear under one set of conditions and extraordinarily low rates for other conditions, no one in Germany is offended, because the basis of control is national equity to the gain of all. How desirable is such a reform in South Africa—the national intelligence over-riding particularism and operating for the common advantage.

* "Early in 1895 considerable suspicion and uneasiness were aroused (in Johannesburg) by indications of the growth of German policy. The commercial section of the community were disturbed by reports of secret arrangements favouring German importers. Facilities were given, and 'through rates' quoted from Hamburg to Johannesburg at a reduction which appeared to be greater than any economies in sea-transport, coupled with the elimination of railway charges, would warrant." Unconscious testimony to the "System" from Sir P. Fitzpatrick, "Transvaal from Within," p. 85 (Sixpenny Edition). It was not President Kruger's policy, however, but the German policy; it is maintained as strongly to-day. They do not own the railways now and give secret rebates from our railways, but, while their influence has secured favourable rates on our lines, their own rates are adjusted, as the text states, to give their exporters an advantage. "Inquiries regarding American cities reveal, I am told, that some rates are made from interior points in Germany to cities west of the Mississippi River lower than the rates on the same goods from the Atlantic seaboard to the same cities west of the Mississippi." Elmer Roberts in "Monarchical Socialism in Germany." This instructive volume, published in 1913, has been quoted from elsewhere in this chapter.

The German system, "Socialistic" as it seems, is not opposed to Trusts and Syndicates. On the contrary, it supports, joins and even compels them to syndicate, interfering when they over-tax the people in such things as coal. The Prussian State, for instance, digs 25 per cent. of the Upper Silesian coal output and more than one-half from the Saarbruecken fields. Of the Westphalian fields, it had no independent ownership, but after judicious inquiry the Government decided that the syndicate "has taken a too masterful position towards the justifiable demands of the working people," and interfered with the Westphalian syndicate to reduce the over-charge for coal and ameliorate the condition of the labourers. The syndicates are favoured and yet subordinated to the State interest. "Economic Germany," wrote the Austrian Consul-General in Berlin in 1907, "is under the absolute control of half a hundred men. These," he went on, "decide the amount of production, the prices within the country and abroad, the terms of credit, the rates of wages, interest, and the stipulations upon which capital is advanced for extensions of enterprise and the founding of new companies."

Behind the system we have described as operating locally are seven Berlin banks. They have a dominating share interest in some forty of the large provincial banks, and these in turn are part owners in the smaller institutions of their provinces, so that agreements, which are common, among the large banks in Berlin have the effect of decrees upon the whole ramification of finance. The Deutsche Bank, the most influential of the Berlin group, has a capital, surplus and deposits amounting to 800,000,000 marks, which, with the resources of its provincial tributaries and those banks organised for the Asiatic, African and Latin American trade, rises to 1,750,000,000 marks. The resources of the Berlin group and their dependencies exceed 8,000,000,000 marks, or about £400,000,000. It is through this meticulous banking system that centralisation is accomplished and the economic unification of Germany becomes intelligible.

Thus, when a proposition such as the Far East Rand goldfields is placed before the world it is certain that the most powerful influences have been organised to secure domination. Their favoured brokers, "naturalised" Germans, expert British or neutral employees, the English guinea-pigs associated with these companies, kept newspapers and politicians who owe their position to open or concealed German support are pressing on the public and legislature of South Africa that "private" and not State enterprise must deal with the globular millions that are now the actual property of the State on the Far East Rand. To finance such a proposition is impossible for South African or British "private" enterprise at this time. The German banks have numerous agencies in this country, America and elsewhere. And, in the result, it is not a question between State enterprise and private financiers: the question is *which of two States*, the German or the South African, shall finance and control the South African State properties. All the securities of the German Empire have been pooled in the Imperial Bank. We have, then, the alarming prospect of the German imperium operating directly within the Union with the chief resources of the land within its grasp. Were Bülow's warning and Dernburg's boast sounded in our ears in vain? The choice inevitably lies, as the Commission was told, between the State mining these areas or the Germans, who will then establish permanently their control on the economical politics of this country. To the South African Government one would appeal to set aside the unblushing testimony that the State cannot mine these gorgeously rich fields without loss. That argument is preposterous.

To hand them over to Germany because the State might be urged to improve the conditions of health and pay, or could not avoid a certain number of party political appointments, is to submit to a ridiculous insult, which the Government, if it has any national pride at all, must resent by practical proof. And while the State enters upon this, its own heritage, the retention of which it largely owes to "The New South Africa" and Lord Milner's Commission, let it assist in every way the private enterprise of its people, by adapting its laws and practices to their aid and financial assistance, lending its experts to advise and its machinery to crown their efforts with success. Property in this area, selected and secured by South Africans after so many years of toil, has all the conditions of rich success. They may win through by South African and British co-operation, but it is the simple duty of the State to see that it does not handicap any South African any longer in a contest where "behind his German competitor is the German nation in a real aggressive and co-operating sense."

Such an impressive fabric of finance as the German system we have described has weaknesses, no doubt. The standardisation of the different classes of the people by the very means taken to ensure healthy and steady employment, old-age pensions, their specialised education, their whole life ordered from above, from birth to death, tend to create a bureaucracy of rigid probity, a plutocracy of Carthaginian inhumanity allied to gigantic power. These make for ugly conditions of the servile State: but a powerful servile State that requires nothing less than a State to cope with its agents. The inverted pyramid of German finance was likely to be shattered in the event of the unsuccessful war which Germany meditated, and in its fall would paralyse every organisation and enterprise in the German Empire. And so it still may.

But if we begin by placing at the disposal of the German banks the endless resources of our goldfields, then resuscitation is sure. And this much is practically certain: If the war comes to an inconclusive military termination, the consolidated economic, industrial organisation of Germany, which the war has purified and embattled for greater dynamic aggressive force than ever before, will at a bound capture the disorganised trade and industry of the world if we are not prepared to resist it. Already there is at work an "Imperial German Commission for the Transition from War Economics to Peace Economics." The first problem for its consideration is "The order in which goods shall be imported." The danger foreseen is that the luxurious class may rush to import rubber and petrol and motor-cars and things not economically productive or necessary to national economy and health. But the second problem on the agenda throws light upon the meaning of the first, viz., "The arrangement of the promptest and cheapest delivery of goods bought in a foreign market." Finally, so far as we learn, there is the proposal for "The just and suitable distribution of foreign products to the various industries." *The Statist*, commenting on this programme, says: "On the face of it one would suppose that the whole of the industries of Germany, after the war, are to be organised under State control, for if the freights are controlled and the products bought in are distributed under the guidance of the State, there will be very little scope for the individualist. The Socialisation of industry, in so far as it depends upon imported products, will be fairly complete. And undoubtedly a socialised industry with the whole force of the State behind it would be a formidable competitor against all those industries in other countries which remain individualistic or uncombined. It is, however, doubtful whether it would be possible to Socialise so large a group of industries as those dependent upon imported material, while

leaving the others to struggle on without any State assistance, at any rate without arousing a dangerous amount of discontent. Therefore, if these ideas are carried out Germany will come very near to the complete State control of all industries, and it would be interesting to see how such a scheme would work in an industrial world based on individualism." Such writing at this date on the part of so influential a paper as *The Statist* is very discouraging. This "Socialisation of industry," which to it seems to be only in posse depending on the results of a Commission, was not only in actual vigorous existence before the war, but actually made the war, immediately on the issue of the Bagdad railway schemes, balked by the action of Serbia, and this same "Socialisation of industry" also enabled the German Imperial Government to bring all its resources to bear wherever the Higher Military Command required it. The object of the new Commission is not to create a State Socialism, but to preserve it by State Socialistic methods. The problems set down for solution were solved so far as they arose before the war by the various machineries we have spoken of. But the simultaneous demand of the whole people and the industries of the Empire will put a new face on this problem, and the Commission's work is first to provide that only economically valuable goods are allowed in when the frontiers are opened, next to control the shipping and markets that furnish these goods and to purchase on an Imperial national scale to avoid either destructive internal competition or foreign action to put up prices such as Britain and her allies have experienced and even courted during the war in the purchase of foodstuffs, and the raw materials of clothing and munitions. The last proposal deals with the regulation of freights and freightage and the feeding of the more nationally important industries in order of priority and considered in relation to the network of smaller industries and enterprises associated with the great combinations. Finally, there is what *The Statist* calls a "'plaintive note' by all possible means to forward German exports." Neither is this a new enterprise for Germany. It has always been her object. These regulations are almost word for word with the general instructions agreed upon by the federated Governments for the Bundesrat in railway matters. They are in exact accordance with the Prussian "common law" as modified by Frederick William II. and promulgated in 1794, upon which, supplemented by the Stein-Hindenberg legislation of the early 19th century, Bismarck founded his policy of State organised works and national use of railway systems. These proposals mean not only that "there will be very little scope for the individualist," but that the former fabric of national co-operative organisation shall be ready to cope with the situation created by peace after an exhausting war. The object and methods will be the same, though the circumstances have been changed partly by the war and partly by the possible economic co-operation of the Allies and some neutrals after the war. These proposals governing the economic importation of raw material and the improvement of the German exchange by exports, aided by all the machinery, banking power and influence of the State are aimed at preserving and perhaps monopolising the neutral markets and wherever the pro-German nominee has kept the place warm during the war. The belated and etiolated provisions and administration of our Enemy Trading Act have not seriously, or at all, so far as is apparent, altered the *personnel* of the directorates in South Africa and the employment of certain brokers on the exchange. That much the same sort of thing is going on in London is clear from the complaints about the retention of German managers in the "controlled" German banks in London. The following

extract from *The Statist* of 7th October shows that London is suffering from the same hypocrisy as the British Citizen League complained of here amidst so much official and semi-official depreciation and opposition:—

“A subject that has much perturbed the minds of the Stock Exchange men has been an irregularity on the part of the firm certifying a sale of enemy-held mining shares. In *The Statist* of September 2nd, p. 143, we explained the legitimacy of what were described in market operations as sales of enemy-held stocks. These sales were somewhat on a large scale up to the early part of September; but their volume gradually diminished, and comparatively few sales have been recently made in Stock markets. Many members are astonished at the mild action of the Stock Exchange Committee in merely censuring a firm for a deliberate evasion, the grave character of which, it is thought, called for a stronger penalty than censure. The firm in question received a perfectly legitimate order from a branch of an alien enemy bank. The instructions to effect sales were passed by the Official Liquidator, who has to see that the proceeds of enemy sales of stock do not pass to the enemy, but are held by him to be dealt with as the British Government may elect. The incident has raised quite a storm, there being a recrudescence of Stock Exchange protest against the power of the officials of the branch enemy bank to pass the business through Stock Exchange firms which include individuals naturalised but of enemy descent. It is ascertained that nearly all the very large liquidation business in enemy-held mining shares has been passed through different firms of such a character, and that purely British firms have rarely received any orders to carry out the liquidation business. For a time discussion went on the wrong lines. The Official Liquidator was blamed for placing the business with Stock Exchange firms who have been so favoured in the past by enemy institutions in London. But the secret has come out that, while the Official Liquidator receives the money and holds it for the disposal of the British Government, he has not the power himself to give orders to firms, he would select. The bank officials have control of the giving out of selling orders, and they apparently elect, as far as they can, to make sales through the same firms they did business with in the pre-war days. There is much heart-burning over the whole business, and it is desirable that the matter should be looked into with the greatest care.”

Similarly, if you were to look in Johannesburg for the brokers privileged to “make a market” for German stock of recent years, you might find some who have undertaken what they term a chivalrous British protection for the “strangers who have sought and received our hospitality.” Such persons are ill-advisers in an economic war that promises to be more formidable even than a war of high explosives, since the enemy has all along been entrenched in our financial fortresses and frontiers. We read of proposals to establish a foreign trade bank in England and an industrial bank here. As far as the English proposal goes, such a bank could not stand alone against the consolidated banking system of Germany and its operations such as we describe. What is needed is that the whole banking system of the British Empire shall be consolidated to face the phalanx attack that is meditated. As for the industrial bank here, it must be closely scrutinised; it has some doubtful godfathers. *Plus ça change!* Our own banks took a legal international view of finance when the war broke out, and could do nothing on their own initiative to hinder the transfer of money to Delagoa, for instance.

They have branches in Hamburg, Berlin and New York. How, without super-banker powers can they prevent the American intermediary from aiding Berlin? Our laws, for which we are all to blame, not only permitted, but forced, the banks to run this danger.

The industrial and trade bank should be the creation and, as it were, a special department of such an alliance of banks. Its object should not be dividends, but to enable manufacturers and shippers to tender under favourable conditions. One of its committees, in co-operation with federated chambers of commerce, should study railway and shipping rates, so that any registered inquirer may be informed without delay of the rate to any port or railway station in the world. It should be able authoritatively to recommend exceptional rates where required. It should aim at advancing industrial and agricultural production by cheapening the cost of raw materials or equipment for production. It should facilitate export and import of Imperial products. It should create commercial centres to enable at least temporary grouping of allied manufacturers for tenders, and it must create credit by supporting soundly based tenders. As bankers—that is, as representing the savings and capital of the nation—its decisions will tend to be made, as they must, “according to principles of equity regarding agriculture, industry and trade as a national whole, granting exceptions, taking one sort of traffic as privileged, another as normal, upon calculations wide enough to include the interests of the whole people.” Its beneficiaries must assist it with their capital, too. There must be no secrecy in regard to rates, but information should be open to all British persons concerned. Such an organisation need not interfere with existing banking methods, but be an adjunct to them. No alien or naturalised alien should be permitted by person or deputy to be on any banking board. Such, of course, are merely suggestive outlines. The first principle, however, must not be to make trade merely, but to increase production.

But if the South African Government reaps the hundreds of millions from its unharvested East Rand areas it may well establish a bank here, against which all other banks would compete vainly if they were non-national in spirit. It would not be the aim of such an imposing institution to destroy or interfere with the ordinary operations of local banks. But it would make sure of the control at the top, and could not do better than associate with the Bank of England itself, using the gold refinery works and mint in the closest Imperial connection. This much at least is clear. If the State does not mine its own properties, or at least those which we have seen contain no more “gamble” than the railway system, harbours, public works and national organisation of South Africa, those untold millions opened to the subtle and overwhelming organisation of Germany, with nothing but Mr. Kotzé and two secretaries to resist them, will without any sort of question fall cheaply into the hands of our organised economic enemies and arm them to the subjugation of the world. The dictum was right: “Make no mistake, it is State mining or German control for a hundred years.” Certainly we shall not readily embark on another war to get rid of German managers or their nominees; though if the Germans are tolerated after this war there will be no need for their English-nominee system. We shall have the Prussian unashamed. English and South African staffs will be dispensed with.

The facts now set out merit the careful attention of the public in South Africa and all over the Empire. They can no longer leave their unaided citizens to cope with rivals who move with the momentum of Mittel-Europa. The gold output of South Africa will in the near future be a momentous thing. We have said nothing of the methods by which

it has been distributed. A sufficient hint may be found in the story that the last and strongest German financial invasion of South Africa was brought about by the Kaiser himself. Assembling his financiers, he demanded, "Why have I not a Rhodes?" The astonished magnates asked to what point did the august inquiry lead. "I have no gold-basis. I want a Rhodes to give me a gold-basis. Look at France, Russia and England!" What Majesty wills must be. Did he himself not say "*Hoc volo, sic jubeo*"? They promised to consider the production of a Rhodes. Their eyes turned to South Africa. Mr. Alfred Beit revisited his native land, and soon after remembered it in his Will. In a short time there was a syndicate established to take over the Wernher-Beit estates. It was rather ridiculed in London at the time. The diversion, or direction, of several hundred millions of gold concerns the Empire.

Is it outside reason to urge that the Imperial Government should take a hand with the South African in exploiting these millions? Apart from the value of a known effective demand for plant and stores commensurate with this enterprise, which is not a contemptible matter in the process of transforming munition-building plant into plough-shares, there are great monetary considerations, questions which affect currency, and bank rates, discounts, and much else of importance in the new economic war which is at last frankly on an international footing. We do not want a "Britisch" bank here which will escape the possible indemnities of the war, and yet build up the rival banks. It will be seen by the description of the German system how the whole economic-industrial organisation depends upon the monarchical control of the architectonic system of banks. If that is rebuilt by our gold—*mit der Dummheit!*

Neither do we in South Africa look forward longingly to an influx of Genossen or Kamerads fresh from rape and murder and baulked lust. That is also an alternative of "private"—the word has, we hope, widened its connotation—Finance and "competition." The welcome given to Herr Dernburg here* a few years ago was, no doubt much more effusive than the welcome given at a private gathering in Johannesburg, it is said, to no less a person than Colonel Francke, the German Commander-in-Chief in South-West Africa. The visit was rumoured just before the death of De la Rey. It took place, we are told, on the very night that De la Rey met his strange fate, and Beyers with the incriminating papers in the car beside him, escaped the arrest he expected. The accumulated output of gold had not yet gone, and the disguised agent who accompanied Francke had an interesting discussion on it with some of our influential pro-English neo-citizens. The sudden fate which overtook De la Rey saved the situation, and saved the reputation of many who were prepared to join if the countryside gave an effective lead. That was a point where finance joined war. But as the Defence Force, so bravely lauded by the local and English Press when it was used to raid Germiston during the strike, was found to be quite unequipped when it came to rebellion and war, it is lucky for a population without arms that that shipload of Mauser pistols, machine-guns, rifles, ammunition and other convincing arguments got stopped at Messina by the Italians. Germans are crowding in the Northern Transvaal now. With the return of peace they count on an addition of German citizens from South-West territory. Such terrific economical prestige will attend them in South Africa if they add, at

* It will astonish readers in the United Kingdom, and perhaps some in South Africa, to learn that a troop of fifty armed Germans rode over the border, some eighty miles, to Upington to escort Dernburg into German South-West Africa.

Mr. Kotzé's price, or even a greater, these State assets to the practical economical control they now exert that neither Boer nor British will find any abiding city here. Not one-tenth of the whole story has been told in this book; but, surely, commonsense and verifiable fact enough show that the South African national and Imperial loss will be irreparable if the titles to these gold lands at our doors are translated to Germany, like the funds of the Central Mining and Investment Corporation were just before the war. With whom will the "gold-basis" be laid down?

We shall now observe the System in detail among us. The reader will then probably conclude that corporations like Goerz, the General Mining and Finance and others which have been closely in touch with the co-ordinated banking system of Germany, should be reconstructed by the State, and that State officials should be appointed to the boards in proportion to the holding of enemy subjects wherever such may be domiciled. Persons who have acted for such foreign interests would, no doubt, be disqualified from sitting on boards dealing with properties held on lease or licence from the State. No tenders either would be accepted from "America" or elsewhere without satisfactory evidence that the enemy is not behind it. If naturalisation be not abolished in favour of granting certain rights to alien immigrants, it should at least be governed by new treaties, and any tendency towards "dual citizenship" or strong relations with another State should annul citizen rights.

PART II.

RING SYSTEM IN SOUTH AFRICA.

SUMMARY.—Principles of Circle organisation—A Deutsche Bank Circle—Co-operative finance—Based on mine control and supply of machinery—Tenders—A British screen—Berlin control—An inside view—Quality and price—Overcharging—Its limits—Orenstein-Arthur Koppel—British agencies given to Germans—The abuse—Victoria Falls Power—British manufacturers discredited.

At the outbreak of war the economic peril of South Africa was so alarming that the following study of the German System was prepared and sent to "the proper quarters."

With the assistance of an extremely capable student of foreign methods, who had himself been in responsible German employment, we were enabled to present this informing sketch of the system in actual operation. Every statement that follows is a statement of fact.

The main principles of the organisation upon which German trade with the mines of the Rand has been built up are:—

- (1) Formation of a circle of German interests, all members in the circle being bound to help the others.
- (2) Restriction (as far as possible) of the powers of component firms so that they must purchase from within the circle all commodities made or sold by members.
- (3) All the resources of the whole circle to be used to aid the profitable trade of each of the firms.
- (4) Rivalry is controlled, and information of foreign competitors obtained by securing agencies for interests other than German, which are then kept subordinate to German interests. Thus we find Germans holding the agencies for the best English firms in many branches of manufacture.
- (5) Resources of the circle are used, under guidance from Germany, to foster trade in any commodities not dealt in by members of the South African circle, thus bringing in fresh firms to the circle and extending its influence, patronage and financial power.
- (6) A governing council in Berlin, which actually controls the policy of the whole ring, sending representative "directors" or general managers to the more important subsidiaries. On this council, which is virtually a committee of the Deutsche Bank (in the case we are taking) there is always a bank official. On the recommendation of this council the bank "finances" any project.

In reading what follows the reader should be aware that in describing the actual working of one circle we are taking a typical

example. There are others. The Bloemfontein-East London-Port Elizabeth group dealing with soft goods, agricultural machinery and liquor, among many other things, will repay study. Its influence is very marked in the politics of the neighbourhood. The liquor agencies closely united with them are hardly more surprising.

ON THE RAND.

German business interests on the Rand originally centred around the two large German banking houses—the Deutsche and the Dresdner Banks. The former supported (and it is difficult to see how that support and the nexus such support involves should have disappeared during the war) the Goerz and allied interests, and the latter, at any rate until recently, the Albu interests. More recently other large firms have created businesses here, but their system is similar, co-operative with the others, or they have formed units in a secondary circle, having the direct support of firms which are, in turn, supported and guided by one bank or “consortium” of banks.

A DEUTSCHE BANK CIRCLE.

One of the chief firms in the circle was the Technical and Commercial Corporation, Ltd. Its disappearance illustrates at once the individual freedom allowed to firms within the circle and the fate that follows on too much individualism. The operations of the circle may well be presented as seen from this Corporation—“Tecomeco,” as it was called “for short.” Behind and above this circle was the Deutsche Bank, financing Adolf Goerz and Co. from their beginning as a mining house. From this circle began the first serious incursions of German engineering firms. Shortly after the Raid, the Brakpan Power Station, the first public power station on the Rand, now amalgamated with the Victoria Falls Power Company, was erected by the German firm of Siemens and Halske (now amalgamated with Schuckerts as Siemens-Schuckert). About the same time the same firm supplied and erected outside Lydenburg the electric generating plant for the Transvaal Gold Mines Estates, for supplying power to the mines belonging to that company. German engineers, assisted by German workmen, were sent out by the firms supplying the machinery, and the leading engineers (such as Messrs. Spengel and Schorkopf) were afterwards transferred to two engineering firms, Siemens, Ltd., and “Tecomeco,” when these were started a short time after. A Mr. Gunzberg came to South Africa, representing the Deutsche Bank, and, when they were founded, became one of the joint managers of Siemens, Ltd., and of Tecomeco. We see the circle forming and the immediate bank control in the individual firms. The other joint manager was a Mr. S. L. Kling, who is of German birth or extraction, and originally settled in Port Elizabeth, where he was associated with the firm of Malcomess and Co., a firm lately recognised by the Union Government as coming under the Enemy Traders Act, though we have not been informed that its widespread country agencies have come under a similar recognition. About the same time the firm of Arthur Koppel started a South African branch, which was soon formed into a South African company of the same name, with Messrs. A. F. Robinson and Flatow as joint managing directors, the Managing Directors of “Tecomeco” and Siemens, Ltd., being also directors on the Board. The remaining directors of the three firms were all directors of Goerz and Co. or of their associated mines. At various times Messrs. Brakhan, Max Francke and other prominent Germans have held seats on the three

Boards. We see now the close inter-supervision, the interlocking directorate—the financing and controlling bank, the industrial (mining) concern with wide trade patronage and ordering power and the allied trading and manufacturing concerns whose influences, still under the bank, spread far and wide through South Africa. It should be stated that several of the Germans connected with the various firms and mines accepted “burgher rights” from the South African Republic about the time of the Anglo-Boer war. Most, if not all, left the country as soon as it appeared probable that the present war would be declared, and resumed their German nationality. Messrs. Kurt Schweder and G. Schorkopf, now in Holland as a British citizen, took this course. On the other hand, the mines were practically under German control and “special police” during the Anglo-Boer war, and kept in constant touch with the outside world through Delagoa. As the British Government compulsorily made “British subjects” of foreigners who had accepted “burgher rights” often for self-protection, the only course that seemed open to those who were able to return to their original “fatherlands” and desired to escape British citizenship was to take that course, or a brief holiday to Delagoa. Many such have employed the “dual citizenship” as it suited them in after times.

Having observed the nucleus of the “ring,” it remains to consider the methods and spheres of their activities:—

“*Tecomeco*.”—(a) *Machinery Branch*: All machinery and plant other than electrical plant; locomotives, railway and transport plant and machinery. All constructional ironwork other than that made locally. (b) *Mines Supply Branch*: All mining and engineering supplies other than electrical and tramway and railway material.

Siemens, Ltd.—All electrical plant and supplies.

Arthur Koppel, Ltd.—Locomotives, trucks, railway and tramway material. All transport machinery. All locally made constructional ironwork.

[Note.—This firm, later Orenstein-Arthur Koppel, grew to immense influence, the Johannesburg branch paying over 25 per cent. of the dividend on the capital of the parent firm—something like two millions—operating all over the world. During the war they continued to ship goods to South Africa from America. The King’s Proctor intervened, so that we can bring the case up to date.]

Rules.—The various spheres of activity were so closely defined that no two firms were allowed, under any circumstances, to put in really competitive tenders for any item. The practice was that one firm or branch on receiving an inquiry, passed out into the circle all items not within its province. Each firm prepared its own estimates for that portion covered by its defined activities and *one firm put in the complete tender*, and, if the order was received, each firm received payment on its own original estimate. On occasion one firm would make heavy profits on its section whilst others might make a loss.

In competition, of course, this united tender was completely adapted to the whole requirements of the ordering body. The tender was taken up as a whole, and simplified the work of those who had advertised the tender. If this should happen to be one of the industrial businesses controlled by the ring, a few preliminary inquiries abroad served to inform members of the competition they were likely to incur. No British firm could take up such an order as a whole, as no system of co-operation

is in existence, no bank behind them to save the trouble of finance. So their tenders came in piecemeal, unco-ordinated and doomed to failure, on the day the "tender board" opened the applications.

THE SPREAD.

Owing to its wider field, the Tecomeco soon became the predominant firm, and a number of subsidiary firms were inaugurated under its aegis. These comprised:—

1. The South African Contracting Association, Ltd.
2. The Globe Asphalt Company, Ltd.
3. The Globe Advertising Company, Ltd.
4. Second-hand Machinery Business.
5. A Durban Branch.
6. The Garage Continental, Ltd.
7. A Capetown Branch.

Some of these were formed before the Anglo-Boer War and some afterwards. Beyond this, financial aid was extended to Delfos Bros., of Pretoria, in such a manner that if the firm was not formally it was effectively under the control of the Tecomeco Board.* Similar assistance was, it is believed, extended to Messrs. Loewenstein and Adams,† wholesale and retail chemists; at any rate Mr. Kling was a member of the Board or firm, and was thought to represent Tecomeco interests, though he may have had a purely personal interest.‡

Rand Central Electric Works, Ltd.—The first to call attention (in the *Mining Journal*) to the advantage of power stations in South Africa was Mr. Hubert Davies, a British engineer of wide outlook and capacity, and he erected the first plant for the Champ d'Or. Mr. Lippert was interested, and obtained for Messrs. Siemens a concession from President Kruger to lay a main conductor for transmitting electric power from Brakpan and Paardekraal and for the distribution of electric power to mines between those points. The company registered in 1895 bought over the concession. The Government has the right of repurchase. It is referred to below in connection with the Victoria Falls Power.

The Rand Central Ore Reduction Company, a company which played an important part, was inside the Siemens influence with a Berlin Committee operating from the Deutsche Treuhand-Gesellschaft. Through Ochs Bros. and Dr. Magin it connected with the Metallgesellschaft and the German metal monopoly of the world. Its building and plant were bought in 1904 by the City Deep Company, whose Board reflected all the German groups.

The South African Contracting Association owned, at Auckland Park, what was, before the Anglo-Boer War, and for long after, the most completely equipped brickworks on the Rand. It had a second brickworks (later) at Turffontein. It also held considerable house and landed property in Johannesburg.

* This, of course, ceased some years ago.

† About 75 per cent. of the shares in Loewenstein and Adams were held by Germans or naturalised Germans. It was only on the utmost pressure that the Union Government consented to recognise the enemy interest, which has now been taken over by the Custodian of Enemy Property. This firm later became Macdonald, Adams and Co. Mr. Adams had by then left the firm.

‡ Mr. Kling connected up with Malcomess, whose enemy interests have also been taken over by the Custodian at last. In all cases, however, the Law regards as "enemy" only a resident in an enemy country. It does not take property belonging to enemy aliens residing within the Union or even in neutral countries such as Sweden. Many have escaped in this way.

The Globe Asphalt Company, under the management of Mr. F. Black, contracted for asphalte and granolithic work in the town and on the mines.

The Globe Advertising Company obtained from the Johannesburg Sanitary Board (the pre-war equivalent of the Town Council), the sole right to erect advertising pillars at various specified points in the town. After the war this concession was cancelled and the Company became merged.

Second-hand Machinery Business.—The buyers for the Goerz Group of Mines started a second-hand machinery business, and, as they were unable to finance the purchase of complete plants from mines in liquidation, the Tecomeco advanced all the money they required and had a half-interest in all profits secured. This was a very profitable section of the business.

The Garage Continental was formed some time after the Anglo-Boer War, and owned the first important garage erected in the town. It held some of the best agencies for Continental motor-cars. Some years ago the garage was destroyed by fire; shortly afterwards the Tecomeco interest was disposed of. It was believed that Tecomeco lost a large sum of money in the concern.

The Durban and Capetown Branches were established under the management of employees sent from Johannesburg. They represented all the firms associated with Tecomeco.

The Delagoa Agents had an important rôle, as we shall see.

Delfos Bros. had been established for some years before Tecomeco became interested in the firm. Tecomeco imported, for Delfos Bros., large quantities of consignment stock, chiefly agricultural machinery and implements. Eventually Tecomeco took over the stock, and it was removed to Johannesburg.

There were other firms in which Tecomeco held an interest, but no details of these are immediately available.

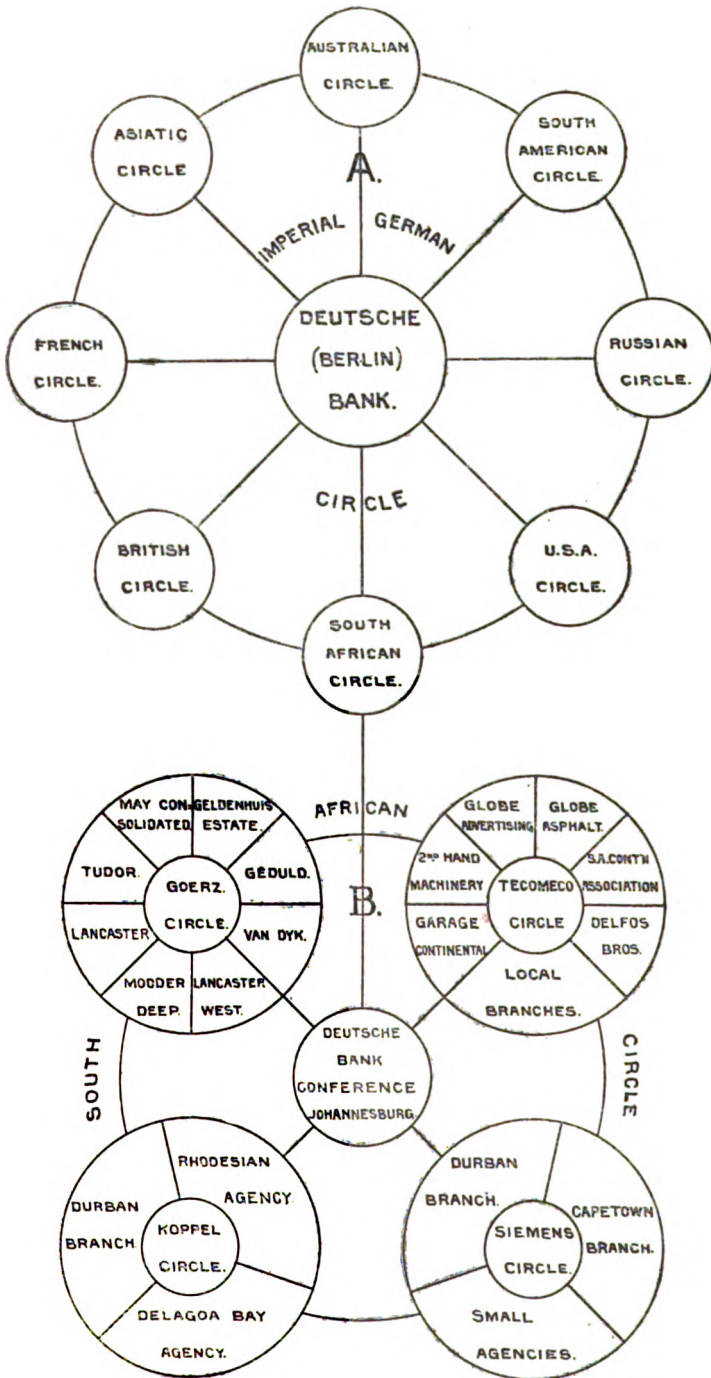


Diagram illustrating Deutsche Bank system.

A. Imperial German circle.

B. The Goerz group in the South African circle.

THE DIAGRAM.

WHEELS WITHIN WHEELS.

The various business connections of the Deutsche Bank formed a group or circle in Johannesburg as shown in the accompanying diagram.

Explanation: The upper circle represents the German Bank and its various subsidiary circles. The large circle underneath represents the operation of the Goerz circle within the South African circle. Where the line from Germany joins the centre of the South African circle, must be imagined an agent or agents of the Bank who have a privileged *entrée* to the main subsidiaries.

The circle of interests being established, it is important to show the methods of operation. First, it is essential to point out:—

- (a) Each company in the circle was registered as a limited liability company in South Africa, and was, nominally, independent of all others, though financed by the Deutsche Bank, either directly through a Board in Berlin (see evidence of A. F. Robinson, Chapter VI.), as in the case of Goerz and Co., Tecomeco, Siemens and Koppels, or indirectly, as in the case of the various mines and subsidiary companies.
- (b) Each company had its own manager and staff, and conducted its business with no supervision other than its Board of Directors.
- (c) Unlimited financial support could be obtained provided the Board of the head company concerned (either Goerz, Tecomeco, Siemens or Koppels) deemed the business sound. Orders to any amount could be accepted and financed; in many instances Tecomeco received orders for tens, or hundreds, of thousands of pounds worth of plant without any query as to how the order was to be financed.
- (d) Almost invariably the companies were, practically, only business concerns belonging to the Deutsche Bank, their only cash resources (actual) being the amounts necessary to meet office and general expenses, the money to pay for goods purchased being provided by the bank; as will be seen later this money was seldom *directly* provided, book entries being all that was necessary in most cases. Cash was not seen till the genuine shareholders or purchasers (non-German) provided it.
- (e) There was no competition between the concerns.
- (f) British subjects were never employed by any of the concerns unless it was a case of necessity or for the sake of appearances.
- (g) The directors of the central circle boards were generally, in fact if not in name, the paid servants of the Bank. In a few instances directors might hold a few hundred pounds worth of shares in the company, as an accidental private speculation, in their own right, but almost invariably their only interest in the concern was their salary, and, possibly, a commission on the profits.

- (h) When tenders were called for there was always an "intelligent anticipation" of what was needed. The British tenderers used to complain, and still complain, that little time is allowed them. Supplies coming from "British" firms were, of course, recorded as English. The Dominions Commission was informed that false declaration regarding origin had been frequent, but it was hoped that it was becoming abated. The German agencies in England were of great assistance.

In the early stages of the organisation the backbone of the circle was the group of mines controlled by Goerz and Co. In the year 1899, for instance, the Lancaster West and the Roodepoort Central Deep Mines were being equipped; the Tudor, Van Dyk, and Geduld Mines were on the point of being equipped; the Lancaster Mine required a considerable amount, and the Geldenhuis Estate Mine a fair amount, of additional plant. It is worth noting that the Lancaster and Lancaster West Companies were, later on, amalgamated, and recently, after many vicissitudes, the amalgamated concern was liquidated. On development the Tudor was found unpayable; the plant was only partially erected, and the company has been dormant for years. The Van Dyk on development also proved to be unpayable, and has been closed down for years. The Geduld, after first being reported to be unpayable, on further development has proved to be one of the most valuable mines in the Far East Rand (at the present time the directors are working the mine in a fashion that shareholders might criticise if they were on the spot). It has paid £450,000 profit, and will ultimately yield twelve millions of profit. The Princess and Roodepoort Central Deep Companies were amalgamated, and have only proved moderately successful. The May Consolidated has proved highly payable, but is now almost worked out. The Modder Deep has been opened up since, and is highly payable. It has paid half a million profit, and will ultimately yield another ten millions of profit. The Geduld and Modder Deep alone gave the bank a gold basis estimated at fifty millions.

Tecomeco represented some of the best engineering firms in Germany. In certain lines, however, more particularly in small plant, the German article is much inferior to the "British," and is very much cheaper, and when sold at the normal British article price very handsome profits are made, varying from 60 to 100 per cent. on landed cost. As a set-off to this there are other lines which are equal in value to the British-made article, and are much lower in landed cost than the latter. An instance of this is the Mannesmann tubing. The Mannesmann works in Wales did not supply a superior tube to that sold by the Mannesmann works in Dusseldorf; in fact, it is probable that the latter was in most instances the better article. "British" Mannesmann tubing was introduced on the mines in 1899 and sold large quantities for import, and eventually a large stock was consigned from the German works; orders ranging from a few hundred pounds up to £1,000 and even £5,000 were received. Since 1899 many hundreds of thousands of pounds' worth of this tubing must have been sold, and, owing to the great difference between the cost of the German and the "British" Mannesmann tube, only an infinitesimal proportion (possibly only a fraction of 1 per cent.) has been manufactured in Wales. It would be very interesting and instructive to ascertain the reasons for the extra cost of the same tubing, made under the same supervision, by the same process, in Wales as compared with Germany. No doubt the royalties and commissions paid to the German firm added to the favoured tariffs would account for a large proportion of the difference, and it may be surmised that the

Welsh factory is operated on much the same system of German Bank control as has been described. If that is so, then the circle system would account for a considerable amount of the remaining balance. We have strongly urged the importance of conducting an investigation into the affairs of the British Mannesmann Company, as there is a strong probability that the "system" is working to the fullest extent in connection with this business.*

The chief German firms represented by Tecomeco were:—
 Sulzer Bros. (Switzerland and Germany): Engines and Pumps.
 Ascherslebener Works: Schmidt Engines and Superheaters.
 Pokorny and Wittekind: Air Compressors.
 Wilhelmshuett: Winding Engines.
 Kirchner and Co.: Woodworking Machinery.
 Balcke and Co.: Condensers and Cooling Towers.
 Buettner and Co.: Boilers and Superheaters.
 Gutehoffnungshuette: Iron and Steel Construction Work.
 Mannesmann Tube Co.: Tubes and Poles.
 Breda: Water Purifiers.

As nearly all these firms were represented in England, either by direct agencies or through British agents, an investigation into their affairs in England would prove interesting.

Tecomeco was managed entirely by Germans, with a few Englishmen for the positions which had to be filled by British subjects. Siemens, Ltd., was similarly managed, though, later on, Mr. Lee Murray took over the management. Koppels had Mr. A. F. Robinson (an Englishman) as one of the joint managing directors, the other (Mr. Flatow) being a German. Owing to the fact that there was not at first sufficient business in electrical plant for the mines, etc., under the Deutsche Bank control in South Africa to keep a firm like Siemens, Ltd., busy, it was found necessary to modify the German system so that outside business could be obtained. Therefore, the Tecomeco stands as the best local example of the system in its entirety. It will be shown that the system resulted in complete failure for the Tecomeco,† but it must not be forgotten that it was only the unexpected collapse of the three mines of the Goerz Group, from which a continuance of large orders was anticipated, that caused the policy adopted to fail. Had these mines (Van Dyk, Tudor, and Geduld) gone ahead, as was anticipated when Tecomeco was founded, the firm would have been flourishing up to the time of the present war. Only one water-tight compartment was affected. Orenstein-A. Koppel took up the agencies of "Tecomeco." On other occasions, or with other groups, the system must be reckoned with in the future. Some time ago, when Mr. Max Francke was appointed a leading director of Rand Mines and the Central Mining and Investment Corporation, it seemed possible that the policy which was in operation with the Goerz Group when he was head of that concern might be adopted by the Eckstein Group. For the sake of British and South African shareholders steps should be taken to prevent the recurrence of such transactions as are described. Mr. Francke resigned his position after the "anti-German riots" in Johannesburg. He had, however, shortly before come from Germany to London to supervise the immense interests of the firm. His resignation, with that of other Germans, has placed Sir L. Phillips in a more important position than he occupied under the earlier German *régime*.

* This has been "bought out."

† Tecomeco was to have been "liquidated" by Koppel's, but we have seen no published results. This is a case for inquiry by the Custodian of Enemy Property.

There were, no doubt are, other similar circles, and all of them receive aid from a higher grouping covering the whole of Germany, rails, canals, industries, mines, etc. Thus an order or tender called for in Johannesburg will be attended to by all Germany (and Germany abroad), with privileged internal and export freightage where it may be thought necessary.

We have now described the main lines of an actually operative ring, and after going more intimately into its management and methods it is convenient to observe its powers of intrusion on less effective organisations.

AN INSIDE VIEW.

We shall now turn to an exposition in greater detail of this unit in the German system at work in this country.

Early in 1899 a knowledgeable British engineer was selected by "Tecomeco," his duty being to sell machinery of all kinds and to see that it was properly erected and operated when delivered. His salary was £40 per month *plus* commission, reckoned at the following rates:—

5 per cent. on the estimated gross profits on all orders not exceeding £100 in value received from all but Goerz mines.

2½ per cent. on the estimated gross profits on all orders exceeding £100 in value received from all but Goerz mines.

Half the above rates on all orders received direct from Goerz mines (*i.e.*, not given out by Goerz Head Office).

1 per cent. (altered after six months to ½ per cent.) on the gross profits on all orders received from Goerz Head Office.

In addition, all travelling expenses, etc., were allowed, with authority to expend any reasonable amounts for entertaining clients.

On joining the firm he was instructed first to draw up a list of stock which he would recommend to be held, to the value of about £20,000, and was informed that this, or even a much greater value if necessary, would be sent "on consignment." The general instructions regarding the plant he was to offer to purchasers were that he was to use all efforts to obtain orders for the firms whose sole agencies "Tecomeco" held. All these firms were German, but he had a free hand to offer British and American machinery whenever he was satisfied that there was no hope of securing the orders for their own agencies. This was only an ordinary business arrangement; all firms work on the same lines in this connection. This engineer was engaged by the firm because he had had several years' experience on the Rand selling English and American machinery, and knew the type of plant which was saleable. He had nothing to do with the mines supplies section of the business; this was managed by an entirely separate staff. He secured a considerable amount of business for British and American machinery, chiefly for mines outside the Goerz control, but the total value of these orders was minute as compared with those which went to Germany.

The list of plant to be ordered for stock which he drew up comprised: Boilers, Pumps, Engines, Compressors, Hoists, Machine Tools, and the innumerable small items of plant which are in general demand on the Rand. All the heavier lines were specified of German manufacture, but the smaller items, such as machine tools, etc. (these amounted to a total value of several thousands of pounds) were chiefly of British and American manufacture.

AT BERLIN.

The list was approved by the "Tecomeco" Board, and was transmitted to Berlin. All communications to Berlin to which he had access were addressed to Messrs. Hecht, Pfeiffer and Co., who were denominated as the Berlin agent of "Tecomeco." This firm must have had very extended ramifications, their operations being world-wide. All "Tecomeco" orders, even for the smallest values, had to be sent to them, and were transmitted by them to the manufacturers in Germany. Orders for British material were sent by them to their London agent (Mr. H. Pynegar, Dowgate Hill), those for American material to their New York agents. All return communications, etc., came back through the same channel.

There also existed in Berlin what was called the "Head Board." Of whom this was constituted, or what was its duties, was not revealed. From its actions and their effects it could only be assumed that it was the centre of the complete organisation, and was probably a committee of the Board of the Deutsche Bank. In any case, no new development of any importance could be inaugurated without the sanction of this authority. The directors never referred to the body by name, but, when speaking of any decision or instructions, would say, "Berlin tells us that" In the ordinary course of events a business firm in Johannesburg sends weekly, or monthly, reports to the various firms whose agencies it holds. This procedure was never followed by the "Tecomeco." All communications between it and the manufacturers went through Hecht, Pfeiffer and Co.; further than this, copies of all letters of any importance sent to, or received from, customers by "Tecomeco" were forwarded to Hecht, Pfeiffer, who thus were conversant with all the affairs of the concern. Six copies at least of all tenders and important letters were made and were distributed: Customer; Local General file; Department file; Berlin; Berlin duplicate by following mail; Berlin for London and New York if necessary.

When the list for stock reached Berlin the whole of the plant specified for purchase from German firms was placed on order. After many months' correspondence between Berlin and "Tecomeco" some of the British and American plant was ordered, but the question of placing the orders for the bulk of the machinery required from these countries was still the subject of correspondence in 1905. The English engineer knew, and convinced the local Board that he was right, that he could not sell the particular plant asked for if it was of German make. Berlin insisted that the German articles which they offered in substitution were as good as those made in England or America, and could be obtained "on consignment," whereas the non-German goods would have to be paid for at once.

Had the "Tecomeco" been an independent firm with adequate working capital of its own, the orders would have been placed with the firms specified by the British engineers, and good, saleable stock would have been procured. In numerous instances they ordered for import, for customers, duplicates of articles which were on the agent's list, and both themselves and their clients lost the advantage arising from local stocks. Many orders were lost because they could not supply the requirements from local stock. The system was not so perfect as it has since become. The policy of the "Tecomeco" with all Goerz enquiries, and more or less with enquiries from outside firms, was to quote for high-grade plant, ask the highest price which it was thought the customer would agree to pay, and use every effort to obtain the order. In saying "every effort," one has to exclude bribery.

as, so far as was ever learnt, no underhand commissions were ever paid. The simple fact that with Goerz enquiries all the persons interested were servants (directly or indirectly) of the Deutsche Bank was sufficient to make the payment of commission impossible and unnecessary. Even for orders outside the "controlled" group one never heard of commission being paid or offered except in the case of one very large order for Lourenço Marques. Considerable sums would be expended in entertaining managers or other officials of mines; from £20 to £50 would be spent in this manner, but this is, or was, a very usual procedure in Johannesburg, and was in no sense a bribe.

Usually Goerz enquiries were received in time to remit the enquiry to Berlin by mail and obtain mailed offers. On receipt of the Berlin offer a close estimate would be made of the charges for sea-freight, insurance, bank charges, railage, and coast and delivery costs. Office charges at rates varying from $2\frac{1}{2}$ per cent. to 5 per cent. or even 10 per cent. on *landed* cost, according to the amount of the order and the work involved in connection with the enquiry and order would be added. To this, which was called the actual cost price, an additional percentage, which went by the name of "estimated profit," would be added. The percentage, on actual cost price, added for profit usually varied from 40 per cent. to 60 per cent., but in many instances it was found that the percentage could be put up to 100 per cent. (*i.e.*, that the landed cost *plus* all office charges could be doubled), and very many thousands of pounds' worth of orders were received on this basis. Many orders amounting in value to from £10,000 to £60,000 were received on which the total cost to "Tecomeco," including office charges, did not exceed two-thirds of the selling price. As the German manufacturer's price was also very high, it is known that the mines could have obtained, through British firms or agents, sufficiently good plant for their requirements, including a satisfactory profit for the agent, for less than "Tecomeco" total cost price. It was very seldom that any firm other than "Tecomeco" was asked for prices for heavy plant for Goerz mines; occasionally, however, circumstances would arise which made it necessary to invite other firms to quote. "Tecomeco" prices, in these instances, were always higher than those of any other firm, but they always received the order. On several occasions the directors of Goerz and Co. agreed to the recommendation of their Consulting Mechanical Engineer, and authorised him to place orders with firms other than "Tecomeco," but the ring was too close, and usually a remonstrance from "Tecomeco" directors was sufficient to make them change their instructions. In the one or two instances when they refused to vary their agreement "Tecomeco" cabled the Head Board in Berlin, with the result that Goerz were instructed by cable to place the orders with "Tecomeco."

GROSS OVER-CHARGES.

It is estimated that roughly from one-fourth to one-third of the sums charged for plant by Tecomeco to some of the Goerz mines were gross over-charges, which would have been impossible to arrange for without the close connection between the two concerns. The unfortunate shareholders of the companies were bled to this extent.

As a consequence of the policy of overcharging, orders for heavy machinery could not be secured from groups other than Goerz, "Tecomeco" managing directors deeming it inadvisable to quote, say, Ecksteins for certain plant at £10,000 when almost similar plant had been sold to Goerz for from £13,000 to £15,000. Had the plant been offered even at "actual cost price" it would, in the majority of

instances, have been too costly to enable the firm to secure the order in competition with British and American firms. This was due to the continuance of the ring system in Germany. "Tecomeco," practically, could only deal with specified firms in Germany; and as all enquiries had to go through Hecht, Pfeiffer there was no possibility of the firm directly placing orders outside the specified circle.

All these firms were satellites of the Deutsche Bank, and were again compelled to deal with other certain specified firms when purchasing their requirements. Had each of these firms been allowed to exact the uttermost farthing from the members of the ring in payment for their commodities the system would defeat itself, but when dealing with a firm like "Tecomeco" the price would certainly be on the highest rate chargeable. Whilst "Tecomeco" was making huge percentages on Goerz orders it was useless to appeal to Berlin to get reduced prices from the manufacturers; Berlin knew the Johannesburg estimates, and appeals would be in vain. Whenever it was necessary that cut prices should be tendered to customers Berlin would always see that the German manufacturers quoted the very lowest prices to "Tecomeco"; then, if their customer would take German material, the order could generally be secured. As an instance, Messrs. Fraser and Chalmers (under the wing of Wernher, Beit and Co.) and "Tecomeco" once quoted the Consolidated Goldfields of South Africa for a very large quantity of heavy shafting, bearings, rope-wheels, etc. In preparing the estimate, which had to be handed in within a very short period, the last received rates of discount from the manufacturer's price-list were used, but a cable was sent off to Berlin asking what the lowest rate obtainable then was, and outlining the necessity for very low quotations. The cabled reply offered additional discounts, and the tendered price to the Consolidated Goldfields only carried about 10 per cent. profit, the total price quoted being about 20 per cent. below that put in by Fraser and Chalmers. "Tecomeco" received the order and made more than the estimated profit. Had "Tecomeco" been content with moderate profits from Goerz and Co. they would have done a very large business outside that group, such as has been continuously done by Koppel's and Siemens.

Means were adopted to prevent those directors of Goerz and Co. who were directors of "Tecomeco" ascertaining what were the profits on the orders received from Goerz, or, for that matter, on any orders. As a matter of fact, the "Tecomeco" managing directors treated the other directors practically as superior clerks, who were only shown what it was deemed advisable that they should see. There were, of course, on some of Goerz's mine boards, directors who represented the interests other groups held in those particular mines. It was the presence of these men on the boards which prevented "Tecomeco" quoting other groups lower prices than they quoted Goerz companies. A director representing, say, the Eckstein interest would have objected to a payment of £15,000 by one company for plant which had been offered to an Eckstein mine for £10,000 or £12,000. Beyond this the Consulting Engineer, who was an Englishman, would have raised trouble had he found out, as he would have done if it had happened, that the prices quoted him were very much higher than quoted to other groups. He could not object to the settled policy of the group in buying all their heavy machinery from Germany, even if he knew that he could get British machinery at lower prices. Koppels would tender at competitive rates in cases where difficulties arose.

With the "Tecomeco" mine supplies department the policy was different. It was essential that business should be done with mines

outside the Goerz group, and competitive prices had to be quoted. Goerz mine managers would not have permitted their working costs being increased by their having to pay more than their neighbours for similar goods. The only advantage that the department had was that the Goerz mines were compelled to give preference to "Tecomeco," and sometimes the orders could be secured at slightly higher than normal rates, particularly when the European prices were fluctuating. With the "backbone" provided by Goerz mines a good business was established.

When Goerz and Co.'s machinery orders ceased, due to the closing down of the three mines previously referred to, a closing down which the Board knew was, in so far as two of them was concerned, likely to be permanent, the "Tecomeco" machinery business also practically ceased, the remainder of the Goerz mines being fully equipped. The very expensive establishment could not be continued without heavy loss, and, about the year 1908, the business was combined with that of Koppel's, which had previously amalgamated with Orenstein and Koppel (a firm with similar business) under the title of Orenstein-Arthur Koppel, Ltd. The last firm then dominated the Rand.

As stated before, Siemens, Ltd., were unable to conduct their business on the same lines as the machinery department of "Tecomeco," Goerz's orders being insufficient to keep them going, their prices were more reasonable and a more general business was the result. A short while after the Anglo-Boer War, Mr. Lee Murray, who came from the firm of Siemens Bros., London, was appointed as manager. Siemens, Ltd., in addition to representing Siemens and Halske, were representatives of Siemens Bros., who had threatened to withdraw their agency unless more orders were secured for them. Thereafter all orders received for direct-current plant were regularly placed with Siemens Bros., but the bulk of the alternating-current machinery was still ordered from Berlin. Siemens and Halske had, in the very early days of Siemens, Ltd., consigned a large and varied stock of electrical fittings and supplies to Siemens, Ltd. A large proportion of this stock was unsaleable, having been selected by people who knew little or nothing of the Rand requirements. Up to the commencement of the present war, Siemens, Schuckert (in continuance of the Siemens and Halske business) continued to consign stock to Siemens, Ltd., the great bulk of the stock held by this firm being the property of the German manufacturers. They finance on similar lines to "Tecomeco."

The only advantage which Koppels had on the Rand lay in the fact that the Goerz mines must give Koppels all orders for lines which they dealt in, otherwise their business has been built up in competition with firms such as Hudson, of Leeds, and Howard Farrar, of Bedford. But the British firms were under the disadvantage of trading agreements, which the higher command regarded as "scraps of paper." Koppels financed on similar lines to "Tecomeco."

It will be noted that the German circle system does not necessarily include the policy of high prices, otherwise it would not need to be feared in competition in open markets. It is only in the extreme cases, such as Tecomeco and Goerz, that exorbitant prices are charged. In the ordinary case it tends to make low prices possible. Take the firm of Siemens-Schuckert as an example. Its finances are arranged to an unlimited amount by the Deutsche Bank, which also finances innumerable concerns which supply the firm with all the classes of materials required by the works. It also finances large numbers of firms building machinery, such firms as are given in the list of

“Tecomeco” agencies, who also require similar materials to those purchased by Siemens Schuckert. Instead of each of these various businesses requiring large working capital, only comparatively small amounts (small in comparison to the volume of business done) are required; everything else is done by means of bank credits. A certain number of collieries, ironworks, rolling mills, etc., are included in the Deutsche Bank circle. So long as Siemens Schuckert and similar businesses can secure orders these various concerns are certain to secure orders to a definite extent from them. Their “backbone” being secured they can enter into competition in other markets, and by securing increased outputs reduce their costs, thus further assisting their allied manufacturers, who benefit by reduced prices, which again assists all round by causing an increase of business. Not one of the firms is restricted by lack of capital; the bank will provide all the money wanted, on the sole condition that the business is sound. The great trouble of the British manufacturer, insecurity of markets, is unknown. A market once secured is retained for all time, except in the case of unexpected happenings, because the businesses being so interlocked they cannot be handicapped by shortage of materials, unforeseen rise in prices of raw materials or shortage of money. And by a steady increase in the volume of trade there is an equally steady reduction in the overhead charges.

In the operation of various firms comprising the Johannesburg circle their intimate connection was utilised to the fullest extent. A “morning conference” was held daily, always attended by the managing directors and managers of the two departments of “Tecomeco” and of Siemens, Ltd., and, when necessary, by officials of any of the other companies. Written reports were periodically handed in by travellers and any others who were connected with the sale of goods. Valuable information was thereby given by one company to the officials of others as to orders which might be secured in directions not tapped by their own salesmen.

BRITISH AGENCIES FOR GERMANS.

Great keenness was evinced in attempting to secure agencies from American and British firms. This was for three reasons:—

- (1) The plant manufactured by these firms would be sold in those instances when German plant was not acceptable to the customer.
- (2) Having used the British or American firm's products to obtain an entry into a given market, every effort would be devoted to introducing German substitutes.
- (3) In some cases the agency would simply be taken to prevent it falling into the hands of another firm which would then have become a competitor. Numerous enquiries and a few orders would be sent along, in order to prevent the agency being cancelled, but the real object of securing the agency would be to stifle competition, and not to develop the manufacturer's business.

Quotations were given for British or American plant (even when agencies from those countries' manufacturers were held) only when it was realised that there was no hope of German plant being sold. On innumerable occasions when specifications and offers have gone to the directors for approval and signature the English engineer was asked, “Cannot we offer German plant?”

PART III.

THE POWER TO INVADE.

SUMMARY.—A mine in “good hands”—Control without interest—Victoria Falls Power—Chemical Industry—Natal Coal—Industrial Welt Politik—Aims at monopoly—The great combines—Triumph of organised treachery—His tools.

Having seen the internal concentration of banks, industries and higher administrative agencies in Germany itself, in its relation both to home industries and foreign, and having before us the details of the daily work of a section of a Ring or Circle in its relations (1) internal and German and (2) external and foreign, it is instructive to watch the System in practice, building itself up on South African resources and with power to intrude into the greatest and almost national enterprises—*an imperium in imperio.*

AN ILLUSTRATION.

Let us first take a purely imaginary case, which many Johannesburgers can fill in with realistic detail. A mine, like many, if not most, of the mines of the Rand at one time or another, is in want of working capital, and is closed down, or announces the likelihood of being closed. Some of the directors or shareholders come in touch with the German mining “house” with a bank at its back. A mortgage on the property and a series of options on a block of shares, at the greatly reduced price, are offered to the “house.” After some negotiation one option is taken up, and the whisper goes round in steadily widening circles that the “house” has taken up an option for so many thousand shares. “If its good enough for — and Co. its good enough for me,” is the conclusion. Buying begins and extends as the circle of “well-informed” outsiders grows—those first “in the know” coming in on good terms compared with the later speculators. For a long time this information is privileged, and favoured brokers inform their clients in England and elsewhere of a favourable opening. The steady rise in the shares justifies the brokers. The German “house,” having secured with its option the control of the board, places its clerks as “directors,” the fees being payable to the “house.” Further options are exercised according to the market. The position is an agreeable one for the “house,” as the shares are greatly advanced without anything being done to warrant it, save that it is known that the mine is to be placed on a thoroughly workable basis. A proportion of the shares is off-loaded by the bank which holds all the scrip. The whole of the old staff of the mine is sacked—this is a common feature of our mines—and at the first meeting of directors, both of this mine and of the “house” that has taken it up, a favourable, if modest, review of the mine is made and published prominently in England and France. The local papers “feature” it, and this again is taken over by the European papers, which, at the same

time, are favoured by advertisements at profitable rates. It should be mentioned, however, that the "house" which places the advertisement draws a commission on the advertisements from the newspapers, which does not go to the shareholders. As the advertisement is both extensive and expensive, this commission is a great aid to the salary list.

The new board now decides, on advice, that what the mine really wants is machinery, say an increased crushing plant, cyanide treatment tanks, gear of some kind. The order is placed through the bank in the circle. Whether the mine pays or not that machinery has the "first call." Meanwhile the mine is explored. If it is found payable all is well—the "house" grows rich. If it is doubtful, the shares go through vicissitudes; lack of labour, breakage of machinery or one of a dozen causes, some involving adverse criticism of the Government, are adduced to explain the poor results. At other times hopes are kindled, better hopes of development, etc., and the shares rise. Sometimes another "house" is brought in, and there are amalgamations and reconstructions. At the end the mine may be closed down "until conditions improve." This is used by the press as an example of the backward policy of the Government. Meanwhile the shares have been comfortably disposed of, and the blame rests with the Government, with the labourers, with anybody. As there are few mines on the Rand that have no chance at all of paying under the best imaginable conditions, there is nothing scandalous in the attempt to make it pay. The public has paid for the experiment, the "house" has not lost, its circle and bank have had their business and commissions. The Germans' brokers have done well both as "bulls and bears."

The "house," however, will only take up a hopeful proposition. Its information is good. A prospector, for instance, takes up a block of claims which he proves to be a promising mining proposition. What first happens is that all the adjacent ground is secured by the "house," which watches the prospector struggle under the burden of claim-licences which eat up his capital as quickly as he raises it. Guided by his results, the "house" may send down a bore-hole on its own ground. Meanwhile the prospector can do nothing to equip his mine. Refused by one "house" he is refused by all, until, perhaps, when he is at the end of his tether, and probably in debt and in danger of civil imprisonment, he disposes of his interest at a loss, and is grateful to the "house" which has been good enough to do a deal with him. He has nursed his discovery and paid all the charges till the time is suitable for more powerful hands. If he sends to England for capital the matter is invariably referred to Johannesburg, and an expert in the employ of the "houses" gives the suitable report on the precarious nature of the geology, and England drops the project. The German "house" that takes it up, and perhaps floats it as a "subsidiary," convinces the circles of claim-holders that no one but Germans has the means and the enterprise to take up new properties. As a "subsidiary" the new mine is in an elastic position. It can lend or borrow money to or from members of its group. At the end of these transactions the British and French public have paid for the mine, but they have had no representation on the Board and the profits of the enterprise are not meant for them.

Since the economic penetration of the German in the mines and head boards on the Rand it may be said that it is very difficult for anyone outside the groups to finance even the most promising mine. In London there is no body of financiers well enough informed of Rand conditions to guarantee a large block of capital on their own initiative. But the "sound methods of finance" of the local "houses," with a bank

and a commercial and industrial circle behind it, all backed by a Press that accepts all its facts and leading articles straight from headquarters—such a combination can make a million or two out of a proposition of the value of, say, Cloverfield, and no one is to blame, save, perhaps, the labour supply, defective machinery, or one of the dozen usual causes. The “house” escapes criticism, as it has generally dissociated itself from the fiasco before it arrives.

As becomes a system closely allied to the German military system, a position is never occupied without providing for a safe retreat. And it must be confessed that some of our British economic strategists have learnt in this school. The trenches are vacated, the flag still flies. It is not uncommon for a “House” to retain its administrative control long after it has parted with its shares. Where the control does not take the form of a registered company the record is not made public, but the failure for four successive years to constitute a quorum (usually 10 per cent. of the shares) at the annual general meeting of a company, like the Knights Central, for instance, suggests that the “enterprisers”—in this case Neumanns—have disposed of their interest. In other cases, where the share lists are available for public scrutiny, it is patent that the controls have divested themselves almost entirely of holdings in mines still controlled by them and formerly advertised among the mammoths of the Rand. Thus we find one Group Control has sold almost everything that has been associated with its name in order to enter the new bonanzas on the Far East Rand. Some dregs were quite unsaleable, and only these are still retained. Shareholders, being unorganised, are powerless, and their funds may be borrowed by a control which has not a penny of interest in them. This should be remembered when one is told of the efficiency of private control as contrasted with State mining.

The most profitable device of all is the “subsidiary.” As the “parent” retains the control obtained for nothing, it can borrow or lend the capital of the subsidiary, use its monies to obtain control of other properties, and all without the slightest regard for the shareholder of the subsidiary. This, it must be repeated, is a fatal objection to the State leases. They are given out to subsidiaries, whose funds and administration are at the entire disposal of the “parent,” which controls them without responsibility.

If the Union Government were to mine the areas reserved for itself, conditions would be very different. So far from competing with private mines they would aid them, for no one has suggested that the State should attempt a monopoly in mines or should undertake speculative work where the working prospector has not preceded it. The State mines would provide the private enterprises with a body of available expert opinion and advice, which would be at the service of the public as well as of the Government. Such opinion would make it possible for the small man to obtain financial support from Britain, France or elsewhere, or, failing private endeavour, the State might enter on a partnership with him on the advice of its own experts. State mining would thus aid private endeavour, increase the mining activity and revenue of the country, and save the State from alien domination, first in the realm of finance and consequently in the political control.

VICTORIA FALLS AND TRANSVAAL POWER COMPANY.

This history is interesting, as the Chief Engineer, Mr. Price, was at issue in the matter with the British Citizen Movement, probably owing to an ill-draughted letter by the Movement. It is an offspring of our Circle. In 1895, when German influence was approaching

its height and the Raid was in preparation, the African Concessions Syndicate was registered in Rhodesia to exploit a concession granted by the British South Africa Company for 75 years from December, 1896, "to utilise the water power of the Victoria Falls and the Zambesi for the purpose of generating and supplying electric power throughout Rhodesia." It was a wise policy to establish power stations through the young country, but the time was hardly ripe for it to carry out an ambitious scheme by itself. If the Transvaal would join in! President Kruger, having repelled the Raid which he and friendly Germany had been expecting, was not likely to be induced to authorise an industrial scheme which would aggrandise his two bug-bears, Rhodes on the Rand and Rhodesia. Nothing was done. The Board was entirely British, but members of it met various persons on other boards. Mr. F. H. Hamilton, for instance, was in close touch with L. Ehrlich, and Mr. Wills, the chairman, was associated on the Board of the now defunct Rand Reefs Gold Mining Company with Mr. Emile Nathan, the local director in Johannesburg and now Unionist M.L.A.

There is no particular significance in the boards named, but they illustrate how Rhodesia and the Rand came into connection either directly, as was natural, in South Africa, or indirectly through London, which joined both with German finance. British influence was at zero in the South African Republic, and if the concession was to do anything it must be placed in competent hands.

Accordingly the Victoria Falls Power Company was registered in 1906 with all the honours to acquire the preferential rights to develop 250,000 electric horse-power at the Victoria Falls and the exclusive right to deliver power from the Falls to the Transvaal Colony. The vendor company had, of course, undergone some change in the meantime, and now parted with their right for £120,000 cash and a million pound shares. The drawing-room connections of Rhodesia were brought into touch with Germany: cash and finance united. Regard the Board!

TRUSTEES FOR FIRST DEBENTURE-HOLDERS:

P. L. Gell, J.P.; M. Lübeck (PARTNER OF NEUMANN'S, ON LONDON COMMITTEE OF GENERAL MINING AND FINANCE CORPORATION (ALBUS) and MEMBER OF LONDON BOARD OF DRESDNER BANK).

TRUSTEES FOR SECOND DEBENTURE-HOLDERS:

Right Hon. Viscount St. Aldwyn; J. R. Maguire.

DIRECTORS:

Marquess of Winchester (Chair); J. H. Birchenough, C.M.G.; A. BRAKHAN (GOERZ); H. L. Cripps; R. G. Fidler; I. Lewis; M. LUBECK; Sir C. Metcalfe; GEHEIMRATH RATHENAU, BERLIN; H. SCHUSTER, BERLIN; W. A. Wills, A. E. Hadley, Managing; Hon. J. R. D. Tollemache.

BANKERS:

Parrs Bank; Dresdner Bank; Emile Erlanger and Co.

If you are expert in the German system you will ask: Who holds the mortgages?

There are £3,000,000 5 per cent. first mortgage debentures redeemable after January 1st, 1917, at a premium of 10 per cent., or in twenty equal annual instalments beginning January 2nd, 1917. £175,000 were issued to the Rand Central Electric Works, Ltd.; £625,000 were issued at 95 per cent. to the Dresdner Bank in 1907; and £900,000 debentures

were issued at $9\frac{1}{2}$ per cent. to the *Dresdner Bank, Berlin, and Deutsche Bank, Berlin, during 1909*, and £1,300,000 debentures were issued to the same parties during 1911.

The Board of the Rand Central Electric Works, which was registered in the S.A.R., March, 1895, was under the government of the ring group of the Deutsche Bank described above. Among the directors we see the names of A. H. Märker; Karl Heinrich van Siemens; Georg Zwillgmeyer. Local Board, Johannesburg: Adolph Goerz (chair), alternate H. Strakosch; A. Brakhan; Geo. Farrar, alternate H. D. Solomon; Ed. Lippert, alternate G. Hesse. General Manager: I. Gorrisen. Secretary: H. Millitz. This last was the ex-manager of the National Bank (Goerz-Deutsche).

It was a Kruger concession given to Siemens and Halske, Berlin, for transmitting electric power on the Rand from Brakpan to Paardekraal.

With this almost Imperial German aid, joined to the Cecil Rhodes connection, there was no difficulty in persuading England to subscribe the shares. A colossal undertaking having practically a monopoly of that modern necessity—power stations—extending over the Witwatersrand and Rhodesia, was destined to exercise a powerful control over nascent industries requiring power. The only opposition which has been offered was due to the momentary influence of the Labour Party on the Johannesburg Town Council, which erected a power plant, and has since been subjected to much pressure, aided by the Press, to purchase from the Victoria Falls Company.

In 1905 Messrs. Lewis and Marks began to obtain way-leaves for a pole line from the coal mines. When the British shareholders had become sufficiently numerous to guarantee success, General Botha suddenly intervened to oppose the transmission of power from the Zambesi. The company, in this no doubt surprising predicament, took over as a going concern the entire undertaking of the General Electric Power Company at Driehoek, which it is unnecessary to describe, including contracts for the lighting of Germiston town and the supply of power to various mines on the Rand, which need no specification either. The Rand Central Electric Works on the East Rand was also acquired, and contracts were entered into with the Consolidated Gold Fields, Albus, Goerz, Johannesburg Consolidated, Neumanns, Central Mines Selection, Lewis and Marks and others. In 1907 the foresight of Messrs. Lewis and Marks was justified. Their way-leaves were purchased, and an agreement made with them for the erection of a power station at Vereeniging. In 1909 the company formed the Rand Mines Power Supply Company, Ltd. (there must always be a subsidiary), to supply the Rand mines and H. Eckstein and Co. with electricity and compressed air. The usual mortgage was secured. This leviathan now dominated the Witwatersrand.

As we have seen, there are two essentials in the German system: (1) to sell the shares to non-Germans; (2) to supply the machinery. The first we have seen accomplished, and the mortgage duly secured. An English official was sent to England with specifications to obtain the plant. As might have been expected, he failed, the specifications having been made on German lines. It was a splendid occasion for the newspapers to lecture the English manufacturer on his indolence and incapacity. The plant was supplied from Germany. Nothing remained but to draw the payment for debentures, which is now in progress, unless perchance some Enemy Trading Act has intervened. L. Hirsch and Co., who underwrote the last issue of 900,000 shares for public subscription

at 5 5-6 per cent. cash commission and a brokerage of 6d. per share, have not lost. It is now really a British company, but it has nothing to do with the Victoria Falls or the development of Rhodesia.

The penetration of the German into the mining boards of the Rand is reflected in the early finance of this now British company. But is it reasonable to suppose that if those in control of the industry had had also a national outlook they would not have put their resources together and created the central power stations without overloading their finance by millions of debentures for the Dresdner and Deutsche Banks and finding themselves cozened into buying German plant? The contracts of half a hundred mines would have insured success from the first. The erection of machinery would have been done by British engineers, and the industrial prestige gained in so large a work would have awakened the home-islands to the advantage of similar works. After recounting recently a "formidable list" of bad work—"long succession of serious and expensive breakdowns, transformers to be re-wound and copper conductors burred in winding, deficient transformers, lamentably deficient switch-gear, exacting and incompetent experts of A.E.G., heavy maintenance of turbines, faulty design, rapid deterioration, shoddy steampipes, valves and lagging, disgraceful lay-out and design of compressor plant and excessive cost of upkeep"—the Chief Engineer, Mr. B. Price, said,* "I do not think the A.E.G. or their German sub-contractors have reason to be unduly proud of the record of the plant . . . it is quite certain that leading consulting engineers and manufacturers in England would have avoided many of the mistakes which the power companies have have to correct." Had it not been for the war these defects would probably not have been advertised. What is further to be noted is that the price charged for power leaves a saving of only sixpence or one shilling per ton for the mines. Assured of their debentures and their contracts with the "Houses," the bank groups have retired. There is no saying what rebates are granted in Germany to the German subsidiaries. Just as the German established the Coal Trust for the monopoly of coal, he established this monster as a master-key to the Rand. In this business, too, the Government should replace nominees of German shareholders on the board. Has the necessity of examining the shareholding and reporting to the Custodian of Enemy Property escaped the notice of Major Bagot?

CHEMICALS AND OTHER STORES.

A striking instance of the extrusion of original British interests from an industry begun by their enterprise and capital is supplied by the New Transvaal Chemical Company. This was founded to manufacture sulphuric acid from concentrates, and acquired the concession; under the form of a patent, granted to Dr. Schlesinger (now Schlesinger-Delmore) by President Kruger for that work. The "patentee," a German chemist, born in Breslau, came to the Transvaal in 1889, and was attached to the analytical laboratory in Pretoria for some years. In exchange for his rights Dr. Schlesinger obtained an influential share in the company, and was made managing director. The capital, £40,000, was entirely subscribed in Scotland, and a manager was sent with Scottish workmen familiar with the work in Scotland, for which a patent had been granted in the Transvaal. The manager was told to find a convenient spot for the erection of works, and he pegged off a block of

* Inaugural address, 1916, by the President S.A. Institution of Mining Engineers.

gold claims on the railway line between Boksburg and Germiston, which he transferred to the company. In course of time the Scottish workmen were assisted by Germans, and the company got into deep waters.

Dr. Schlesinger-Delmore got into touch with Mr., or Baron,* Erlanger, and the company was reconstructed. The old shareholders fell out of the control, and the company is now exceedingly prosperous. Fourteen of the gold claims have been sold to the Wit. Deep Mine (Neumanns) for £42,000, the factory retaining surface rights. Messrs. Lever Bros. have acquired a half interest in the concern, which manufactures soap, candles and grease. Dr. Schlesinger has received the Order of the Black Eagle from the Kaiser, but it is understood that he has returned this commercial decoration, and is now a British subject. The company is also British.

In the economic world of the S.A.R. nothing, perhaps, created so deep a sensation as the fate of the MacArthur-Forest patent for treatment of slimes by cyanide of potassium—the “cyanide process.” The two Scots chemists who gave their name to the patent had made or discovered a process which made a well-known chemical fact applicable in commerce, and had thus made the Witwatersrand a “payable proposition.” Possibly one of the leading backers of the patentees in Glasgow demanded more than was equitable or wise, for even a fractional percentage on the hundreds of millions of gold to be won from the Rand was a sufficient fortune. Ten per cent. was demanded. But a message was conveyed to the effect that a less percentage (say, 1 per cent.) must be accepted or the patent would be contested. Confident in the validity of the right to patent, the company rejected the diplomatic offer. The patent was contested in the Republican Courts; money counted; the patent condemned. It is an interesting contrast to Dr. Schlesinger-Delmore’s “patent.”

As may be supposed, there is a large demand for chemicals on the Rand, and here the analyst is an important person. The firm of Loewenstein, Adams and Co. was not neglected in this important connection. Such instances might be multiplied within the circle group described.

In addition to the stores regularly provided for, the various agents of the circle were always ready to oblige an English acquaintance in calling his attention to admirable furniture to be seen in their rooms supplied from Germany. China, glass, liqueurs and other expensive equipments of masculine and even feminine life were thus introduced and the influence of the ring spread German trade in South Africa, and brought much content to the other rings beneath the sway of the Deutsche Bank. The German Club, a large and popular rendezvous, was a convenient centre for beer and business. All classes met there. The influence spread until our commercial life became super-saturated. The Transvaal was ripe for the public welcome of Herr Dernburg.

The supply of agricultural implements in South Africa, and even in British East Africa, is largely in the hands of Koppels and Malcomess.

PASSION FOR MONOPOLY.

Mention has been made of the use of banks by the Prussian Government to obtain control of mining syndicates, as, for instance, when the Dresdner Bank was instructed to buy shares privately on the

* No discourtesy is intended by this alternative. The authors have been told that this eminent financier has returned the title to the source from which it emanated, but they have been unable in the time at their disposal to verify the statement.

Stock Exchange until a majority of the capitalisation was acquired in the Hibernia Coal Company, which was mining 7 per cent. of Rhine-Westphalian coal. This was only a portion of an enormous scheme in which the coal and iron fields of the Reichsland (Lorraine) were concerned being linked up by artificial waterways on the Rhine and Weser with Emden and the famous port of Ruhroort, which boasts a bigger tonnage than the port of London.* The scheme provided not only for the accumulation of the raw materials of coal and iron (coming from France) necessary to a world-war, but aimed at a world-control to be accomplished by the addition of the French remaining supplies along the frontier and of the coalfields of Belgium. The temporary accomplishment of a large part of this scheme during the war enabled Herr Schroter, chairman of the *Verein Deutscher Eisenhüttenleute*, to boast that "the economic power of France was seriously damaged, and even partially annihilated." The "bull" contained in the last two words revealed the policy, which was to annihilate entirely the industrial economics of France and to build up on its ruins a German iron and steel industry supreme in Europe, and ready to cope in due season with America, where the way was already prepared by the citizen attached by a hyphen to the bank.

A similar monopoly of great importance was won by relation of the Prussian *fiscus* to the potash syndicate. The Imperial Province of Alsace-Lorraine had long been members of the potash syndicate, and an irresistible impulse was given to the Prussian passion for monopoly when potash salts, worth as much, in terms of money, as all the gold of the Witwatersrand, were discovered in the neighbourhood of Hartmansweilerkopf. This now notorious name suggests that the "political" motive for the French invasion of Lorraine at the beginning of the war may have had something to do with the economical importance of the mines. In order to preserve the official monopoly of the syndicate created by the Prussian Government in 1879, when it was threatened at the expiry of the agreements in 1909, compulsory syndication was adopted by Parliament in spite of the difficulties at home and abroad. Then was laid down the principle, which has been since extended to take in the whole world, of creating monopolies in national products by means of statutory syndicates, supported by the banks, so as to impose a large tax on the foreign buyers in favour of domestic industry and agriculture. To this almost perfect national monopoly, in which private ownership is reconciled with national profit and control, Germany owes its facilities for the manufacture of explosives and its prominence in the manufacture of chemicals. It is by such means—super-imminent control of raw material—that the real kulture of Germany was to be imposed upon the consuming, and consumed, world.

The policy suggests the cure.

It may be agreed that to obtain Government control of internal raw products and industries was a legitimate and wise policy for Germany, though it is not to be forgotten that this very consolidation was a continual stimulus to the covetous plan to absorb the coalfields of Belgium and the ironfields of France on the frontier. What we must resent and combat is the open and concealed machinery for controlling the industries and raw materials of the rest of the world.

Closely allied with this *welt politik* for iron and steel was the *welt politik* for electric power, involving the copper control. Another form of

* See an interesting paper on "Coal and Ironfields of Lorraine," by H. D. Davray, *Land and Water*, 4th January, 1917.

attack was necessary for this monopoly. They had to win financial control over industries in far-off countries. The method had to be as carefully hidden as the building of the Fleet. It must be believed that by now everyone knows that the electric world has been controlled by the A.E.G. under the Deutsche Bank. As this brings us closely into touch with the German Circle we have been investigating—through Siemens and the first debenture-holders of the Victoria Falls and Transvaal Power Company—it is worth while seeing the scope of it.

The A.E.G. is found in possession or in control, acting as money-lenders, etc., in every part of Europe. They are Swiss subjects and British subjects, Frenchmen, Italian, Russian, anything and everything. It is estimated that they control a capital of 155 millions of marks. In America they run parallel with the General Electric Company of New York, and these parallels frequently meet. Thus the G.E.C., the A.E.G., the Gesellschaft für Elektrische Unternehmungen and Sir Ernst Cassel were the largest holders in the British firm of Thomson-Houston; the various Siemens groups of Berlin are paralleled by Siemens Bros. of Stafford; and the Deutsche Gasglühlicht Aktiengesellschaft runs parallel with the Osram Lamp Works, Ltd., the Tungsten Lamp Association forming an intermediary connection. The agents for Osram's in Johannesburg were not the A.E.G., but the British General Electric Company. The headquarters for South Africa was the A.E.G., of Caxton House. The organisation covers the world. The A.E.G. are not manufacturerers, but organisers for the Deutsche Bank. Their foreign department connects with Bergmann's and the Treuhand Bank and Bank für Elek. Unternehmungen. These arrange the co-ordination of subsidiary finance and industries. The raw materials, however, introduce us to no less than the Kriegsmetall Gesellschaft (German War Metal Co.) and the Metallbank and Metallurgische. It is not too much to say that this organisation, an Imperial organisation, controlled the greater part of the lead, spelter, nickel and copper ore of the world, and no small part of the iron. You may trace out the most innocent English, Australian or South African companies, and you shall find, if you dig, the agent of this monster. It would be tedious to compile the volume of its directorates. At the very highest of headquarters we meet Otto Braunfels (of Goerz and Co. and Albus), Rathenau (Victoria Falls Power Company), R. Ochs (connected with the upper powers of the copper and diamond world), Gwinner (of Goerz and Co.), and the Deutsche Bank assists financially. Besides holding direct agencies in America, it controls the American Metal Company, which owns six large companies in the States and Mexico.

In England the recognition of this combination was first revealed by Mr. Hughes. "It is impossible in England," he said, "to buy lead except through Merton in London." The Australian Prime Minister reported that the base metals of Australia, worth £13,000,000 a year, were under "the control originated through the operations of the firm of Merton, of Frankfort-on-Maine. The ramifications of this firm or group are world-wide in their nature. It is represented in almost every civilised country, and its methods are typical of the German character. They resort in this regard to the same methods in the development of their business as they do for the development of their national power—that is to say, they take upon themselves the national cloak of the country in which they find themselves established to disguise the purpose which they have at heart." Again, "The persons or firms who control the zino trade—that is to say, who decide how much zino Australia shall produce—as well as what the price shall be, are Aaron Hirsch, Beer Sondheimer, and the Metallgesellschaft. The position is practically the

same in regard to copper, so far as the firm of Aaron Hirsch is concerned." In the early months of the war the British Government's orders were purchased, *e.g.*, by the Mond Nickel Company, through this German Trust.

The Mond connection brings up the Natal Ammonium, Ltd. This company extracts fertilisers from the nitrogenous coals of Natal. The fertilisers are exported to Japan. Possibly the fertilisers are not the most suited to our soils, but the farmers grumble that they cannot get fertilisers in war time. The development of power stations suggests a saving in the process of extracting nitrogen from coal, for coal is wasted in the process. The nitrogenous coals of Natal attracted German attention when gas-engines were much talked of, and the Johannesburg Town Council installed a costly plant of German pattern, since rusting unused. Messrs. Baerecke and Kleudgen, a firm "voluntarily wound up" since the internment of Mr. Baerecke, found a market for the Vryheid Coke Company in various parts of South Africa. But the high percentage of nitrogen in these Natal coals makes them valuable for ammonia and other products used in the dye industry. Mr. Katzenstein, a Vryheid solicitor, was interested, and about 1910, after the visit of the German expert, a syndicate appeared quietly upon the scene cabled the Shongolo Kohle Gesellschaft Syndicate, in whose name a valuable coal farm was acquired as well as options over considerable coal areas. At the same time negotiations were duly opened up with the S.A.R. for railway sidings, etc. In due course the modest Shongolo Syndicate (capitalised at £50,000) passed into obscurity and was replaced by the the Veelsgeluk Company, Limited, duly registered at Somerset House by another solicitor of the name of Oppenheimer with a capital of £250,000 in the month of September, 1911, as can be discovered by anyone sufficiently wealthy and sufficiently curious to search the files at Somerset House relating to registered companies. Indeed, unless one does evince such curiosity there is little chance of discovering Germany's tricks in regard to working under the British laws. Such a search in the present case reveals the fact that the only British shareholders are the clerks of Mr. Oppenheimer or others who signed the memorandum and articles so as to "comply with the law." In due course a later search produced a truer view of the inwardness of the concern, for by this time a list of shareholders had to be filed, and then do we discover the truly British character of this British registered concern, for amongst a very long list of purely German names with German addresses appear such names as Prince Leopold von Bayern, Prinzessin Friedrich von Sachsen Meiningen, Herr Marine Intendantur E. J. W. Zimmermann, of Wilhelmshaven, and almost every man of note in the German Naval, Military and Diplomatic service. Whether or not this modest little concern has received that attention due to it from His Majesty's Board of Trade we do not know. Representations were made to the London authorities some twelve months ago by some residents in Natal, but whether such representations have had any effect or not is not known; but as the Government at Home were empowered early in 1916 to wind up such companies, it is to be hoped they have moved, and thus nipped in the bud a serious and well-laid scheme for bringing the nitrogenous coal area of Natal within the far-reaching tentacles of Germany's vast dye trust organisation.

The other advantage of a German station at such a place is obvious. Such outposts are everywhere. We, therefore, call the attention of the British Government to an outpost at other end of Africa—one of many. In the Sinai Peninsula is the Sinai Mining Company, registered in 1913

to adopt agreements with various ramifications of the Mertons' Metallurgical Company. As is usual under this German octopus, the output is bound to go to Germany, and there is usually at least one military German on the spot. These ought to be bundled out if they can now be found on that interesting edge of war. All the other Egyptian companies need overhauling.

Australia is, or was, in a like position with ourselves in South Africa. We have the same nexus of finance under the same control, and the same deliberate State policy behind the exploitation of the world's raw products. To the accomplishment of their design the devotion of a soldier is brought. No treachery is too base, no cruelty too cruel, for everything is justified by the accepted morals of the German War Book. Acts that a German might be expected to shrink from, in his private capacity, become virtues because they are for the aggrandisement of the Dynasty. Success was expected to provide the justification which the world they have degraded has been willing to yield to the *fait accompli*.

South African copper—Tanganyika, Falcon Mines, Messina, and the later Cape discoveries—will very possibly take as high a place in the world's output as the gold has done. At present these resources are being actively invaded by "Americans." It is said that Americans are aiming at this monopoly. By others it is suggested that Mr. Hays Hammond and his friends have secured the greatest share (it will be remembered that Mr. H. Hammond was associated with the Rand in the early days and up to the Raid). In any case, an obscure American invasion, which may easily turn out to be German, is winning the control of South African and Central African copper actually during the war. In this case also valuable fertilising products may be lost to the country.

There are two dangerously imperfect views of the German system. One looks at the centralised banking system which finances industrial and commercial projects abroad; the other sees merely the multiplication of naturalised or otherwise German persons active in England and other foreign countries—waiters, hotel proprietors, stock brokers, company directors, professors, consuls, etc. The formidable nature of the former—the great banks—is set off against the comforting reflection that British individualism comes out top in the long run, and, after all, the British banking system does in its own way support the world of commerce by discounting bills, oversea acceptances and such like, and has not shown itself inferior to the German method, in which credit banks assume large risks in industrial finance. Many admirable persons whose vision is confined to the latter view—the naturalised German, registered "British" companies, etc.—feel that there is room enough in a rightly tolerant British Empire for the enterprising foreigners, who perhaps have something to give us as well as to take from us. They cannot imagine that the British oak can really be harmed by a set of persons whose importance, socially or otherwise, is about that of a "German band"—rather annoying, perhaps, when one is brought too closely into contact, intolerable, yet to be borne.

It is, therefore, of the utmost importance to make it clear that these are partial views of one thing. The necessary enterprise and individualism are given to the System by the syndicates, which are spread all over the world to bring into the German grasp the raw products or industries which belong to the people of other nationalities, who are often in financial difficulties. The agents of the larger syndicates or trusts intrude, by means of loan or otherwise, on such struggling enterprises, and by a continual reconstruction, absorption, exchange or other method of fusion, the smaller is built into the larger until the whole

world is bound about the feet of the Reichsbank. By this means a guerilla war is carried on against the whole world, and reinforced from the organised base at home. Risk is kept in water-tight compartments, and is easily discounted or thrown on other shoulders; irresistible aid can be given to movements which would otherwise be too insignificant for Imperial notice. For example, a non-German company has a promising mineral property, but its finance is slender. This is a "position" to be occupied by the videttes. It will be "consolidated" later. A process of such "nibbling," added to the power to put in motion big "bear" or "boom" moves, can easily result in the command of a whole industry passing into the hands of the enemy. Then, at the very moment when a British bank is pressing its clients to cover their overdrafts on scrip which the German banks are assisting to "bear," the German banks, having complete knowledge of the situation, are advancing money on the same scrip deposited by their agents with themselves. The British banks are not only justified, but are forced, to act in this way for self-protection by the German attack, which had this object and result clearly in view. That is a familiar operation in South African stocks, but it is not confined to South African stocks or industries.

If the reader makes allowance for certain very important reservations he can learn the external organisation from such standard works as Dr. Riesser's *Grossbanken* (The Great Banks) or Naumann's book on *Mittel-Europa*. But he will not see the advanced guard of this invading army, nor will he be provided against his own personal danger—when he is contracting, say, to build machinery, supply goods, buy shares, or what not—of bumping up against a competitor which has not only an immensity of millions against his small means, but has also a railway and shipping system whose rates may be altered privately in order to meet his special case; a banking system which has credit enough to subordinate British banks (his own bank, perhaps) to its service; and on the top of that has means of knowing the exact reach of his credit and resources, and can attack him on all his points at once. Is he interested in the election of a director to an insurance company, a bank or other institution—he may find himself unawares assisting or opposed to the pervasive power. If he is interested in recruiting, say, in South Africa he may find himself a guest at the Governor's table alongside a "naturalised" British subject who but shortly before was holding conversation with Colonel Francke (the enemy's Commander-in-Chief) in the neighbourhood of a German Bier Halle.

And if he has been anxious to harass the enemy's economical power he may get a lecture on the "smelling out" (as if he were a Kaffir witch-doctor) from the Imperial official who, as former President of the Board of Trade and engaged in the purchase of the wireless system of telegraphy, should be on the alert. Or, if he himself be entirely free from the contact, he may be solicited by a friend who is, consciously or unconsciously, moved by the German tide.

To understand this he must study the action of the German system at the bottom, watch its intrinsic and amalgamating power, and mark its lines to headquarters. London, of course, provides the means of observing the process almost in its entirety. But London is too good a hiding place. Australia and Canada present less crowded studies, and Mr. Hughes has done splendid work for Australia, while we could not find a voice in South Africa. But it is the Transvaal where the system is so visible that you cannot help seeing it and being seen by it. Here you have the Hatzfelds, Blüchers, Dernburgs, of the upper diplomatic financial rings under your gaze. Here there is a continent to be conquered with an accessible gold basis of Two Thousand Million Pounds.

Every detail of one's life brings one into touch with the German combination at some point or another, its big guns firing from the Grossbanken, its field artillery in the "Houses," its machine-guns in the most unexpected places, its foragers and *francs-tireurs* in trust companies and money-lending corporations, in supported winkles that deal in everything from loans to ammunition, liquor agencies, wool buyers, syndicates of all kinds, Commissions, Water Boards, Clubs, Property-owners' and Ratepayers' Associations, Town Councils, Chambers of Commerce and of Mines, foreign Consulates, private banks, insurance companies, land companies, bioscope purveyors, house agencies, labour agencies, Parliamentary caucuses, etc., etc., etc. They hardly need spies, for everything comes to them naturally, but they have them. These volunteers are of two kinds, the abject parasite—who can always be relied on to back their nominee or favourite for the executive of a political party, or betray the private affairs of those who hold views that may be represented as dangerous to the German invasion—and the unconscious gossip who thinks the German a good fellow because he has the means and the method of exhibiting his goodness by hospitable favours.

On the Rand, then, this System can be seen in its entirety, operating both in peace and in war.

The currents go and come from the little syndicates, round the vortices of the "Houses" to the Imperial banks. An "Exploration Company" and "British Minerals Company" with a small capital and no obvious possessions may within a few months develop into a monster owning a score of mines with an output of millions. Just as the African Ventures Syndicate, managed by the firm of Wernher, Beit and Co., served to make the transition of a hundred acquired interests to the Central Mining and Investment Corporation, with its new authority revealed by the appointment of Mr. Max Francke to the chief place, so the amalgamation of African Metals with the Mines Selection swept into a vaster combine a number of African interests together with holdings all over the Empire. Fortified by the Bank für Handel und Industrie and the rest, the Consolidated Mines Selection took the South African department of Mr. Anton Dunkelsbuhler and Company, managed by B. Kitzinger: and Mr. Anton Dunkels appeared on the Board, with the necessary trimming, Messrs. Kitzinger and Wetzlar being the managers in London.* Its Imperial importance is sufficiently indicated by the appearance of Herr Dernburg on the Board.

You shall read in Bernhardt that "the days of the Hansa are come again." Fed on "history books" compiled under German suggestion or on "political economy" whose basis is both anti-national and anti-human, you may believe that is a good thing for the world.

* The transference of the share interest is accompanied by a movement on the Share Market conducted by powerful agents in all the European centres. The shares in the Consolidated Mines Selection stood at their highest just before the amalgamation with Dunkelsbuhler, but fell to 3-16ths of a pound within the eighteen months or so during which the general public were admitted to the privilege of "coming in."

CONSOLIDATED MINES SELECTION.—A few words will show the nature of this combination. In the pre-Raid year 1895, when German political activities were so marked in Pretoria, the General Mining and Finance Corporation was registered and, operating from the Dresdner Bank Buildings in Berlin, to sweep together the Roodepoort United Main Reef, Meyer and Charlton, Princess, George Goch, Steyn Estates, Aurora West, Sacke Estate and others, two companies were registered and destined to be amalgamated with a view to another absorption. The Africans Metals Company (capital £400,000 in £1 shares, 5s. paid up. Board: Max Kempner (Berlin), Gottlieb Langen (Cologne), F. W. Lunau (London), Friederich Müller (London), Karl Parcus (Darmstadt), J. Werminghoff (Berlin), Hugo Andreae (Frankfort), R. Goering (Berlin), W. McDermott (London), A. Schneider (Frankfort), managing;

Historically the intrusion of the Hansa was the German success which substituted wage-slaves for the craftsmen of the guilds and invented the miseries of the sweating system. What the statement really means now is that German agents money-brokers and parasitic traders are once more established in the commercial and industrial centres of the world under the protection of highly-placed persons in need of cash. It means that Germany has organised British resources against Britain and has blockaded us in peace time as well as in war. It means that just as South African wool and gold are produced for Germany, so (Mr. Hughes tells us) Australian minerals are produced for Germany, and so, too, a hand is now laid upon their wool and meat; and, so "well-informed Indian officials say,* 'We have been running India for Germany.'" Our skins and hides, our rubber and oils are at their service; they had acquired monopolies almost entire in certain of our chemicals, coal by-products and explosives, dyes, glass, gold and other metals, and sugar by our consent and gift. And having used our products and our laws to build up an immensity of trade, they needed a fleet to protect it, and, having got that, a war to enslave us. They use our banks for their credit, our raw resources for their manufacture, our politicians for their protection, and our citizenship for our undoing. As when they collect our cash for their public lotteries and our credit for the scanty prizes they return, so they have gathered the wealth of the Empire in their hands, and have endowed us with the pittance of their nominees. Our fleets have kept the seas for their trade, our economics have sweated our poor to keep pace with their competition, and their agents have been our "industrial leaders" and "men of mark"—a depreciated mark.

Mr. Militz secretary) had interests in the Molyneux Mines Consolidated and in coal and gold properties on the Far East Rand, and also in New Zealand and America. The Molyneux was fostered by the Deutsche Treuhand Gesellschaft, and on the Board appear L. Ehrlich, Carl Fehr (managing); Mr. Märker is on the London Committee, with Mr. Militz as secretary. The Mines Selection company grew out of the Mines Selection Syndicate, which had been established in the busy year 1892 to buy up whatever good was going cheap. The company acquired the syndicate in 1895. In the post-Raid year 1897, when the Transvaal was on the edge of war and another slump was in progress, these two companies dissolved to amalgamate with one another. The principal agents were Dr. R. Goering, M. Kempner, J. Werminghoff, C. Parcus, and G. von Simson, all resident in Berlin. In 1905 the capital was increased by £400,000 to buy interests of A. Dunkelsbuhler and Co., and a month afterwards the Bank für Handel und Industrie guaranteed the issue of 400,000 5 per cent. debentures to bearer of £20 and £100 each. (Memo.: Sir G. Albu says Germans never hold "bearer" scrip.) In 1916 four of the directors were resident in Germany, B. Kitzinger and S. Wetzlar manage in London, and C. E. Knecht is consulting engineer. This combination (behind which there is a German bank consortium) has a stretch of freehold and control rights across the Far East Rand. It has been recently favoured by the Government, and aims at obtaining the "heart of the Thousand Millions."

NEUMANN.—Sigmund Neumann, after various partnerships, settled down with M. Luebeck, of the Dresdner Bank Board. All of these are inter-linked (to use the cable address of one of them), and the lamented demise of Sir Sigmund Neumann may afford an opportunity to the Imperial Government to discover the extent of the financial relations of the deceased baronet with what are now enemy financiers. On the Rand the interests will be to watch who absorbs the control. It is understood that the Central Mining and Investment Corporation is to take over the controls. Perhaps the good offices of Mr. Max Francke have assisted in the transition. Sir S. Neumann had made a successful entry into the Premier Diamond Mine *via* a French company. He was on the "European Committee" of the East Rand Proprietary Mines, in which Sir George Farrar was formerly chairman, and he was on the Board of the Rand Mines.

* See an instructive paper read before the Royal Society of Arts by Mr. O. C. Beale, and published in the Society's *Journal* (16th February, 1917).

PART IV.

THE SCANDAL OF THE WAR.

SUMMARY.—German confidence in the system during war—Innocent agents—Orenstein-A. Koppel—Bound by a fatal link—No help from the Law—The need of the mines—Koppel's disguise in America—Shipment to A. F. Robinson, Ltd.—Arrest of consignment by Admiralty—Robinson's explanation—The mammoth power revealed—Justification of Mr. Robinson—A truly British enterprise—American aid needed—The Pombal Syndicate—The Geduld pegging—A visit to Mozambique—Dual position of Neuhaus.

What could become of such a system in war-time? It had become too colossal, too confident and boastful for hiding. It had not been left to chance. "In any case," wrote Bernhardt with easy frankness, "when war threatens we must lose no time in preparing a road on which we can import the most essential foodstuffs and raw materials, and also export, if only in small quantities, the surplus of our industrial products. Such measures cannot be made on the spur of the moment. They must be elaborated in peace-time, and a definite department of the Government must be responsible for these preparations. *The Ministry of Commerce would obviously be the appropriate department, and should, in collaboration with the great commercial houses, prepare the routes which our commerce must follow in case of war.* There must be a sort of commercial mobilisation."

In other words, they believed that the world was so saturated with their secretions that it could not stand the shock of war. The fabric of their Circle system had been so built into the commercial and industrial institutions of other nations, the politicians were so involved, and the capitalism so dependent on the German structure that it was safe to rely on a mass of pro-Germans and informants at all points who should, according to the measure of their covetousness, paralyse the counsels of neutral or enemy Governments, create a Press favourable to German claims, protect German property from confiscation, provide for the transport of necessary raw materials through the Ring System as it endured in neutral countries, betray the plans and hide the spies. By such means the unproclaimed but real commercial blockade of the world by Germany was to be continued.

We have seen the results in general. The gun emplacements and observation points secured under the guise of "business" (even a footing in the Kentish coal fields had been promptly secured). Iron was sent by a Glasgow firm. A chemist had the audacity to assure England that cotton was not "used for explosives," and in virtue of this *suggestio falsi* cotton was passed through the white-hearted "blockade." Italy was so harassed by enemy finance that the acquiescence of the People in

war against Austria was only obtained by yielding to the commercial demands which were made by merchants tied to the German System. In all the neutral Powers the ascendancy of German industrial finance was relied upon to obtain favourable conditions for German policy and a basis for intrigue. Only after the war can this chapter of history be written with the fullness it requires, since even the politicians who have stayed on this side of treason are apprehensive of being "embarrassed" by the revelation.

The preparations in South Africa only lacked completion because a profound mistake had been made concerning the real nature of Boer discontent. The death of De la Rey, the timidity of the financiers without an effective rising, the arrest of the arms at Messina had not been counted on. At the least they made certain of "neutrality." Bernhardt said of us that "separation from England is clearly in contemplation," and quotes Th. Schiemann to the effect that we in South Africa "represent allies, but allies with the reservation that they are not to be employed wrongfully for objects which they cannot ascertain or do not approve." The German relied on "a sympathetic understanding," and felt secure that nothing would be done to break down his organisation and maintain his control over the gold.

With the outbreak of war two large requirements were made of that part of the System which had been constructed to remain operative during hostilities. First, it must be responsible for preserving the economic nexus and political influence necessary to continued and concerted action. Next, it must be ready, at the word of command, to provide the means of turning the organisation of peace into machinery of war undisguised. It must provide the Lines of Communication, Intelligence, Supplies and Ordnance. It must afford facilities for co-operation on the East Coast and on the West, on the sea and inland. It must have justification for corresponding with Holland and Switzerland and America. It must be shipper and financier, and have a public office in every important town, and agents always travelling. It must have a myriad of banking accounts in all sorts of names, and it must find friends in the banking world, some of whom knowingly, others unsuspectingly, would be serviceable at need. There must be numerous occasions for lawful but private meetings, at some of which leaky-minded British officials could be trusted to blab what ought to be hidden, and go bail for the loyalty or neutrality of those good fellows whose company, or companies, were so profitable. The innocent agent was essential. Such persons never suspect commerce to be itself martial; and, as for the import of arms under the nose of a watchful, and even of an informed, Government, was there not the experience of the Raid on a small scale and Ireland on a large scale to encourage and instruct? Had they not armed the Transvaal, the Free State, and Cape Colony, too, before the Anglo-Boer war? If there was a Governor who objected to "smelling out Germans," so much the better.

Of many hundreds of agencies devised to carry out these gigantic schemes for the material conquest of the world, not the least important was the millionaire firm of Orenstein-A. Koppel, and the dozens of subsidiary and more or less "private" concerns which attended it like a fleet of submarines round a destroyer. We have seen this firm the centre of a Circle: Be sure this centre had a circumference. It was not the revenue derived from this circle which gave Koppels its importance in the scheme, though that was no small matter. It was the capacity, as we have seen, for linking up the gold control with the control of machinery and stores, in co-operation with Siemens for the electrical control—and

all under the Deutsche Bank—and in co-operation with money-lending trusts and large wholesale and retail businesses which should spread a net over the whole country, so that no economical development of importance and no political associations should escape their immediate patronage or refusal.

Orenstein and Koppels were, in fact, one of the largest German agencies for export and, in a hundred guises, competed with British firms, even while holding their agencies. It was not only the low quotations ("dumping") the firm was able to make against competitors, especially when new work (involving "follow up orders") was undertaken, which brought them to this position of power. The System behind them enabled them to secure contracts *en masse* by quoting for the supply, the erection of plant, and the finance of the undertaking at once. Their prices were C.I.F. or for delivery where required. As the tiger in the jungle, their local colour was protective; they appealed to the idiosyncracies of every people (*die einzelnen Völker nach ihrer Eigenart zu behandeln*). In the Netherlands the "Fabrieken voor Spoorweg-materiel" was under the management of Julius Wertheimer and A. Prostkrauer, the directors B. Orenstein, G. Wolfshon and L. Landsberger. It was not till near the end of 1916 that the immense activities of this branch in promoting German trade through neutral countries was recognised and that firm placed on the statutory black list. In France and Spain the firm of Decauville serves as a disguise, but many agencies exist in Spain besides the Sociedad Espanola de Material Ferrovario, which goes by the name of Koppel. In the East Indies they have been very active. Russia, of course, is looked upon as their realm. There is no place in the world where engineering is carried on but Koppels have their man, or their disguise, there. They have been caught in many disguises, of which we are to relate one or two in South Africa.

In the United States the Pennsylvania Car Company (with 5,000 dollars of declared capital!) is a stalking horse. Henry Robiozck, the gentleman who fulfils at Koppel City the function fulfilled by A. F. Robinson in Johannesburg, Durban, Delagoa and G.S.-W. Africa, was good enough to tell an American interviewer that their U.S.A. house was in charge of their great interests in South America, and that they boycotted all industries in the New World which have been engaged in supplying Britain and Allies with munitions. As South African money seems to have been used to guarantee the Pennsylvania Car Company and other institutions to Koppel's bankers—"American capitalists"—drafts of their dummies are discounted by our banks and by banks all over the world. In the United States a Mr. K. L. Cameron is an agent who connects with the Car Company, and should Mr. W. McC. Cameron (the American who with Messrs. Karl Schweder, K. F. Hoffmann and G. W. Stollreither constituted the engineering staff of A. Goerz and Co.) chance to be a relation, he is now in America and can assist with a store of local knowledge the "American finance" which is desirous of taking a hand on the Far East Rand and Delagoa.

As may be imagined, the outbreak of war found the "leaders" of public behaviour in South Africa naturally unwilling to take any hostile part against Germans, with whom they had been so friendly. All that could be expected of them, so the newspapers said, was that they should conduct themselves in a fashion of decent neutrality.

Mr. Neuhaus changed the spelling of his name in significant protest against the till now incredible barbarism latent in the Germans. But the new orthography did not mislead him. That alone would not break

the German spell. He could not fight for his adopted country, but he could serve. He had duties towards the Empire, which he could happily fulfil. His "House" could supply the gold which in the fulfilment of time would bring those mad Germans to their senses. Fortunately for his loyal intentions, there was nothing in the way of stupid legal interference with his good offices. As director of Goerz mines, he was British. As director of Koppels, he was equally British. The mines needed mining stock, the director of Goerz could command the director of Koppels. Mr. Robinson shared his views of political economy. The law did not stand in his way. He supplied the stock. Not even a purist could have called this trading with the enemy. It is true that the proceeds went to the credit of the enemies, for, as Mr. Robinson afterwards told the Court, when the Admiralty caught and claimed as contraband the cargo on the high seas, the whole of the shareholding in Koppels is German. But the money was safe in the bank here, not that there was anything but his own good feeling to prevent him sending the whole lot to Germany, *via* Delagoa and Switzerland. It is true also that the continued existence of the enemy-owned British firm stood in the way of British firms competing for the trade. But the two directors trusted that time would convince the German owners that it was vain for them to hope for military triumph, and so they would be at last persuaded to give up the attempt at commercial hegemony. Mr. Robinson gave expression to this view.

Thus carefully balancing his duty to the firm and his duty towards the mines and the country, Mr. Robinson continued to trade with the full protection of the law and the encouragement of the leaders of the Unionist Party. His office staff was chiefly English: some of the mines encouraged him: the law did not forbid it. The politicians for the most part objected to an enemy trading Act at all. They took the surprising view that a German military officer even was not an "enemy" if he continued quietly to reside, and even trade, in this country. German officers were given high positions in the Army, and the Director of Recruiting was a director in the firm of Malcomess. While the country was under the impression that an Enemy Trading Act really meant that trade was forbidden with enemies, an unobtrusive definition provided that no German was an "enemy" under the Act unless he was living in Germany. He could draw dividends if he took the train across the Swiss border. He ceased to be an enemy when he crossed the frontier. He could live on the Rand or in Sweden, and be as free to trade and control as if he were born British. And much more free—for the German nominees still held the route. More than Mr. Robinson himself, who, it will be seen, desired the assistance of the Government in the difficulties of his divided duties, the politicians objected to any interference with the *status quo ante*. Mr. Robinson was an influential member of the Unionist Party, and there was no sort of disguise. It was not the fault of those who lead South African opinion if this useful state of things did not continue. The mere War was not allowed to break old, and useful, relationships. It was said that we "could not be expected to do more than England," and we did not.

After all, it came to law, and when the investigation was made Mr. Robinson was able to give the evidence which for some kindly reasons the local Press suppressed.

His German-owned firm was the principal supplier of many necessary mine requirements, as he informed the Court.

Q. When war broke out did you take steps to obtain similar sleepers from America?—A. I did.

Q. For what purpose?—A. I felt that the requirements for the mining industry, *which we have been the main suppliers of in the past*, would require a stock of these sleepers and rails, and I ordered approximately about £20,000 worth, which was representing *half a month's ordinary turnover* of our business. I ordered these sleepers and rails with the view of having a stock of what I knew must be urgently required by the mining industry pending their making arrangements to get sleepers and rails from other sources, and *I also acquired a few direct orders* for the supply to the mines, which were included in the £20,000 of orders which I cabled to America somewhere between November, 1914, and April, 1915. . . . “Koppel and Co. were our buying agents.” That is an enemy-owned firm in America under the same proprietors as the local firm.

Nothing would have interfered with this admirable co-operation for truly British purposes had it not been for the vulgar populace, who, infuriated by the *Lusitania* incident, which left better balanced minds more sorrowful than angry, wrecked the offices and burnt the stores of O.A.K. in Johannesburg and Durban and flocked to the Town Hall to support the demand of the Petitioners' Committee (which afterwards became the British Citizen Movement) that German businesses should be sequestered to the State, and that no Germans should draw profit from the work of British employees in mines and elsewhere during the war.

This turbulent act gave Mr. Robinson the opportunity he was looking for. He “closed down the business voluntarily.” Incidentally, this “voluntary closing down” shows that we cannot take the will for the deed, or the deed for the intention. Koppel's didn't need a shop-window. It may be said here that there has been too much “voluntary” liquidation of enemy firms. It is no gain in this economic war to ask Sir G. Albu and Mr. French, two nominal shareholders in Krupp's Company, the United Engineering Company, to wind up the business. These businesses need to be *unwound*.

The difficulties of Robinson's case had been commented on by one of the speakers at the great mass meeting referred to. If he felt himself honourably bound to his German owners and continued their business, he stood in danger if not of the law at least of public odium. If he dealt too freely with the property of the O.A.K., was there not danger of legal proceedings after the war?

It was for the Government to intervene, as the British Citizen Movement and twelve thousand citizens of the Rand demanded. It appears that Ministers and even the Governor-General were not rightly informed of what was going on in Johannesburg, and what happened must be related in a less anxious season. It is enough to say that the British Citizen Movement were necessarily entrusted with the duty of maintaining order in the town, and succeeded easily, so that not a window was broken nor a soul molested, while the recognised “leaders,” journalists, lawyers and politicians were asking for the entry of the armed burghers.

Having “closed down” Koppels, Mr. Robinson started two private companies sufficiently described in the evidence. Unfortunately, the Government, though sympathising with his position, “had no machinery under which he (General Smuts) could act and release the company.” Learned counsel gave similar advice, it seems. There was “no machinery,” and the politicians were not inclined to make any.

Ordinary persons familiar with the Company Laws hazarded the opinion that as Messrs. Neuhaus and Robinson constituted the Board of O.A.K., and as they were—or, to be quite in accord with the evidence,

Mr. Robinson was—without any instructions from Berlin prior to the war, and as the “South African company was an entirely separate company from the German company” (evidence), all they had to do was to call themselves together with the nominee clerks and wind up the company under the Transvaal Laws. It appears that this did not occur to them—though Mr. Robinson’s evidence shows that he must have learnt it afterwards—or some difficulty lay in the way. And that is where grave trouble came in.

Although “closed down” by a notice over the ruins, this “entirely German-owned” British firm went on trading. Mr. Robinson’s experienced energies were valued by various important concerns, and no British subjects representing real British-owned businesses were able to supply the mines, perhaps because they had not been used to such privileges, or perhaps the mines preferred to maintain the ways they had tried and had found satisfactory in the past.

“Directly after the riots in May,” Mr. Robinson told the Court in Durban, “I notified some of the mining groups who had purchased goods from me, and which were still to come, and I told them, in view of what had happened and my having closed the business, I should not be able to deliver the material. They requested me that they must have the material under all circumstances.” In consequence, Mr. Robinson resumed the orders to the enemy firm in America in the way he described. He does not mention the names of the mines who interpreted their duty towards the gold-supply of the Empire so insistently that they demanded goods from a German firm in America, thus laying up dividends and using British shipping for the advantage of enemy shareholders. It will probably never be known, and there is no justification, without knowledge, for the surmise that the mines, formerly united with Koppels under the Deutsche Bank guidance or assistance, preferred to keep up the old connection of over twenty years. Poor Mr. Guttentach, the joint managing director, was interned in Maritzburg, and perhaps old friends felt a natural sympathy with his misfortune. He was able, thanks to the humanity of our laws, to transact business from that quiet and comfortable retreat, but no mention is made of his recommendations.

The fact is that the firm continued active in Durban, Johannesburg and Delagoa until the Admiralty arrested the cargo of the *Hypatia* consigned from a company of Koppels masquerading under another name in America to poor Mr. Robinson’s private company. For Mr. Robinson created two “private” companies, and insured their “privacy” by confining the shareholding to himself and the secretary of Koppels. When the Admiralty had arrested the cargo, the official liquidator (on behalf of the Custodian for Enemy Property) applied to the Court for the right to take it over. Robinson would not pay for the goods because he didn’t get them. The Court detained the goods, too puzzled to distinguish the owner. Mr. Robinson was subpoenaed to give evidence. This enables us to put his point of view clearly.

Somebody at last came to the relief of Mr. Robinson, and the request for closing up the company, which had been refused to him because there was “no machinery,” was effectively carried out, or rather begun to be carried out, *at the demand of a third party.*

The case has been recalled at length here not merely to illustrate the laxity of our laws and banking system or the difficulties they impose on a law-abiding citizen or to remind the world of the delicacy of the situation in South Africa, where it was notified that troops would descend upon the town in the event of further anti-German rioting with consequences not difficult to foresee. The object of this history is to show the

astonishing vitality of the German system, which to preserve its world-conquering scheme can build a city, "Koppel City," in the United States, invent a company, the Pennsylvania Car Company, which, like others of its type, continues to trade as neutral, to acquire cash for the same from British banks under the nose of the censor, and to accumulate dividends which the wit of man, or rather of lawyers, cannot preserve from their grasp. It is not the fault of Mr. Neuhaus if a similar agent, Mr. Flatow, for instance, crosses to Switzerland or Italy and draws dividends from Geduld and other Goerz mines. The Law seems to like the piling of Rand gold in Spandau!

Lest anything in the foregoing should be thought even distantly to reflect upon the *bona fides* of Mr. Robinson, it should be understood that these facts are taken from his own evidence, and we hasten to record at the last moment that an influential group in the political club of the party that claims most to be British has re-nominated Mr. Robinson to their committee, together with one or more of the staff of Koppels. A powerful circular will no doubt insure their election. The committee, indeed, had anticipated the Court and published their confidence in Mr. Robinson's loyalty and commercial probity.

The finding of the Court, however, was not favourable to the view that the cargo of German-owned goods consigned dishonestly to Robinson's private company was not the property of the enemy. The goods were sold and the cash lodged with the Court.

But the matter is far from ended here. Mr. Robinson and Mr. Neuhaus found themselves in control of about quarter of a million of the enemy cash. It seems that the Government would not take it when it was offered. Now, unless the lawyers will voluntarily come to help—and they seldom do that, do they?—what troubles may yet be in store through the use made of the enemy money that was really British according to the best lawyers?

It was stated in the evidence of Mr. Robinson that he placed £200,000 or so of this money (which had not followed the £20,000 he had cabled to the Koppel firm in America) "on fixed deposit with the banks for short periods and one biggish amount I lent to one of the mining houses."

Counsel did not ask which of the mining houses got the advantage of this transaction. Possibly Mr. Neuhaus may have got some satisfaction out of doing the enemy down in a perfectly legal fashion. For the tale told by Sir Lionel Phillips of the investments of the Central Mining and Investment Corporation in enemy countries was not unique. Companies associated with Mr. Neuhaus, the Consolidated Mines Selection and the Deutsche Bank, with Sir George Albu, the General Mining Finance and the Dresdner and other German Banks, had also chosen Germany for their safe deposit. Happily, the Consolidated Mines Selection is able to some extent to "guarantee" the security of some of those investments by loan, and Mr. Honnold, the chairman at the meeting of Springs Mines, has assured anxious shareholders that the money was safe, an assurance which must have been gratifying to Messrs. Neuhaus and Lynch, who were present. Though how Mr. Honnold should know of the affairs of a German bank is not disclosed, and the other two gentlemen did not ask that natural question in public.

But what comes of this £70,000 lent to one of their companies, what options were secured, what advantageous terms? For it would seem that without further action by the lawyers and politicians Orenstein-Arthur Koppels will have secured yet another advantage, with further powers to place urgent orders with themselves to aid the industry. In

other words, the mine that borrowed this £70,000 has done a deal in money belonging to the enemy, who was not become an enemy by our law perhaps, and the advantages of the loan belong to the enemy.

Most of us rejoice with naughty malice when the enemy is spoiled, and Sir George Albu* touched astutely upon this characteristic when he said that his company, or rather this country, was getting the advantage of the German (enemy) shareholders' money. Perhaps Mr. Robinson and Mr. Neuhaus also felt a patriotic glow when the former obtained from his board (self and Neuhaus) "a personal loan for a reclamation scheme in Lourenço Marques, yes, of £16,385."† It is this money we must follow up for a little lest perhaps these directors may again have been ill-advised and the enemy may profit after all.

A BRITISH RIVAL TO THE DEUTSCHE.

With a quarter of a million or more of the enemy's cash, and open trade on Koppel's behalf no longer safe in view of public resentment, Mr. Robinson turned to Portuguese East Africa and applied the enemy's money, as it would appear, for the advantage of British trade. It seems as if he meditated a colossus which should rival, if not crush, the Deutsche Bank. All was lost as far as the enemy were concerned, except their cash and his honour. Two companies of his own were floated, himself holding in each £999 out of the £1,000 capital. With these he would conquer the world afresh under a fairer flag. But what a tangled web the German had laid about him. A. F. Robinson, Ltd., he tells us, took the non-German agencies, and Sulzer Bros. in especial. Unhappily, this firm, as will be seen by our list of the "Tecomeco" combine, not only had its factory in Germany, but was also within the Deutsche Bank embrace. Unfortunately, too, he added the British Mannesmanns, which, as we have seen, was also a Deutsche Bank protégé,—now liquidated. He had, also, other legacies of "Tecomeco" to look after.

Inquiries made in England, where one often learns more about South Africa than is thought fit to be known here, suggest that Mr. Robinson found it difficult to divest himself of yet another of the "Tecomeco" legacies, viz., the *South African Contracting Association, Ltd.*, which, however, still continues in Johannesburg, though it changed its lodging some time ago. The capital of this company is £50,000 in one thousand shares of £50. The directors are Alfred F. Robinson, B. Meyersohn, V. J. Ronketti and W. P. Crowhurst. In the share-list you shall find the Deutsche Bank, Berliner Handelsgesellschaft, J. Stern and Co., Goerz and Co., and a few others, including the usual one or two held by directors. Messrs. A. F. Robinson and B. Meyersohn, we learn, discharged their legal duties to this concern, and this must have been rather a trying act, since the latest returns available for us indicate not merely a loss of

* Speech at annual meeting General Mining and Finance Corporation, 16th July, 1915: "On the other hand, the large amount of German capital which has been invested in this country is being utilised . . ." In this speech Sir G. Albu spoke in some misapprehension of criticism directed against his company's ten-year-old custom of advertising that bearer-warrants may be registered for dividends at two Swiss banks. The truth is that Schweizerischer Bankverein is simply a branch of the Berliner Handelsgesellschaft. The fact that bearer-warrants are taxed in Germany and "consequently German shareholders invariably held inscribed stock" is simply incredible. That these two German banks were chosen for "creating facilities for the very large proportion of the residents of Switzerland of French descent and even French nationality" would have amused Mr. Geo. Nathan.

† Evidence of A. F. Robinson in Prize Court *re cargo of s.s. Hypatia*.

practically the whole capital, but a debt to the Deutsche Bank of something near £100,000. What the activities of this company have been since 1910 are not very apparent, but such companies have their uses in the German system—that part of it, of course, which is lawful or even laudable.

This loss cannot have reflected on Mr. Robinson, for we have seen that the allied board of O.A.K. did not hesitate to lend him upwards of £16,000 without security.

In the arrangements of his private companies a reasonable instinct will excuse what might be regarded as merely a technical mistake. For he appointed as a director to his two private companies the secretary of O.A.K. No doubt, that gentleman shares the anti-German views now entertained by his chief, and the appointment was sound, but there was the risk that people who did not know him might be apprehensive lest O.A.K. should again have the benefit of inside knowledge of the trade connections, prices, etc., of a truly British firm.

Mr. Robinson himself, however, was open to accept appointments from British firms of high standing, and, it was understood, had between fifty and a hundred thousand pounds of capital to put into the new ventures. The British firms were naturally willing to have so capable an ally, and acquiesced in his statement that O.A.K. was dormant, but not dead, only because the machinery was not yet available for its extinction. It was impossible for him to sever himself from O.A.K., but he disposed of their stock at cost price to others who might know how to profit, and it was given out that he had cabled Berlin that on and after 4th August, 1914, those there had ceased to have voice or control in the Transvaal Company. The punctilio is not the less admirable because the constitution of the Transvaal Company was "entirely independent" of Berlin.

At the outbreak of war there existed in England a company known as the Montania Engineering Company, which, going into liquidation shortly afterwards, declared that a quantity of orders had been placed with them on behalf of Messrs. A. F. Robinson, Ltd., for shipment to Delagoa Bay. (Portugal was neutral at that time.) The *Financial News* described the Montania effort as a "dummy," which had taken over the assets of Orenstein and Koppel, London. If the statement were true, it must illustrate the misfortune of an Englishman battling against the storms of fate. No doubt such a dummy would have courted the firm which its own dishonesty would suggest was playing the same game as itself.

Naturally this sort of thing tended to prejudice English manufacturers and others who were prepared to make Mr. Robinson their agent. Mr. Robinson's other private concern, The Farmers' Implement Corporation, which had taken over O.A.K.'s stock in Durban, had obtained a licence to trade in Durban, but the Durban Corporation refused to transfer O.A.K.'s lease to Mr. Robinson's new company.

Another of Mr. Robinson's ventures miscarried. In company with Mr. Frank Brown, a leading Unionist, an ex-Civil Servant of high character, he tried to establish a co-operative society during the early months of the war. The advertisements posted in the Party Club were torn down by a somewhat demonstrative section, and nothing was done.

In spite of this prejudice, Mr. Robinson's record enabled him to obtain practically unlimited credit (*vide* his evidence), and there seems to have been no need for him to endow his new ventures with the capital it was understood he was ready to invest in an English replacement of O.A.K. The news, however, had occasioned uneasiness in manufacturing circles in England.

During this time Mr. Robinson performed two acts of almost quixotic duty to his old firm. He took an action against a *British* insurance company for recovery of the damage caused by the "anti-German riots" to O.A.K. Mr. Greig, then and still the chairman of the Stock Exchange*, assisted Mr. Robinson with his evidence. They had both done their duty against their countrymen, and may be pardoned if they rejoiced in secret over the failure of the action. The second act of duty was to reduce the salaries of the staff. A less conscientious man might have reckoned that as it was impossible for him to escape his legal obligations to the enemy shareholders, and as the firm continued to trade, willy nilly, he might have paid the staff, if not a bonus, at least the full measure, if only for the "moral and intellectual damages" they must have suffered through the invidious position the enemy had placed them in. None the less, as Mr. Robinson informed the press, he did not pay himself his own salary, though he did not relinquish his claim to it—a reasonable position, which would not be the worse at law if the money or some of it had been retained—"on fixed deposit," say—leaving to the enemy the burden of taking action at law. He took the precaution, as we have seen, of borrowing £16,385 for himself and lending £70,000 to a mining company. These transactions have at least the wisdom of that steward in the Gospel parable who was "wiser in his generation than the children of light," and to this wisdom was added righteousness. Possibly, too, the mine that borrowed was one of those mines whose cash had been placed in Germany, so that everything balanced nicely. Even the German shareholders have a good margin of deposits of our money in their country to enable them to compensate themselves for the failure of any direct payment of dividends.† There is no room here for a charge of *Albion perfide*.

Taking the pros and cons of Mr. Robinson's position, it is hard to decide whether he was to be condoled with or envied. There was nothing in the Union law to prevent his trading for O.A.K. He was counselled that he could not break his contract. He had furnished his offices with O.A.K.'s furniture, had borrowed O.A.K.'s secretary, and had obtained the agency of one of the chief rivals of his old firm which he suddenly relinquished. If the law could not help him he had minuted in O.A.K.'s books that the German company no longer had part or lot in the Transvaal Company, that "the governing council which lived in Berlin was domiciled in Berlin, and actually controlled the whole business," had ceased to exist after 4th August, 1914. It must have relieved his feelings, but he could not believe that it relieved his legal, or moral, obligations. Instructions continued to rain upon him "from Rotterdam, Switzerland and America." He had arranged to meet the principals in Switzerland, but other pressing business prevented that later.

But although he could not discharge this mission himself, a Swiss engineer went to meet the principals in Switzerland. This gentleman probably met there our old friend Herr Flatow, from Germany, who, it will be remembered, was the joint director with Mr. A. F. Robinson in the days of "Tecomeco."

A hundred devious approaches were defeated by him, and it was cruel that his very last order—just before the riots—cabled to the branch of the enemy in America (also under the Berlin Council) should have

* This person did more. He wrote an attack on the Petitioners' Committee on the alleged grounds that they were acting, or going to act, against our German guests.

† Sir L. Phillips has told us that £170,000 cash of his firm deposited in German banks was "for the purpose of paying dividends." The Germans seem to have been in luck in the way of obtaining securities for dividends.

produced a consignment of Koppel goods addressed to his private firm, and arrested on the sea by the Admiralty. It was the last of a series of shipments caught!

Nor was this the only thing arrested by the Admiralty. For we learn that a wireless message also was arrested "in the air," which instructed Mr. Robinson to repair to America. When the police communicated this to Mr. Robinson he turned the idea to good account, as we shall see, for a grand patriotic purpose. Why should not he, too, exploit America, where millions come from? From that hour the fruitful suggestion germinated in his brain, and brought forth fruit in good season.

And let none laugh at patriotism, for if, as Dr. Johnson said, "patriotism is the last refuge of a scoundrel," it may also be the *dernier ressort* of one tied, as Mr. Robinson thought himself tied, to a German company. For General Smuts, he said, had told him there was no escape.

Whether he was right in supposing that these sleepers or clutchbolt ties, arrested by the Admiralty, were manufactured by the Steel Trust—and it is probable that Mr. Robinson was misinformed on that point in spite of the precautions he took—he could not avoid giving Orenstein-A. Koppels of America a profit (he told the Court he provided a margin in favour of the American Germans so that they should get their commission without loss) if only because they were his buyers. The rogues in America seems to have bought from themselves.

These transactions suggest a delightful puzzle. Was this "trading with the enemy"? It depends on one's point of view for guessing. *Primo*. If the trade is viewed as done between the enemy interest here and the same interest in America, it was a case merely of the enemy trading with the enemy, a sort of self-abuse in which Mr. Robinson (and Mr. Neuhaus, if his directorate make him responsible) as the British agents were bound to assist under the *force majeure* of the law as interpreted to them by General Smuts—if Mr. Robinson was not mistaken. *Secundo*. If the firm here was British, as the lawyers tell us, perhaps the firm there is American, though the naturalisation laws there are different. In any case, both are branch offices, in fact, of the German proprietors, so two nations are being exploited. The Marconigram to Mr. Robinson shows that the agents in America were prepared from Berlin. Marconigrams! What a world of ideas the word conjures up. Lord Buxton, who has the credit of arranging the purchase of that wonderful means of communication for the British Government, must be distressed to think that even it has been used by the sailors for "smelling out" Germans in Johannesburg—vainly!

Yet the justification of necessity was there for the order. "At the outbreak of the war we (O.A.K.) were certainly ten times bigger than any other house in South Africa in regard to these particular stocks." Parenthetically, we note that this immense business would naturally be credited in the records of the Chamber of Mines as done with a British company, to the lasting satisfaction of whoever may be appointed to take Sir Sothern Holland's place as guardian of British interests in South Africa, now that he has joined the Board of the Central Mining and Investment Corporation. Mr. Robinson admitted that "it had the effect of business for the benefit of O.A.K.," but, "I was perfectly entitled to do so." Yet when the Petitioners' Committee told the public and the lawyers that this was the law, they were sourly contradicted by the experts.

"Ten times bigger than any other house in South Africa," too! How dare busybodies intrude upon the majestic fabric of law which

denies that a company in which "all the shares are held in Berlin, and which is governed by a Council domiciled in Berlin," which goes to the length of what Mr. Robinson called "German tactics," inventing a dummy to cover its tracks—how dare these busybodies brush aside the lawyers and say "that is enemy business and it's got to stop, even if we have to burn it." The lawyers assembled at the Charge Office to ask for armed protection.

With no Government willing to free him, Mr. Robinson stood in grave risk of the fate of Laocoon, whose two children were being strangled by the laidly worm and he himself being steadily wrapped up limb by limb. Consider what he had done! He had cabled to Berlin that they no longer controlled the business, or he had at least minuted the fact in the books. Communications from the enemy rained upon him; he regarded them not. The persistent enemy, relying on his delicate honour, even when they learned that he had "voluntarily closed down" the burnt-out business, actually continued to ship their stocks to his private company. How easily the news of his private companies reached them! Consignments were made to A. F. Robinson, Ltd., "because he was still in name managing director of O.A.K., Ltd." Hear his hard case as he revealed it to the sympathetic ear of the *Rand Daily Mail*,* July 6, 1916:—

"Why did you not resign when you closed the business?"

"I couldn't. There is no possible means of obtaining my release in spite of the fact I have closed the business down. Orenstein's was a South African firm, floated in 1898, and registered in the Transvaal. It was floated originally by Arthur Koppel, Ltd., a German firm, and some bankers in Berlin and London, with a capital of £60,000. It was not a subsidiary company, but an entirely independent company, but every single share is now held in Germany. I was managing director from its flotation, and at the present moment I am under a three years' agreement, which terminates on December 31, 1916."

"Have you any shares?"

"No, I have no shares at all—not a single one, and have not held any for many years now. I have several times endeavoured to sever my connection with the company, but as I am bound by a contract made with a company registered in the Transvaal that contract cannot be annulled by me owing to the outbreak of the war, or for any other reason. I have taken the highest legal opinion on the subject. I have even seen General Smuts, and that is the position. But I have done the only thing I could do—that was to notify the Board that after the termination of my contract I shall on no consideration continue to be connected with the company. That is why at the present moment I am still nominally managing director of Koppel's, and that is why these goods were consigned to me. So Mr. David Calder, the King's Proctor at Durban, has notified my solicitors that he has agreed to take action against Orenstein, Arthur Koppel, Ltd., in the case of this shipment, and not against A. F. Robinson and Co., as he is informed that the latter company were merely nominal consignees. The Admiralty, after making full enquiries here, are satisfied as to the correctness of the facts I have told to you."

"Do you still receive salary from Orenstein's?"

"No," was the reply. "Since my closing of the business in 1915 I have received no remuneration from them.† The Admiralty have seen documents which fully satisfied them on that point, but I should like you to understand I have not abandoned my right to it."

"Is the company still in existence?"

"Yes," replied Mr. Robinson.

"What is its present position?"

"Well, the affairs of the company are in the hands of a secretary, who looks after the books and things. Their activities are practically *nil*."

"Would it not be possible for you, as managing director, to liquidate the business absolutely?"

* The price of this penny copy of the *Mail* is now four shillings.

† He has been paid by the liquidators. The useful Secretary has received a bonus of £1,000.

"No," replied Mr. Robinson, "because I cannot get a meeting of shareholders."

Further pressed as to the activities of Orenstein, Arthur Koppel and Co. since his closing of the business, Mr. Robinson said that previous to the war their turnover had been from £700,000 to £800,000 a year. They had certain small stocks on hand when he closed down, and these had not been replenished. Probably they had sold small quantities of stuff from this stock, but he did not suppose this had amounted to £500 a month.

"What have you yourself been doing since you closed down Koppel's?" asked the interviewer.

"I have started two small companies of my own—A. F. Robinson, Ltd., and also the Farmers' Implement Company, Ltd. In these, I might add, I employ some of the late staff of Koppel's. Others are fighting."

On the other hand, there were "certain mines" insistently requesting him to give them the benefits of his trade. It was no doubt under such pressure that he sat down and wrote to his board, as he told the *Mail*, that "at the termination of my contract I will under no circumstances continue to be connected with the company." His contract ended at the end of 1916. Not satisfied with this *de jure* close, he wrote in the spirit of "Never again."

In all this fret it is not to be wondered at if he omitted, as he did, to *cancel the orders* for shipments which continued to come forward for more than a year after the company had closed down.

It is equally understandable that when he voluntarily closed down the business he omitted to inform the Registrar of the fact.

Or he might have taken the step which his loyalty dictated to Mr. J. V. Stanton, who was manager of Siemens, Ltd., another sector of the Deutsche Bank Circle. Mr. Stanton took Siemens, Ltd., to the Supreme Court, and demanded of the Court to liquidate the company and to assume the responsibility.

Alas! there were those "small stocks" on hand, and "small" for Koppels in Johannesburg and Delagoa may mean a good many thousands.

Would it have been too base a thing to have reported the business quickly to the Admiralty, and just have let the bogus enemy firm keep on sending stock for the benefit of the mines and have to whistle for payment? That was unfortunately impossible after £20,000 had been cabled over through the bank, so that the enemy was actually in the position of having more money than was due to them, and were pressing for more.

Perhaps a clue to the difficulty may be found in two of Mr. Robinson's statements to the Court, which, *prima facie*, would seem irreconcilable. In one part of his examination occur the following questions and answers:—

Before the war was the policy of the company controlled from Berlin?—We had very large discretionary powers; but there was a Governing Council appointed which lived in Berlin, was domiciled in Berlin, and that Governing Council actually controlled the whole business. Yes, I minuted after the outbreak of war that it had ceased to exist after the 14th August, 1914.

And after that date there was nobody outside Berlin who could give you instructions?—No one, except they made attempts through various channels not only to communicate with me, but they got communications to me.

Then you had instructions through these various places as to your policy?—But I did not accept them.

But you had them?—They sent instructions.

You disregarded them?—Entirely.

This can no doubt, with adequate knowledge, be reconciled with the following questions and answers made at a different part of the case:—

Prior to the war did you receive any instructions from Berlin as regards the management of the company?—Not one.

Is the South African company a separate company from the German company?—Entirely separate.

The shareholding of the company being entirely held by a German company?—Entirely.

Since war broke out have you obtained any instructions or in any way communicated with the German company?—No.

Now, if the Berlin Council “actually controlled the whole business” before the war, their instructions must have come to Johannesburg. In that case the orders would be conveyed—by whom? There was Mr. Newhouse, orthographically clear of the mere suggestion that he would have done such a thing. And Herr Guttentach was interned. *Cadit quæstio*. If one insists upon the letter of the examination and cross-examination, there are three alternatives: (1) a *lapsus memoriæ*; (2) that Mr. Robinson did not regard as “instructions” the instructions from Berlin, which he did receive; (3) that he got orders as, say, advice, from a third party, who did not reveal the enemy source of his own inspiration.

Surely one may conclude that if “not one instruction from Berlin as regards the management of the company” was received prior to the war, the directors of the Transvaal company, Messrs. Robinson and Newhouse, could have broken the contract with Mr. Robinson? Would not Mr. Newhouse agree, or did Mr. Guttentach make trouble from the internment camp? Failing that and all recourse at law and help from the most eminently expensive Counsel, what if Mr. Robinson had had himself commandeered by the Defence Force as, say, Intelligence Officer in Johannesburg? There was much to be learnt there. Perhaps that would have needed an Act of Indemnity, but we know the way to trifles of that kind in South Africa now. In fact, to a man of resource, unaccustomed to rely on lawyers, there were not less than twelve different ways in which a man could have broken the hateful nexus.

But consider it! The King’s law binding the King’s subject to serve the King’s enemies because the King’s law says that the King’s enemies are not such.

Consider the King’s Company Law! Enemies have fulfilled all its provisions by observing the letter and evading the spirit, and our lawyers not only know it, but are paid for it. The law requires that a minimum number of shareholders shall be in the country to be responsible. The lawyers arrange that they shall not be. Thus Messrs. Neuhaus, Robinson and the clerks, according to Mr. Robinson’s evidence, were merely nominees of enemy shareholders, while the shares they told the Government they owned for the purposes of the Company Law were really not theirs at all. Heaven forbid that we should raise any really grave issue, but what would happen if some Public Prosecutor were to speak as follows:—

“Robinson and Neuhaus, according to the evidence given, you are the representatives of an enemy interest in a ‘British’ firm. The shares which qualified you to be directors were and are the property of enemies. Your trade, on your own admission, is an enemy trade. As you were not entitled to dividends, who pays you? In whose interest have you continued to be nominees during the war?”

Fortunately, no one will ask such knotty questions, and in any case the solicitors, counsel and judges and all of us connive at the defeat of the Company Laws through the fiction of “qualified”—*i.e.*, unqualified—directors. Company meetings, which appear at great length in the papers, are generally held in the presence of a handful of qualified clerks, who are not allowed even to draw the directors’ fees, but are pledged to

hand them over to their employers. Not infrequently the "House" itself* has ceased to hold a share in the company it "directs." The truth is that the Company Laws are composed for the protection of the German game. So when Mr. Robinson formed two "companies," in each of which he himself held all shares but one, and Koppel's secretary held the remaining one, he fulfilled the law and the adage that "two's company, three's a crowd." Is it not strange that while the lawyer politicians and the Press, *et ceteri*, are so patriotically anti-German, not a single one of them puts a finger on the company laws which make the intrusion possible? It is not want of knowledge: every pressman and company reporter knows it. There are lawyers who thrive on it. Shareholders grow thin. It is part of the policy of *Bauernjängerei*.

But when Robinson told the *Daily Mail* that "the King's Proctor at Durban had notified his solicitors that he had agreed to take action against Orenstein-A. Koppel and not against A. F. Robinson, Ltd., as he was informed that the latter company were merely nominal consignees; the Admiralty after making full enquiries here were satisfied as to the correctness of the facts he had told (the *Daily Mail*)," he was—well, making a large assumption. That Robinson's private company were "merely nominal consignees" was just what the Admiralty was uncommonly unpleasant about, and as for taking action against Koppels and not A.F.R., Ltd., that was absurd. The action was for the detention of the freight as enemy goods, no matter whether assigned to Koppels or their "nominal consignees."

This is the unpleasant cross-examination the King's Proctor put Robinson through:—

Cross-examined by Mr. Calder: Who are the Pennsylvania Car Company?—They are the same people as the Orenstein Koppel Co.

You have no knowledge?—I have no knowledge beyond what has been represented in the letters.

Is this letter of the 31st December the only letter you have had from this company? You have received that letter, I suppose?—*I cannot recollect having received it.* I think it is certain that I did. Nearly all this correspondence I used to hand straight to my secretary, the secretary of O.A.K. I did not deal with it in my own office at all.

This signatory, J. de Jongh, is the same signatory who signs for the Pennsylvania company?—I do not know his capacity. I do not know him personally.

Are we to understand that when this letter arrived you did not notice that it came from the Pennsylvania Car and Manufacturing Company?—Yes. I certainly noticed that. I do not deny that for a moment.

What does it mean this sudden jump from the Orenstein company to the Pennsylvania Car Company?—My opinion is that they jumped simply to try and get a dummy company to operate for the benefit of Orenstein and Koppel. That is my opinion.

This, of course, is the same order as is referred to in the letter of the 31st December?—Yes.

By the Court: You have never communicated with these people?—I have not written to the Pennsylvania Car Company.

When you got this letter didn't you think it strange that they should write to you?—I did, but I concluded that it was part of the German tactics.

Cross-examination continued: I do not know if it is within your knowledge, but I put it to you whether you did know that at that time when the letter was written there was a censorship of letters from America, which the Orenstein people in America might have thought would have interfered with a communication written upon their letter paper?—I think every letter from America was censored, and has been for a very long time.

To take the bill of lading, there is nothing on it to show that O.A.K. had any interest in these goods at all?—Nothing at all.

* One mine company has had to adjourn its meetings for four years running owing to lack of a quorum!

The bill of lading is from Downing's Foreign Express to Alfred F. Robinson. There is nothing on the bill of lading to show any connection between these goods and O.A.K.?—Nothing at all.

Either here or in America?—Nothing on the bill of lading.

I do not know whether it is customary to put marks on these goods, is it?—Not on goods packed like this. They are not in cases. They generally have a mark of paint.

When did they first begin to send goods to Alfred F. Robinson?—After they received my telegram. I sent a telegram on the 1st of June, I believe.

Why did you have goods consigned to you if as a matter of fact they were for O.A.K.?—On the 17th May I closed down the business of O.A.K. on my own initiative. I had a lot of orders pending in America, orders partly executed and to be executed, and I felt it absolutely necessary that I should obtain that material for the purposes of the mining industry, to liquidate the purchases of the company for which I was trustee, and to fulfil my obligations towards my customers, and as I did not wish to do any business for O.A.K., having publicly announced that I had closed down the business, I cabled them to ship to myself, but with no intention then or at a later date of making a profit.

I suppose you will agree that the bill of lading is one which is calculated to conceal the real ownership of the goods?—I cannot admit that there was any intention to do that.

The bill of lading in the form in which it was made out is calculated to conceal who were the real parties to the transactions?—It would certainly conceal who were the suppliers, but the invoice has to accompany the bill of lading.

But it also conceals who were the real consignees. My point is that in April, 1915, you ordered goods for O.A.K.?—I did.

When the goods were sent out some months later they are not consigned to the real consignee?—They were consigned to my instructions.

I do not know whether you are aware that it was forbidden to ship goods except to the real consignees?—I was not aware of that. There was nothing that I was aware of in the proclamations which made any of my transactions in the least degree illegal.

You are not aware that it was forbidden to ship goods to order?—I was not aware of it. I had very little experience of shipping goods.*

The bill of lading shows neither the real consignee nor the real consignor?—It is not unusual for bills of lading not to disclose the consignor.

First of all neither the real consignor nor the real consignee?—It does not show them, that is true.

And the letter which advises the despatch of the goods shows neither the real consignor nor the real consignee?—It does not show either.

I put it to you that bill of lading and that letter were both made out with the intention of deceiving the British Government?—I cannot admit that.

I am not saying that you are responsible.—I cannot admit that they did it.

Will you tell the Court what was the object of it?—They were carrying out the instructions I had given to them as to how they were to deal with the orders that I had sent them.

Did you tell them to send the goods away in the name of a consignor who was not O.A.K.?—No, I did not.

In sending them away under the name of the Pennsylvania Car and Manufacturing Company, I ask what was the intention if it was not to deceive?—The only invoice that I have seen for these goods—

What was the intention with which that letter was written if it was not intended to deceive?—If the goods were sent away by the Pennsylvania Railway and Wagon Company—

I am speaking of the Pennsylvania Car and Manufacturing Company, whose letter is written by the gentleman who signs the letters for the O.A.K. company, and I have asked you if that letter was not intended to deceive, for what purpose was it put in that particular way?—It is very difficult for me to answer that. The letter is written, as you say, for the purpose of deceiving when the invoice comes with the same documents, and is made out in O.A.K.'s name.

By the Court: Had you previously had goods consigned by or communications from this Pennsylvania Company?—No. I do not recollect receiving any goods from them. I still maintain that these goods that have

* Mr. Robinson represented the Chamber of Commerce in a deputation to the Dominions Royal Commission on Bills of Lading.

been seized do not come from them either. I think they were so formed to deceive the public in America. I quite agree with the questions that were put to me. I think the Pennsylvania Car Company was formed with the object of deceiving the public in America, but that they tried to deceive the British Government in sending a letter stating that they were shipping certain sleepers to me, and then sending an invoice in Koppel's name, is not to be considered. I was perfectly entitled at the 17th of May to continue business for the O.A.K. company. There was no proclamation; there was nothing talked about of stopping enemy trade. I had publicly announced that I had closed down their business, and it did not seem to me consistent to put a notice outside my office, "Business Closed," and then for shipments coming in for O.A.K. I did not do the business secretly for their benefit. If I had chosen to do the business for them I could have made thousands of pounds, because at the time the goods got to Johannesburg prices were 50 to 60 per cent. higher, and I sold them at cost price.

I understand you changed the consignees because the business of Arthur Koppel had closed down in Johannesburg?—Yes, and I wanted to carry out certain obligations I had entered into.

Cross-examination continued: The Pennsylvania Car Company is represented according to the letter by the same person who represents Orenstein Arthur Koppel Company in Pennsylvania?—So I see.

Did it not strike you as peculiar this sudden jump from the one to the other without any explanation?—*It struck me as peculiar, and I mentioned it at the time, I recollect, to my secretary.* These matters happened in May, but I practically ceased to have any communication with them at all. I should like to point out that this shipment with the *Hypatia* came in March, 1916, and all my actions took place in May, 1915.

Did you have any further communication from either O.A.K. or the Pennsylvania Company after the 31st December, 1915?—I have not received any letters. There probably have been some letters. As I say, I ceased to have any communication with them.

Did they continue to communicate with you about the business of Orenstein Arthur Koppel Company?—They have been doing so, but I have ignored them.

Did you receive this letter of the 31st December, 1915, before or after you got the advice of the seizure by the Admiralty?—*The first time I saw that letter was to-day.*

I thought your representative handed that letter to the Collector of Customs?—I might have sent it. I do not recollect it at all. All this correspondence was dealt with in the office of Orenstein and Koppel, which I did not occupy.

You were its titular head?—Yes.

But taking no active part in the business?—There was no business for them except the liquidation.

A business going on to the 31st of December, 1915, seeing that you were getting goods on their behalf?—Those were the goods ordered prior to the closing down.

The goods were coming to you. If you got that letter you must have seen it?—I handed all the correspondence over to O.A.K. to deal with. The goods were theirs, and all the correspondence was dealt with by them.

I understand in order to carry out the obligations of O.A.K., and partly to help yourself, you had undertaken this business?—I had the goods forwarded to me because I wished to do what you have described.

Do you mean to assert that you have no recollection of the letter which advised the despatch of the goods.—I have no recollection of it. I am quite certain of this, that when the goods were seized I had not the faintest knowledge that they were on the water. The first intimation I ever had about the sleepers on the *Hypatia* was when Mr. Moffatt, of the Customs, walked into my office and asked me if I had any sleepers on the *Hypatia*, and I said I did not know.

Will you tell me what shares in Orenstein Arthur Koppel, Ltd., of South Africa, are held by persons resident in South Africa?—I held 750; my secretary held one registered in his name; Mr. Newhouse, a co-director, had 100.

Is he a German?—No, he is a naturalised Britisher, and there were probably three or four single shares registered to clerks in order to comply with the regulations of the Company Laws.

What was the capital of the company?—60,000 ordinary shares and 2,000 ls. shares.

Who was the principal shareholder?—Every single share is held by the company of Orenstein and Koppel, Arthur Koppel A.G., Berlin.

Do you know the capital of the Berlin company?—I think it is about £2,000,000.

A large organisation which carried on a big business in this country?—Enormous.

And elsewhere?—Practically all over the world.

Can you tell me anything about the Orenstein company of Pennsylvania?—I can only tell you this, that some twelve or fourteen years ago, when the firm was called Arthur Koppel, he floated a company in America, and established some works at a place called Koppel City, near Pittsburg. When the two firms were amalgamated the new concern bought the shares in what was called the daughter companies. There were three daughter companies, one in Russia, one in Pittsburg and one in South Africa.

Do you know whether the shares in the Pennsylvania company are held by the Berlin company?—I have no knowledge of how they are held. I conclude that they are all held by the Berlin company in Berlin.

Before the war how many directors were there in South Africa of this company?—Only three of them.

Who were they?—Myself and one co-managing director, joint managing director with myself, who is now interned in Maritzburg, and Mr. Newhouse.

Who was the joint managing director?—Mr. Guttentach.

Are the 750 shares held by you your property or are they merely nominally yours?—For some time they were mine. I paid for them originally, but when Orenstein and Koppel amalgamated Mr. Orenstein insisted upon my selling to him these shares, but they were lying in my name as qualification shares.

So you were really a nominee?—Yes.

The whole of the shares in the company, with the exception of 100 held by Mr. Newhouse and some single shares, were owned by persons residing in Germany?—Including the 100 held by Mr. Newhouse and the single shares; they are also qualification shares.

Before the war was the policy of the company controlled from Berlin?—We had very large discretionary powers. But there was a governing council appointed, which lived in Berlin, was domiciled in Berlin, and that governing council actually controlled the whole business.

Comment on that little scene would be unnecessary, except to point out that the letter from the man De Jongh in America (who was writing the letters which Robinson "could not recollect" until pressed, when he recollected quite a lot of striking things about it) should have drawn the attention of the secretary of O.A.K. here to a singular coincidence with his own position. For just as the secretary of O.A.K. had suddenly become the secretary of the Pennsylvania Car Company also (Koppel's blind), so he himself, while remaining secretary of O.A.K., had become secretary of A. F. Robinson, Ltd., the "nominal consignees" of Koppel's goods.

Perhaps too much stress has been laid upon the slips made here and there on a path made so difficult by our national weakness for German policy. The pitfalls are many. It is more pleasant to watch Messrs. Newhouse and Robinson using the policy and the means of the Deutsche Bank, they knew so well, for the benefit of British expansion.

In his long career as representative of the Deutsche-Goerz-Koppels extension Mr. Robinson had, of course, obtained the necessary levers in Mozambique (Delagoa). It was now his object to place this immense advantage at the disposal of the Empire, and the English members of the firm were to support him. A "cable from Amsterdam" (enigma!) had authorised him, towards the end of 1914, to extend the contract of one of the staff of O.A.K. who was meant to assist in this enterprise; for the staff understood from their chief that the business would close down as soon as the Germans saw the game was up. For the present they were as obstinate as Pharaoh, and believed victory was certain. What was looked to was the liquidation of the concern and the erection of a powerful British combination.

While some member of the staff was to carry on British agencies in Delagoa, closing down O.A.K., Mr. Robinson was to take advantage of his

own journey to England to visit Switzerland, and on that neutral soil disabuse the minds of interested Germans of the idea that victory would crown their arms, or that he, in any case, would have anything to do with the direction of a firm in which they were principals in reality. He had the Mannesmann and Sulzer Bros. as a legacy from "Tecomeco": he would add these to the genuine British agencies he was to obtain.

He would form a syndicate, purely British, which should rise on the ruins of the German combine and carry all before it.

Unfortunately, circumstances militated against this arrangement. Mr. Robinson's own connection with O.A.K. might be got over, but a secretary has duties which the law knows about. We see from Mr. Robinson's evidence that the secretary of O.A.K. was handling correspondence from America, and the evidence shows us, in spite of what may seem to be a *lapsus memoriæ* on the part of Mr. R. (who told the Court he had not paid any attention to a certain letter), that Mr. Robinson himself had called the secretary's attention to the fact that the secretary of the Pennsylvania Car Company was the gentleman—Mr. De Jongh in his name—who had always written to him as secretary of O.A.K. (America). This interchange of secretaries it was, perhaps, which roused apprehensions in England of the kind we have seen in Durban. Fortunately, the solicitor for Mr. Robinson's companies was able to give the necessary assurances. This gentleman had the advantage of being solicitor for O.A.K., too, so that he could see both sides, so to say, and, between conflicting interests, give advice not only judicious but judicial. Strange how the vulgar tongue distinguishes between these two kindred words and alien ideas!

No one, however, has yet ventured to explain how Mr. de Jongh, *q. q.* Pennsylvania Car Company, having the run, of course, of Koppel's archives, should have addressed himself to A.F.R., Ltd. It seems just like the Montania inspiration! There were, however, old friends of Mr. Robinson in Johannesburg who would have pledged their heads on his *bona fides*, and these entered in contracts with him for the building of Quilimane railway, on the assurance that not O.A.K.'s but British stock was to be used for the other part necessary to the completion of the contract. But if O.A.K.'s stock was sold it ceased to be O.A.K.'s. Didn't it?

In order to develop British Imperial trade on the successful lines of Germany it was, of course, necessary to have a syndicate. The Pombal Syndicate was accordingly put on the stocks and one of the partners of A.F.R., Ltd., was to be sent to England to bring the necessary circle of British manufacturers into the syndicate.

Success attended the Pombal negotiations in England and notable British firms joined. Lever Bros. were approached, but did not accept the invitation. They had the Schlesinger arrangement. Messrs. Pauling (Erlanger) assured themselves of a firm standing in the syndicate which was to be a parent company or intermediary to obtain business for British companies in the opening up of Mozambique on a continental scale.

In return for the influence of the parent syndicate, the shareholder who got the business was to remunerate the syndicate.

It was, of course, impossible to carry out the German system in its entirety, for the simple reason that Britain has not the internal organisation of allied trades, banks and industries which distinguishes Germany among the nations. A selection was, therefore, made of firms

of high standing, in such a way that no two subscribers should overlap one another's business. The Pombal was to be above all, and A.F.R., Ltd., would be able to secure fair treatment for the agencies it represented. A judicious allotment of founders and ordinary shares, paid or free, was provided to keep everything easy and even to give an encouraging interest to persons of influence who were not traders, but could be relied on to assist from high places outside. The original articles of association reckoned on a trifling capital of £6,000, for *this splendid enterprise was to be conducted on the German system which, as we know, requires no cash.*

The sphere was a wide one. One leading firm was to provide all track material, contractor trucks and locomotives; another all produce interests other than sugar and those required in the manufacture of soap; another mining machinery and heavy wagons; and another group got preferential rights of taking up concessions which the syndicate's influence might obtain in connection with sugar. All these firms had assurance that no German interests were, directly or indirectly, concerned, in spite of the appearance of the secretary of the O.A.K. as secretary of the Pombal, too.

The scheme was far from perfect yet. A score of other troubles stood in the way of the successful march of the Pombal to rival the Deutsche Bank in British interests.

As we weigh the mass of evidence in front of us it is quite clear what Mr. Robinson's difficulty must have been. *The German system does not want cash, but it needs the appearance of wealth.* There are "guarantees" to be given for the purposes of taking colossal contracts, although everyone knows the guarantees given by Germans are merely formal.

Perhaps if it had not been for that turbulent crowd of irrational anti-Germans who wrecked O.A.K. and drew public attention to its enemy interest, Mr. Robinson would have brought off this great Pombal deal, and have taken rank with Gwinner and Rathenau, Braunfels and Goerz, Dernburg and Siemens, and struck out a new line for the British Empire on ready-made roads. He began well, for he borrowed from the O.A.K. board (self and Neuhaus) the tidy sum of £16,385 or more. And, if arithmetic be a guide through these figures, he would know where lawfully to place his hand on more in a convenient season. Possibly Mr. Neuhaus was the more willing to accede to this loan because of Mr. Robinson's service to the mines, not only in supplying necessary stores, but also in consenting to that "biggish" amount of £70,000 lent to one of the mining houses." The remission of £20,000 to America may have been meant to disarm the enemy's suspicion.

If Koppel's £260,000 or more had been at his disposal, together with a certainty of contracts with the mines and a British bank, which, as we see, was wisely ready to give him a wide latitude of credit, the scheme might have been brought off without "bringing in" too many outsiders.

Besides the aid of a manufacturers' ring the "German System," as we have seen, requires a bank and the power to *appear* to lend money—to make loans.

Mr. Robinson made a decent beginning. He devoted the £16,385, his "personal loan" from O.A.K., to a "reclamation scheme in Lourenço Marques." The loan was, of course, safe as far as repayment went. So that when Mr. Neuhaus, *q. q.* O.A.K., pressed for the repayment of the loan, the contractors for the reclamation scheme had paid the first

instalment at the termination of the year for which the loan was made. That was a stroke quite inside the arcana, for it appears that no money passed, but the security at first lodged was in the form of a fixed bank deposit from Orenstein-A. Koppel. Hearts of O.A.K.!

But although Mr. Robinson could do a long credit of £50,000 on his private capital of £1,000; and O.A.K., Johannesburg, with a capital of £60,000 could pay fat dividends on the German capital of £2,000,000; the Pombal, with £6,000 capital, could hardly reach to the Continental scheme which was now to be British. But Mr. Robinson has learnt in a better school. He had done his part; the big loan was ready. The Portuguese East African Administration was prepared to accept a loan, and Mr. Robinson approached his fellow-director, Mr. Newhouse. But this gentleman was unable to persuade the bank he dealt with to negotiate the amount required, and the matter was shelved until the end of the war, Mr. Newhouse, prudently, it seems, having stipulated that he should be "in it" when the deal should be done. That was just the sort of business—an international loan with an industrial connection—the Deutsche Bank would have done in ten minutes.

How Mr. Newhouse came to learn about the Pombal Syndicate at all is not quite clear. The thing was kept fairly quiet. The solicitor to the Syndicate knew, of course, and perhaps Mr. Imroth may have learnt about it. In any case the news got round, for there are always certain currents which convey information of this kind to the proper quarters, and Mr. Newhouse, being hurt at being left out of the business perhaps, was propitiated with a block of founders' shares as well as ordinary shares, and as no provision seems to have been made for this holding, A.F.R., Ltd., would have to make up the required amount. But Mr. Newhouse seems also to have desired a participating interest for Goerz and Co. Possibly it was this which disturbed the negotiations in England. The eager competition of these more experienced British firms in South Africa for a large interest in Pombal must have embarrassed Mr. Robinson, more especially as the representative of A.F.R., Ltd., in Delagoa was to have an interest for himself not less than that dealt out to Mr. Newhouse. There were various Portuguese gentlemen whose intelligent interest in the success of the Syndicate it was felt necessary to conciliate. The interest of A.F.R., Ltd., in the Pombal was gradually being sacrificed to the gallant and patriotic enterprise. There may have been a danger in consequence that A.F.R., Ltd., would not be able to obtain so much business for its British agencies.

Whether it was in consequence of these difficulties, or because of the magnitude of the scheme, Mr. Robinson seems to have despaired of filling up the Syndicate with British firms exclusively. He looks to America for financial support. It was here, perhaps, that that intercepted Marconigram did the British institution a good turn. Yet the Syndicate had not been registered, and this possibly had delayed the English negotiations, and commercial transactions with America were hardly popular at that time. Still the British firms take their place in Pombal, though it is understood that Mr. Neuhaus withdrew for the sake of the splendid scheme. The times require delicate walking. The strong anti-German feeling of Natal naturally forbids Mr. Robinson from prejudicing British Houses by associating them with the nominal directors of O.A.K., which, of course, was still in existence there, though nominally closed. On the other hand, it is convenient to take their agencies in Mozambique, at least for a time.

Mr. Robinson, in fact, had no time to waste. It appears that he required three or four million sterling for his ambitious projects, and, strangely enough, the rumour goes abroad that a great American house has made advances to the Governor-General of Mozambique, with proposals of the very kind that the Pombal had in view. A case for telepathists!

Was it not discouraging? America would have to be taken in, too, and this would make it difficult to pledge either A.F.R., Ltd., or the Pombal to buy material from those British manufacturers which had been brought in, and they couldn't be expected to be enthusiastic about the Syndicate in which the finance was above their heads. The British firms were hearing disquieting rumours, and it seems that some rearrangements in the agencies were made to satisfy all parties.

Tact was required. Mr. Newhouse's holding was taken up by Mr. Robinson or his company, and the transition was facilitated by the transference of Mr. Robinson's own original holding to a well-known doctor, who, though possibly not a British subject, might be expected to hold the friendly views towards Britain characteristic of a liberal Republic like Switzerland. Several conveniences were to be obtained by this arrangement, some, being of a private nature, cannot be referred to. It is sufficient to say that it facilitated negotiations with Sulzer Bros., and it is regrettable that the police should have felt it their duty to arrest Fritz Schmitz, a harmless German soldier, to whom Mr. Robinson and his friends extended a humane protection in exchange for his service as a body servant.

THE GEDULD PEGGING.

In spite of all obstacles, Mr. Robinson was still bent courageously on triumphing over enemy trade by employing all the enemy's lawful methods. Now we have seen that a gold-basis in a mine was an essential to the German system in South Africa. Accordingly it was not surprising, or should not have been surprising, when it was announced, towards the middle of 1916, to a meeting of the Pombal that a certain mining house wanted the Syndicate to carry out arrangements for pegging off some gold-claims on the East Rand.

A stranger might have wondered why a mining house couldn't do the pegging for itself, and how it came to ask the Pombal to do it. The latter part must be buried in a sad surmise. Perhaps it was a peculiarly British house and wanted to do the baby mammoth a good turn.

An explanation has been hazarded for the unwillingness on the part of the mining house to peg for itself. The fact is that the Government is in some difficulties with the Gold Law. The 1908 revision, having been carried out under Chamber of Mines advice and *visé*, had left certain weaknesses in it which might lead to embarrassment if advantage were taken of it. In the case of Schapenrust, for instance, the Government and the negotiating parties have tied themselves in such a hopeless knot that only special legislation can free them. Parliament is to be asked to pass the required legislation, and the interest of Mr. Kleudgen and Mr. Katz will not be allowed to suffer. This we gather from Mr. Kotzé's evidence. It is natural under the circumstances that the Chamber of Mines should refrain from the appearance of embarrassing the Government by taking advantage of the weaknesses of the law.

There is another suggestion current, upon which no reliance can be placed—yet. It amounts to a belief that the "Houses," or some of them, had come to a private arrangement to divide the Government leases they had made sure of getting, and that this *démarche* was not only a breach of

the understanding with the Government, but a more serious thing—a breach with more important people.

Whether this be the explanation or not, such an understanding was no concern of Mr. the Pombal, even if the Syndicate had known of it. So when the Pombal was informed that a mining house was prepared to pay about £3,000 to cover all expenses incidental to the expedition, and further to give a considerable reward in proportion to the number of claims secured, the proposition was attractive. The mining house's cheque was duly paid to the Pombal Syndicate: the pegging was ordered to be done.

The transaction created a sensation. It was complicated by the refusal of Mr. Hamel, the Mining Commissioner at Boksburg, to grant licences to the peggers. A *rule nisi* was granted against him and was discharged by Mr. Justice Ward in an exceedingly careful judgment which, *en passant*, exhibited the looseness of the Gold Law and the immense power given to the Mining Commissioner, possibly, but certainly to the Government Engineer and the Minister, to deal with gold-bearing ground for or against individual claims.

The claims, worth not less than a million pounds, are situated on the farm Geduld, once the property of President Kruger, and sold by him to Goerz and Co. for £100,000, a perfectly proper transaction, which, however, was the occasion of rather scandalous comment by the Anglo-German press at the time. What was of much more importance then, though it escaped comment, was that Goerz and Co., though entitled only to a *mynpacht*, one-tenth of farm (at that time), actually obtained almost a half of the whole farm, a result which was achieved partly by the fiction of calling a considerable portion of the ground a *werf* or homestead, because trees had been planted on it by the company which had purchased the freehold. The trees had made Goerz and Co. farmers, and had given them a *mynpacht* beyond the tenth given by the law.

It would be only fitting if Goerz and Co. should obtain the whole farm, for it is becoming the fashion to think that Government ground should be added to the property of those who hold the later enlarged *mynpachts*. One can imagine Mr. Newhouse being torn between the desire to endow Goerz with the Bonanza and the formalities which discretion taught the Chamber of Mines to observe. Quite possibly Mr. Newhouse knew nothing of such grounds for hesitation even if it really exists except in gossip. It appears, in any case, that he mentioned it to some members of the Pombal, and the cheque for the pegging was made out in the name of the Goerz firm.

One is led to the conclusion that the explanation which has been offered has something in it since it seems that Goerz and Co. make no claim for a refund of the balance of the cheque unexpended, although all the acts necessary to make the pegging valid have not been carried out, and inquiries at the Chamber of Mines reveal no claims on the part of Goerz and Co. to the claims on which the pegging raid was projected.

If Goerz and Co. had been officially connected with the enterprise their withdrawal was the more singular, since a member of the enterprising Pombal was in London when the case was lost in the Court, and he cabled that he had obtained the money necessary to appeal to the Privy Council. This was a handsome contribution in thousands, but a certain, perhaps praiseworthy, and certainly discreet, reticence on the part of this gentleman has not gratified the public curiosity as to the names of the adventurous parties who believed that they could upset Mr. Justice Ward's judgment. He said it was enough to know that certain persons in London were ready to supply all money required for the appeal, but under no conditions would he divulge their names.

Although we must lament the failure of this dashing British enterprise on the part of the syndicate, we must, as South Africans, rejoice that the valuable claims on Geduld are retained, if only for a moment, in the possession of the Union by the Court's decision.*

To show the daring extent to which the policy of the Pombal Syndicate was prepared to go in its undermining of enemy interests—for it must always be remembered that it was founded to head off the German influence in Mozambique—and the influential friends it found ready to assist, it may be mentioned that among the undertakings of the Pombal is a soap concession in Delagoa Bay. The chairman of the local board is a distinguished Portuguese gentleman, who before the war was a partner of Herr Fritz Wirth. Herr Wirth was Consul for Austria-Hungary and also for China, but he was neither Hungarian nor Chinese, but simply a German, with the national passion for consulates. It is often convenient to have a foreign consulate or two at your disposal. Herr Wirth was also a partner in the busy firm of Breyner and Wirth, which, in spite of such humble designations as “brokers and commission agents” and as agents for the North German Insurance Company (formerly Hanseatic Fire Insurance Company) and the Star Life Assurance Society (*dans cette galère!*) was a German firm of great wealth and handling matters of the highest moment. The local chairman of Pombal referred to was a partner of Herr Wirth before the war. Of course, Breyner and Wirth's business disappeared into that *ewigkeit* or spirit-world where German businesses go at such time, but Herr Wirth's interests have found a keeper. Now, Breyner and Wirth were, if not the representatives of the Berlin Council governing Orenstein-A. Koppel in South Africa, yet the “diplomatic advisers” of O.A.K. in this country, and connected the semi-defunct firm with German South-West Africa and German East Africa and all the ports and river mouths on the coast. So powerful a man as Mr. Wirth naturally escaped the inconvenience of internment. He had done so much when the German Colony departed, for a period, from Johannesburg, and assisted them with their banking accounts. He has been allowed to retire to a solitary retreat on a river side. Naturally it was a prudent curiosity which drew a gentleman connected prominently with the Pombal to see what was going on in that lovely spot, where one who had had such power had retired until this tyranny be overpast.

Let us hope that Parliament will now take the necessary steps to relieve private persons of such responsibilities and will smash this cursed German system in pieces for ever. In any case, the law must be closely looked into lest some of its oversights may be used after the war to ensure for the enemy shareholders in the Koppel organisation the benefit of all the business secured for British firms, as well as for the friendly Americans. Is it possible that the loan made on the security of an O.A.K. fixed deposit might lead to this disaster?

It might be argued that privileges obtained by means of Koppels' credit might be claimed for the enemy by the process of law after the war is over. It would be too disappointing for Mr. Robinson and his friends to discover that their activities have resulted in the aggrandisement of the national foes, with which some of them have been closely associated in the past, the very recent past, a past which is only not present because of the Admiralty's Black List, the vigilance of the Navy,

* The Geduld Company is about to increase its nominal capital in order to take up the lease on the rest of the farm. The leases have been prepared. Parliament awake!

and the violence of a patriotic population. To import for Koppels from Koppels, to serve Neuhaus's orders for Goerz mines, to peg State land for Goerz and Co., or perhaps for some of Goerz and Co.—these alone would be no great patriotic record. But there is no saying what limit the law puts to the enemy's power. If Sir Lionel Phillips could find that his "personal predilections" for patriotic investment have been disregarded by his more powerful associates in favour of the German policy of lending South African profits to the Prussian Government and to the victims of the Deutsche Bank policy, Bulgaria, Turkey and Austria, and if a similar policy is followed as we have seen by companies under the control of the Consolidated Mines Selection and General Mining and Finance Groups—if, in fact, all the financial machinery of the country is adapted to exporting all the portable wealth of South Africa to the pockets of hyphenated "Britishers," to Prussia, Bulgaria, anywhere so long as the profit be German and the loss South Africa's, what can the rather involved Mr. Alfred F. Robinson do against so mighty a machine? We have seen even his mercantile experience fail him against German intrigue, in spite of his long occupation of responsible positions in commercial chambers. We have seen him avow that he yielded to lawyers who told him that he must continue during the war in the service of enemies resident in Berlin. We have seen his private firm confidently made use of by the enemy interest. Even the added counsel of the sagacious Neuhaus has not availed him in these dilemmas. We may be wrong—it is only our opinion—but we regard the enemy holding in Geduld and Goerz as cogent reason for bringing one or both under the Enemy Trading Act. And if we should be right, what are our politicians doing? How is it, for instance, that without any public process of law the Government has at long last discovered that Koppels was and is an enemy firm? Has General Smuts changed his mind? Why was Robinson permitted to sue a British insurance company on behalf of this enemy? These questions are beyond our power to answer. They are as inexplicable as the appointment of Sir Lionel Phillips to the census and control of the minerals of the United Kingdom. It would be too much to expect from men like Albu and Neuhaus that they should be more British than Britons-born. Germany openly proclaims that her citizens may put on British citizenship for commercial purposes, and yet retain the moral, intellectual and banking privileges of German citizenship. And we have acquiesced in that false position. But we can change it now. At least we can avoid giving mining leases worth millions to companies and subsidiary companies so closely related to the system of German banks. If the complacent legislators in Capetown study mining finance, if only in its relations to national finance, they must smile a good deal in the caucus. They profess to have made all things subservient to "carrying on the war." What have they done? What, that is, beside watering down the Enemy Trading Act they took up so reluctantly? They will see by the papers that the Springs Mines Company, having deposited its money in German banks, has now been put in possession, by loan, of the money of shareholders *in other companies with German credits*, in order that they may take up a lease on the State claims. Apart from the continued sanction given to this system of subsidiaries by which the "parent" can lend a shareholder's money to a company in which he has no interest, which indeed he may detest for its German *liaisons*, the System is radically vicious. Will no Nationalist—the Unionists readily resolved in caucus to lease the land without inquiry into its worth—will no South African Party man find enough of the

national spirit within him to instruct the State Mining (not, oh printer, State-mining!) Engineer to inform him of the value that recent work has placed upon the claims which the Springs Mines Company and Geduld Company are now prepared to absorb, and, meanwhile, take action? These leases can be carried out in the vacation, and probably will be unless Parliament be moved to veto the business. There are some, surely, who will aid our endeavour to rescue South Africa from the peril that darkens all her future.

For this evil system, planned for our destruction, more was wanted than hyphenated attachment on the part of men of German feeling. Our own lukewarm citizenship has been to blame. We, too, have been "neutral" in a war *à outrance*. To the complacent Britons can be addressed the impassioned words of Maeterlinck:—

"You alone who still bear the name of neutrals which one day will weigh heavy upon you—you alone, I say, can still hinder or punish certain crimes against which, as they are beyond the reach of our arms, we are powerless. Those who commit these crimes are living in your midst, received into your houses, surround you with obsequious yet threatening smiles, shake your hands in our streets, *salons* and clubs, grow rich at your expense, sit, perchance, at your table and dare still to treat you on a footing of equality. It is time to make them feel by acts that all this is changed, that they are no longer the equals of any man on this earth, that henceforth, between humanity and them, there is a gulf not to be crossed till after long years of penitence, suffering and humiliation."

CHAPTER VII.

EVIDENCE FOR STATE MINES.

PART I.

STATEMENT MADE TO THE GOVERNMENT COMMISSIONERS ON
STATE MINING BY W. E. BLELOCH.

(Revised.)

The geological evidence, as you will see, is material to your enquiry, because whatever conclusion you may come to about State mining as applied to the Far East Rand it is essential that the mining operations, whether they be undertaken by the State or by public companies, should not be undertaken on reefs and areas about which there exist very strong doubts as to their payability and on which such operations would almost certainly lead to failure. Especially in the case of State mining is it necessary to make sure that the areas selected should contain the reefs which have been proved to be payable by extensive developments on the neighbouring mines.

I see that Dr. Mellor in his evidence has also advised co-ordination of evidence as to the mining value of the various areas on the Far East Rand.

I am of opinion that the Government should try State mining for the following reasons:—

(1) Because I am convinced that State mining of the Van Ryn Reef on the Far East Rand would be a sure source of revenue, and consequently—

(a) A means of relief from heavy taxation. (Special effort should be made to free the initial stages of mining in new areas from the present crushing burdens imposed by the Gold Law, so as to encourage the proving of the extension of the gold fields, and thereby the discovery of further State mining areas.)

(b) A means for the establishment of irrigation works and the encouragement of land settlement, and industries other than mining.

2. Because it would help to break the present undesirable and dangerous monopoly of control of mining finance held by the financial corporations known as the big houses.

(a) It is this monopoly of control which has led to the passing of oppressive laws like the Transvaal Gold Law, designed to prevent the ordinary people of the country from ever having financial control of their own mines. Laws which enable monopolists of alien origin to decry and boycott and practically kill any mining enterprise not under their own control. Instance, the Consolidated Mines Selection Co., Ltd., and the Southern Van Ryn Reef Gold Mining Co., Ltd., referred to in the statement made to the Select Committee of the House of Assembly (revised) presented herewith.

(b) It is this monopoly of control which enables these financiers to threaten and dominate any Government, and thereby through the control of its principal industry in a way control the State.

By using the patronage placed in their hands by this control of the mines:—

(1) They can give the mining advertisements only to those newspapers which are subject to their control, or to those brought into effective control by the giving or withholding of these advertisements, and thereby they are able to influence the tone of the articles purporting to express public opinion.

(2) They have the appointment of all the chief positions on the mines and finance companies, and in the past have frequently placed aliens in these places, to the detriment of the men of the country.

(3) They have the placing of the orders for the industrial and commercial requirements of the mines, amounting to a total of about £10,500,000 a year, and have frequently in the past placed these orders with our present enemies, and when the war is over there is great danger that they may do so again.

(4) They can give their buying and selling orders for the immense numbers of shares they handle, exclusively to stock brokers who are favourable to their interests, and in this way influence the whole course of Stock Exchange dealings, thereby creating a monopolistic market in their own stocks to the practical exclusion of stocks controlled by the ordinary people of the country. These brokers influence their clients to purchase only big house stocks and advise them against buying any other. In this way there is created such an anomaly as the following:—The value of the property of the Southern Van Ryn Gold Mining Co., Ltd., at the underwriting price at which the first working capital was raised, a company with £15,000 working capital subscribed and owning 1,662 claims intact carrying both the Nigel and the Van Ryn Reefs practically as outcrops, was under £80,000 for the whole property, about £50 per claim. The market value of the Daggafontein property, with a smaller claim area, working the Nigel Reef at 3,561 feet, showing an average value of 4½ dwts. over 40 inches, is about £700,000 for the property=about £400 per claim. The market value of Springs Mines, working only the Van Ryn Reef, with less than 50 per cent. of payable development and over 50 per cent. showing under 2 dwt., is about £3,700,000 for the property=about £2,800 per claim.

Springs Mines (Van Ryn Reef, 3,600 feet deep) ...	£2,800 per claim
Daggafontein (Nigel Reef, 3,561 feet deep) ...	£400 per claim

Southern Van Ryn Reef G.M. Company (<i>containing the same reefs as the above and practically as outcrops, but without German control or connections</i>) ...	£50 per claim
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In the *Sunday Times* of date 29th of October the following cable appears:—"London, Saturday. The following paragraph appeared in the *Daily Mail*:—"Complaints are reaching us from the Stock Exchange that German-born members are favoured by German-born directors of some of the South African mining and finance houses, who profit by market fluctuations and buy and sell the shares of subsidiary companies under their control. Nearly all their business seems to be given to German-born brokers."

The public seems to take the big houses and their properties at their own valuation and to accept without question the opinion of their experts, and this although they may have put forward failure after failure involving enormous losses to those who bought their shares. Cloverfields, for instance, have had two booms. The shares were sold by the thousand at 60s. to 90s. a share, twelve to fourteen years ago, and

to this day the mine has never produced any gold. To-day we find financial journals both here and in London writing in a manner to entice the public again to buy this stock, notwithstanding its past record of share market success and profit for the promoter, and mining failure and loss for the shareholder. Would it not be well if the controlling house concerned should be asked to find the money out of its own resources for any further development of this property, and so avoid for the future the wicked gambling in the shares which the Chairman of the Stock Exchange so righteously deprecates.*

An estimate of the public loss on the mines working the Blue Sky Reef and the Nigel Reef on the northern side of the Far East Rand syncline cannot be placed at less than £10,000,000 sterling.

(5) They can if they wish borrow the funds of the companies they control at low rates of interest. In some cases they continue to direct the companies after having almost completely sold out their own actual interest in them, and annual meetings have had to be postponed owing to there having been insufficient shares remaining to the controlling house to ensure sufficient representation even with proxies to form a quorum. In some cases there are nominee directors on the boards, who hand over their director's fees to the controlling house, and who receive a fixed salary from the house instead. In such cases they are in a position to "shear the sheep" effectually, and all the time. Sir George Albu, who, to do him justice, has always been associated with fair financial dealing and business-like and efficient management of his mines, recently told the public that the Consolidated Mines Selection Co., Ltd., was engaged in the "sheep-shearing" process, and the Chairman of the Company, which has among its shareholders the Deutsche Bank, the Dresdner Bank and Disconto Gesellschaft, besides many private shareholders of German origin, holding among them nearly 700,000 shares, and some of whose companies' funds are even now deposited with the Bank fur Handel und Industrie (Herr Dernburg's bank), a company controlled by Messrs. Kitzinger, Wetzlar and Dunkelsbuhler, which for several years had Herr Dernburg on its board, replied in effect that it was good for the sheep to be shorn. For the Government to place further areas containing the Van Ryn Reef under the control of these people on any terms whatever instead of working them itself would, in my opinion, be acting against the commonwealth of the Union.

(6) They are in a position practically to drive from the field any independent British or South African competitor who dares to attempt to enter into their domain of mining finance or in any way challenge their supremacy. It should be remembered that even those houses of British origin and those which, although originally German, are now British in character and sympathy are, with one or two exceptions, so intimately connected with the others that they form practically one organisation in a financial and political sense. It may even be said that the British corporations dare not go against the others except at the risk of endangering their future. In any Government area deal they would certainly be left out if they did. The naked truth is that the recent development of the deeper level areas of the Far East Rand is directly due to German enterprise, and, judging from the example of the Southern Van Ryn property, even now when the Van Ryn Reef has been opened

* Since this statement was made the Government, without waiting for the report of the Commission, has granted a lease of the valuable State-owned claims on Modderfontein, and is permitting the claims so leased to be joined with the Cloverfield-Rand Klip properties, and formed into a company to be called "Modder East."

and proved by widely separated mines over an area of about thirty square miles, both South African and British financiers seem to wait on German initiative before they will act. Under our present absurd and inequitable laws, therefore, which have almost killed our own national individual efforts, the choice lies between State mining and German finance. Let there be no illusion. The question is shall we finance and control the field ourselves or hand it over to Mr. Kitzinger?

FOOTNOTE.—The following information about the shareholders of the Consolidated Mines Selection Co., Ltd., appeared in the *Evening Chronicle* of September 16th, 1916:—

“The latest summary of capital before the war as shown at Somerset House was May, 1913. The capital of the company was 1,105,000 shares issued, and the list of leading shareholders is as follows:—

B. Kitzinger and another and J. S. Wetzlar and another (managing directors in London)	171,000
Deutsche Bank	82,000
Dresdner Bank	45,000
Disconto Gesellschaft	32,000
S. Japhet and another	26,500
P. Lindenburg	22,500
S. Bodenheimer and another, Berlin	13,000
A. Oppenheimer and another	10,200
B. C. Heye and another, Bremen	8,500
A. Carlmann and another, Hamburg	7,500
A. Vogel and another	6,800

“These shares make a total of 470,000. Of the balance of 635,000 shares held in various names an investigation showed that 40 per cent. of the names were those of Germans resident in Germany.

“The details of this additional 40 per cent. of German resident holders is not given in the list, which we take from an English paper, but if we reckon *pro rata* we must add 40 per cent. of the balance of 635,000 shares to the 470,000 held in the list of German names just given.

“Thus we arrive at an approximate total of over 700,000 German shares in the company, as it was constituted before the war.”

REVIEW OF THE OBJECTIONS TO STATE MINING.

(1) *Danger of Failure to make State Mines Pay.*

This is a bogey held up by the financial houses and the writers in their controlled press. Their desire is to secure for themselves the known valuable areas on Brakpan, Geduld, Springs, Rietfontein and Daggafontein.

These areas are practically surrounded by mines working the Van Ryn Reef—the real Van Ryn Reef, not the worthless Blue Sky Reef of the mines between Benoni and Boksburg, nor the Nigel Reef of Cloverfield and Rand Klip. It should be known that the Blue Sky and the Nigel Reefs have been identified by the financial houses and their advisers as the Main Reef Leader, and for the past twenty years companies have been floated and shares sold to the public at high prices on the strength of this identification, an identification which, while it may have enriched the financiers, has certainly impoverished the people. This erroneous identification is now being used as an argument to frighten the Government and people of this country into handing over many millions of certain profits lying ready to hand in these real Van Ryn Reef Areas,

which they are so eagerly desirous to obtain. They say, "Look at Cloverfield, Rand Klip, Van Dyk, Rand Collieries! What money has been spent on these properties without success?" (See Mr. Wallers' speech at the Chamber of Mines meeting of 1916; also his evidence before the Select Committee of the House of Assembly, and his evidence before this Commission; see also recent articles in the *Star* and the *South African Mining Journal*, all setting forth same arguments.)

This line of reasoning is on all fours with a case like this: Supposing the Government had held out an area equal to, say, 40 per cent. of the Premier Diamond Mine, and had kept this area intact, and in the meantime the ground round it on three sides had been mined and had been proved to carry over 20 carats of diamonds to the 100 loads, and a prospective buyer of the 40 per cent. intact area were to say that because this area of a proved mine had not yet been developed, and because another and totally different Kimberlite pipe—say, that on Zonderwater—a few miles away had been proved to be unpayable, and money had been lost on it, therefore the 40 per cent. of the Premier Mine about to be dealt with must be considered as a very hazardous mining proposition. In just this way, being desirous of obtaining the intact and undeveloped but undoubtedly valuable areas on the real Van Ryn Reef referred to, Mr. Wallers and his friends cite the many failures on the Blue Sky and Nigel Reefs, which, so far as the Rand is concerned, have nowhere been proved to be payable.

On these false premises and this inconsequent reasoning they solemnly warn the Government about the very hazardous and risky nature of mining enterprise on what has been proved to be the most reliable and valuable gold reef ever discovered.

What is the record of the companies which have worked the Van Ryn Reef in the mines adjacent to the areas in question? On a separate sheet I submit a tabulated statement showing in round figures the capital expended in each case, the gold recovered, the profits made, the profits in sight, and the probable profits from the remaining undeveloped areas of the ten great mines of the Far East Rand, besides other information about these mines. The statement has been prepared rather hurriedly, but I have taken great care not to over-state the case, and I am confident it will be found in the main reliable, and, in any case, it is open to challenge if in any respect it should be found to contain data not absolutely correct.

From this statement you will see that the total cash capital put into these ten mines from first to last is a little over £11,000,000. The estimated and almost certain *profit*, which this investment of £11,000,000 will produce, is £143,000,000. Of this great sum over £15,000,000 has already been taken out and over £26,000,000 more of it is in sight in the shape of fully developed ore. In the case of these mines therefore, had they been State mines, the proportion of profit to investment is as 143 millions is to 11 millions. But in case the State had owned these mines and worked them, and were the total profit only 14 millions—that is equivalent to the 10 per cent. ordinary profit tax on the privately-earned profits—the State would be as well off as it now is with these mines worked by private owners, because it would still have made its ordinary revenue out of the Government taxes, claim licences, railway revenue, Customs, etc., which all come out of the cost price of the production of the gold. The people of the country would also in the same way be practically as well off because the dividends paid in South Africa only amount to about 10 per cent. of the profits earned, and we as a community make our living and increase our savings and our wealth chiefly out of our earnings as producers of the gold. That is to

say we make it out of the cost price of the gold's production, and it matters little to us, provided the production is kept up at its present cost in wages and material, whether there is a surplus profit above that cost of production or not. For the State the capital required to produce the gold is insignificant, and, in the case of the ten mines referred to, would be returned about fourteen times over out of actual profits over and above the cost of production, but at present the State is chiefly kept going financially not out of such actual profits, but solely out of its levies in the shape of Customs dues, railway rates, taxes, licences, profit tax, etc., all paid out of the present cost of production of this Witwatersrand gold.

At this stage I would point out that the State is already engaged, in a financial sense—in fact, it is heavily engaged—in State mining. Great railways have been laid down, great harbours constructed, and great public buildings and public works of all sorts have been erected and a great debt contracted. On what security and on what basis? Chiefly on the security of the Rand's gold production. The cost of these railways and public works and the interest on the public debt comes chiefly out of this cost price of production of the Rand's gold. If, then, State mining of the Van Ryn Reef—our best and most reliable reef—is a hazardous undertaking, so, too, are most of the railways and public works of the country, because the chief pillar of the whole industrial and financial fabric of the Union is the cost of production of Rand gold. So long as the production is maintained and the cost paid for, the financial position of the country is safe; but let it be stopped or in any great degree diminished and serious trouble will at once be manifest. Instead therefore of straining at a very gnat in the shape of the initial capital expenditure required to open one, two, three or even ten mines while swallowing the camel of the country's present financial commitments, it is obvious that the State should without delay supply the small amount of capital required to perpetuate the perennial flow of gold at its present productive cost even if there should be a risk—a very unlikely one—of the loss of perhaps one in ten of the initial amounts of capital expenditure necessary in the case of the mines opened.

But in the case of the Van Ryn Reef I submit that the tabulated statement I have presented shows that, practically speaking, there is no risk whatever. If one or two mines on that reef out of ten should prove of low grade it is very unlikely that they would be so poor that their yield would not equal the all important factor—the cost price of production—which, except for the profit tax, at present bears practically the whole financial load. Besides, the poor returns from these low-grade mines would certainly be counter-balanced by the profits from the others; and the State with ten such mines as those whose results I have tabulated would in 25 to 30 years have made over £100,000,000—possibly £140,000,000—in surplus profits, enough to pay off our total public debt, and this over and above its ordinary levies from that pack camel of the State, the cost price of production of the Rand output. The truth is that the Van Ryn Reef area of the Far East Rand is no gamble, as our financiers and their stock-broking friends would make out, but the solid basis of our industrial and financial being. It is more than our bank, it is our very Treasury, and it would surely be madness to think of giving up the keys and control of such a treasure house to those who come asking for them on the specious pretext that the opening up and removal of the gold known to be inside must be a gamble and a hazardous undertaking because one or more of the rooms may be found to contain a little less gold than the others.

Our financiers say in effect that the base of our country's credit is a gamble, but at the same time they urge our Government to pawn that base to them.

Their actions belie their words. By trying to establish mines on reefs other than the Van Ryn they have made many failures, and they are now anxious to obtain a new lease of financial life by securing for themselves these State reserves on the real gold-bearer. If they and their advisers are so certain that the Blue Sky Reef and the reef worked and located on the Rand Klip, Cloverfield properties and adjacent areas are the same as the Van Ryn, why do they not find further money to go on working them? It appears as if they fear that they have run these mines too often already, and they are afraid the public will not back them any more. By gathering round these Government areas known to contain the real reef they cast doubt on the whole basis of their experts' geology. It is of course possible that with the miles of failure behind them they may be beginning to realise the truth.

This, I submit, is a very serious and important consideration. It is a fact that private capital has had control for all these years and, by directing the money and the energy of the public into unprofitable channels in these worthless mines on the wrong reefs, they have done much to bring about recurrent financial crises and prolonged periods of depression, notable in the history of our goldfields. In this way thousands have been ruined and *our* country's credit has been damaged. Parenthetically, it may be remarked that our financiers go on piling up money in good times and bad, and when they die they leave millions, in some notable cases with never a penny for the country out of which their wealth was made. With ordinary common sense such mining failures on wrong reefs need never occur in the case of State mines. All that is necessary is to establish such mines on areas, contiguous to payable mines, proved and known without question to contain the Van Ryn Reef. There are poor areas in that reef certainly, but, considered in relation to the whole Van Ryn field, they may be likened to poor patches of limited extent in a rich and extensive mine.

To show how lightly the shrewdest and most successful financiers of all estimate the risk, the procedure of Messrs. Barnato Bros.* in the case of the Government areas (Modderfontein) may be recalled. They were the successful tenderers for these areas, and they committed themselves without hesitation to an expenditure of £1,400,000. They did not even prove the reef by boreholes, but straightway sunk four permanent shafts. What was the result? Although in the south-west shaft the reef only assayed 1½ dwt., the others disclosed encouraging values, and before long their exemplary confidence in the Van Ryn Reef was fully justified. To-day they have over 4,000,000 tons of ore of 30s. value or more developed, and I have heard that one of the best areas in the mine is that served by the shaft from which they originally only obtained 1½ dwt. results.

The statement I have presented regarding the ten established mines only deals with a total of 13,326 claims, and I estimate that of the areas reserved by the Government, and dealt with by Mr. Kotze in his recent memorandum, at least 25,000 claims contain the Van Ryn Reef at easily workable depth, enough for, say, twenty such mines. With an extensive area like this, and remembering that in State mining the determining factor is the "cost of production," and not the "profit standard" of

* This firm did good service in securing for British and South African capital, at any rate, the first great mine on these Government areas. They did not join the Ring against the Government. They have no mines on the Blue Sky Reef.

the financier, it must be evident to any reasoning mind that for practical purposes the risk of failure is non-existent.†

SUPPOSED POLITICAL AND ECONOMIC DIFFICULTIES.

(1) *Danger of Inefficiency in Management and Work.*

It is said that the State will not obtain efficiency either in management or work, and that labour troubles will arise through the differentiation of treatment on State and private mines.

These fears are not justified by a consideration of our great State enterprises. Especially is the record of our railways and harbours one to inspire confidence. Our railways are well and efficiently managed and splendidly manned and worked. Except for the trouble which arose three years ago out of sympathy with the mine workers in their struggle with the capitalist controllers of our mines, there has always been contentment and harmony in the great army of workers in the employment of the State on our railways and harbours, and there is no reason why the same harmony and contentment should not prevail among the future mine workers employed on State mines.

In regard to direction and management, we have, in any case, Dutch and British brains to fall back upon, such as they are, and will no doubt manage to make a plan in our own South African fashion if called upon to do so. Among yourselves on this Commission are some who have occupied and are occupying positions requiring capacity for management and administration essential in all great mining undertakings. The State can afford to pay for its service as well as any financier, and there is no reason why it should not do so. The demand will produce the men.

For positions requiring technical training and skill we have many young trained South Africans, whose prospects are not so bright as they might be simply because the financiers frequently give the best positions on our mines to aliens. State mining would help to stop this anomaly, and in this would secure a distinct national advantage. To begin with it might be necessary to obtain the services of men trained overseas for some of the chief positions, but there is no reason apparent why before long we could not run the mines with our own men, or in any case with men from within the Empire

(2) *Danger of Political and Financial Corruption.*

I will only ask in regard to this, are we so corrupt that to save our honour we must call in Mr. Kitzinger? For myself I refuse to believe it. To my mind the suggestion is an insult.

POLITICAL AND ECONOMIC DISADVANTAGES OF OUR PRESENT SYSTEM.

In addition to the reasons for State mining given previously in this statement, there are several other important considerations.

(1) *Labour difficulties brought about by the inherent antagonism of the interests of alien-controlled capital to the interests of the workmen and people of the country whose resources it is exploiting.*

Our recent labour troubles, which cost a good many lives, were in my opinion really caused by the alarming growth of the scourge of miners' phthisis and the feeling among the men that they were being

† It should be remembered that the mere possibility of State mining has broken the Ring which Sir George Albu has admitted was formed against the Government, and has already brought forth nine tenders for two areas.

unsympathetically treated. Since the passing of the latest Miners' Phthisis Act there has been an improvement in this respect, but the running of State mines on the most improved system of care for the health of the men would prove to be a benefit.

In this and other directions the standard of sanitation and safety set by the State mines would become the standard of the others, and this would create a feeling of security and contentment among the men which would go far to prevent labour troubles for the future.

(2) *The Present system a danger to our future, politically and economically.*

For several months past we have been reading in certain of our newspapers articles denouncing "cranks and socialists"—articles on "Holding up the Far East Rand," proclaiming the need for "Economic Freedom," etc. The cranks and socialists are those who, like myself, are of opinion that these great and valuable areas can be worked by the State. The Economic Freedom means the freedom to seize upon our great treasure house and exploit it for the benefit of others. "Holding up the Far East Rand" means the, apparently only transient, resolve of our Government to hold on to the nation's heritage; and so on. It all depends on the point of view, and under our present system the danger is that the wrong point of view may prevail.

Officials and politicians, and even Cabinet Ministers have a natural and very proper desire to do their best for and to stand well with those of the public they chiefly serve, and from constant daily intercourse with the heads and chiefs of departments of a great industry like our gold industry they unconsciously become imbued with their ideas, until to their minds the financiers and their representatives become *the industry*, and what are really private interests eventually appear to them as being veritably the interests of the people and the State. In this way and by means of constant reiteration in their press the financiers have in the past secured undue influence in the framing of the laws and in the direction of the policy of successive Governments. It matters little to which political party the Government belongs, the result in each case is very much the same. For instance, the ordinary Dutch and English prospector who discovers these reefs is harassed and oppressed by a Big House Gold Law. He is in constant dread that he will lose his claims through failure to pay his licence moneys, plus fines, if he is behindhand. In the end he usually has to give up the struggle and abandon his hopes. Is it to be wondered at if prospecting ceases and the natural development of the fields is stopped? Is it to be wondered at that a feeling of bitter resentment arises in the minds of these men when they see the fruits of their labour and research pass into the greedy maws of those who have encompassed their ruin? In this way, since the discovery of the Rand, hundreds of men have been brought to poverty, and instead of a natural and beneficial distribution of the great wealth of this marvellous field the money has gradually been collected under the control of a few men, several of whom come of the race of our present enemies.*

* I wish to protest against further areas being leased pending the issue of the report of this Commission. The Select Committee of the House presented a draft Bill, which was postponed, and the appointment of this Commission arose out of the Select Committee's report. The draft Bill provided for relief from several of the burdens and disadvantages bearing on those engaged in the initial stages of mining, and providing for more adequate rewards for the pioneers, both individuals and companies, who open up new areas of outcrop or deep level ground. If, while these people are allowed to continue to labour under their present burdens, leases are granted

CONCLUSION.

The Policy Recommended.

(1) The encouragement of the people of the country to prospect and find new outcrop and deep level mines by taking off the present restrictions and oppressive burdens placed on those engaged in such enterprises.

(2) The establishment of State mines on areas falling to the State under the present law, where private enterprise encouraged as suggested in clause (1) working on the adjacent claims has proved the existence of payable reefs.

Summary of Advantages of such a State Mining Policy.

(1) Securing a sure and continuous surplus revenue which in twenty to thirty years would either

(1) extinguish the public debt of the Union, or

(2) by letting the debt remain, provide for the development of irrigation and other fields of agriculture and the establishment of other industries.

(2) Securing "Economic Freedom" by getting rid of the present domination of alien-controlled capital.

(3) Removal of the present oppressive burdens placed on the people of the country engaged in the prospecting and initial stages of mining enterprise, and the consequent opening up and development of further extensive areas carrying the payable reefs of the Rand, on which further areas would become available for State mining.

(4) Making possible the economically profitable working of the enormous additional tonnages known to exist on already known and partly developed reefs which are too low in grade to satisfy the requirements of private capital, but which would meet the requirements of the economic factor in State mining, "The Cost of Production," and still leave a small surplus over.

(5) The expenditure of capital and energy in large amounts in the right direction only, and the avoidance for the future of costly failures like those of the past, directly attributable to the misdirected efforts of private capital on mines like those on the worthless Blue Sky Reef, and the consequent relief for the future from recurrent periods of depression brought on by such misdirected efforts.

(6) The gradual creation of a body of independent expert opinion, always ready and available to the Government, through the employment in the service of the State of highly trained and highly paid men who would be required to direct and manage the State mines.

(7) The speedy recognition by the whole world that in the Far East Rand our country possesses a veritable financial fortress, far greater and stronger than the fortress of Spandau, whose treasures, if properly used, will secure the future prosperity of our land and people, and become an important factor in maintaining in its integrity and power that great confederacy of freedom to which we belong—our British Empire.

to others on the known richest areas of the field, it will distinctly savour of favouritism, and, to my mind, be a breach of faith both with Parliament and people, and I would strongly urge, in the interest of justice, that no leases be granted by Government pending the consideration of the whole question by Parliament in its next session.

PART II.

THE GEOLOGY OF THE REEFS.

STATEMENT MADE TO THE SELECT COMMITTEE OF THE HOUSE
OF ASSEMBLY ON THE EAST RAND GOLD BEARING AREAS
ON MAY 1ST, 1916, BY WILLIAM EDWIN BLELOCH.

(Revised.)

1.—THE VAN RYN REEF SERIES OF THE FAR EAST RAND.

The outcrop areas of this reef series in the Far East Rand* may be considered as beginning in the Apex section of the enlarged New Kleinfontein Mine, and they extend through the New Kleinfontein, the Van Ryn, the New Modderfontein, and the Modder "B" Mines, the Geduld Mine being a shallow sub-outcrop area of the same series. Beyond this the outcrop of this series is covered by the coal measures and dolomites, and it reappears at the surface only on the south-east side of the Far East synclinal area, on the farm Vlakkfontein No. 21—Lydenburg Gold Farms—then again on the Sub-Nigel property, and thence along the line past the town of Heidelberg for another fifteen miles, as marked on the geological plan accompanying this statement.

All the northern outcrop mines above mentioned working the Van Ryn Series have proved to be payable and have yielded and are yielding large profits, and development shows equally good results in the deeper mines working the same series in the deep level areas of which the above mentioned mines are the outcrops. These deep level mines are: The Brakpan, Van Ryn Deep, Modder Deep, Government Areas and Springs Mines.

The Reef Series comprises the Van Ryn Reef and several leaders. The reef usually lies on the shale or fine-grained shaley quartzitic rock known as the footwall slate, but in some places is separated from it by thicknesses of quartzite varying from a few feet up to sixty feet. The reef generally is a large pebble reef. The reef contains, besides lustrous white and black quartz pebbles, many pebbles of black grey and striped fine-grained quartzite, the latter frequently being more or less rectangular in form. In the Nigel district, owing to this fact, it has been called the striped pebble reef, and these pebbles are equally abundant at the Modder "B" and Geduld Mines. The reef contains small spheroids of carbon and rounded and polished pieces of iron pyrite, and its gold is usually of a flakey character. In these respects the reef and leaders are similar to those worked at the New Rietfontein Mine and to those known as the Botha and Randfontein Reefs of the West Rand, and it can be said that these features are not in the same degree characteristic

* The Van Ryn Series is identified by me as being the same as the Banket Series worked at the New Rietfontein Mine, two and a quarter miles north of the Main Reef at Knights, and also with the lower Langermann Kop Reefs and the Botha and Randfontein Reefs in the Krugersdorp district. The carbon leader of Rietfontein is developed in the Van Ryn Mine. Dr. Mellor has recently admitted this identity, and now shows the Rietfontein Reef as a faulted downthrow portion of his ubiquitous Main Reef Leader. Mr. Kotzé would not confirm this identification. (Question 10,028, State Mining Commission.)

of the Main Reef Series of the Central Rand. The gold contents of both the Van Ryn Reef and its leaders are very variable in all the mines. So far as is known the leaders are too poor to work as separate units except in the outcrop mines. In the deep levels the No. 1 Leader seems to merge into the main body and becomes practically one reef with it.

The gold in the Van Ryn Reef is concentrated in numerous well-defined areas of enrichment of considerable size. The limits of these areas are found as development proceeds in each mine. A typical area is described by Dr. Mellor as being, say, four thousand feet long by one thousand feet broad. It is to this concentration of the gold in areas of enrichment that the great success of the mines working the Van Ryn Series must be attributed. This may be illustrated by the case of the Brakpan Mine, where about fifty per cent. of the area developed has been proved to contain about six and a half dwts. per ton over the stoping width and about fifty per cent. to contain only two and a half dwts., showing an average for the whole mine of only four and a half dwts. Only the fifty per cent. of six and a half dwts. value is being mined, and the fifty per cent. of two and a half dwts. is being left in the mine. This concentration of the gold in areas of enrichment causes the assay values obtained from borehole cores, and even from the limited areas exposed at the bottoms of shafts, to be quite unreliable as guides to the value of any mine on the Van Ryn Reef. For instance, the Modder "B" Mine had very poor results to begin with; now it makes £60,000 a month profit. The Brakpan No. 1 Shaft cut the reef showing an average of $2\frac{1}{2}$ dwts. The No. 2 Shaft cut it giving $2\frac{1}{2}$ ounces. When development has made headway the valuable areas are invariably discovered.

As already stated, so far all the mines—the ten mentioned—which are working or developing undoubted Van Ryn Reef have proved to be successful, and these mines, situated as they are at wide distances apart, may be said to have proved the economic value of the reef over an area of about twenty square miles in extent. This result may be stated as showing that in any given area of one thousand claims or more in extent a minimum of about fifty per cent. has proved to be payable.

2.—THE NIGEL REEF.

The outcrop of this reef is first to be seen on the farm Klipfontein on a line running north-west south-east about a mile and a quarter north of the Boksburg Railway Station. (See Plan.) It was opened there for the first time in 1911, during prospecting work undertaken to locate the Van Ryn Reef between Benoni and the Rietfontein Mine. It may be stated, incidentally, that the sum spent on this enterprise was about £20,000, and of this approximately one-half went in taxation. Another outcrop of the reef has recently been exposed on the Knox Claims on Vlakfontein, north of the eastern end of the Van Ryn Mine. It again outcrops on the farm Klipfontein—Rand Klip—where it is marked on Dr. Mellor's map—mistakenly—as an outcrop of the Van Ryn Reef. Beyond this there are no more outcrops of this reef around the Far East Rand until the farm Marievale is reached, on the south-eastern margin of the syncline. There it is exposed in the workings of the Marievale Nigel Gold Mining Company, and from thence its outcrop, following the sinuous course marked on the plan, has been traced on through the Nigel Mine and southwards through Maraisdrift. Beyond Heidelberg it is stated to have been opened recently on the farm Platkoppies.

Where it has been exposed at its outcrops on the northern side of the syncline as above described, and also in its deeper level areas opened

up in the Rand Klip and Cloverfield Mines, this reef has shown disappointing gold values. So far, no mine working it in that area has been proved to be payable.

In the Nigel district the Nigel Mine was for a time one of the richest banket mines in the Transvaal, and the Sub-Nigel has also a more or less successful record. At the Marievale Nigel the reef is in places eighteen inches thick, and some high-grade ore exists there. It may be said to be a reef carrying payable areas of much more limited size, and more widely separated one from another than those occurring in the case of the Van Ryn Reef Series, and, owing to its prevailing thinness, it cannot be counted upon even in the Nigel district to carry a great gold mining industry like that now established by the mines working the Van Ryn Reef Series.

This reef, although it occasionally carries large-sized pebbles—in exceptional cases as large as a hen's egg—is, as a rule, and in comparison with the Van Ryn Reef, a small pebble reef. It is also a thin reef usually from two to six inches thick, and only occasionally over very limited areas increasing to a maximum thickness of three feet. It contains carbon, but the spheroids are not so clearly defined as in the Van Ryn Reef, and although some of the pyrite occurs in rounded form no smoothly polished specimens like those of the Van Ryn are to be seen. Its gold, too, occurs in the fine but heavy particles, not flakey like the Van Ryn gold, and generally it is of a deeper yellow colour. The reef in bulk is much darker, and its general appearance is strikingly different to that of the Van Ryn Reef. Its footwall shale is magnetic, and in depth is different both in colour and texture to the Van Ryn footwall shale. The Nigel shale is almost black, the Van Ryn shale grey. These very definite characters are equally apparent in the reef wherever it is to be seen, whether at Boksburg North, Rand Klip, Cloverfield, Daggafontein, or Nigel and Sub-Nigel. (See extracts from Dr. Carrick's papers and reports and the opinions of Messrs. I. S. Curtis, F. E. Rivas, E. T. Tenby and W. T. Hallimond, annexed.)

I wish to state that prolonged investigation has elicited the clearest evidence that in the Witwatersrand System the banket beds of one period of deposition differ in their material from the banket beds of another period. For example, while the material of which the Nigel Reef is composed is obviously the same wherever the reef occurs, whether at Boksburg North, Rand Klip, Daggafontein, Nigel or Sub-Nigel, it is strikingly different from the material of the Van Ryn Reef wherever that reef occurs. The material of the Van Ryn Reef in like manner is obviously similar wherever it occurs, whether as the Botha's Reef at Krugersdorp, or at Langerman's Kop, Rietfontein, Kleinfontein, Modderfontein, or any of the real Van Ryn Reef mines of the Far East Rand, including Springs Mines, or at its neglected outcrop on the Sub-Nigel or further south on Klippoortje and Boschfontein.

These bankets, the Nigel and the Van Ryn can be distinguished almost as easily one from the other as, say, almond rock can be distinguished from walnut rock. The wonder is that so obvious a fact has not been observed by our professional geologists. It is a fact which anyone can see for himself by a visit to the various mines working these reefs.

3.—RELATIVE GEOLOGICAL POSITIONS OF THE VAN RYN AND NIGEL REEFS.

The Nigel Reef underlies the Van Ryn—there being from nine hundred to eleven hundred feet of sedimentary beds between them.

Their relative positions are shown on the plan and in the sections accompanying this statement.

The reef at three thousand five hundred and sixty-one feet in the Daggafontein No. 7 Borehole has been identified by the technical advisers of the Company, and I believe by Dr. Mellor, as the Van Ryn Reef.

I do not agree with this identification for the following reasons:—

- (1) The reef is typical of Nigel Reef both in its pebbles, matrix, gold and footwall, and in none of these features does it in any way resemble the Van Ryn.
- (2) The section of beds above it agrees with the section of beds above the Nigel Reef.
- (3) The reef found at two thousand one hundred and two feet in this borehole is typical of the Van Ryn Reef in its pebbles, matrix, gold value and footwall.
- (4) The section of beds above the reef at two thousand one hundred and two feet showing a small number of small pebble reefs of small size agrees with the section above the Van Ryn Reef, and does not agree with the section of the so-called Kimberley Series (our South Rietfontein Series), which in every case shows numerous large pebble reefs of great size, and no reef at the contact with the underlying so-called Kimberley Shale.

See sections Daggafontein No. 2, Government Areas, etc. If the reef at three thousand five hundred and sixty-five feet—the Nigel Reef—is to be identified with the Van Ryn I would ask where are the numerous large reefs of the so-called Kimberley Series, which should appear in the section about two thousand feet above the reef? They are not to be seen in this section.*

Similar observations may be made about the Spaarwater-Nigel Deep Section. The beds at the top of the section agree with those of the so-called Kimberley Series of the Far East Rand. The upper shale beds in the section agree with the so-called Kimberley Shales. The bankets lying on the shale at two thousand six hundred feet agree with the Van Ryn Reef, and the banket at the bottom of the section is the Nigel Reef. It may be remarked that if the Nigel Reef is to be identified as the Van Ryn in this section there are two series of shale beds above the reef, instead of one as in all the proved sections above the Van Ryn Reef on the Far East Rand.

A reef named the Tatham, which underlies the Nigel in the position shown in the sections and on the plan, constitutes a very definite marker for the Nigel Reef. See Mr. W. T. Hallimond's report. This reef has the unique distinction of having a shale bed at its hanging wall, and is the only reef that I know of in the Witwatersrand System lying in such a sequence. It outcrops at the New Rietfontein Mine—north of the Van Ryn Mine—on Vlakfontein (Lydenburg Gold Farms) and at the Nigel Mine—in the positions shown on the plan, and is exposed in shafts on Holgatfontein east of the workings of the Marievale Nigel Mine. The existence of this Tatham Reef seems to have been overlooked or ignored by Dr. Mellor in his work on the geology of the Far East Rand; yet it is quite a big reef, carrying large pebbles and considerable quantities of gold. Its character and its hanging wall of shale make its

* These large reefs, identified by our professional geologists as the Kimberley Series of the Central Rand, have, in my opinion, nothing whatever to do with that series, but are the same beds which are to be seen at Rietfontein south of the Rietfontein Reef, at Langermann Kop, near Johannesburg, and the Battery Series of Krugersdorp.

identification a matter of the greatest certainty. Its presence in any section is of the greatest importance, because it indicates the country where it occurs at the surface as being below the horizon not only of the Van Ryn, but also of the Nigel Reef, thus marking the extreme economic limit of the Far East Rand Goldfield.

4.—THE DIFFERENT RESULTS OBTAINED FROM WORKING THESE REEFS—THE NIGEL AND VAN RYN.*

It has been indicated in the foregoing remarks that the results have been widely different.

THE NIGEL so far has only the Nigel and Sub-Nigel Mines to its credit as continuously working propositions, and in both cases the scale of operations is small when compared with the mines on the Van Ryn Reef.

The reasons are clearly manifest in the thinness of the reef and the greater areas of unpayable ground which exist between the payable areas in the mines so far developed. Under these conditions working costs must be high and the tonnage small.

It is only necessary to visit the Nigel Area and observe the pygmy dumps of the Nigel and Sub-Nigel Mines after 15 to 30 years of working, and then go north and see the giant dumps of the mines working the Van Ryn Reef—some of them only crushing for a few years—to understand the difference between them as mining propositions. The development returns also proclaim the fact. Springs Mines has developed nearly 2,000,000 tons of payable ore in about three years on the Van Ryn Reef, and Sub-Nigel has only managed to amass 215,000 tons in fifteen. Daggafontein working the Nigel at 3,600 feet shows only 40 per cent. payable and an average reef width of 5·09 inches. One day the directors will be forced to go up 1,500 feet and develop the Van Ryn Reef, in which they got good values in their boreholes. If they persist in developing only the Nigel it may be ten years before they expose 300,000 tons of payable ore. On Cloverfield and Rand Klip, which have been trying to develop the Nigel Reef for the past ten years, there are no tailing dumps at all, and the payable tonnage developed is negligible.

THE VAN RYN has now been proved to be the most reliably payable reef of the Witwatersrand System. I need not repeat statistics, which have been fully presented by Mr. Kotze, and will only say that with nearly thirty million tons of payable ore of a value of over thirty shillings per ton already developed on the ten mines previously referred to, and knowing that the average tonnage of payable ore per claim over a sufficient number of claims in these mines has in no case been less than ten thousand tons, it can be seen that the Far East Rand may be confidently expected to contain an enormous payable tonnage on this valuable reef. I believe Mr. Kotze's estimate of the claim area containing this reef at workable depth is about ninety thousand claims. I do not know the southern limit of the area he takes in, but I would restrict the northern and eastern limits considerably, as, no doubt, he includes the area up to the assumed outcrop and sub-outcrop of the Nigel Reef all round, and I would keep it within the limits of the outcrop and sub-outcrop areas of what I consider the Van Ryn Reef proper. Taking off, say, twenty thousand claims for this, I am satisfied there are still left seventy thousand claims containing the Van Ryn Reef at workable depth in the area going as far south as and

* Since this was written and the Schedule prepared investigations have revealed important facts bearing on values of the "true Nigel." (See footnote on page 292.)

including Spaarwater* and Maraisdrift. I should say that a recovery gold value of twenty-seven shillings and sixpence per ton and a profit value of ten shillings per ton can be expected as a minimum from this reef from this area, as I see no reason for thinking that one part of the area, if considered in units, of fifteen hundred claims, will differ to any great extent from any other part of the area of equal size. This would give a total gold value of £962,500,000, and a profit value of £350,000,000 for the 70,000 claims, and I should say that in practice this estimate is likely to be considerably exceeded. In 1901, in a book entitled "The New South Africa," I made an estimate of the recovery gold value of the Witwatersrand reefs, based on data which I published in detail. This estimate showed a value of slightly over two thousand million pounds for the whole Rand. It was laughed at then, but now it is practically confirmed by the Government Mining Engineer.

I wish to say that I agree with Dr. Mellor's conclusions as to the deposition of the gold in these reefs, so far as to say that the gold was placed in them contemporaneously with the pebbles—that is, they are modified placer deposits—but I go beyond Dr. Mellor's deltaic theory and say that it seems to me evident that the final distribution of the banket pebbles, and the concentration of the gold in the areas of enrichment was the work of ocean current spreading them more or less uniformly over thousands of square miles of shallow sea bottom, and this, in my opinion, ensures almost with certainty that the nature of the material and the average conditions proved to exist in any given reef series over considerable areas will be found to continue more or less the same over the whole area—thousands of square miles may be—where the same reef series exists. Proof of this is found in the fact that each reef remains true to its type wherever it may be found, showing that the class of material laid down at any one period by the distributing and classifying ocean currents was the same over very extensive areas, and that the class of material distributed at one period was markedly different from the class of material laid down at another.

5.—THE MAIN REEF SERIES OF THE CENTRAL RAND.

This series of bankets may be said to have been the original basis of our great gold mining industry. From Roodepoort to Boksburg, a distance of thirty miles, there exists an unbroken line of actively producing mines working the reefs of this series.

At a point on the property of the East Rand Proprietary Mines, east of the Comet Mine, this productivity suddenly ceases, and to the east and south-east there is only a long line of derelict headgears with no mills nor dumps to be seen. (That is along the line of the Blue Sky Reef.)

The series from the point above mentioned westwards to Roodepoort presents fairly uniform general features. It consists of several reefs, the chief of these being the North Reef, the Main Reef, the Main Reef Leader, the Middle Reef, the South Reef Leader and the South Reef, all set in quartzite, excepting that, between the Main Reef Leader and the Main Reef, there is a band of schist usually from two inches to a foot thick. This body at a few places widens out considerably. With this exception, no shaley rocks or shales occur in the section for six hundred to seven hundred and fifty feet below the Main Reef, and no shales

* Mr. Dale Lacc has now (March, 1917) cut the Van Ryn Reef in his borehole on Spaarwater.

of any thickness are found in the section overlying the series for about three thousand five hundred feet upwards. (See section.) In brief, the Main Reef Series lies in a quartzite formation of great thickness, and in this respect is in striking contrast to all the reefs further to the east, which, are in my opinion, wrongly identified with it. The principal gold bearers of the series are the Main Reef, the Main Reef Leader, and the South Reef Leader. They may all be classed as large pebble reefs.

6.—THE BLUE SKY REEF.

This reef, which must be classed as a small pebble reef, has been opened and partly developed but not stoped in the Blue Sky Mine of the East Rand Proprietary Mines, and in the new Boksburg, East Rand Extension, Van Dyk and Rand Collieries Mines.

The Blue Sky Reef rests on a fine grained shale which, at the Blue Sky, is about three hundred and fifty feet thick. Below this shale bed there are two more reefs; these are in quartzite, called the North Reefs.

The North Reefs have not been worked to any extent, although it is to be noted that they seem to be fairly persistent in their position below the shales.

Notwithstanding these characteristics, the South, or Blue Sky Reef proper, is held by the technical advisers to the companies concerned and by Dr. Mellor to be the extension eastwards of the Main Reef Leader. This view necessitates the assumption that the Main Reef Leader persists and continues, while the Main Reef itself and the other important banket beds which accompany it from Roodepoort to the Comet Mine suddenly cease and disappear.

Furthermore, sections of the beds above the Blue Sky Reef exposed in boreholes show that there are several important shale beds, and in this the Blue Sky Section is in marked contrast with the section of the beds overlying the Main Reef Series.

7.—THE RELATIVE GEOLOGICAL POSITIONS OF THE MAIN REEF SERIES OF THE CENTRAL RAND, OF THE BLUE SKY REEF AND OF BOTH RELATIVE TO THE UNDERLYING VAN RYN REEF SERIES.

These positions are shown in the accompanying plans and sections. The main system of faulting which cuts off the extension eastwards of the Van Ryn Series at the New Rietfontein Mine appears to cross the successive upper beds of the Witwatersrand obliquely in the direction of Boksburg and to have caused a displacement of the Blue Sky Reef, which is to be seen in position north of the outcrop of the Main Reef Series at Knights, bringing it more or less into the line of the Main Reef Series. This displacement occurs between the Comet and Blue Sky Mines. (See plans.)

It must constantly be borne in mind that the outcrops of all these series of reefs are only visible at the surface at intervals, and that for long distances they are covered on the Far East Rand by later formations, dolomites, coal measures, etc.

Beds identical in character and sequence, in minute detail, with the Main Reef Series are to be seen outcropping on the old Leeuwoort Gold Mining Company's claims in the position shown on the plan.

I have obtained the following assays from pieces selected as probably belonging to the Main Reef Leader from the old Leeuwoort Battery ore

dump, and am satisfied that this is the true extension of the Main Reef Series of the Central Rand:—

(1) Red streaky basket ...	...	...	2·98 dwts.
(2) Basket with sandstone ...	...	...	18·50 „
(3) Basket medium pebbles ...	...	...	5·75 „
(4) Good-looking basket ...	...	...	7·12 „
(5) Large pebble basket ...	...	...	13·38 „
Average ...	...	...	9·54 dwts.

This outcrop is considered by some engineers to be the extension of the Kimberley Series of the Central Rand, which is shown on the plan, but the sequence and character of the bankets are totally dissimilar from those of the recognised Kimberley Series exposed even so near by as the outcrop at the Cinderella Deep No. 1 Shaft. In the beds near the old Leeuwpoot Battery site—Main Reef Series—the characteristic very fine grained schist or shaley pebble of the Kimberley Reef is altogether absent.

For these reasons therefore, viz.:—

- (1) That bankets identical in character and bedding with those of the Main Reef Series exist on the dip of the Blue Sky Reef.
- (2) That the section of the beds above the Blue Sky Reef and below the reefs which I recognise as those of the Main Reef Series on Leeuwpoot, contains several important shale beds which are not to be seen anywhere in the section of beds above the Main Reef. In brief, that the section is *infra* Main Reef.
- (3) That the Blue Sky Reef bears no resemblance whatever to the Main Reef Leader in its bedding, its pebbles, its matrix, nor in its gold values.

I am satisfied that the Blue Sky Reef is not the Main Reef Leader, and that it lies geologically in a position about 1,500 feet below the series containing that important reef.

For similar reasons, viz.:—

- (1) That beds identical in character and bedding with those of the Van Ryn Series occur at the New Rietfontein Mine about $2\frac{1}{4}$ miles north of the Main Reef outcrop at Knights.
- (2) That the section of the overlying beds of the Van Ryn Series does not agree with the section overlying the Blue Sky Reef. (See comparative sections.)
- (3) That the reefs of the Van Ryn Series bear no resemblance to the Blue Sky Reef in respect of their pebbles, their mineralisation, nor in their gold values.
- (4) That the very important set of beds which I call the South Rietfontein or Langermann Kop Series, mistakenly named by some the Kimberley Series of the Far East Rand: A series described by Dr. Hatch as containing over one hundred pebble beds—Grootvlei Borehole No. 2—a series exposed in all the deeper shafts and boreholes which intersect the Van Ryn Reef on the Far East Rand. A series containing reefs of ten, twenty, twenty-six, thirty and sixty feet thick. (See Government Areas and other sections.) In fact, the greatest

series of banket reefs in the whole of the Witwatersrand System is not to be seen in any section of the beds overlying the Blue Sky Reef.*

I am satisfied that the Van Ryn Series is not the Blue Sky Reef, but that it lies geologically about four thousand feet below that worthless reef. The lines of outcrop and sub-outcrop of these reefs are indicated on the plan, and their positions can be compared in the sections.

8.—THE DIFFERENT RESULTS OBTAINED FROM WORKING THE MAIN REEF SERIES AND THE BLUE SKY REEF.

THE MAIN REEF SERIES has been mined successfully for nearly thirty years on a line of outcrop mines extending for nearly thirty miles from Roodepoort to Boksburg.

THE BLUE SKY REEF has been developed at a cost of between three and four million pounds along the line of so-called mines already mentioned for a distance of five miles, and no payable mine has yet been proved. If Dr. Mellor's explanation of the sedimentary origin of the gold be accepted, it is to be expected that all bankets carry more or less gold and the Blue Sky Reef has shown some isolated patches of payable ore, but these are so few and limited in extent and number that the reef must be considered worthless as a mining proposition.

9.—THE ADVANTAGES TO BE GAINED BY MAKING IT POSSIBLE TO OPEN UP EXTENSIONS OF THE OUTCROP AREAS OF THE VAN RYN REEF SERIES AND THE MAIN REEF SERIES OF THE CENTRAL RAND.

[Substance of this part covered elsewhere.]

10.—CHANGES REQUIRED IN THE LAWS.

The Transvaal Gold Law by securing for big financial corporations practically a monopoly of mining finance has resulted in the freezing out of every independent Rand prospecting enterprise. It is my opinion that by virtue of the monopoly maintained by this law and the Transvaal Company Law these corporations have been given far too great a power and hold over the whole Rand community, and even over the whole State. The relationships of these corporations one with the other are so intermingled that if a property is turned down by one it will be turned down by all. This creates a menace not only to the prospector, but also, through such vast resources as those of the Rand goldfield being involved, to the public at large. Their power ramifies in all directions and dominates the whole community.

I will, with your permission, cite the case of the Southern Van Ryn Reef Gold Mining Company, Ltd. The position of the property is shown

* It may be noted here that it is this same series of large banket reefs which outcrop in the hills which run from north-east to south-west past the town of Heidelberg, identified by Dr. Mellor and others as the Elsburg Series of the Central Rand. The outcrops can, as a matter of fact, be followed from Heidelberg through Spaarwater and Varkensfontein into Grootfontein—that is, right into the Far East Rand basin—and the absurdity is reached that the same beds which do duty as the Kimberley Series in the Far East Rand are called the Elsburg Series at Heidelberg.

on the plan. For several years the claims lay unpegged. As the result of the prospecting work, which cost twenty thousand pounds, mentioned early in this statement (ten thousand pounds of which went in taxation), it became evident that the geological position of the Van Ryn Reef was above that of the Nigel Reef, and for this reason the ground was pegged and boring was commenced. Altogether about five thousand pounds have been spent up to date, and of this three thousand five hundred pounds have gone in taxation. Leaving out the question of the identification of the reef we recognise as the Van Ryn, the ground in question has been proved to contain both this reef and the Nigel Reef as well—the Nigel at five hundred and ninety feet carrying encouraging gold values. (See report by Mr. W. T. Hallimond.) From its position everyone who knows the Far East Rand is well aware that the property has the same reefs as Springs Mines and Daggafontein, and at quite shallow depth, and but for the exorbitant licence moneys and fines and the danger of confiscation under the Gold Law abundance of capital could easily have been obtained in South Africa to locate and develop the pay areas of the reef.

A friend of mine on a visit to the Rand went down to see the property, and was so satisfied with it that he said he would raise five thousand pounds among his friends when he got back to London. He had arranged for the five thousand pounds from certain of his friends, but, unfortunately, he offered a participation to the controllers in London of the Con. Mines Selection Company operating on Daggafontein in the immediate neighbourhood of the Southern Van Ryn property and containing the same reefs. (See plan—Government Mining Engineer.) They asked for time to cable to their Johannesburg office, with the result that they obtained a condemnatory report from their Consulting Engineer, and on my friend honourably communicating this result to the original subscribers, they all withdrew their subscriptions. This is an example of the working of the Gold Law in conjunction with the "methods of frightfulness" of the Con. Mines Selection Company. Fortunately adequate funds have now been obtained. Time and the work which is now going on will soon show the true value of the property.

It should be remembered that the deep level mines require large sums of money, a million to a million and a half, which in the long run are obtained plus handsome profits from the public by means of the share market (*pace* Mr. D. C. Greig). It is evident that new propositions with the same reefs at shallow depth might prove to be serious rivals to these deep level propositions, and it is therefore desirable that they should be either killed or absorbed. The Gold Law is a guillotine admirably designed for this purpose. In the case of the Southern Van Ryn the attempt to put it under has failed.

GENERAL CONSIDERATIONS.

I have presented in this statement views of the Rand gold-bearing bankets which are at variance with the ideas, both of the technical advisers of the Financial houses and of the Government geologist; either they are sound and correct or they are not. If they are correct, it must be evident that they are of the greatest national importance. I would submit that the science of Geology is too inexact to admit of dogmatism. Geologists are not infallible. I have alleged two definite discoveries:—

- (1) That the Main Reef Series exists unrecognised and unworked on the dip of the Blue Sky Reef along a line of country for the most part covered by later formations, and that, fortunately, it is exposed at two places where it can easily be opened and its gold values proved.
- (2) That the Van Ryn Reef exists unrecognised and unworked on the dip of, that is, overlying, the Nigel Reef along a line of outcrop country for many miles, and that gold values can be obtained from the outcrops quite as good as those obtainable from the outcrops of the same reef at the New Kleinfontein Mine.

These discoveries, if they are real, literally mean hundreds of millions of additional assets for the State, and I submit that no hindrance should be placed on the prosecution of their further proof and development.

SCHEDULE OF PROPOSALS.

Having chiefly in view the Eastern Rand, to carry out this policy it would be necessary:—

- (a) To make provisions to enable the Minister to grant prospecting rights on ground at present reserved from pegging and known as "Government Areas." For lack of such provision it is impossible to open up the real extensions of the Main Reef Series of the Central Rand at places where it exists practically as an outcrop.
- (b) To remove the present oppressive taxation imposed by the law on prospecting enterprise. This has amounted in the case which I have cited to nearly 75 per cent. of the total expenditure.

If it is intended to deal with the Gold Law as affecting the whole country, then the following are the chief considerations from the prospector's point of view:—

- (a) Open prospecting for the whole country, under conditions safeguarding the rights of the owners secured to them under the present Gold Law. Such conditions to include proper securities or guarantees to the satisfaction of the Mining Administration for compensation to the owners for any damage which may result from prospecting work being carried out.
- (b) Remission of all licence moneys on unproved claims provided proper prospecting work is done to the satisfaction of the Government Mining Engineer. The amount of work to be in proportion to the number of claims held, a given amount of work to entitle the holder to remission of licence money for a given period, thus embodying the principles in this respect of the Rhodesian Gold Law. The holder of claims to have the option of effecting such work or of paying the present scale of licence money. When the mine is proved or work is stopped the current claim licences to become payable. No fines to be levied in case of arrears during the three months' grace provided in the present Gold Law. *The guiding principle to be work or pay.*
- (c) Deletion of clause in the Gold Law requiring confirmed diagrams before granting transfer of prospecting claims on the Rand.
- (d) No transfer duty to be charged on the transfer of prospecting claims to the first purchasing syndicate or company.

ANNEXURES.

1.—OPINION OF MR. J. S. CURTIS.

Mr. Curtis is an American mining engineer and geologist who came to the Rand in the infancy of the gold mining industry. He put down the first borehole to cut the Main Reef Series in depth, 1891 (Village Main Reef Mine), and thus proved the deep levels. Mr. Curtis was a member of the Geological Survey of the U.S.A.

Mr. Curtis stated in a communication to the *South African Mining Journal*, June 12th, 1915, as follows:—

“Neither the Van Ryn Reef nor the Nigel Reef are portions of the Main Reef Series. . . . From the East Rand Proprietary to Randfontein the Banket Series, which has been denominated Main Reef for the last 28 years, has no shale footwall or shale hanging wall—why I do not pretend to say, but the fact remains—and as the Van Ryn and Nigel have both expensive beds of shale for footwalls, they can neither of them be accepted as fulfilling the conditions of Main Reef. . . . The Van Ryn Reef is now one of the great producers of the Rand, and is well worth following.

Moreover, if the Van Ryn and the Nigel do not belong to the Main Reef Series, that reef has yet to be found in that very extensive region popularly called the East Rand, and when found it may be expected to prove as valuable as ever.”

2.—FOOTNOTE TO LETTER BY MR. H. S. HARGER, F.G.S.,
DATED 10TH NOVEMBER, 1909.

“With regard to the linking up of the Rietfontein with the Van Ryn Series, I can only say that, in spite of the theory being a bold one (in view of the opinions expressed by so many well-known geologists and mining men), you have some most useful and important stratigraphical evidence on your side, and I think with you that it is the more natural for the Rietfontein Series to curve round to the Kleinfontein Mine than for the Main Reef Series to do so.”

3.—REPORT BY W. T. HALLIMOND, M.I.M.M., M.I.M.E.

P.O. Box 5191, Johannesburg,

7th February, 1916.

The Chairman and Directors,

SOUTHERN VAN RYN REEF GOLD MINING COMPANY, LTD.,

Johannesburg.

DEAR SIRS,

Agreeably with your request, I have examined carefully the geological features of the East Rand from Boksburg North to the Nigel. I am also guided in forming the opinions herein stated from experience gained in the earlier history of the goldfields, when I was manager of the Van Ryn Gold Mining Company, Ltd., in 1889 and 1890. I have never been of the opinion that the Van Ryn Reef is identical with the Main Reef Series, and I am now more convinced than ever, since further geological evidence has been disclosed by more recent developments, that to class them as one and the same series is erroneous. I have also carefully inspected the comparative sections both of the Nigel and Van Ryn Reefs with their respective hanging and footwall beds. Apart from the fact that there is no similarity in the nature of these bankets one

with the other, the different nature of the footwall shales in each case constitutes very strong evidence that these reefs cannot be classed as the same. Further, the sequence of beds below the Nigel Reef shows another reef, which is known as the Tatham. I have seen this reef *in situ* north of the Van Ryn Reef at the Van Ryn Mine, on Vlakkfontein (Lydenburg Gold Farms), and at the Nigel Mine itself. Besides possessing very distinctive features as a banket, there is another fact which makes its identification a matter of the greatest certainty, viz., the reef has the almost unique feature of having a shale hanging wall. As it presents at all these places the same features, and occupies the same geological position relative to the Nigel and Van Ryn Reefs, which overlie it in the order named, the Tatham Reef must be considered as a very definite marker. The sequence established from the Tatham Reef upwards is as follows:—

Tatham Reef, with shale hanging wall.

Nigel Reef, with shale footwall and quartzite hanging wall.

Van Ryn Reef, with shale footwall and quartzite hanging wall.

I will simply state that, from the evidence I have seen and carefully considered, both from the comparative sequence and nature of the reefs and their accompanying quartzites and shales as disclosed in the cuttings and shafts, from the reefs proved in the deep level shafts in the Far East Rand area, and, lastly, from the cores quite recently brought up from the boreholes on your Company's claims, I have no hesitation in saying that the reef known as the Van Ryn Reef is that proved by your Borehole No. 1, and I am of opinion that you will find it at no great depth where you are now drilling in Borehole No. 4. I may, at the same time, observe that it is the same reef as that at present being worked at the New Modder, Modder B., Van Ryn Deep, and the other well-known deep levels of the Far East Rand. There is no reason to be discouraged if the assay values of your borehole cores should be poor. Poor zones exist in the richest mines in that area, and with your very extensive property you have the same reason to expect that large areas of payable ore will be proved on development as those have had who have expended very large sums on the mines further to the north working the same Van Ryn Reef.

Further, I am satisfied that the reef core brought up from your No. 3 Borehole is the Nigel Reef—the same reef as that which is worked on the Nigel and Sub-Nigel properties.

I have read the new prospectus of your Company which you are about to issue, and I have pleasure in stating that I can confirm what is therein stated, and I especially emphasise the great advantage your property possesses in the shallow depth at which the reefs occur, making the capital required to bring the mine to the producing stage very much smaller than that required for deep levels.—I am,

4.—EXTRACTS FROM REPORT BY E. THOMAS TENBY, DATED 15TH JANUARY, 1915.

“I have arrived at the following conclusions:—

- “1. The Main Reef as worked in the Central Rand is cut off in the neighbourhood of Boksburg, beyond which point it has not been exploited.
- “2. The reef known as the Van Ryn belongs to a much lower horizon of the Witwatersrand system than the Main Reef of the Central Rand.
- “3. That the Nigel Reef underlies the Van Ryn and is exposed north-east of Boksburg.”

5.—EXTRACT FROM LETTER BY FRANCIS E. RIVAS, DATED
26TH JULY, 1915.

“The position is simply this, that in the first place I cannot understand how any man who professes to know anything about the Main and Van Ryn Reef Series can possibly say that the Nigel G.M. Company is a Main Reef proposition, as every bit of formation on the outcrop is Northern Reef Series.

7.—EXTRACTS FROM THE PROCEEDINGS OF THE MEETING OF
THE GEOLOGICAL SOCIETY OF SOUTH AFRICA, HELD
ON THE 11TH JULY, 1904.

Dr. Carrick said:—

“A careful examination of the Rand Nigel shale outcrop made by me after the war showed me its very remarkable resemblance to the Government Reef shale, and I came to the conclusion that it was not improbable that the Nigel might be Government Reef, and that the Main Reef Series lay possibly totally unprospected on the dip of the Nigel Reef.

“I must maintain, therefore, that in view of all the evidence, deductive and positive, which I have set forth in this criticism, the most reasonable conclusion to be arrived at is that the Nigel is not the Main Reef Series, but that it represents the Government Reef in the Heidelberg district.”

8.—EXTRACTS FROM THE PROCEEDINGS OF THE GEOLOGICAL
SOCIETY OF SOUTH AFRICA, HELD ON MONDAY, 19TH
FEBRUARY, 1906.

Dr. J. T. Carrick, in discussing Dr. J. McClelland Henderson's paper, entitled “New Facts bearing on the Extension of the Main Reef Eastward,” said:—

“Before going further, I wish to say that my remarks this evening in connection with Dr. Henderson's paper must partake more of the nature of notes on minor matters than of a general criticism of his paper, as I am personally satisfied, not only by the evidence which he has put forward, but also as the result of work in the Heidelberg district, with which I have been connected during the past twelve months, that the Nigel Reef represents the Main Reef Series in that district.

“As the work to which I refer was carried out for private companies, from whom I have no permission to speak freely as to results, I regret that I cannot go into any further detail.

“The first point to which I would refer in Dr. Henderson's paper is the fact that but for the evidence obtained from the Grootvlei-Daggafontein joint borehole, it might still be argued that the two reefs carrying payable values—the one at the base of the Kimberley and the other the Main Reef Series—are not such, but, on the contrary, belong to the Main and Government Reef Series respectively. In this borehole, however, where the Kimberley Series was intersected above the Main Reef Series, the comparative microscopic evidence, afforded by the

samples of the two shale beds, provided a basis of comparison, and in this connection I would point out that in June, 1904, Dr. Hatch himself was not aware of any substantial microscopic distinction between the two shale occurrences, either in degree or actual contrast; I would like, therefore, very much to know who first definitely determined the difference.

“The discovery of a reef with payable values at the base of the Kimberley Series is, I would like to emphasise, a very remarkable fact as an evidence of change in the Upper Witwatersrand beds, and, as we can only argue scientifically from the known to the unknown, I think that logically I was quite justified in arguing from the results of the Townlands borcholes at Heidelberg that the reef which was intersected at 1943 feet belonged to the Government Reef Series, as we know that the shale bed of the Government Reef Series carries a more or less persistent reef for many miles along the Rand. Since that date I may say that I am more than ever convinced that this reef which was struck at 1,943 feet is the Nigel, or, as we must now call it, the Main Reef, *but I would point out that there is no section along the Rand which corresponds with this occurrence.*

“Equally remarkable, I think, as an evidence of change in the nature of the beds in the Upper Witwatersrand Formation is the very marked difference between the shales outcropping at the Van Ryn and the Rand Nigel Mines beneath the Main or Nigel Reef. At the Van Ryn the shale is soft, highly laminated, and fissile, and absolutely free from visible crystals of magnetite, while at the Rand Nigel the shale is hard, has a more or less conchoidal fracture and shows visible magnetite crystals freely, in which characteristics it resembles the shale of the Government Reef Series on the West Rand. These facts, I think, deserve notice, as they point out the great liability to alteration in the general character of the beds in the Witwatersrand formation in different localities.”*

* Were Dr. Carrick alive to-day it is almost certain that, with the new evidence now available, he would hold to his original opinion that the Nigel is a different and earlier reef than the Van Ryn.

PART III.

UNDER EXAMINATION.

STATE MINING COMMISSION.

Meeting held at the New Law Courts, Johannesburg, on Thursday, November 9th, 1916.

Present: Mr. P. Ross Frames (Chairman), Mr. John Taylor, Mr. R. H. Miller, Mr. J. L. van Eyssen, Mr. A. C. Whittome (Secretary).

EXTRACTS FROM MINUTES OF EVIDENCE.

(Revised.)

MR. WILLIAM EDWIN BLELOCH (Examined).

4607: **CHAIRMAN:** As I mentioned a little time ago, this Commission can hardly go into the subject of these reefs, and the geological formation of these areas, however interesting it may be. It therefore finds it difficult to examine you on the technical portion of your statement. Even if it were in a position to do so, it is hardly within the scope of its duties to settle so controversial a point as you have raised. I believe, however, that Dr. Mellor does not agree with you in your geological conclusions?—That is so.

4608: He knows your theory about the reefs?—Yes, but he has not investigated it. He has published his views.

4609: Which are in conflict with your own?—Yes, or the converse. Mine may be in conflict with his.

4610: He is a geologist, a man who has occupied a State position, which we have to recognise. Does Dr. Corstorphine concur in your views?—I may say that none of these gentlemen agree with the views expressed in the statement which I put before the Select Committee, but since you have asked this question I should like to be able to point out that in the past there have been instances where much public money has been lost through blindly following the opinions of Dr. Corstorphine and other eminent geologists. I can give you a case in point.

4611: I am only putting to you the names of people whose judgment the ordinary man must follow?—Well, as Dr. Corstorphine's name has been mentioned, I might say that in April, 1904, he reported about the Coronation Reef, in the Heidelberg district: "This reef may be justifiably regarded as belonging to the Main Reef horizon." The shares of the Company interested had risen previously to £3,000 a share. But in September a report was issued by the controlling house to the effect that Dr. Corstorphine had now reported that the Coronation Reef could no longer be justifiably regarded as belonging to the Main Reef, and the shares fell promptly to practically nothing. I should like to say also that every prospector with practical knowledge of the Witwatersrand formation in regard to these reefs—practically the whole body of prospecting opinion—says that that reef has nothing to do with the Main Reef.

4612: Mr. Kotze does not agree with you either?—Well, he is very guarded about it. He has not told me that he either agrees or disagrees.

4613: But evidently from his Memorandum, and the position he has taken up before the Select Committee, he has not accepted your view?—I have asked Mr. Kotze to investigate this divergent reading of the Witwatersrand geology. It is not a new reading by any means. It is the old reading, in fact, which was adopted by the early prospectors on these fields. But he said it was not in his department. There was an official for that department of the State's work, and that was Dr. Mellor. Therefore, his plan, which you have no doubt got, shows the reef as outlined by Dr. Mellor.

4614: MR. VAN EYSEN: Mr. Kotze says he does not agree with Mr. Bleloch. "I agree with Dr. Mellor," he says?—I should like to explain to the Commission about this (referring to plan). Here is the farm Bloemendal, and the line given by Dr. Mellor, running through it, shown on Mr. Kotze's plan down in the south-east corner of the Far East Rand. That is the line assumed by Dr. Mellor, as the line of the sub-outcrop of his Main Reef Leader, running on Vlaktefontein, Bloemendal, Rietfontein and Vischkuil.

4615: Called here "the sub-outcrop"?—Yes. That is his view of where the reef runs. Now if you look on my plan you will see the reefs are shown in quite a different position much further to the west. On Vlaktefontein 21 something like £50,000 has been expended in boring in the area where Dr. Mellor says the reef exists—that covered by the word "Vlaktefontein"—with negative results. At present, on Rietfontein, Sir George Albu is boring, and he gave it in evidence the other day that he was meeting with no success. On Palmietkuil, boreholes were put down fifteen years ago—also with no success. That is evidence, I think, that the reef is not there so far as it goes. Now, if you will turn to my plan, I will show you where we are prospecting at present. It is on a piece of ground which is marked "Vaal River Gold Estate," just south of Vlaktefontein. We have opened the reef there during the past fortnight, and a fine reef it is, too (30 dwts. over 20 inches). It is not striking in accordance with the line laid down by Dr. Mellor and shown on Mr. Kotze's map. It is striking twenty degrees west of north; in fact, it is striking practically at right angles to the course laid down by Dr. Mellor. I mention that as an example of what is found by actual work, and how the results are in conflict with theory unsupported by facts.

4616: CHAIRMAN: To put it shortly, you say that these rich mines in the Benoni-Springs area are not upon the Main Reef, but on the Van Ryn Reef, and that these poorer developments which have taken place on the Rand Collieries and the Van Dyk are upon the Blue Sky Reef?—Yes.

4617: Also that the developments at Cloverfield and some other properties round about there, such as the Rand Klip, are on the Nigel Reef?—Exactly.

4618: And the geologists that I have mentioned, on the other hand, hold that it is on the Main Reef?—They say there is only one reef—the Main Reef Leader they call it.

4619: And that certain two leaders that accompany this reef on the Central areas and further west by some mysterious means have disappeared in this area?—No. That is hardly a correct statement of the position. The principal reef among several comprising the Main Reef series of the Central Rand, is the Main Reef. That is a big reef, and the Leader is comparatively a small one. But they say the Leader

continues when the Main Reef disappears. It is a fact that there is more than one reef in the Van Ryn series. Sir George Albu told you the other day that in the Van Ryn Mine there are many reefs. So on the orthodox theory, what are many reefs from Boksburg westwards become one reef from Boksburg eastwards. At the Apex Mine, again, this reef becomes many reefs when it is passing through the payable mines of the Van Ryn series, and further it becomes one reef again at the Rand Klip, and so goes round to the Nigel. And so you have the complex transformations of this reef from one to several and from several to one again. That is what they say. But what we say is that there are four different reefs. The Nigel (the lowest), then the Van Ryn, the Blue Sky and the Main Reef series.

4620: Mr. Kotze has expressed a definite opinion before the Select Committee. He says: "I consider Mr. Bleloch wrong. I have listened to Mr. Bleloch and Dr. Mellor, and I consider Mr. Bleloch wrong."* That is what he says. Well, I do not know that in face of this statement that you have put in here I need ask you any further questions. On State mining, you have come to the conclusion, or rather your evidence is in favour of State mining, and you state further that owing to wrong geological conclusions risks have been held up before this Commission which really do not exist?—Yes.

4691: And you consider that if the State did go in for mining it could do it just as efficiently as private enterprise—that is, if the State would agree to spend the money necessary to obtain the best management and control?—Yes.

4621: And that control and management should be divorced as far as possible from political influence?—Yes.

4622: And therefore you say that even if the undertaking did not yield a profit, there is still the cost of production, which is the only consideration it has at present; but it has in addition to that consideration the chance of making the profit which the mining houses are making at present?—Yes.

4623: MR. TAYLOR: You refer to the German financiers in your statement?—Yes.

4624: What would have been the fate of this area here had it not been for these German financiers?—I should think the Far East Rand would be lying with practically no deep level mines on it.†

4626: How far is this Southern Van Ryn Reef from the Northern Van Ryn Reef?—About twenty miles or so, I should say.

4627: Your contention in regard to these reefs is founded upon your scientific investigation—that the Southern Van Ryn Gold Mining Company has the same reef as the Northern Van Ryn?—I would rather use the word "reef" in the plural. The same reefs. That is admitted by Mr. Kotze in his plan here and by Dr. Mellor, too.

4629: On the first page of your statement, you put certain companies in the position of comparison, and you compare the value of claims on the Springs Mines of £2,800 per claim with the value at the underwriting price on the Southern Van Ryn of £50 per claim. What are the points of divergence between these companies which would account

* See questions 10027 and 10028 put to Mr. Kotzé through the Chairman, page 147; also letter to the Hon. the Minister of Mines, Appendix "A."

† If, however, neither the Germans nor their gold law had been here these areas would have been mined by the mining men they ejected.

for the difference in the market value?—Well, one is controlled and financed by a German house, and the other is the ordinary effort of the South African.

4630: Would you not think that if there were evidence that the Southern Van Ryn Reef had a value of anything like £2,800 per claim somebody would come along and buy it up for the song, so to speak, that it is now going at?—You would think so, but they do not. I will state one or two facts on the value. On this piece of ground, the Vaal River Gold Estates, the Nigel Reef is exposed. You can go there and get assays up to five ounces. I have done so myself. There was a report on that property by Mr. Sidney Farrar, written in 1892, in which he gave most astonishing values, up to 5 oz. 12 dwts. over 3 feet, and speaking from actual personal knowledge I should say the Nigel Reef there is distinctly payable. In our borehole No. 3 on the Southern Van Ryn we cut the Nigel Reef, of which 26 inches ran to 5 dwts. The next information is the value which they are now obtaining on Daggafontein. A report was published last week, and it shows that they got 37 dwts. over 4·9 inches, on the average. Their quarter's development shows that. So that the value as disclosed on Daggafontein over hundreds of feet exposed is apparently not much better than the values we have obtained merely from borehole cores of 1½ in diameter in the Southern Van Ryn. But the Southern Van Ryn has an enormous advantage in this respect, that to get down to the reef at Daggafontein they have to go through seven or eight hundred feet of dolomite, which is an expensive matter owing to water, as you will find out in another witness's evidence, showing how greatly it adds to the cost of shaft sinking, and then down 3,561 feet to the reef, and to establish a mine at that depth on Daggafontein will cost from a million to a million and a half. Further than that, the reef is flat. On the Southern Van Ryn it is dipping at 40-45 degrees, which means immensely greater tonnages and a much greater life. So that comparing the probable value of the two properties, there is no comparison. The Southern Van Ryn is immensely more valuable than the Daggafontein.

4632: Is this Southern Van Ryn Reef practically an outcrop proposition?—Yes, within 60 feet of the surface.

4633: Have you examined the history of some outcrops on the more Central Rand?—Yes.

4634: Mines which began with a capital of £10,000?—The most notable case I know of from memory is the Robinson Mine, which I believe has returned something like seven millions in dividends. The total amount of money put into the mine has been £50,000.

4635: How much has the Company put into this mine?—The Southern Van Ryn Company has expended approximately £11,000 up to date, of which about £6,000 to £7,000 has been paid to the State in the form of taxation.

4636: It is not in the position of the derelict mines between Boksburg and Benoni that we were talking about this morning?—No. Fortunately, we are getting financial support now, and we have the reefs intact.

4637: You have never reached the stage where you have got to the reef and found nothing whatever?—No. Besides which, should we happen to get poor values from borehole cores, that would not count in the case of the Van Ryn Reef, where the gold lies in areas of enrichment. The south-west shaft of the Government Areas only exposed 1½ dwt. ore where it cut the reef, but from that shaft one of the best areas of the mine has been opened up.

4368: All you want is probably a block of about half a million to put into this property?—No, much less. If we got another £20,000 we would be quite satisfied for the present.

4369: What would you use that money for?—Development.

4343: CHAIRMAN: Your liability for licences can be limited by limiting the area that you peg out?—Yes. Take this Southern Van Ryn property. This property over the whole surface is covered to a depth of about sixty feet by coal measures, so you do not see any actual outcrops. The only data to guide you are such outcrops as you can find in the adjacent areas. You will see here an outcrop marked yellow. That is an actual outcrop on Vlakfontein. To show you how divergent opinions may be as to the run of the reefs, you have this classical map, which is the official basis of the geology of the enquiry. It shows the reef running away here to the north-east. We had certain reasons for believing it did not run like that, and we did our work accordingly in this area, but even after a very close study of the matter, and spending many months in investigating the probable run of these reefs, we located our No. 4 borehole where you will see it is marked on the map. We expected to cut the Van Ryn Reef at about 200 feet. As a matter of fact, we had to go 1,492 feet before we cut the reef. It is an absolute impossibility and quite beyond the wit of man to say how the outcrop is going to run until you have actual data.

4344: Therefore, you have to take a big area?—Yes. And besides that, I will tell you what happened in this case. We pegged out our area—you will see the date of pegging—8th March, 1915. Well, four days afterwards, the Nigel Company came along and pegged on our backs the rest of the ground. Now that ground had been lying there for seven or eight years, and as soon as we came along they must come along and peg a portion. So had we taken a 200 claim block it would have been absolutely useless.

4345: MR. TAYLOR: We have had several people here giving evidence in regard to these properties. They say they are waiting for more capital. As far as I can see, they are waiting for something to happen which will encourage people to give them capital?—They have had a very fine market; it is said that South Africa has bought about five million pounds worth of shares from London since the war began.

4346: But still the capital is not forthcoming for these derelict companies—for mines on which they have already spent half a million in some cases?—I should think it would be very difficult to find more capital for, say, the Boksburg Gold Mines.

4347: Well, say the Rand Collieries?—The same thing. . . . Ours is not on all-fours with these. We have on our property admittedly the Far East Rand reefs with all that that implies.

4356: In their case it is a sure thing there is nothing, and in your case it is doubtful whether there is nothing?—Why doubtful? We have the Far East Rand reefs. If it is good enough for a German controlled financial house to sink a million and a half of money to exploit this Nigel Reef on Daggafontein, which is now taking place at a depth of 4,000 feet with, so far, indifferent values,* it should be good enough for us to open the Nigel, and the Van Ryn, too, at 60 feet from the surface.

4357: Who is putting up a million and a half for Daggafontein?—The Consolidated Mines Selection Company, together with the Corner

* It should be remembered that, although the Daggafontein is only developing the Nigel Reef, the Van Ryn Reef also exists on the property, about 1,400 feet above the Nigel.

House and Hendersons. They are putting up £300,000 to start with, and they have calls on further shares which will come to about a million.

4358: They will probably spend the £300,000 and then find this to be in the same position as the others?—No, they may open up the Van Ryn Reef at 2,100 feet.

4361: MR. TAYLOR: You advocate State mining?—Yes.

4366: But it does not necessarily follow that the State cannot relieve the prospector of this burden of taxation unless it goes in for State mining?—I do not say that.

4367: There are other ways of doing it?—Yes. But until we get rid of the financial domination of these big houses there is not much likelihood.

4372: CHAIRMAN: You suggest that the State should mine these areas itself?—I say the State should mine these areas. They are proved. Evidence that they are proved is found in the desire of these people to get hold of these areas. What I say is this: if this is the Van Ryn Reef up here (Rand Klip, Cloverfields, Holfontein), why don't they mine it? If this is the Main Reef Leader down here (Boksburg Gold Mines, Van Dyk, Rand Collieries, the Blue Sky line), why don't they go and mine it? Why give them these proved Van Ryn Reef areas belonging to the State?

4682: CHAIRMAN: Yours is a limited liability company already?—It is. I may say I could have sold this property before and without much trouble. I could do it to-morrow if I wanted, but I do not want to sell it, and I have explained the reason.

4683: You want to run it yourself?—I want to be identified with a great gold mining company.

4684: If the State comes along, as you advocate, and mines that area itself, your great company drops out, does it not?—No. In this particular case it is our own property. We have it now under the present law.

4685: But for the future there would be no more use for that company to develop other areas?—Yes. There would be more use.

4686: That is what you want?—The policy which I have recommended is the encouragement of such enterprises as this. The field is a big one; it is not limited by this proposition.

4687: MR. TAYLOR: I cannot make out the distinction between this enterprise and any other private mining enterprise?—In what respect?

4688: You want to adopt State mining in order to encourage certain enterprises, and then one of the arguments for the adoption of State mining is the discouragement of certain other similar enterprises? No. The encouragement of prospecting and pioneer work on new areas is one of the beneficial effects that would accrue from State mining, and it requires only a small amount of money applied to it. But that is not the only reason for saying we should have State mining.

4689: I want to get at the particular reason you put forward logically?—There are many reasons.

4690: What are the others?—I say it is good for the whole State if you adopt State mining on the Van Ryn Reef and in this area where it is proved. You will be able to extinguish the public debt and enable the whole country to go ahead and become free financially.

4691: CHAIRMAN: Do I understand that you advocate that the State should only go in for mining in this particular small area that you say lies on the Van Ryn Reef?—I do not say that.

4692: What then?—I say it should mine areas where payable reef like the Van Ryn has been proved by private pioneer enterprise, but the State should never go in for mining on such areas as this, the Blue Sky area. As regards other areas, what we think is this: south of the Blue Sky line of reef there is the Main Reef series of the Central Rand (that has nothing to do with Van Ryn series—in the Benoni-Springs-Southern Van Ryn Reef area), and there is probably a great basin here, restricted compared with that of the Van Ryn because it is narrower, but carrying this genuine Main Reef series, which is the original basis of our gold industry, from Boksburg to Roodepoort. By allowing the prospector to go there and open these reefs, which, we say, are of the Main Reef series, it may be definitely decided one way or the other whether they constitute a payable proposition. If it turns out to be so it is worth a great deal to South Africa, as it will mean many more mines for the public and the State.

4693: MR. TAYLOR: Where does the prospector come in?—He is not such a money-grabber as some people think. I offered to the Select Committee and also Mr. Kotze to find the money to open these reefs free of expense to the State, and without any reward in the shape of ground whatever, simply for the good of the country, and to show that these reefs are there.

4694: With what result?—Mr. Kotze was recalled and questioned about that, and he admitted under cross-examination before the Select Committee that he thought it was advisable to allow prospecting on such a place, but he only did it after a considerable number of questions were addressed to him.

4695: If these somewhat successful properties had been owned by you and other loyal British subjects, and if they had been in the position to tender favourably for these areas, would that have altered your mind as to the advisability of State mining?—No. My opinion about State mining is as I tell you. As our country is situated to-day—and the same applies to other countries—it is absolutely necessary for Governments to look after every State asset they possess and to develop these in the interests of the whole of the people.

4696: If the effect of that were to eliminate you as an individual and a business entity, would that have affected your opinion?—There is no necessity to eliminate me. There are plenty of other fields. The scope is wide enough for everyone. The difficulty is that we are not allowed to do the work under the present condition of things. We are prevented from opening reefs, and I maintain that that is prejudicial to the best interests of the State.

4697: Is it your opinion that the industry has now arrived at such a monopolistic condition that it is imperatively necessary that the State should intervene?—I think so.

4698: Is that opinion based on the fact that you have endeavoured to operate in this industry?—This is only an incident. I have been of that opinion for the past fifteen years, as public records will show. You will find my views in the Minority Report of the Gold Law Commission of 1901, signed by Mr. Wybergh, the late Mr. Loveday and myself.

4699: Did you recommend State mining then?—I would like to state this. I do not like to be boastful, but I venture to say that the fact that these areas exist here to-day as Government property was greatly due to my efforts. I wrote a book called "The New South Africa" during the war, wherein the subject is dealt with. Before the war such areas as these were dealt with in several ways. In the case

of the Geduld, for instance, the law was that a certain mynpacht should be given and a certain werf should be given. Well, if you go out to that property to-day, as I do sometimes, you will find two plantations at the side of the road—they are now dying for lack of rain. The reason for those plantations being there by themselves was this. That ground was ploughed and planted with trees in order to enable the controlling house, Messrs. Goerz and Co., to obtain mynpachts of 2,400 claims. The rest of the ground became open for pegging, and as there was expected to be a great rush for that ground the Government in those days said they would have a lottery. This was arranged, and, as a matter of fact, a great many of us applied for tickets. I got some myself, and I am not sure if a successful action could not now be taken against the Government in connection with this matter. The lots were drawn, and we were allotted our claims. But during the war the question arose whether it was the right thing to have a lottery. It was argued that it seemed a stupid way of disposing of proved and valuable State assets, and it was partly owing to the publication of my book on "The New South Africa," where this question was fully dealt with, that these State areas were reserved for the Crown. That is why we have State areas to-day. It was through the public and the Government coming to the conclusion that a rough-and-tumble fight for the possession of the ground was a stupid way of disposing of it, and also that a lottery was not the best way of dealing with the matter. So it was decided that the Government should retain possession of these areas, and later on, when the proper time arrived, deal with them by leasing, or in whatever manner they might consider fit.

4700: Do you think the leasing method is an improvement on pegging?—It has certain disadvantages, of course, but I think it is a more reasonable way of dealing with State assets to lease them to the highest bidder than to have a lottery or a scramble, as was at first proposed. But direct mining by the State is even better, in my opinion.

4701: It is a sort of half-way house between private owning and State mining?—Something like that. But I do not like the method of leasing as carried out under our present law, passed in 1908. The people were not consulted in any way at all about it. Competition is not free. It is limited, as a matter of fact, to the big houses. The ordinary man has not a hope.

4702: CHAIRMAN: Surely it must be so with the amount of money that is required to open them?—In my opinion it is not necessary. I do not think it is necessary for the State to have to go to Mr. Kitzinger or anybody like him to get the money. If the State wants to keep an interest in these properties there are other ways of doing it.

4703: I was talking about leasing?—I do not think leasing is the best way, the way they are doing it to-day. It practically limits competition to the big houses. As I have said, there are other ways whereby the Government could deal with these areas. It could promote companies itself, taking a definite vendor interest in shares in each case.

4704: Mr. TAYLOR: Why is competition limited to them?—Because they are the only people that have arrangements with banks and other companies, and that can put up the half a million or so of money required under the lease.

4705: Are they the only corporations in South Africa who can put up half a million?—In practice, yes.

4708: This mining business is a speciality?—We have arrived at that stage where we South Africans do our gold-mining through German

financiers. I say it should be done without them, both in the case of State mines and private companies.

4709: Is that a sign of British decadence?—It is a different attitude towards such propositions, and a different organisation. The Germans have quite a different financial method of dealing with these things. They can get money from their banks, and we cannot. They can get money from industrial firms like Koppels, Krupps or Mannesmanns and others. Perhaps the shares are not actually given to these people, but that is where the initial money comes from, and, then, through our lack of initiative, both Dutch and English, they are enabled to exploit us. I suppose the actual German money in these concerns is not more than 10 or 20 per cent. The balance they get from British people and the South African public—not at the prices they paid, but at 200 or 300 per cent. profit.

4710: It does not seem to be a difficult or complicated process to raise money and apply it to industries?—It should not be for the State, supposing the State became a promoter.

4711: From the point of view of the private individual, where is the difficulty in the Britisher or the Dutchman that he cannot finance a gold mine?—I think it is a difference of temperament to a certain extent, and with our present banking system, we are not organised for it. You can look through the list of names of those people who govern our companies, and you will find that the real “baas” is almost invariably a German—he is the man in possession.

4712: You don't find that in a coal mine in Scotland or England?—No, they have not attacked that field yet.

4715: You were speaking of the difficulties British-owned companies had of raising capital compared with what are known as German companies. Is that a characteristic of South Africa, or only of the Witwatersrand goldfields? I should think it is more typically exemplified in the case of the Witwatersrand goldfields?—Yes, but there are other branches, not only of industry, but also of commerce, where the same German systems prevailed, and which resulted, in the case of the liquor traffic for instance, in two or three large German houses practically getting control of the liquor traffic of South Africa—firms such as Rolfe, Nebel and Co. and Liebermann and Belstedt.

4716: Did those people not come as Colonists, like other people, without money in their pockets?—Some of them came here as “peaceful penetrators.”

4717: You have heard the term “foreign adventurers”?—I think that would be an apt term for them.

4718: They have been fairly successful adventurers?—Yes. I might explain the difference between the German and British or South African methods of mining finance. To my mind the reason why the Germans can do those large financial transactions such as those on the Far East Rand are as follows:—They work from the centre of a main circle, sometimes in London—not always Berlin. In London and other subsidiary centres they have offices and branches of the leading German industrial banks. They will underwrite, say, a quarter of a million of capital for one of those mines still at the speculative stage. They get the shares at a fairly low price. The actual figure does not really matter very much. The price may be 10s., 20s. or 30s. They then proceed through the various agencies of the banks concerned to circularise their clients, including industrial and commercial firms, offering participation at a profit. They say, “We want £250,000 for this enterprise. You will

come in with us now. We will give you £5,000 or £20,000 worth at a certain figure, and calls on more." It is underwritten in that way, and by means of a regular ramification of agencies throughout Germany, France and England. Having got that done, they then "make a market." The stock is tipped all round by brokers and the press, and those people who come in first and second, and even third, off-load their shares on to the general public by means of the market at most profitable prices. You can see this thing going on even now. The only difference is that during the past two years the game has been played chiefly on the South African public, and it is the South African public that has been buying those shares—Brakpans, Springs Mines, Daggafonteins—at prices which give 100, 150 and 200 per cent. on the original underwriting prices. We have not such a system; we have no organisation for it at all as a people, neither in South Africa nor in England. The consequence is that, although in the end our own public finds the money, the Germans can, by means of organisation, with little or no risk secure control of our industries, not only the gold industry of South Africa, but other industries as well. It is the same in Australia, in the production of zinc. You asked me why they did not do it in Scotland. I do not think they have much chance in Scotland, but they have tried it in Wales in regard to coal and one or two other similar lines. It does not matter whether it is gold-mining, drink-selling or running steamships, the same basic idea and method is adopted. That is the reason why I say that we should have our industries controlled by our own people.

4719: Is your opinion to the effect that the British and Dutch in this country are so far defective in their methods that their organisation must be done through the State?—I should say it is a very difficult thing; it is not quite in accordance with the genius of our people, Dutch or English. Our banking system is a totally different system. The Standard Bank would not think of supporting or underwriting shares in the Springs Mines, even at 5s.; it is quite beyond their scope of action, whereas German banks go in for that kind of business with a very great profit and with practically no risk. That is how Germany has attained commercial success.

4720: Unless the State comes to the rescue of the Dutch and English here it will be left?—It is strongly advisable to rescue this community, especially in the case of the Far East Rand, otherwise we shall have these Germans sitting on our necks for the next hundred years.

4721: What is to prevent those people from becoming prominent in the realms of finance controlling the State?—They do control it. It does not matter whether it is Lord Milner's Government, a South African Party Government, or a Unionist Government or a Labour Government, to my mind the result would be practically the same.

4722: We have had it suggested in evidence here that unless State mining is carried on by the Labour Party it will be a failure?—I should think that the Labour Party have more breadth of view than to put forward such an idea. If State mining were taken up they and the Nationalists would see that it was for the benefit of the whole country and for themselves to make a success of it for the community. There is too much of this party strife, and there is too little thought for the real problems from a properly national point of view.

4724: CHAIRMAN: Do I understand correctly that if the Government follow the accepted view with regard to geological conditions on the East Rand there are certain pitfalls that they might drop into?—That might be so.

4725: You accounted for people going in for bad areas to a lack of appreciation of geological conditions?—Yes, and geological errors are excusable. To my mind, the only blame attached to the administration of these derelict companies is that, although, later information may be available, once having committed themselves, the devil himself won't shift them.

4726: If they accept, for instance, Dr. Mellor's geological conclusions there are certain pitfalls that they might drop into?—Yes, if they go mining on Klipfontein, and so on.

4727: Can these pitfalls be avoided?—Yes. (Referring to map) Here we have in this area, the Far East Rand area, an area which has been exploited, and where millions and millions of tons have been dealt with on the reef where there is no geological dispute. Suppose a start was made by the State on Rietfontein, Springs and Brakpan. We have Brakpan (a successful mine), Modderfontein, Modder "B," Geduld (moderately successful). Springs is cracked up as one of the finest mines; it is only 45 per cent. payable, but what is payable is good. Supposing the State started on the northern and western sides of that mine. The State should keep to the areas in which the Van Ryn Reef has been proved, where there is practically no risk. It is these areas the big houses want. If you go where private enterprise has proved a reef to be worthless from a mining point of view, that is a different matter. Mr. Newhouse said that less than 15 per cent. of the Van Dyk was payable, and Colonel Dalrymple said Boksburg Mines were totally unpayable. Five miles of the line of the Blue Sky Reef (Dr. Mellor calls it the Main Reef Leader) have been tested without success. It would be folly for the Government to start a State mine there on such a worthless reef, even on the opinion of Dr. Mellor, when they have 25,000 claims between and adjacent to properties on the Van Ryn Reef proved to be highly payable.

4729: If it depends upon an opinion, that means an additional risk as to the geological conditions?—Certainly. There is no necessity for the State to take that risk. Encouragement should be given to individuals and individual companies to do the pioneer work. Once the pioneer work has demonstrated clearly, as it has done between Benoni and Springs, that here is an area carrying payable reefs, then the Government can safely come in and take its reward or profit in the adjoining areas by working them for the State.

4730: You will let the prospector have the fruits of his enterprise?—Yes. Encourage the prospector, and let the State take its fair share afterwards, in the shape of State mines, and it will reap an enormous reward.

4731: MR. VAN EYSEN: Are your opinions as to the advisability of State mining based on your geological opinion?—Partly. I do not agree with all the opinions which have been expressed in regard to certain reefs.

4732: Your opinion is entirely based on your geological opinion?—Not in a case like this Van Ryn Reef area—Benoni-Springs—(referring to map), where practical demonstration is available that there is an area, a valuable gold bearing area. It is not necessary there to rely on geological theories. You have actual facts at your disposal.*

4733: The State should only mine there where it is payable?—Yes, but in case the State makes up its mind to allow prospecting here (pointing to map) on the true extension of the Main Reef series, south-east of Boksburg, and a private enterprise proves that mining on these

* Mr. Kotzé definitely confirms this. (See footnote p. 129.)

reefs is a payable proposition, I see no reason why the State should not go in for mining there also after this has been proved.

4734: What do you call the Main Reef series?—That (referring to map)—the reefs worked between Boksburg and Roodepoort—is what I call the Main Reef series.

4735: I want to take one instance—the Daggafontein mine. You say that is on a different reef to the Government Areas, and one of your reasons was the low payability which Daggafontein has encountered to date?—That is not the chief reason. Low payability can also be encountered on the Van Ryn Reef—Government Areas, for instance. The reasons for saying that the Daggafontein reef is not the Van Ryn Reef worked by the Springs Mines and the Government Areas are chiefly as follows: (1) That the reef at the bottom of the Daggafontein shaft is to be seen to-day in hundreds of tons. Anyone seeing the rock there and knowing the Nigel Reef can see at once that it is Nigel Reef. That reef has characteristics which will tell anyone at once that it is the Nigel. (2) In the course of their boring there twelve years ago, they put down seven boreholes. Now, in four of these they passed through reef in the region of 2,000 feet depth, carrying surprising values. The geological officials said that the reef was not the Van Ryn Reef, but the Kimberley. So that they went on and struck the reef which they are now working. I have seen the upper reef they have passed through, and I am certain it is the Van Ryn.

4736: CHAIRMAN: They passed through the Van Ryn Reef first?—Yes, and they left it at a depth of 2,100 feet and went down to 3,561 feet, and they are working a less valuable reef at a greater cost.

4737: MR. VAN EYSSEN: And what will happen?—I predict that if they go on in that way they will not go on for very long.

4738: What is the footwall. Is it the same as in the Springs Mine?—The footwall of the Van Ryn Reef at the Springs Mine is a different shale.

4739: The point where the trouble takes place and where you start to differ from the geologists is in the Blue Sky, where the shale takes the place of the quartzite in the footwall?—That is where the trouble takes place.

4740: How do you account for that change?—My opinion is that it is a question of wrong identification.

4741: Did you ever go down the Blue Sky to examine it?—I have been down one of the Blue Sky shafts.

4742: Did you go to that point where the change takes place from the quartzite to shale?—No, I have never seen that.

4743: Did you think it a very important point in your theory?—No, there are other reasons. We know in the case of the Van Ryn Deep Mine that it is possible for the footwall of the Van Ryn Reef, which has been shale in some places, to run into quartzite in others. It is possible that this may happen with the Blue Sky footwall, too. The Brakpan and Apex mines also show changes from shale to quartzite in the footwall.

4744: You can trace that fault which exists there?—I have heard it stated by engineers that you can walk from the New Comet mine right to the Blue Sky without encountering a fault. I do not believe it.

4745: Have you ever decided it?—I do not know any mine that has not many faults over such a distance.

4746: Do not you think that your statement is not complete without

that. That evidence would be easily obtainable?—No, not so easy to me. Besides a fault is very difficult to see underground. There are sometimes big faults, and they drive through them without knowing that they are there. In some cases they have driven through a fault from the Main Reef Leader to the Middle Reef, thinking that they were still on the same reef. They have been a long way off, and all the time they have thought that they were still on the Main Reef Leader.

4747: Were these mistakes made by competent geologists?—It is a well-known fact that they occur frequently in the course of mining the Main Reef series.

4748: Yet you do not think it is necessary to go underground to test your theory?—Such a test would be unsatisfactory and, in view of the evidence given in detail in my geological statement, unnecessary. The facts given there constitute far stronger evidence for a geologist to rely on than any unsatisfactory test of the nature suggested.

4749: I want to get at that point, because it seems to me to be such an important thing. You say the fault takes place there. In order for your theory to be correct, the fault must take place there?—All I can say is that there is not a single mine on the Main Reef where there are not many faults.

4750: Is that your only reason?—No.

4751: Is that the reason why you think such a fault exists?—I do not know of any mine where there are not many faults, and again refer you to my geological statement for my reasons.

4752: What displacement would this fault have?—A very big one. The main system of faulting to the east of the New Rietfontein Mine, which brings the granite right into line with the Rietfontein reefs, which means the elimination of about six thousand feet of Rand strata, is, in my opinion, the same system of faulting which brings the Blue Sky reef into line with the Main Reef series on the E.R.P.M.

4753: And that might be difficult to see underground?—Quite possibly, if you pass from quartzite into quartzite. If I may, I should like to explain further reasons.

4754: No, I am not questioning your conclusions at all. All I want to know is whether you have verified your examination?—I have verified it on all important points—points which prove conclusively that the Main Reef series outcrops on Leeuwpoot, to the south of the Blue Sky line of reef.

4755: It is easy to take a sampler's syringe and a sixty power acetylene lamp and go down?—It is like suggesting that when a man sees the sun shining in the heavens at noonday, he should go and borrow a lantern to find out whether it may not be the moon.

4756: You say that from Benoni eastwards you have three reefs again, and you say that the fact that at the Blue Sky you have only one reef again, shows that that is not the same reef. Is that what you say?—In the Blue Sky you have only one reef lying on shale, but that is only one reason out of many. Unfortunately for the Blue Sky-Main Reef Leader theorists, I happen to know the section that was disclosed by the Rand Colliery boreholes. Not many people know it. They got too many reefs, but they were in the wrong place; they were below the Blue Sky footwall shales. They occur at a wrong place in the section to agree either with the Main Reef or the Van Ryn.

4757: You still stick to that opinion, that, because there are three reefs out on the Far East and three in the Central Rand, and only one

at the Blue Sky, therefore they cannot be the same reef?—There are many other reasons. We have it as a fact that in the true Main Reef series there is the North Reef, the Main Reef, the Main Reef Leader, the Middle Reef and the South Reef. We have the Leader and the South Reef in the order named in the sections from Boksburg to Roodepoort to Johannesburg. Beyond the Comet mine eastwards you have the Blue Sky Reef—a single reef. A few feet below the footwall shale beds of the Blue Sky there are two more reefs, which should not be there at all, if they belonged to the Main Reef series. That section exists also in the Rand Collieries. It is also a fact that when you come to the Van Ryn Reef you have not that one reef which you have in the Blue Sky, but you have several reefs above the footwall shale, not below. All the facts prove that our reading is correct. You find certain reefs in a certain order at various parts all along the Main Reef line, but you find no such reefs in the Blue Sky section.

4758: How many reefs have you there?—Do you mean at the Comet Mine? There is the Main Reef, the Main Reef Leader and another reef. They do not go so far south (pointing to the map) in their crosscuts to expose the South Reef.

4759: The Phoenix Shaft is not on the same reef?—The reefs exposed in the Phoenix Shaft of the New Comet Mine agree with those of the Main Reef series, not Blue Sky. See section in Truscott, page 83.

4760: There is duplication of the Main Reef series at the New Comet Mine. There are north and south sections of the same reefs?—Yes. That shows there is faulting there. As I told you just now, there is extensive faulting.

4761: But you may not be looking for faults, and perhaps not want to find them?—I have made my views of this area quite clear. They may be wrong, but there they are. I am quite prepared to stand by the evidence I have laid before you, and time will prove whether it is right or wrong.

4762: Well, coming further west, how many reefs do you find at the New Primrose?—I cannot say off hand, but there are several.

4763: Will you be surprised to hear that the New Primrose, the Rose Deep, the South Reef and the Main Reef are all in one body?—I will be surprised, and I do not think it is correct.

4764: You have not investigated it?—I do not think anyone else has who would make such a statement.

4765: You have not gone down to see?—No, I have not. But I have here the section disclosed by the Rand Victoria borehole.

4766: Is that in the same vicinity?—It is not very far from the ground you speak of (referring to section). It shows Main Reef, Main Reef Leader, South Reef Leader and the South Reef, the latter being over 100 feet above the Main Reef. I have made a study of these reefs for the last twenty years, and I will say that there is no great divergence in the order and number of the reefs in any section of the Main Reef series from Boksburg to Roodepoort.

4767: Do you know sections of reef on the Southern Rand which are unpayable. Large sections of the South Reef are unpayable?—The South Reef is a very large reef. It is a very recognisable reef, and underlying there is an easily distinguishable reef—the South Reef Leader. It is usually rich, but it is very often thin. Frequently it is so thin that, although rich, it is unpayable. That is the trouble in the Roodepoort mines. The South Reef Leader, although rich, is too thin to be payable. You have a thin South Reef Leader. This is

totally different in character from the South Reef itself. I can show you the same two reefs in our Main Reef series on Leeuwpoot, showing the same characteristics.

4768: Showing gold?—If you went out to see it, you would be astonished at the amount of visible gold.

4769: And they leave that lying unworked?—Yes.

4770: Can you suggest any reason?—There is the fact.

4771: CHAIRMAN: Could it be easily worked?—Yes, the reef is easily got at. The old Leeuwpoot Company put up a battery twenty-five years ago. I can suggest a possible reason. I know of a property not on Leeuwpoot where the reef is rich. The reason why it was not worked was that the company was just too late for the '95 boom. The controlling house, which had subscribed the money, shut down the mine and distributed the cash, and so got out of its liability to the company.

4772: MR. VAN EYSEN: You suggest to the Commission that the Leeuwpoot Mine is a highly payable property, but that for some reason or other, or perhaps for no reason, it was shut down?—Yes. The Main Reef series run through the Leeuwpoot area and on to Witpoort. The Witpoort mynpachts are placed for the Blue Sky Reef. They may be wanting the ground to the south containing the reefs of our Main Reef series.

4773: My question is a very simple one?—Do you cast doubt on my statement?

4774: No. But you say the mine is shut down for some reason or other, although there is gold in payable quantities?—It was shut down.

4775: MR. TAYLOR: The question was slightly changed. I will put it simply. Do you think this is a payable gold mine which is not being worked?—Yes, I think so.

4776: That is most important, because if we have evidence that payable properties are not being worked, we must make enquiries?—I think that you should.

By Mr. VAN EYSEN:

4882: I am asking whether there may not be some other reason why your property is standing at a lower value than Daggafontein?—None that I know of. Our property is better situated. It contains the same reefs as Daggafontein, and they are close to the surface. (See footnote p. 294.)

4883: It may be only the management?—We have no manager. We are only boring; we have not commenced to mine.

4884: Is it not the case that the public has more confidence in the Consolidated Mines Selection and in their advisers?—The real reason is that the public know that the Consolidated Mines Selection Co., through their method of finance through German banks, have control of the money. They were perfectly aware that under our present Gold Law we were in danger of losing our property if we did not pay our licences. That tends to destroy all confidence. If a man is asked to put money into a property which may be lost owing to an oppressive law, without hope of getting it back, that is a great deterrent. In regard to personal credit with the public, if that is what you mean, I will say that, notwithstanding the Gold Law, and with very great opposition to fight against, both professional opposition on the part of geologists and engineers, and actual boycotting on the part of the Consolidated Mines Selection Co., unaided I have raised for the company in the past 18 months £25,000. I have been engaged in many mining ventures, principally pioneer mining. I suppose I have spent at least a quarter of a million—about £50,000 being my own money—

in research, and exploration of these reefs. About one half of that has gone in taxation. With all these difficulties, and notwithstanding certain admitted failures in such pioneer enterprises, I have raised in eighteen months nearly £25,000, in these times, for the Southern Van Ryn Reef Gold Mining Co. On the whole, I am not sure if that does not show very great confidence on the part of the public, remembering the circumstances that we have no Deutsche Bank to support us and that through the Gold Law and boycotting opposition we might have lost the whole property, and that fact was not hidden. If you compare the record I have briefly referred to with the records of failures like those on the Blue Sky Reef and on the Rand Klip, the Cloverfield, and others, where it is not a question of a quarter of a million of money, but anything from ten millions to twenty millions of money lost by the public, then I think you will find the record is not a bad one.

4885. There are certain houses the people will follow here whether they have a good thing or a rotten thing?—Yes, some will always follow where they think the money is.

4887: Your reef is approximately 60 feet below the surface?—Yes. That applies to all our reefs.

4888: How much money have you spent on actual prospecting?—We have spent about £4,000 on boring, and the average cost would be about £1 per foot. The other expenditure, £6,000 to £7,000 has been paid in taxation.

4890: CHAIRMAN: That is about £25,000 you have raised?—We have nearly £13,000 in hand and subscribed to-day.

4891: MR. VAN EYSSSEN: Do you not think it is a very simple thing to prove the value of your property when your reef is only 60 feet below the surface?—Yes, but first we have to locate the sub-outcrops of these three reefs, the Nigel, the Van Ryn and the leaders of the Van Ryn. That is what we are now doing.

4893: Have you got any results?—Yes, on the Nigel reef we got 5 dwts. over 21 inches consecutive and 5 dwts. on 5 inches of footwall. These are not the only ones. We also got 5½ dwts. over 16½ consecutive inches in the Van Ryn Reef leaders; we got 2 dwts. over 8 consecutive inches in the Van Ryn Reef itself.*

* On the property of the Vaal River Gold Estates we opened the sub-outcrop of the Nigel Reef showing values of 30 dwt. over 20 inches=600 inch dwts; 300 inch dwts is easily payable. The southern end of our Southern Van Ryn Reef property is a shallow deep level of the reef exposed in the Vaal River claim just opposite.

March 17th, 1917.—In the course of the prospecting work done by shaft and borehole during the past four months on the properties of the Southern Van Ryn Reef Gold Mining Company, Ltd., and the Vaal River Gold Estates, Ltd., new facts have been disclosed, which show that even in the case of the Nigel Reef mistakes have been made. It is now clear that the Marievale Nigel Company did nearly all its development work not on the true Nigel Reef, which we have now exposed on these properties—the same reef, that is, which has produced £4,000,000 worth of gold—nearly £1,000,000 in profit—from the original Nigel mine—but on a reef which lies several hundreds of feet below the true Nigel, and, like it, lies on a shale footwall (a different shale, however). There is the strongest reason to think that the same has occurred on that part of the Nigel property formerly known as the Rand Nigel, and that the true Nigel Reef is lying untouched throughout the Eastern mining areas still held by the Nigel Company. Owing to these discoveries and to the excellent values disclosed, I am inclined to set a far higher value on the Nigel Reef than I did four months ago. The percentage of payability on the Sub-Nigel mine is now over 33 per cent., and this percentage is rapidly increasing. The payable development on Daggafontein, working true Nigel Reef, is now stated to be over 40 per cent. of the whole. It is possible that in the cases of Cloverfield and Rand Klip the greater part of the development may have been done on the lower and poorer reef, and not on the true Nigel.

4895: All unpayable mines?—Not from a borehole point of view; on the contrary, they are quite good.

4896: You said definitely that you do not believe that Blue Sky belongs to the Main Reef series, or is the same reef, on account of the value?—No, not solely nor even chiefly on account of the values. I have been repeatedly offering again to tell you my reasons, but you will not have them.

4897: That is one of the very strong reasons. You said that from the Blue Sky westwards is an unbroken succession of profit-earning properties; from the Kleinfontein eastward you have the same succession of profit-earning properties. From the Blue Sky up to the Kleinfontein you have a continuous succession of failures. From that, I take it your contention is that because the reef from the Blue Sky to the Kleinfontein is poor, therefore it cannot be the same reef as that west of the Blue Sky and east of Kleinfontein. Am I drawing a wrong conclusion?—It is not a fair statement of my evidence. That is one, but not the chief of many reasons.

4898: I am not attacking you personally at all. You gave me the answer this morning. You said something about a succession of profitable properties to the west of the Blue Sky; from the Blue Sky to that point near the Kleinfontein you have a succession of failures?—I stated those things as facts, but these are not the only nor the principal reasons why I have said that the Blue Sky is not the Main Reef series. They are facts which, I put it to you as a sensible man, or to anyone else, ought in themselves to cause inquiry as to whether the professional acceptance of the Blue Sky as the Main Reef Leader may not be erroneous.

4899: CHAIRMAN: We are not appointed to look into these reefs; we must take the evidence of experts?—That is for you to say. I am trying to explain only in view of and in answer to Mr. Van Eysen's questions.

4900: MR. VAN EYSEN: The fact that the values from the Blue Sky or a certain distance eastward of it are low—and unpayable casts doubt on whether they are the Main Reef Leader or not?—I think it does.

4901: With regard to your Van Ryn Reef, on the northern side of that area (the Far East Rand) there are very highly payable values?—If you mean the Van Ryn Reef mines? Yes, that is so.

4902: Yes. In all those mines. When you come down to your property the values are very low?—I do not say they are low.

4903: You gave them as unpayable?—No, I did not. That borehole, No. 4, which gave $5\frac{1}{2}$ dwts. over $16\frac{1}{2}$ inches, was only $1\frac{3}{8}$ of an inch in diameter. You can get 300,000 tons on the Modder B. Mine round the principal shaft, under 3 dwts. The Government areas south-west shaft only gave $1\frac{1}{2}$ dwt. and Brakpan No. 1 only $2\frac{1}{2}$ dwt., and so on. They are all highly payable mines.

4904: You have got the very highly payable Van Ryn Reef on the north, and the reef, as prospected by you, on the Southern Van Ryn, which so far shows very discouraging results?—No. Not at all. Not discouraging, but very encouraging results. The Springs Mines development shows 1,147,000 tons of ore developed in that mine of only 1·8 dwts. value—that is more than 50 per cent. of the total tonnage developed over thousands of feet driven. In the Van Ryn Reef the gold lies in areas of enrichment. If you do not happen to strike such an area in a borehole you get poor values. On the Springs Mines the chances are about equal whether a borehole should show under 2 or over 10 dwts.

Do you say that our No. 4 borehole results from a core of 1½ inches diameter indicate no values? I think, on the contrary, that they indicate excellent values.*

4905: CHAIRMAN: You were speaking of one borehole?—I have given results from three boreholes and from three different reefs.

4906: Mr. VAN EYSSEN: I was trying to test your theory. We have to rely upon what you tell us. You say that because of the values between

* Since I gave my evidence, through the courtesy of Professor Lawn, Mr. White and Messrs. Barnato Bros., I have had an opportunity of seeing the developed areas in the vicinity of the S.-E. shaft of the Government Areas (Modderfontein) Mine. The Van Ryn Reef and its leaders as exposed there show characteristics of composition (pebble and matrix) bedding, order of bedding and irregularity of deposition and values which, so far as my experience goes, can only be seen in the Van Ryn series and in no other reef series of the Witwatersrand system. There is no better place to see the Van Ryn Reef typically developed, and no mine that I have seen which gives such promise of enormous tonnages of payable ore. Yet for hundreds of feet the drives expose only contact of the overlying quartzites with the footwall shale, with no reef at all; then a few pebbles will appear between these, and gradually make up a banket reef 3 inch, 1 foot, 3 feet, 6 feet, 10 feet, and in one place 15 feet in thickness. In some places it is solid banket, and at others it is divided by interbedded layers of quartzite with occasional pebbles. Sometimes there is a band of quartzite several feet thick between the footwall reef and the shales below. The lower or footwall reef is the Van Ryn Reef proper and the nature of the material, shape and mode of deposition of its pebbles make its identification easy and unmistakable. The hanging wall or upper portion of the reef—in some places lying directly on the footwall portions, and in others separated from it by quartzite—is also *sui generis* in its pebbles matrix and deposition, and easily distinguishable as a body from the footwall portion immediately below. In some places the reef, although it may be of good width, is very poor, down to 1¼ dwts., but 100 feet away its value may give up to 2,000 inch dwts. The upper and footwall sections of the Van Ryn are identical in character, appearance and position with the same beds as identified on the Southern Van Ryn Reef G.M. Company's property where exposed in the south shaft on that property, even to minute details, which anyone can now see by examining the larger pieces of reef we were allowed to take as examples of the reef on Government Areas and comparing them with the reef from the Southern Van Ryn. I should say that no one unless absolutely blind with prejudice can fail to see that there can be no mistake as to the identity of these reefs, nor as to their absolute dissimilarity from the Nigel Reef as opened up at the Rand Klip, Daggafontein, and worked at the Nigel and Sub-Nigel mines. Mr. Van Eyssen was until recently manager of the Government Area Mine, and therefore must know all about the extreme irregularity of deposition and the gold values there. It is no exaggeration to say that in the vicinity of the south-east shaft a hundred boreholes could be put down without getting values of even two dwts. Under these circumstances, and seeing that he knew the truth, Mr. Van Eyssen's questions as above reported, with the suggestions they imply, are simply amazing.

March 17th, 1917.—The Southern Van Ryn Reef G.M. Company has now completed its No. 7 borehole, which has cut the Van Ryn Reef at a depth of 996 feet, assaying 10 dwts. over six inches. The reef has the typical Van Ryn shale bed as its footwall—quite different from the footwall beds of the Nigel. This borehole, No. 7, is situated in the same line of section across the beds as the No. 5, which cut the Nigel Reef at 584 feet. In this same section, too, is the No. 1 shaft, which is now being put down on its sub-outcrop 51 feet from the surface. This company's work has, therefore, now proved the existence of these two very important and valuable reefs one above the other in the same section; the thickness of the intervening beds between the two reefs being about 1,000 feet. The footwall section only of the Nigel Reef has so far been exposed in the No. 1 shaft. The value at the sub-outcrop is most encouraging; the first assay gave 13·4 dwts. The shaft is now being deepened vertically for 15 feet further, when a crosscut will be put in to expose the full section of the reef. The reef is dipping to the west at an angle of 70 degrees.

The *South African Mining Review* for March, 1917, commenting on Mr. Dale Lacey's exploration on Spaarwater "locating the reef and showing its thickness," said: "It is pertinent to point out that both at Modder 'B' and Brakpan the majority of boreholes disclosed unpayable results, though both have proved on development very fine mines."

the Blue Sky and the Kleinfontein, therefore it cannot be the Main Reef series?—I did not say so. I said that the fact that millions of pounds have been spent on this Blue Sky reef and thousands of feet have been driven, and the ground has been proved to be totally unpayable, that fact should be considered one of the many facts to cause the Government or anybody interested to enquire whether it really is the reef—the Main Reef Leader—it is alleged to be.

4907: Mr. MILLER: While it is very interesting to get the ideas of how the reefs lie and the different reefs, I do not think it affects the question for us very much. There is, you say, a certain area on the East Rand that all geologists are agreed upon is more or less a sound proposition?—That is pretty obvious, as they want all the ground they can get on that area.

4908: Your friend, Mr. Kotze, and others would agree?—Yes, I should think they would.

4909: There would be little danger from a financial point of view?—There would be none at all.

4912: Mr. MILLER: We had it in reply to one question by a witness representing a mining house, that if the State took over these mines it would put them out of a job?—I think it would not be a bad thing in some cases.

4913: Is your idea that the State should still allow the prospecting work to be done by private enterprise?—I should not limit it merely to prospecting. I should include all pioneer work. Take the mining house that is developing one of those farms. They have been doing prospecting and pioneer work in a most important sense. They have proved the reefs on these farms for us as a people. Theoretically and fairly those people are deserving of quite a big reward. I would not limit them to their mynpachts as they are to-day. Give them a bigger mynpacht.

4914: Is it fair that the Government should take over these more or less proved areas, work them, and reap the benefit from them, if they can work them as efficiently. Do you not think it would be one of the good reasons why the Government should carry out systematic prospecting and exploration work of themselves?—As a working prospector, a prospector of many years' experience, my opinion of the nature of Government work up to now in regard to prospecting leads me to have very grave doubts.

4915: CHAIRMAN: You are rather doubtful about the success of that?—Yes. The Government should work only proved areas.

4916: Mr. MILLER: In connection with the financing of these propositions, we were given to understand that the mining houses took the risks sometimes of being left with the whole of the shares on their hands. You have given one instance of where that actually took place, and this risk, which that mining company apparently undertook, they were able to slip out of?—Yes.

4917: Do you know if there is more than one instance of that on record?—Yes, I can give you an instance, not quite on all fours with that one. In the course of my mining experience, we once put £20,000 into a certain company here in hard cash on the representation that one of the properties held by this company was very valuable. The shares were quoted on the London market at 25s. They got our money. Eventually, some years afterwards, we got about 5 per cent. of our money back. Our money went in with theirs into this company. A fortnight or three weeks after we had put our money in, the Board of the Company had a meeting,

and the £50,000 working capital, including our £20,000, was borrowed. Then the work was immediately stopped. The market in the shares ceased, and we never had a hope of getting our money back by selling our shares. The money is still owing to the company by the controlling house which borrowed it. These people now hold all the shares, as eventually, weary of waiting, we sold our shares to them at, I believe, 1s. 3d. each.

4918: When a company underwrites the issue of shares, would they still have this opportunity of slipping out; would the same thing be likely to occur again?—Certainly.

4919: We have had it suggested that these companies in some instances would underwrite the shares with the idea of being able, when a good opportunity occurred in the market, of off-loading them. If a company did not see that this opportunity was coming along, they might adopt this other method?—Yes. There are various methods. There are various ways of doing it if you are a Big House.

4920: CHAIRMAN: Under this leasing system?—No. In that case the Government insists that they must put up the money.*

4921: Mr. MILLER: You are in favour of the Government helping the prospector, I understand. Would you suggest that in the event of the Government deciding to mine only the proved areas, all claim licences should be removed in regard to ground that is unproved—that a prospector should pay no claim licences?—That is not quite the way I put it. What I recommended to the Select Committee is this: If the present law could be retained as it is, and the present scale of licences, with the exception of fines—which, in my opinion, are an iniquity—then that should be done. If a man does not pay the licence within fourteen days of the due date, he is immediately fined 25 per cent. per month, which is a usurious fine. These fines should be stopped at once, in my opinion. A 5s. per month prospecting licence is, in my opinion, a reasonable charge and should be maintained, but in cases where there is proper prospecting work—whether surface prospecting, boring or shaft sinking, or testing of any kind—there should be no Government charge at all. The Government, if necessary, should pay the owner's share of the claim licences, and while the work is going on they should charge the prospector, or the mining company, pioneer, or whoever is developing the reef, nothing at all. They should in every way encourage the man to attain his object in all areas where, in the opinion of the Government Mining Engineer, there is a possibility of obtaining gold. If you do not work your ground you must pay your licence. If a man wants to hold ground without working or prospecting he must pay a licence.

EXTRACTS FROM EVIDENCE OF MR. KOTZÉ.

At a subsequent sitting (end of January) Mr. Kotzé, answering a question about his figure of £450,000,000 (9959), said: I think that if you look at the wording on my memorandum carefully you will see that it is not an estimate. I do not say that I estimate this ground will yield gold to the value of that figure. The idea was rather to give an indication of the magnitude of the proposition with which we are dealing—the order of magnitude. I mean to say it is not a question of a property worth, say, five millions or ten, or even a hundred millions. It is a matter of hundreds of millions. It is a thing of enormous magnitude.

9960: Then, on the investigations you have made, you do not

* In the case of the leases granted while the Commission was sitting this safeguard has been abandoned.

yourself think that this proposition may turn out afterwards to be a matter of say a couple of hundred millions?—No, I do not. I have mentioned 450 millions, but I must say I think that would be a conservative figure. Take one farm alone—the Modderfontein, for instance—which includes the New Modder, the Modder B, the Government Areas and the Modder Deep—

9961: CHAIRMAN: Is that included in this estimate?—Yes.

9962: The existing working mines?—No; I am merely indicating now the value of one farm—Modderfontein. That one farm alone may be estimated to represent no less than 135 millions.

9963: Mr. MILLER: Then, this 450 millions figure is not just merely a piece of “window dressing”; you actually believe it?—As I say, I think it is really a low figure.

9964: If you were asked to make a guess in a competition you would rather guess 900 millions than 450 millions?—I would not like to say how much I would guess. But I would probably guess about 450 millions.

10017: Did you read Dr. Mellor’s evidence?—Yes.

10018: And Mr. Bleloch’s?—No.

10019: Do you agree with Dr. Mellor’s evidence as regards the occurrence of reef matter and the occurrence of gold?—Yes. Dr. Mellor, I may say, has always been our authority as far as geology is concerned. I see no reason to differ from his views.

10025: Mr. BLELOCH: I would like to ask one or two questions through you, Mr. Chairman. They are written out. (Questions handed in.) The first question is: “Is Mr. Kotzé quite certain from personal investigation in the field that the Van Ryn and Nigel Reefs are the same, and that Dr. Mellor is correct in identifying them, as also the Blue Sky Reef with the Central Rand Main Reef Leader?—Witness: No, not from personal investigation.

10028: “Does Mr. Kotzé agree with Dr. Mellor in identifying the Rietfontein Reef also with the Main Reef Leader?”—I do not care to express an opinion, not knowing sufficient about the geological facts..

10029: “Does Mr. Kotzé know the Haylett-Donovan Reef on the West Rand? A specimen full of visible gold I hand you for inspection; also details of widths and values?”—No, I do not know it.

10044: Mr. BLELOCH: Mr. Chairman, there is another question I should like to put through you to Mr. Kotzé. It arises out of Mr. Wilkinson’s statement which you read just now. I should like to ask Mr. Kotzé whether these interesting facts given by Mr. Wilkinson, viz., that every outcrop mine on the Central Rand Main Reef series has proved payable, and that only one of the deeper level mines is payable—

10045: CHAIRMAN: Remember Mr. Wilkinson’s definition of “payable.”

10046: Mr. BLELOCH: Whether these facts considered in relation to the actual experience on the Far East Rand synclinal area—the area where the Van Ryn Reefs are worked—whether the conditions there, as proved by the work of the past ten years, do not show such a remarkable discrepancy with the conditions as proved on the Central Rand Main Reef series that one is forced to the conclusion that it is a case for enquiry as to whether the Van Ryn Reefs belong to the Main Reef series or not?—The matter has been enquired into very carefully. The Government has had an expert on the job for years, who, after a lengthy and more thorough enquiry than anybody has ever been able to make before, has come to the conclusion that it is the same reef.

10047: Mr. BLELOCH: Mr. Kotzé himself has not enquired?—No.

10048: Mr. BLELOCH: The Van Ryn Reef is payable no matter how deep you go; there is not a single unpayable mine. Brakpan is two to four miles from the outcrop, and Springs Mines from five to seven miles, both payable?—Yes.

10049: CHAIRMAN: Mr. Kotzé's answer is that Dr. Mellor has worked for several years on this subject, and has come to the conclusion that it is the same reef, and he is not in a position to contradict him. That is your case for enquiry?—Mr. BLELOCH: Yes. I suggest that it is evidence that the Van Ryn is a different reef.

10050: Mr. O'FLAHERTY: I understand from Mr. Kotzé that he has taken Dr. Mellor's opinion because Dr. Mellor was a State official on these geological matters. Dr. Mellor has since left the service of the State, and his views as expressed publicly in geological circles about the identification of these reefs have gradually changed to a certain extent. I should like to ask the Government Mining Engineer, through you, Mr. Chairman, whether the Government will continue to be guided by the opinions that Dr. Mellor, now in private employ, may express from time to time, which from one point of view would be a reasonable thing to do, or whether they will bank on what Dr. Mellor has said in the past, however much he may change his mind in the future?—I can only reply that we were guided by the circumstances of the case and according to the evidence presented. I cannot, of course, say beforehand whether we shall continue to attach the same importance to his opinions in the future as in the past. It depends on what his statements are and the evidence he brings forward; also as to the evidence we have available. It may be that the Government will appoint another geologist.

10051: Mr. BLELOCH: I understand Mr. Kotzé does not intend to investigate Dr. Mellor's evidence at present.

10052: CHAIRMAN: He cannot.

10053: Mr. O'FLAHERTY: Mr. Kotzé does not regard it as his duty. He takes Dr. Mellor's conclusions as correct. When Mr. Kotzé says that in future they will be guided by evidence, that will be evidence, I understand, which Mr. Kotzé does not admit. He said that he had not read Mr. Bleloch's evidence, nor has he visited the areas for geological investigation. What machinery would Mr. Kotzé have to test the evidence of Dr. Mellor in the future in his private capacity?

10054: CHAIRMAN: Are we not going somewhat far from State mining?

10055: Mr. VAN EYSEN: Is Dr. Mellor the only competent geologist who expresses that opinion?*

10056: Mr. O'FLAHERTY: He is a competent geologist, but his opinions are subject to the opinions of other competent geologists.

Mr. KOTZE: It is not necessary for everyone who wishes to form an opinion on the matter to go out into the field. Dr. Mellor, as a scientific observer, only records what he has seen, and those who are interested in the matter can read his papers and draw deductions. I have read his evidence and that of other parties as to what they have seen, and I then compare the two. I then draw my conclusions.†

* It will be recalled that another competent geologist, Dr. Corstorphine, said the Coronation Reef "may justifiably be regarded as belonging to the Main Reef horizon. This reef had caused grievous losses to shareholders, who had previously bought the £100 shares up to £3,000 each. In annexures there are to be found the opinions of Mr. J. S. Curtis, a geologist of international repute, and Mr. W. T. Hallimond, a mining engineer of 25 years' experience on the Rand. Both of these and many others disagree with Dr. Mellor's conclusions.

† In Appendix "A" will be found correspondence with the Hon. the Minister of Mines which indicates that it is advisable that it is advisable at any rate for the Government Mining Engineer to go into the field and see the facts for himself before committing himself to an opinion on second-hand observations.

L'ENVOI.

In the face of the brief revelation made in this volume, with this information at their disposal, and ten times as much if need be, it surely cannot be that Sir Thomas Smartt and other leading Unionists will repeat in Parliament that there is "no economic penetration in South Africa.." Do they not perceive now that the Mailed Fist in South Africa was a fist for blackmail? Does not National Economy, as different from the gospel of sheep among wolves that goes by the name of Political Economy, teach us yet—what our distress should long ago have warned us of—that it is ruin for a nation to permit its natural wealth to be gathered in the hands of a few people, and those chiefly alien in race and ligeance and sympathy? The brutality of the war is not one whit more brutal than the long woe of miners' phthisis; the ruin of homes in Belgium has hardly shown more haggard faces than the ruins of the market and the mine—fruit of anti-national control.

We have studied in large and in detail the German System in operation among us, and in the face of it the danger of economic penetration can hardly be denied again.

On the commercial side, and in close alliance with the mines, we have seen the trade of the country swallowed up by German firms like Siemens, Krupp, Orenstein-A. Koppel, Rolfes-Nebel, Liebermann-Belstedt and Malcomess. Besides the precious minerals, the monopolistic grasp is laid upon the coal and the electric power, the chemicals and the nascent industries of the country. Koppels, Krupps and Malcomess have something like a monopoly of agricultural implements. The country stores that cover the land are supported by German loans, either direct from Germany or through the agency of Trusts and Executors with English and South African names, and agreements with unsuspecting farmers have given to "supported" storekeepers extensive trading rights over areas of thousands of morgen, which will, in time, be territorial monopolies of huge economical power. And the credit-giving stores are acquiring the estates of the broken farmers.

On the mining side we have dealt briefly with:

The *General Mining and Finance*, with its German directorate, its finance through the Dresdner Bank, and its convoy the United Engineering Company, the offshoot of Krupps.

A. *Goerz and Co.*, with its connection with Germany's financial leviathan the Deutsche Bank and its association with the world-embracing Orenstein-Arthur Koppel. Its part, too, in the attempted acquisition of the remainder of Geduld without even the formality of a lease, and its present announcement of £500,000 increase of capital for the Geduld Company "to deal with any lease area which may be offered." Will not the new-found British zeal of Mr. Newhouse tell us whether or not nigh half a million shares of the Geduld Company alone are held by Germans in Germany?

The *Consolidated Mines Selection Company*, with its unpublished list of shareholders of German origin, its four enemy directors on the board at the outbreak of war, and its connection not only with the Bank für Handel und Industrie, but also with the Deutsche Bank, the Disconto-Gesellschaft and the Dresdner and others, too. These three banks have 159,000 shares regis-

tered in their own names. How many have they in the names of nominees? We have briefly told the tale of its recent acquisitions on the Far East Rand, and shown how it expects to make still greater conquests. Further, we have revealed how it has cried down the values of a property in the immediate vicinity of its own latest mine though carrying the same reefs under infinitely better mining conditions—how German controls have power to damn all that is not theirs. Thus all becomes theirs.

We have seen the house of *Neumann*, with its Cloverfield, Vogel Deep, Main Reef West, Knights Central and Main Reef mines, and the shareholders left with the sad pleasures of reflection when the Baronet dies and leaves millions to his relatives and children and nothing to South Africa. We now see this house added to a greater monster, and we know that almost at the date of the announcement an order for stores from America was given to a man closely associated with the staff and system of Koppels.

We have seen how the gold in the mines has from the first provided the capital for the mines, and we have seen the growing and amalgamating German *coterie*, with the banks behind them, usurping the wealth of the country while the ruined population was set by the ears. We mark how their position on the directorates has enabled them to see in advance of shareholders whether a mine would be profitable or not. We see then the poor scrip sold dear to the public, while the scripprooms accumulate the shares of the paying mines like the Robinson and the Ferreira and the Modderfontein group. Even while they sell out of the poor mines we see them able to retain their control, and so, time after time, at meetings of, for example, Knights Central and Cloverfield, their holdings were too small to form a quorum at the annual meetings. In the typical history of Cloverfield the last act has just been recorded when the meeting was called to profit by the deal with the Government carried through by the Central Mining and Investment Corporation to invest the "awful example"* with the State-owned claims on Modderfontein. The deceased Neumann had got rid of his shares with the profit of possibly another million from a mine which had not produced an ounce of gold; and even his estate continued to draw three shares in the new proposition for every pound he had lent, while the shareholders get one share for each share they had bought at £2 and £3 or more. The sales of the usurer were evident by the lack of a quorum to be provided by the control. The revelation of the control without shareholding is consistent with the constant policy of shedding on to the public the shares of poor and unpayable mines, while holdings are increased in those which advance knowledge of the development has shown to be worth keeping. The directorates do not exist entirely for shareholders, as Mr. H. Solomon explained to the Transvaal Parliament. Nor do they exist for the workmen. The complete insecurity of tenure of employment, the constant shifting of managers and staffs on the mines at the caprice of the financiers has its last exhibition in the "sack" of almost all the Neumann staff, some with twenty years of service, when the group was swallowed by the greater group.

We have shown how the *Central Mining and Investment Corporation*, which has recently absorbed the Neumann interest—the house of Sir Lionel Phillips and formerly of Sir Percy Fitzpatrick—had invested its surplus funds in German Government stock, and how it had the usual enemy directors to get rid of at the outbreak of war, with Max Francke, formerly of Goerz and the Deutsche Bank.

* See Chapter I., pages 31-34.

At the very same meeting when the enemy directors were thanked and laid aside Sir Lionel Phillips spoke the following comfortable words :

"I do not propose to discuss," he said, "directions in which it may be possible or prudent for us to extend our operations, but I will say this, that we are well equipped in South Africa, and might therefore with profit to ourselves and to the owners of certain other properties *bring them within the sphere of our administration*. Generally speaking, I have a predilection for business in South Africa. I have considerable faith in its future. As far as the Witwatersrand is concerned, we have been intimately associated with it from its discovery. *We know everyone of consequence connected with it, we have a well-organised staff of engineers and administrators, built up over many years with much thought and infinite care*. We are familiar with the country and its problems, its Government and its people, and we are also well known. *When a business is proposed to us on the Witwatersrand and elsewhere in South Africa we have the inestimable advantage of either knowing or being able to discover all that we want to know about the persons with whom it is proposed to deal*. That advantage we do not possess in other countries. While I do not, of course, exclude operations outside South Africa, or, under certain conditions, in any part of the world, I feel it right to say that I should like to cultivate closer relations with British houses of good standing here and elsewhere in the Empire."

The significance of the "inestimable advantage of either knowing or being able to discover all that we want to know about the persons with whom it is proposed to deal, 'and even the temperaments (ardent psychologists!) of the persons upon whom they must rely for information,' will not be overlooked when it is remembered that the "certain other properties" to be "brought within the sphere of our administration" include a slice of the State-owned properties on the Far East Rand. The hint he gives in the same address that "good business seldom travels far to find supporters" means that anything the Houses turn down is to have no chance either in South Africa or elsewhere. The monopoly must be entire: the "Information Bureau" *à la Hun*.

Do they know in England that we in South Africa hear in disgust and dismay that Sir Lionel Phillips has been associated with the Government of England? Do they know that his name was rejected by protest when he was set down as a speaker on the recruiting platform in Johannesburg? Let him recruit and munition on his farm "Westphalia"—the lurking place of Germans these twenty years!

"No economic penetration," and yet A. F. Robinson can tell a Judge in Court that the business of the enemy firm of Koppels was "ten times bigger" than any other business supplying the mines on the Rand! "No economic penetration," and yet General Smuts could say, "It is in the power of a few men to ruin this country. They have done it before"! No enemy penetration, when Elkan, the German, can negotiate a treaty with a Foreign Power having as a condition that wages earned in this country—those "working costs" which the Government is supposed to enjoy—are to be paid out of it! No enemy penetration, when German banks hold millions of debentures in our great Power Company, when they sit on the Water Board and tax the town for their advantage, when enemy subjects can preside over our Chambers of Commerce and sit, in person or by proxy, on public commissions! If these be the representatives of Lady Phillips' "Friendly Germany," save us from our friends, and from the friends of our friends also. Just as Jameson and Rhodes were betrayed into the Raid and left to be ridiculed and shamed, so Kruger was lured into war on German promises, and so Beyers and De la Rey were tricked and heartlessly betrayed. They have no pity for their victims.

Yet it is to these that our cautious politicians bid us have recourse in order to exploit the national assets, as though the frogs could not live without King Stork.

Company after company is seen banking in Germany the money made in this country, and in spite of these strange "predilections" of his firm, Sir L. Phillips was not ashamed to stand in Parliament and solemnly warn the Government, so the Press reported it, that it was not wise to borrow at the cheapest rates! Contrast that with 4 per cent. Prussian bonds! Contrast that with the patriotism that lends to Bulgaria and Turkey in order that the Deutsche Bank may spread its net over the Balkans and the Levant. Yet Neuhaus, or Newhouse, of whom A. F. Robinson told the Court that he was the paid servant of an enemy firm whose American branches, we know, have been boycotting the Allies, has the audacity to say that he "objects as a taxpayer" to the State mining its own property. He and Georg Nathan, of the Dresdner Bank, can appear as British witnesses before an Economical Imperial Commission. And Sir George Albu is not laughed at publicly when he tells us that his firm advertises holders of bearer-warrants to register their shares for dividends at a Swiss branch of the bank patron of the General Mining and Finance, because those holders were Frenchmen!

The truth is that if we credit Albu and Phillips and Neuhaus and all the nominees with the sincerest good wishes to this country the German System is founded on the principle enunciated by Phillips, "We don't want to shell out ourselves," and could not survive unless it came in on credit and deflected the goods of the exploited country to be disposed of by the banks of Germany.

See the avidity with which the theoretical evidence of one geologist, standing almost alone, has been seized upon in Press and Commission to decry the value of the State-owned gold claims and of private property not yet within the German grasp.

And that it is easier to build up a Commercial Empire on credit than to do so by work or cash is evidenced by the history of the German in every country in the world. We have seen what that means in Russia, where no one knows whom to trust. We have seen the agony of Greece, the destruction of Turkey, the almost insurmountable difficulties of the blockade, and the long delay in America. It was the German money-power, or paper-money-power, that held the populations in leash. It seems so incredible to simple people who have to pay cash or suffer that we have been at pains to provide the means by which every one can prove it for himself. Here is the last word in this context from Dr. Dillon, who in "Ourselves and Germany," pp. 44-45, thus describes what was done in Italy by means of the Banca Commerciale:—

"The unsuspected ways in which this remarkable organisation destroys, constructs and draws its sustenance from its victims are a revelation. Imagine a few British bankers possessed of two hundred thousand pounds and conceiving the plan of wresting the economic markets of Italy from Britain's rivals, building up an all-powerful organisation with Italian money, throttling Italian industries and commerce with the help of Italian agents paid for the purpose, out of the hard-earned savings of the Italian people; then yoking the national policy to the interests of Great Britain. One would laugh to scorn such a mad scheme and set down its authors as wild visionaries. Yet that was the programme of the little band of audacious Germans who conceived the design of teutonising Italy. And they had almost realised it when the war broke out. Even the halfpence scraped together by poor emigrants and half-starved Sicilian working men were diverted from the Savings Banks into banks of German origin, two of which held 400,000,000 francs of the nation's economies a few months ago. Its (the Banca Commerciale's) employees became diplomats and statesmen at a moment's notice, ended wars and drafted treaties." Professor Bondi,* ex-Questor of Milan, writes: "For many years the Banca Commerciale has contrived, directly or indirectly, to take a hand in the formation of various Ministries. . . . It has its

* "Rivelazioni postume; Memorie di un Questore."

tentacles everywhere, high up and low down, in Italy and abroad, in peace time and in war time. . . . Its hand lies heavy upon everything and everybody. It is the arbitress in the choice of good and evil, and is under no obligation to render an account to anyone." "It is amusing to reflect," writes Dr. Dillon, "that the recent concessions in Asia Minor, for which Italian statesmen laboured so hard and so long, went in reality to the Banca Commerciale, which is . . . Germans. . . . This sacrifice meant tens of millions of francs kept from the pockets of Italian taxpayers and handed over to the German bankers, who spent them in promoting anti-Italian projects." "Admirals were dismissed," Signor Preziosi tells us, "and the negotiations of the Italo-Turkish peace were agents of this German bank."

In an even greater coil is South Africa bound, for everyone of these has an exact parallel, and the war has brought no relief, but rather greater servitude.

Having reviewed the source of German commercial power, it should seem an easy matter to destroy it. But in the terrible comedy that is called history it is not seldom seen that the most odious cruelties and bitterest plunderings of mankind have been done in the name of some decrepit or weakling tyrant, whom a lad could lightly strangle if he could come to grips with him. Weakness is clothed upon with the strength of the victims. It is no doubt true that the German financial invasion would not have been tolerated so long had it not been for the vision of those armies deepening rank beyond rank from the snarling frontiers to midmost Germany. Yet it was not from strength, but from weakness, that their power grew. They began as sycophants and parasites. They adjusted their demeanour to the Courts they made ridiculous with their preposterous obsequiousness, and to the counting-houses where their servility was valued as fidelity. The instruments even of German financial control have not been men of intellect or power. With the exception, perhaps, of Max Francke, who had the bearing of a German soldier, there is not one other of the heads of these conquering "Houses" in South Africa of whom you could not say as Bolingbroke said of the son whom not his merits but a system would crown king, that "he would have made a good pantler." There is something devilish laughable in seeing these levies of lacqueys passing the cream of the world for the dull enjoyment of the deformed and puny *matto* they call Kaiser and All Highest.

To be dragooned by directors of Limited Liability Companies is the last ignominy that mankind has suffered: and we have deserved the suffering, which may yet be our redemption. "We are not at war with the German people," cry our politicians and Press, who recall for our compassion the memory of the timid barbers and worthy Presidents of Chambers of Mines and Commerce whom we who stay far from the battle-front knew in the flesh. To march eight millions of soldiers into Germany to blow an Elkan, an Orenstein or a Dernburg from a 22-inch mortar is beneath the dignity of our pacifists. These are but the servants of the arch-criminal, they say. But we have to remember that these are for that reason baser and more dangerous.

*Et c'est l'art des valets que de faire aboutir
La mamelle du monde à la bouche d'un homme.*

Yet we are bid in the name of what is "English" to send our men to perish by the million in order at last to spare the fortunes of the financiers whose treacheries, made possible by our laws, have provided the means to those factories of poison-gas and neath-sea murderers and church-destroying shells.

Offensive as they are, it is not the swaggering louts who officer their serfs, nor the industrious chiefs of the Higher Command who have spent

a life-time in weaving the mesh of mobilisation for the enslaving of mankind—it is not those who merit chastisement the most. The worst and basest are those who have lived among us and on us, corrupting the body they fed on. In South Africa they have used our holiest emotions for their basest service. The loyalty, the patriotism of English and Dutch have for these last thirty years been used to their own destruction, while the *agents provocateurs* have sucked out the country's wealth. Who, for instance, started the Raid to Doornkop? To read Fitzpatrick's "Transvaal from Within" and its venomous attack on Dr. Jameson and his men you would believe that these had of their own malice "jeopardised the lives of women and children" by their selfish folly. But had that volume not been issued at the edge of war it would not have gone without reply.

If you search the records of the Raid Inquiry by the Cape Parliament you will see clearly that Rhodes and Jameson were tricked—that Rhodes had no will to resort to arms. You will find there that our friendly Germans, as usual, *floated a company* to run the Raid, and that they made money out of it, too! And not only a parent company, but a subsidiary, the "Wolf Syndicate," according to practice. And then they let the "Reformers" in "blind" at top prices for cash! You shall read then that when Rhodes was for constitutional agitation, in which he would have had the support of all Africa, imperative telegrams came demanding the gallop of armed men at once. In the cant of their code the message came on the 18th December, 1895, "Urge immediate flotation"—that is, insurrection. And again on the 20th: "Immediate flotation is the thing most desired, as we never know what may hinder it if now delayed." And from whom, think you, these telegrams came? From Beit—from Alfred Beit at the head of the Corner House. Yet all the world was taught the moral of the "Transvaal from Within," that Rhodes and Jameson had conspired in a childish conspiracy which was to set Boer against Briton for the German gain. How well it was contrived that Jameson should be cozened to "upset the apple-cart" of Rhodes.

Rhodes was sincerely in favour of constitutional reform. It was the object of his friend and associate Hofmeyr, too. They believed that such reform would lead to unity if not Union in South Africa and would protect the interests of the Cape Colony against the "Continental gang." The German House whose intrigues were to ruin Rhodes and the cause of peace in South Africa thought differently of these things, as Lionel Phillips told "my dear Beit" when he wrote to him on 10th June, 1894: "I don't, of course, want to meddle with politics, and as to the Franchise do not think that many people care a fig about it," and, once more, by the next mail: "I may here say that, as you, of course, know, I have no desire for political rights, and believe as a whole that the community is not ambitious in that respect." But "the English" were to be provided with a ready-made agitation. What for? If, as was pretty true, they didn't care about the franchise, they had certainly little else to complain of—except Germans. They were not even taxed—except by Germans. It was a very free-and-easy place. The Germans got up an English agitation! And nobody was to gain but Germans. The slump began in October, when the force was mobilised in Rhodesia, and when it was finished the English and South African population on the Rand was "cleaned out" beyond recovery. In '96 there were beggars in the street. Beit must have made over a million on the deal. His brokers were selling in London all those three months.

A few facts from the Blue Book (Cape Colony Inquiry) reveal the double purpose—German gain; English and Boer ruin. On 17th

December, 1895, Beit arrived in Capetown. The money-jobbers were quarrelling in Johannesburg. On the 18th Hays Hammond telegraphs to Rhodes stating that they "cannot arrange respective interests without Beit. Flotation must be delayed until his arrival. How soon can he come?" The prudent Hamburg merchant was not going to venture among a population for whom an insurrection was preparing, and who were to be left unarmed to face the just resentment of the Boers who were waiting, having given fair public warning to the mystified English Uitlanders—waiting for the tortoise to put his head out. Beit pleaded indisposition, and sent the telegrams quoted, to kindle the fire at once. Rhodes, however, was not altogether deceived, and wired to Jameson on 29th December: "Heartily reciprocate your wishes with regard Protectorate, but the Colonial Office moves slowly, as you know. We are, however, doing our utmost to get immediate transference of what we are justly entitled to. Things in Johannesburg I hope to see amicably settled, and a little patience and common-sense is only necessary. On no account must you move. I most strongly object to such a course." The message never reached Jameson, because the Mafeking office was closed. Jameson cut the wire on the Sunday evening, but he had already made arrangements with Dr. Wolff for the ride and the rendezvous. This gentleman—an agent of the inner gang—was missing when Jameson might have been saved. He was the eponymous hero of the Wolff Syndicate, too, to finance the monstrous farce! The English in Johannesburg knew nothing of the movement until Jameson had started by agreement with the conspirators, yet Fitzpatrick could write of their "conviction that Dr. Jameson would never be so guilty of so gross a breach of faith as to start in defiance of the wishes of the Johannesburg people." "The Johannesburg people!" The Raid is an old story to-day, and Boer and Briton have long made up the quarrel. Rhodes and Jameson loyally held their peace after they were betrayed, and the plot was only half a success. Rhodes fell from power, as was inevitable and as was intended, and the racial union at the Cape symbolised by the co-operation of Rhodes with the Bond was shattered. It was a German victory, and these facts are recalled to point out the common foe and the call for union among South Africans.

It was not the intention of the "Reformers," Fitzpatrick tells us, to have the British flag hoisted. They were going to get rid of grievances—the dynamite one in chief, which the English community did not feel, as the Germans had already got the mines. But when one reads in the "Transvaal from Within" of the bitter feelings occasioned by the dynamite concession and sees how it was used to foment another crisis, one may wonder at a singular omission from the book. Mr. Beit, we see, was urging an insurrection against the Dynamite Concession after his quarrel with Lippert. Now turn to the Report of the Concessions Commission, and you will find that the prime mover in all this agitation, whose presence was "necessary to arrange respective interests," was himself, the would-be partner at the outset, when the concession was first plotted.

The tale is best read in the characteristic words of Senator Sammy Marks. The questioner is Sir Alfred Lyttelton, the witness is Mr. Marks:—

23rd October, 1900.

Q.2806: What is the history of the royalty which you received from Mr. Lippert?—A.: About 1885 or 1886 Mr. Edward Lippert came up to Barberton. He brought with him a secretary. We were talking about certain business, and he said, "Is there anything else to be done in this country?" I said "I cannot tell you." We spoke about mining. Then I took him out to examine some mines which we have, and the question came up about dynamite and

blasting. We were spending £7 10s. or £8 a case, and he said, "There is good business here." I said, "Yes, very likely." . . . He asked me, "Do you think there is a chance of getting something from the Government regarding a dynamite factory?" I said, "I cannot tell you. If you go in I want to have a certain share because we are using a great deal of it." Then he stopped away a couple of days, and when he came back he said, "What is your share to be?" I said, "I think it will be about a quarter if the whole thing is to be £200,000." So we left it off at that. . . . He remained in Barberton about three weeks. Then I came down to Pretoria, and one day he told me he had written to his friends in Europe, who were prepared to take up the business. I said, "Well, I want you to understand that I must have a quarter in the business." . . . I was the first man to use dynamite at Kimberley from Nobels.

Q. 2808: I do not see why you should have convinced Mr. Lippert. . . . Probably he thought you had valuable influence?—A.: We will go on step by step. I came down first. Mr. Lippert followed me up. I am living on the roadside, and the postcart passes my place. We had a little talk, and he asked me if I could give him any assistance. I said I could not tell him that, and asked what assistance he wanted. He said, "If I want to fix this up it will cost many hundreds of thousands of pounds." I told him, "I cannot give you much, but I know a friend who will assist, and I will assist also."

Q. 2809: Who was your friend?—A.: Mr. Nellmapius. . . . There were certain transactions between the Government and Mr. Lippert, who was introduced to the Government. Then Mr. L. went to Europe. I received a letter from him, but I waited till he came back. When he came back he said, "My friends do not wish to have any partners in the business; they want to do the whole business themselves." I said, "If that is the case, I shall oppose you through thick and thin." He then asked me what I wanted, and I replied, "We are using a lot of dynamite, and I will under-sell you." Then he said, "If my people put their money in you shall have a royalty of so much a case." I forgot to mention that when Mr. L. came down to Barberton Mr. Beit, of Wernher, Beit and Co., was also there, and Lippert came to me one morning, and said, "You will have to take a smaller share." I asked, "How is that?" and he replied that *Beit wanted a half because . . . a quarter would not be enough for his group.* I said, "That has nothing to do with me. I want a quarter," and I was walking across the Market Square. Beit says, "Am I going to have a half or not?" Lippert says, "Marks wants a quarter; you want a half. If I give you a half my people will have nothing. Where do I come in?" I do not know how this was finished, but I stuck to my quarter. . . . When he came back from Europe he asked me if I would be satisfied with a royalty. I wanted him to show me some figures, and he showed them. I told him that if he and his people were going to make a big profit I was entitled to 6s. a case. I believe he paid us 4s. in the beginning, then down to 2s., then down to 1s., with a certain shifting price.

Q. 2813: You got that because in 1888 you told Lippert that you were a large consumer of dynamite, and that you wished a quarter share—a quarter share which you never paid anything for?—A.: I do not think I have paid anything.

Q. 2814: And you have had £10,000 a year?—A.: Yes, because I was here on the field. I was prepared to put in £50,000. It was through my own foresight that I got all that money.

Q. 2815: Mr. Ashmore: You had great influence with the Transvaal Government.—A.: No, they have not treated me very well at all.

Q. 2816: Do you think you could have prevented Lippert getting it?—A.: I do not think so, but I would have tried my best.

There is the picture of Beit, the chief of Fitzpatrick's chiefs, at work; and the unconscious Kruger about to be the victim.

The Lyttelton Commission reported that "The Transvaal Dynamite Company is a creation of the German group. Its head office is nominally at Pretoria, but it has an office at Hamburg, and it was provided by the Articles of Association that the local directors at Pretoria should be bound absolutely by the decisions of the European Council of Advice which meets in Hamburg." You had there the German in partnership with the Government, and of the gross profits the Government received about one-fifth. You had there precisely the same kind of control as Koppels had, and as many more of these registered "British" firms have

still. But what the reader will note is that the quarrel between two Germans for the lion's share of this monopoly led straight to the Anglo-Boer War and the slaughter of so many English and Dutch. It was fitting, indeed, when the survivors returned to Johannesburg and raised in Lippert's plantation the memorial to their dead that Mr. Lionel Phillips should place a Victory on the top of the Rand Regiments' Memorial dedicated to his friend Herr Hermann Eckstein. The victory was theirs!

Read again in the "Transvaal from Within" of the bribery and note the name of the agent. That same agent was not long after the Anglo-Boer War President of the Chamber of Mines.

Sir Lionel Phillips, who not long ago advertised for British partners, has recently been given a position under the Minister of Munitions. He is going to organise the mineral exploitation of England. For what qualities is this post given him? What does he know about minerals that he should have this appointment? His short career in Kimberley will hardly be regarded as a school of metallurgy, nor his long career in company work in the Transvaal and London. Read this letter of his in the same Cape Blue Book and judge whether this choice has been rightly made:—

June 16th, 1894.

My Dear Beit,

The bewaarplaatsen question will, I think, be settled in our favour, but at a cost of £25,000. . . . It is proposed to spend a good deal of money in order to secure a better Raad, but it must be remembered that the spending of money on elections has by recent legislation been made a criminal offence, and the matter will have to be carefully handled.

I am also informed that he said he (the President) was very angry with the Ecksteins, that Nellmapius was the best friend the State ever had, and now he has gone his widow has nothing, while we have made a large fortune out of him.

(Signed) LIONEL PHILLIPS.

That is how the bewaarplaatsen (the gold claims which belonged to the State) question was to be settled. Is that how the mining leases are to be negotiated, too? And thereafter will a new edition of the "Transvaal from Within" provoke another war of chastisement?

And read this:

Private.

July 15th, 1894.

My Dear Beit,

POLITICS.

Just got your cable reading, "Do not see Rhodes, etc.," of which I am rather glad. . . . We don't want any row. Our trump card is a fund of £10-15,000 to improve the Raad. Unfortunately the companies have no secret service fund. I must divine a way. We don't want to shell out ourselves. . . .

(Signed) LIONEL PHILLIPS.

It was well to avoid seeing Rhodes just then, when the "flag question" was a-brewing. For what reason did Phillips want to avoid the ordeal of seeing Rhodes? The letter he wrote to Beit on 16th June gives us the answer: "My dear Beit,—Naturally *whatever we do must be done through others*, but I do not think the vested interests can afford to let things drift with indifference. *If you trust Rhodes* and cable 'See Rhodes,' I will run down. My own feeling is to wait and watch, and spend our money in trying to improve the Raad (Transvaal Parliament)."

There you have the German system in four Corner House phrases: (1) "Whatever we do must be done through others." (2) "Spend money in improving Parliament." (3) "We don't want to shell out ourselves." (4) "Now he has gone his widow has got nothing, and we have made a

large fortune out of him." (1) Nominees; (2) corruption of public men; (3) victims pay; (4) profit for the German and widowed despair for the rest. "We don't want to shell out ourselves." Magnanimous baronet-to-be! Splendid "improver" of Parliaments! *On était chevalier comme on est citoyen*. This latter-day nobility has "changed all that."

Rhodes, we are proud to know, was not to be trusted with so base a secret. The prompt cable shows he was not trusted. The bonds of finance have bound the hands and ears of History's Muse in South Africa, but it is not too late in the day to rescue the name of a great Englishman from the stain it derived from such associations. "The fact is," says Fitzpatrick (*op. cit.*, p. 121, 5th impression), "that Mr. Alfred Beit, of the firm of Wernher, Beit and Co., London, and Mr. Cecil Rhodes, managing director of the Consolidated Gold Fields, may be regarded as the chiefs to whom the ultimate decision as to whether it was necessary from a capitalistic point of view to resort to extreme measures was necessarily left." A pretty chance Rhodes had, absent from the Transvaal, with correspondence of that kind going on! But there is happily on record the vindication complete of Rhodes which more than justifies his exoneration by the report of the late Sir Thomas Upington. And in the very pages we have quoted from, in spite of the purpose it was meant to serve, the truth has slipped out:—

Messrs. Leonard and Phillips, acting on behalf of the others, determined to have a perfectly clear understanding, and to ascertain from Mr. Rhodes definitely what were his objects in associating himself with the movement. The matter was discussed at Mr. Rhodes's house, and the report given by the two deputies to their colleagues on their return was that Mr. Rhodes frankly admitted that he had two objects in view: one was to obtain an amelioration of the conditions such as he was entitled to claim as representing an enormous amount of capital invested in the Transvaal; the other object is best described by Mr. Leonard. 'We read to him,' said that gentleman when reporting to his comrades the results of his visit, 'the draft of our declaration of rights. He was leaning against the mantelpiece smoking a cigarette, and when it came to that part of the document in which we refer to Free Trade in South African products he turned round suddenly and said: "That is what I want. That is all I ask of you. The rest will come in time. We must have a beginning, and that will be the beginning. If you people get your rights, the Customs Union, Railway Convention, and other things will all come in time." He then added that we must take our own time about this movement, and that he would keep Jameson on the frontier as long as it was necessary as a moral support, and also to come to our assistance should we get ourselves into a tight place. We asked him how he hoped to recoup himself for his share of the expense in keeping Jameson's force on the border, which should be borne by us jointly. He said that, seeing the extent of his interests in the country, he would be amply repaid by the improvement in the conditions which it was intended to effect.'

And yet the man who included that plain utterance for the purpose of justifying the ignominious part played by the Corner House "Reformers" did not shrink from charging Rhodes and Jameson with breach of pledge and faith because they never wavered from their intention to be no parties to a "capitalistic" (the word is Fitzpatrick's) coup to establish a Republic under the ægis of German financiers and a flag that was not the flag of Britain. "It is in the mind of the Reformers that the professions of their 'real intentions' regarding the flag made by Dr. Jameson and Mr. Rhodes might appropriately have been made before the Raid, instead of afterwards, when all was over. The regard for definite pledges, which in the Reformers was described as merely an excuse for backing out, would, if it had been observed by all, have made a sickening fiasco impossible."

"Fiasco," indeed, but a profitable one for those who knew early enough to profit by the slump. "Sickening" enough, as you see the

steps revealed from the impounded letter book of Mr. (now Sir) Lionel Phillips. But let it be noted, before leaving the Corner House historian, that when he uses the words "Reformers" its meaning is not to be extended to Johannesburg or to those brought in afterwards to bear the blame and shield the authors. Just one remaining word of this history. "It is impossible to say," you may read in it, "with whom the idea of the movement, including the arrangement with Dr. Jameson originated. Perhaps it germinated when Dr. Jameson read the life of Clive! Probably it was the result of discussion, and no one man's idea. At any rate, arms and ammunition were purchased, and arrangements were made by which they should be smuggled into the country concealed in machinery or gold-mining appliances." No, Fitzpatrick, the idea did not germinate thus, but if the ready *calembour* be passed it "Germanated." The origin is very clearly set out in the letter book of Phillips, long before Dr. Jameson was brought into the ready-made fiasco. "My dear Beit," runs the letter of 12th August, 1894, "I will also see whether it is not impossible without creating unnecessary alarm here or active steps in Pretoria to get the Companies (serviceable subsidiaries!) to possess themselves of a few rifles, etc."

That is to say, that Phillips, who had made himself useful to his German employers through his skill in bargaining mining properties from the men who had been impoverished by their intrigues, is preparing to arm men, a year and a half before the Raid, in order that the people may be shot down—for what purpose? Not for civic rights, for he himself denies that anybody wants such rights. But to enable the Germans to gain also the *bewaarplaatsen* which their cupidity had not yet provided for when they wrote the Gold Law, that they might yet wrest the control of dynamite from their fellow-conspirator, who had kept that control to himself after they had quarrelled over a bank fraud.

If that be not murder of the foulest kind Barabbas was a saint. For Jameson and his troopers; for the men of the Rand, who would never have "left them to their fate" had they known anything of what was happening; for the Boers, who defended themselves with such quiet determined skill and behaved so mildly afterwards; for men like Karri Davis and Wools-Sampson, who took their gruelling uprightly—for all of these we can have sympathy and admiration, too. There was romance, adventure, patriotism, courage. But for the cowardly, murderous avarice revealed in the German camp, and enshrined in the letter book of Phillips we reserve something more than sympathy; we give him a place in the British Ministry, and that, too, in time of war against the nation whose blackguards he has served.

Rhodes saw the German menace, but he saw only the diplomatic intrigue and the threat of war. He justified his action through "a belief that the Transvaal Government sought to introduce the intervention of a Foreign Power in the already complicated affairs of South Africa." He had planned with Hofmeyr to preserve the independence of the Republics, adding Basutoland to the Free State and Zululand to Natal, and all to be federated under the British flag—in Rhodes' words, "A Federal Union under the Crown, strong enough to say, 'Hands off' to Germany." But Hofmeyr drew back when he saw the trail of the share market, though not before he denounced the German intrigue. "Allow me," he wrote to *Ons Land*, "to say publicly what I have repeatedly stated to friends privately ever since Kaiser Wilhelm's blundering utterances on recent South African occurrences became known. I took his interference for bluster not deserving any consideration. . . . Nobody knows better than His Imperial Majesty that the

first German shot fired against England would be followed by a combined French and Russian attack on "*das Vaterland*," and by the acquisition by England of all German Colonies, *Damaraland included, which would not be an unmixed blessing for the Cape.*" Hofmeyr, the most far-sighted Statesman produced by South Africa, saw what Rhodes did not see till too late. He saw that the Germans were using the share market as the means to war and conquest. And he knew that when Phillips was writing to the German Beit to arrange to put rifles in the hands of Johannesburg, at the expense of the companies, the other Germans were arming Pretoria, and were ready to arbitrate profitably after the collision.

Both Rhodes and Kruger were conciliatory men. Indeed, we set it down as an axiom that no statesman in ancient or modern history has ever achieved a commanding position without conciliation. But both of these had a treacherous friend at their private ear. And those friends spoke the message formulated in Potsdam, and despatched through the Deutsche Bank. And the eternal whisper was: "Refuse to be conciliated, make others quarrel and kill, and you will be strong and rich."

It is not too much to say that the Anglo-Boer War, immediately provoked through the German-made quarrel over the two German concessions, dynamite and the railway, led straight on, step by step, past the Kaiser's telegram, the fall of Bismarck and the building of the German fleet, straight on to the slaughter and maiming of twenty million men, women and children on the battlefields of Europe and on the seas over which the British Peace had reigned in equity for a hundred years.

The misery of it is that Rhodes, Hofmeyr and Kruger, as the numerous advances made by all of them show clearly, were men who were naturally inclined to fair compromise. After the Raid, when Hofmeyr withdrew, Rhodes blamed his "timidity." But the timidity that checked Hofmeyr was a human dread of the German policy that did not shrink from stepping through carnage to the conquest of gold. Rhodes had to choose at last between Beit and Hofmeyr. He made a fatal choice. It would have been better had he shared the "hatred of Germans amounting to a passion" which inspired the South African statesman, but after the betrayal of his faith he bound himself and Beit to devote their fortunes at their deaths to the reconciliation of Germany, Britain and America. His magnanimity was rewarded by the use of the Rhodes Scholarships for German spies. As tragic was the misunderstanding between Kruger and Rhodes. It was deliberately created by Germans, and Kruger was taught to believe Rhodes was at the bottom of all the Press agitation in Johannesburg. As Phillips wrote to Beit on 10th June, 1894, "Kruger is no friend of the industry. He suspects we are all working in concert with Rhodes; sees imaginary combinations looming in the distance, and the whole country bought up by Rhodes." The combination was indeed imaginary. Rhodes was not buying up any of the country. The irony of the truth is revealed by three sentences of Fitzpatrick's: "Concessions had been granted over the heads of miners at work on their claims, and they had been turned off for the benefit of men who contributed in no way to the welfare and prosperity of the State. It has been stated in the Volksraad that not one of these concessionaries had even paid the dues and rents. The Lydenburg district was practically locked up for fourteen years owing to the concession policy, and has only lately been partly released from the bonds of monopoly." The bonds of monopoly have not been released over that district, for the greatest concession there is the possession of the group which Fitzpatrick served.

One more example of this German policy must suffice. From its beginning till 1902 the President of the Chamber of Mines was always a nominee of the Corner House, Eckstein or Phillips for the most part filling the chair. In 1902 Fitzpatrick was placed in that position in order to enhance his political authority with the Crown Government, and the appointment of Mr. James Hay in 1896 had a somewhat similar object. Hay had been Chairman of the National Union, a body genuinely moving for reform, and including men like Mr. Ewald Esselen and the late Mr. Greenlees and the most intelligent and active of the young population. The German financiers had been hostile to this movement, for had it been successful it would have put an end to the concessions which the compromising *naïveté* of Kruger was continually making to those scheming adventurers. But when the Germans determined to defeat conciliation by provoking murder Hay was withdrawn from the position, and the solicitor of the Corner House was substituted. After the fiasco it was necessary to disguise the German hand in the Chamber of Mines, and Mr. Hay was made President, since it was impossible for Phillips or Eckstein to fill the billet then, and Hay was known to have been opposed to the dirty intrigue. During the second year of Hay's Presidency Kruger appointed the historic "Grievances Commission," and Hay was nominated to the Board of Commissioners. The inquiry was impartial and penetrating. The *Standard and Diggers' News*, the Government organ, gave the warmest support to the proposals laid before the Commission, and there was every probability of the Volksraad accepting the recommendations. Mr. Hay informed the Executive of the Chamber that a unanimous report would be obtained at the price of a few trifling compromises, which he, personally, was disposed to accept. The German group was furious. They insisted to Hay that he was merely the delegate of the Chamber, and was bound, as a delegate, to express their views regardless of his own. There must be a minority report at all costs, and the parade of "grievances" was essential. Hay refused this ugly commission and resigned both from the Presidency of the Chamber and from the Commission, too. But he was informed by the Government that he had not been appointed a Commissioner as representing the Chamber of Mines, but in his private quality, and he was requested to continue on the Commission. A unanimous report was made, but Kruger, indignant, on the one hand, at the revelation of the Chamber's *intransigence* and determination to have "grievances" at all costs and prompted to believe that Phillips and Eckstein were the agents of Rhodes (!), refused to consider the report. It was the last effort at conciliation made by Kruger. The Germans had headed him off every time, and now, persuaded that nothing short of military annexation was in view no matter what he did, he appealed to the Kaiser for help and made ready for open war. It was another German victory, and the spoils were reaped in millions from the share market. Dr. Leyds' recent denunciation of the Kaiser is merely the confession of his knowledge that he, too, the agent of Germany, had been betrayed.

Every essential fact recorded in this book can be verified from State documents, standard works and the evidence before Courts and Commissions. The record must open the eyes of South Africa, and especially of that large number who have served the German cause in blind ignorance. In whose interest the knowledge has been concealed from the public is obvious, but the agents are not always detected. Who contrived, for instance, that the facts should be suppressed from the Minister's reply recently to the question put in Parliament regarding the position of German missionaries in the Transvaal?

After reading those Blue Books, White Books and Green, will Sir

Percy Fitzpatrick pronounce again in public that he is proud to have been associated with Germans who have given so much for Britain?

The new war is with the alien financiers. It is they who have brought woes and wars upon us. Their power must be broken. It is a war in which the eagles have more talons than wings. We know their methods now.

*On a pour s'attaquer des façons tortueuses
Et sûres . . .
Et tout s'achève, après les ruses et les pièges,
Par le sac des cités en flammes sous les cieux,
Et comme on est moins brave, on est plus furieux,
. . . on a crié: Pillons.*

As Victor Hugo said, the baser the method of war, the fouler the carnage. The tricks and snares lead to the cities burning under the sky, and the slump finds a natural echo in the cry of pillage.

The long and unforeseen delay in the publication of this book has enabled us to make two comments on recent events. In his recent speech at the annual meeting of the Chamber of Mines the President, the Central Mining and Investment Corporation nominee, offered a long defence of "the industry," and, among other things, said that they had abstained from "profiteering," as was shown by the reduction of dividends by two millions, in spite of the greatly increased gross profits. Like every utterance that comes from the Chamber, the statement needs qualification. In the first place, dividends are reduced by at least one million because at least a million belonging to the German groups, of which his own group contributed three-quarters, has been invested in Germany, Austria, Bulgaria and Turkey. Next, capital has been set aside for taking up new State "leases," and much has been spent in advance development, of which the profit will be reaped after the war. Further, the usual laying aside of profits reserved from dividends suggests that the old game of retaining the gold, which Eckstein confessed to, is still practised by some of the groups.

By these devices the work of the miners during the war will have achieved the ownership of the State assets for the enemy on his return.

Two steps are now to be taken to vindicate the freedom of South Africa. The German moneys are to be traced and vested in the State, the nominees ejected and open elections of mining company boards held to give us a new directorate. The funds of the enemy at work in numerous trust companies must be arrested. Their trading licences must be cancelled, and their fictitious liquidations done in open Court. They must be eradicated from the machine. Next, our people must rely upon themselves and their own credit to develop the country. It is easier for our Government to organise our credit than for a consortium of German banks to exploit us "without shelling out," usurping our raw products and labour that the German may grow rich upon our ruin.

Is he to get these national gold fields after all? Although Parliament has checked the proposed revision of the Gold Law to deprive the State of the riches which should give it strength, the danger is not passed. The leases are still expected. The Springs Mines Company, for instance, and all its relations which have banked, like itself, with Germany, has already made provision for taking over new leases of the very richest part of the State-owned land. Geduld Company is making ready to accept yet more millions from the debt-ridden State. New leases have already been prepared. The means to our freedom lies here in these Thousand Million Pounds. Fellow-citizens, are they for us or for Germany?

APPENDIX (A).

DR. MELLOR'S GEOLOGICAL MAP.

February 10th, 1917.

The Hon. F. S. Malan, Minister of Mines and Industries, Pretoria.

Sir,

In view of the fact that Parliament is shortly to be asked to decide the action taken in regard to the disposal of State-owned gold-bearing ground, and in view of the fact, too, that such a decision involves the consideration of land containing gold to the value of many hundreds of millions of pounds, I beg to bring to your notice the "Geological Map of the Witwatersrand Goldfields," by Dr. Mellor, and published by the "Union of South Africa Department of Mines and Industries, Geological Survey," to which the name of the Acting Director is attached.

If the map were a private publication by a geological student of those areas the proper place for criticism would, no doubt, be before a scientific association interested in such problems.

This map, however, ranks as an authoritative State document, and as such is adapted to exert an important influence on questions of economic geology affecting both the value of gold areas under national ownership and of those under private ownership, and the author of the map has now entered the service of a private company.

I respectfully submit, therefore, that it is the duty of the Government to provide that this official document shall be corrected in all important places, when it may be shown to be in error, either by the inclusion of mistaken data or by the omission of relevant data. I am the more impelled to this course since your Department decided that I could not be allowed, even at my own expense and without reward, to expose certain gold-bearing reefs on State-owned ground. The reefs in question are those of the Central Rand Main Reef series, which, being omitted from Dr. Mellor's map in the area in question, are consequently ignored as a matter of State policy.

I have the honour, therefore, to bring to your notice what I consider serious inaccuracies in the map referred to: —

- (1) In the *area on Kensington north of the Scottish Horse Monument* there are *outcrops of many large banket reefs*, which run through the hill known as Langermann's Kop, and further east, on the Golf Course in Bezuidenhout Valley, there are two smaller outcrops of the same beds. These banket reefs bear a striking resemblance to the beds shown on Dr. Mellor's map as occurring south of the reefs worked at the Rietfontein Mine, and now identified by him as his Kimberley series. Dr. Mellor does not show these Langermann's Kop reefs on his map. In the explanatory pamphlet accompanying the map ("printed by the authority of the Hon. the Minister of Mines and Industries") Dr. Mellor admits the existence of these banket reefs at Kensington, although he does not show them on the map, and says "they are generally recognised as closely related to those of the Elsburg series." For many years the similar beds at Rietfontein No. 9 have been "generally recognised" by Dr. Mellor's *confrères* as Elsburg series without demur on the part of

Dr. Mellor. While correcting this mistaken recognition at Rietfontein and identifying the reefs there as those of the Kimberley series, he does not venture to do so in the case of the reefs at Kensington. Mr. Kotzé, when asked at the State Mining Commission whether he agreed with Dr. Mellor in identifying the Rietfontein Reef with the Main Reef Leader, replied (Question 10028), "I do not care to express an opinion, not knowing sufficient about the geological facts."

- (2) Along the northern base of Langermann's Kop, near the shale bed at the base of the kop, *there are outcrops with prospecting shafts on them of gold-bearing banket reefs* which appear similar to the reefs worked at Rietfontein known for the past twenty-eight years as the Rietfontein Reefs, but now identified by Dr. Mellor as the Main Reef Leader. These gold-bearing reefs at the base of Langermann's Kop contain the typical rounded pyrite, known as buckshot, and the spheroids of carbon, as well as the gold, and in these respects are similar to the reefs at Rietfontein. The existence of these reefs at Langermann's Kop is ignored by Dr. Mellor in his map and in his pamphlet.
- (3) To the south of the eastern mynpacht on Rietfontein No. 9 *Dr. Mellor shows a tongue of granite extending westwards* for nearly a mile. The evidence on which Dr. Mellor relies for showing this long tongue of granite is not to be seen on the surface.
- (4) In the area on Klipfontein No. 6, east of the town of Boksburg North, and extending towards the Benoni Racecourse (Dunswart Station) *the shallow sub-outcrop of a reef carrying red jasper pebbles and lying immediately on a fine-grained shale footwall and bearing a striking resemblance in these and other characteristics to the Nigel Reef, was exposed during certain prospecting work done under my direction in the year 1911. Dr. Mellor knows of these prospecting shafts and has examined the reef and the shale bed on which it lies.* He does not show this reef on his map, nor does he refer to the occurrence in his pamphlet.
- (5) *Dr. Mellor knows of the reef opened in a shaft north of the Van Ryn Mynpacht, generally known as the Tatham Reef, but, knowing of this reef and the shaft which exposed it, he has not shown either on his map.*
- (6) *A reef lying on shale and carrying the characteristic pebbles of the Nigel* has been opened by two shafts on Knox's ground north of the eastern end of the Van Ryn Mine. Dr. Mellor may not know of this. It is not shown on his map.
- (7) On the farm Grootfontein No. 152 Dr. Mellor shows two extensive outcrops, areas of reef dipping north towards Springs Mines, *but the colouring does not indicate whether Dr. Mellor considers them Kimberley or Elsburg,* nor is there any explanation in his pamphlet.
- (8) On the farm Vlakfontein No. 21 (Lydenburg Gold Farms) there is an outcrop of a reef similar to the Tatham Reef on Vlakfontein (Van Ryn) with shale hanging wall. Dr. Mellor knows of this outcrop. It is not shown on his map, nor does he refer to it in his pamphlet.
- (9) On the farm Grootfontein, near the corner beacons of Vogelstruisbult No. 36 and Vlakfontein No. 21, *there are outcrops of reefs and quartzites extending for about one-third of a mile,*

with several shafts on them, but striking at almost right angles to a small outcrop shown by Dr. Mellor. These reefs are not shown on his map, nor are they referred to in his pamphlet.

- (10) *The striking of the Nigel Reef in the Borehole No. 3 (Southern Van Ryn Reef G.M. Company, Ltd.) on Marievale, at 590 feet, in a position which makes it obvious that Dr. Mellor's theoretical line of outcrop of the reef about a mile to the east is erroneous, although known by Dr. Mellor, who has seen the reef core and the footwall core, and has been informed of the assay results, is ignored by him, and the direction and position of his supposed line of outcrop, as shown on the map so far as the map extends southward, remain unchanged.*
- (11) *The mapping of the Nigel area, although completed by Dr. Mellor, and although his conclusions as to the identity and position of the reefs there were used by him in giving evidence in the Knox arbitration case in 1915 is not included in the map.*
- (12) In the section across the Far East Rand, printed at the foot of the eastern section of his map, Dr. Mellor shows the No. 7 Borehole of Daggafontein as exposing the large banket reefs of his Far East Rand Kimberley series (the series I identify with the South Rietfontein series), I have the complete section of the No. 7 Borehole on Daggafontein, and the record shows only small reefs, the largest being only about three feet thick, and in no way agreeing with the large bodies, some of them twenty to twenty-six feet thick, of the so-called Kimberley series with which he identifies them.
- (13) In the same section Dr. Mellor shows the No. 1 Borehole on Rietfontein as having *exposed and proved the existence of the same large banket reefs* (the so-called Kimberley series), and also the Van Ryn Reef (his Main Reef Leader). Sir George Albu gave it in evidence before the State Mining Commission that the boring was not successful, and I am certain from the evidence disclosed by the Daggafontein boreholes that these reefs were never found in the borehole in question, nor in the others on the same farm which have been put down more recently.

All the foregoing are matters of direct observation which can easily be confirmed by the staff of the Geological Survey. I would like to add in No. 14 what may perhaps be considered a matter of inference only, which I beg, however, that you will be good enough to bring to the notice of the Acting Director of the Survey.

- (14) In his section across the Far East Rand Dr. Mellor shows an unvarying position for the rock he has in other works called "The Amygdaloidal Diabase" and appears to follow the practice of taking this igneous rock as a guide to the geological position and identity of the sedimentary beds which are found above or below it in any part of the area. This practice of taking an igneous rock as a marker on the assumption, without adequate evidence, that it represents a contemporaneous lava flow interbedded with the sedimentary rocks is a dangerous one in geology. Especially is it so in the Far East Rand, where boreholes and shaft sections show great irregularity in the occurrence of the Diabase. In some places there is only one body and in others several. In all the completely and reliably recorded shaft sections I have examined these rocks show no

sign of being interbedded sheets of lava, but present definite evidence that they are intrusive. They cut across the bedding planes of the sedimentary rocks in such a manner as to leave no room for any other conclusion than that, although taken by Dr. Mellor and others for contemporaneous lava flows they are really later intrusive rocks which have been forced through the sedimentary rocks as dykes and between and along the bedding planes as intercalated sills. Such sills of intrusive rocks (Diabases and Amygdaloidal Diabases) may occur in any horizon of the Witwatersrand System, and I submit that they are no guide at all as to the identity of the beds above or below in the sections in which they are formed.

I submit that in the definite cases cited in this letter Dr. Mellor's map is incomplete or inaccurate, and therefore misleading, and I am willing to go with the Acting Director of the Survey or any of his staff and show the occurrences and places referred to.

It was stated by the Government Mining Engineer before the State Mining Commission that, although he had not personally investigated the data on which Dr. Mellor based his conclusions, yet he accepted his geology as the official view authoritative for him. Consequently, Dr. Mellor's map and pamphlet are the unchecked and unverified basis of the advice which the Government Mining Engineer may give to the responsible Minister. Such advice, if based on incorrect data, may lead to serious errors of policy and great public loss.

The implications of the foregoing criticism (which is easily verified) will not escape your attention. In the first place, the estimate of the intrinsic value of State-owned land containing the Van Ryn Reef at workable depth on the Far East Rand is seriously reduced by the theory suggested by the map, and thus the way may be paved for the surrender of most precious possessions for a relatively insignificant reward. Second, the enhanced value of some privately-owned ground of little or no value suggested by the map may lead to damaging amalgamation on equal terms with State-owned land. Thirdly, if mistaken data are put forward with the authority of the State grave injustice may be done to private owners.

Of course, I do not suggest that Dr. Mellor has intentionally done more than to place at the service of the State the results of his study. It is the authoritative imprimatur of the Government which I beg to call in question, in the trust that you will order what is corrigible to be corrected without delay in view of the urgency of correct judgment on a matter of supreme financial importance of the State.

As I propose to include this criticism of Dr. Mellor's geology in a book which will be published very shortly, I have felt it my duty to inform you of this fact.

I have the honour to be, Sir, your obedient servant,

W. BLELOCH.

On the 17th February the Secretary for Mines and Industries wrote acknowledging the above letter on behalf of the Minister, and stated that the contents of the letter had been placed before the Acting Director of the Geological Survey. On 7th March the Secretary, Mr. Warington Smyth, wrote as follows:—

“I am instructed by the Honourable the Minister of Mines and Industries to acknowledge the receipt of your letter of the 10th instant, containing criticisms of the Geological Map of the Witwatersrand Gold Fields by Dr. Mellor published by the Geological Survey.

“There are, no doubt, points in the map upon which geologists may well hold different opinions.

“Dr. Mellor specially invited criticism of his work while it was in progress, and he took the opportunity offered by the Minister's permission to publish papers and maps on six occasions between 1911 and 1916, in order to give those who were interested materials on which their criticisms might be directed. The subsequent discussion received his close attention, and aided him to reach the position represented on the coloured map.

“While no geologist would claim that a map of a complex and partly concealed formation, such as the Witwatersrand System in the large area represented, is not open to improvement, the impression left on one who has followed the discussion above referred to is that the map has been most carefully constructed, and that the many diverse views held concerning the area have been subjected to a thorough and discriminating examination.

“From the facts brought forward it does not appear that any serious inaccuracies have been brought to light; one or two mistakes introduced in the course of printing have been pointed out by Dr. Mellor in his pamphlet.

“Before an independent opinion on questions of correlation, which are the substance of your criticisms, can be given by one of the staff of the Survey, that geologist must spend at least several months in getting a thorough acquaintance with the rocks themselves. During this year the officers of the Survey are employed on work which it is not advisable to abandon. When one or more officers are detailed to do further work on the Witwatersrand System, and when they are possessed of sufficient local knowledge to profit by your detailed information and views on the points you raise, your kind offer of personal guidance will be gratefully taken advantage of.”

REPLY.

I have the honour to thank you for your letter, C.T. 167/17 M.M. 1473/17, in reply to my letter to the Minister, dated 10th February, 1917.

I shall certainly be glad to assist the Department in any way in my power, but it is of great public importance that certain matters should be looked into at once, and it seems to me that your letter has been written under a misconception of the purport of my letter to the Minister and of the situation in which the State has been placed by the methods and views adopted by the late Government Geologist, Dr. Mellor.

In paragraph 6 of your letter you speak of “questions of correlation” as “the substance of my (your) criticisms,” but of the fourteen definite matters dealt with in my letter eleven are not questions of correlation or theory, but matters of ascertainable fact, which do not require a prolonged study of Rand rocks on the part of any present member of the Survey to determine. These matters are either as stated by me or they are not.

If my statements are found to be true then I submit that Dr. Mellor's map and his geological explanation thereof are not to be taken as a sure guide either by the Government or the public.

In the proceedings of both the Select Committee and the Commission on State Mining Dr. Mellor's pronouncements have been constantly cited

as authoritative. One of his statements is being assiduously put about to prevent the Southern Van Ryn Reef G.M. Company, Limited, from obtaining capital. I find it is now being quoted in the London Press with such uniformity and persistence that, in view of the connections of the journals in which it is appearing, there can be no doubt its repeated publication is prompted by parties who wish to damage our property in the eyes of the public. One form of this statement is "that going south-east from the existing prosperous Rand mines the patches of conglomerate (in which the payable gold is contained) show a marked diminution in extent and number."

I can only say that this statement is untrue. Dr. Wagner, the President of the Geological Society of South Africa, in his address at the annual meeting of the Society last month, referred to Dr. Mellor's dictum that from N.N.W. to S.S.E. there was "a steady decrease in the average thickness of the conglomerate beds and in the dimensions of their constituent pebbles," and said "Dr. Mellor would, I think, find great difficulty in naming a single mine on which sampling operations have disclosed a consistent decrease in the thickness of the conglomerate beds from N.N.W. to S.S.E., while as regards pebbles" . . . "proceeding in a south-south-easterly direction the average diameter of the pebbles of the footwall leader (Government Areas, Modderfontein, S.E. Shaft) was found within a distance of one hundred feet to increase from less than half an inch to almost two and a half inches." He also mentioned that on the Sub Nigel Mine the Nigel Reef has recently been found nine feet in thickness. He might have added that its value was 11 dwts. over that width, and that in another drive it is 43 inches thick, with a value of 35 dwts. Also that the Nigel Mine has produced nearly four million pounds worth of gold, of which nearly one million pounds was profits, and that it was for many years the highest grade banket mine in the world.

I submit that there is not one shred of evidence on which to base such a statement as Dr. Mellor's. As regards our property, the Southern Van Ryn Reef G.M. Company, Limited, our boreholes Nos. 3 and 5 have revealed the Nigel Reef 46 inches and 16 inches thick respectively, and our No. 1 shaft is now exposing the reef with high values at a depth of 50 feet, and on the outcrop opposite the southern end of our property on the Vaal River Gold Estates claims this reef is 20 inches thick, with a value of 30 dwts.

The Van Ryn Reef on our property is eight feet thick (Old Henderson Nigel Shaft), with reported values of five to seven dwts., and we have just cut it in our No. 7 borehole at 996 feet, assaying ten dwts. over six inches. (See evidence State Mining Commission, Footnote on Mr. Van Eyssen's questions, copy enclosed.)

These are some of the available facts about these reefs in the south-eastern area of the Far East Rand. When asked in the Select Committee about the facts available regarding his "Main Reef Leader" in the north-western part of the Far East Rand on the Rand Klip-Cloverfield properties, Dr. Mellor's memory failed him, and he could only say he "believed" the results were not very favourable. The recorded results are:—

	Feet driven.	Width.	Values.
Rand Klip	4,395 ...	21 inches ...	4·6 dwts.
Cloverfield	2,175 ...	13·5 inches ...	13·4 dwts.

It seems therefore that in the north-west, where actual data are available showing small width and low values, Dr. Mellor cannot remember the facts; while in the south-east, where actual data are

available showing great widths and high values, he asserts with conviction that the reefs are thin and their values low.

In a different context in the address above referred to Dr. Wagner commented on "the deplorable tendency so apparent in the writings in certain geologists, particularly when producing some fanciful theory, to leave entirely out of consideration any facts that tend to invalidate the correctness of their views."

Dr. Mellor's present employers have now obtained a lease of the valuable Government claims on Modderfontein with the right to amalgamate them with the Rand Klip and Cloverfield properties. Presumably, while he remained in Government service Dr. Mellor did not deem it necessary to refresh his memory about the development on these properties, and inform the Government about the results which he "believed were not very favourable."

In regard to the property of the Southern Van Ryn Reef G.M. Company, Limited, adversely affected by the persistent repetitions of Dr. Mellor's views and their citation as authoritative, I submit that it is unfair for the Government, on the one hand, to exact from the company £5,000 a year in licence moneys, and, on the other, to allow unchecked, unverified, and, we submit, baseless statements made by an ex-official of the State, who is now in private employ, to be circulated by interested parties to the company's hurt.*

I am hopeful that the Minister's sense of what is right and fair will not let this injustice continue, and that he will instruct the Acting Director of the Survey to make the necessary investigations forthwith.

In regard to the State's own interests, it is of course for the Government to look after these in the way it considers to be the best, but I would respectfully submit that when the State is informed, as I have informed it, that the Main Reef Series of the Central Rand runs through State-owned mining areas on Witpoort, it is not a question of conflicting geological theory, but a statement of fact which can be verified by very slight prospecting operations which can be undertaken without the guidance of anyone more expert than a prospector or miner, and the establishment of such a fact would not merely be an addition to the knowledge of the geology of the Witwatersrand System, but an addition of several hundred millions of pounds to the known gold contents of the State-owned mining areas of the future.

At a time when international financiers are using every kind of influence to obtain State areas from Government and Parliament it would seem that it would be worth the while, if it is not the first duty of the Department to investigate such information when placed at the disposal of the State, free and without expectation of reward.

On the 24th March Mr. Warrington-Smyth wrote as follows:—

"I have the honour to acknowledge receipt of your letter of the 17th inst., together with summary of contents of your forthcoming book, for which I beg to thank you.

"The statements you put forward in your letter are of an important character, and I am forwarding them to the Director Geological Survey.

"The Minister has already made arrangements for continued investigations in the problems raised by your correspondence; the difficulty is to fit it in with other important work."

* See Sir Lionel Phillips' remarks, page 301.

APPENDIX (B).

“BRITISCH.”

In 1911 Mr. R. R. Mabson, the special commissioner of *The Statist*, was on the Rand obtaining information for the next edition of his “Mines of the Transvaal.” At that time I had been drawing attention to the mistaken reading of East Rand geology, which has been the cause of enormous loss to the public through the purchase of shares in companies working reefs which belong neither to the Main Reef series nor to the Van Ryn. Mr. Mabson went out with me and saw for himself some of the facts. He wrote as follows:—

“JOHANNESBURG, APRIL 10TH, 1911.

“It is taken generally that the Main Reef series of the Rand is being developed upon in the region east of the East Rand Proprietary section—Driefontein to Cason. The strike of the reef is regarded as bending to south-east, through the Boksburg area, and again bending completely round to a north-east direction, through Apex, Benoni, Kleinfontein, Van Ryn, Modder, Modder B., Rand Klip, and thereafter turning round to the south and continuing in almost a bee-line towards the Nigel.

“Such course of the Main Reef series east of the Cason is, however, contested, and most of all by Mr. W. E. Bleloch, who for many years has devoted great attention to the geological problems of the Transvaal goldfields, and the Rand in especial. Mr. Bleloch altogether dissents from the idea that the Hospital Hill strike to east is broken off and thrown south-west at Observatory Hill to a point near Jeppes railway station, from whence it is supposed to continue to the east. He considers that the course of the Witwatersrand beds in Bezuidenhout Valley is covered over by a lava stream that flowed all over the valley, and has only at its south edge been eroded at various points all along from north of the George Goch railway station, east to the Rietfontein and Blue Sky properties.

“The assertion of various accepted experts that the outcrop north of Jeppes Extension, known as Langermann’s Kop, is Elsburg series, he emphatically sweeps aside as an absurdity. It is incontestable that the recognised Elsburg Reef series is miles away to the south, and how a huge mound of such series can be transplanted to the north of the Main Reef series, unless it were dropped from the sky, is difficult to conceive. A local geologist of poetical turn observes on this:—

Langermann’s Kop is an old out-lier,
It fell from the frying-pan into the fire;
Came from Elsburg, so they say,
Topsy-turveyed all the way,
Took a leap as it crossed the town,
And fell in the valley upside down.

SCOTT ALEXANDER.

“Mr. Bleloch invited me to look into the matter with an impartial mind, and after inspecting his diagrams and published detail I devoted several hours to a personal inspection of the various strata *in situ* where, through denudation of the lava, the outcrops of reef-bearing kopjes were exposed *via* Geldenhuis, Rietfontein and Blue Sky. The similarity of the formation at Langermann’s Kop—

so-called Elsburg series—to reef matter at north of Geldenhuis and at Rietfontein was striking, *and though the evidence Mr. Bleloch has laid before experts has been, as a rule, pooh-pooed, to my mind, speaking as a layman, and with no necessity to retract expressed opinions, as most experts would have to do in case they admitted Mr. Bleloch's theory to be right, the matter of the eastward course of the Main Reef series is one that calls for careful and impartial investigation by independent petrologists and stratigraphists.*

"Now, Mr. Bleloch's theory is that what is termed the Van Ryn Reef, being successfully operated upon in Kleinfontein, Van Ryn, and the Modder groups, is really the continuation of the Rietfontein or Du Preez series. All the contorting of the so-called Main Reef, described as from south-east to north-east and then bending to the south is, according to Mr. Bleloch, not following the Main Reef series, but he holds that immediately to the east of Cason the true Main Reef series bends to the south and conforms to a similar bending to the south of the various reef formations, which in the Eastern Central part of the Rand run parallel to each other and close together, but which in this Far Eastern region, through flattening, run to a certain extent parallel to one another but wide apart.

"Naturally, the starting of such a theory might raise apprehensions in the minds of investors in shares in the eastern region. The rash conclusion may be come to that because the so-called Van Ryn series may not be true Main Reef there is no value in it. Now, it would be a mistake to jump to that assumption, for the reef formation in the Rietfontein has proved distinctly payable in the past, and very highly payable in the Rietfontein A eastern section of that property. And quite recently, on the Rietfontein Estates area, where the rich portion of reef years ago appeared to pinch out, by prospecting in a westerly direction what is believed to be a continuity of the faulted rich reef has latterly been encountered.

"The subject is of a highly technical character, but it is a very important one for consideration. A company may be supposed to be working on the true pay reef, when really it may be working on one of the unpayable conformable reef strata, and such company might, if it cross-cut to south or to south-west, as the case may be, come upon a true payable reef. Anyhow, it looks as if shareholders of such proved properties as Kleinfontein, Van Ryn and the Modder mines have complete assurance from actual operations and from developments that their areas contain payable reef continuing indefinitely in depth though flat in dip. In this Mr. Bleloch concurs.

"But if the Van Ryn series is truly the Rietfontein series, what has become of the Main Reef series? Has it abruptly stopped at Cason? *Certainly, immediately east of Cason, at the Blue Sky, the nature of the ore deposit which I saw is entirely different from that immediately to the west.* Mr. Bleloch correlates that the Blue Sky is one of the parallel formations analogous to the Government Reef in the Western Rand, but on the assumption that though wide apart in the Far East the various more or less parallel reefs still correlate—and it has been ascertained that they bend from north-east to south-east in the Blue sky horizon—Mr. Bleloch comes to the opinion that the Main Reef series similarly bends gently south from Cason. In case such be an accurate assumption, it explains the discomforts that have attended searchings in the Boksburg and Southern Apex region, for on Mr. Bleloch's idea the bending south

from Cason would throw the strike of the Main Reef series quite out of the Apex-Boksburg region, and apparently would mean the enhancement of the value of ground southward of the western section [this should read "eastern section"] of the East Rand Proprietary, of the Cinderella Consolidated, and the various properties on the farms Leeuwpoort, Finaalspan, Witpoort and Withoek, perhaps extending east of Withoek into part of the two Vlaktefontein areas. This may explain the disappointments that have attended the Rand Collieries and Van Dyk developments hitherto, whose fortunes may be improved if they turn their attention to this possible Main Reef line and cross-cut for it.

"It would look as if in Benoni, the north part of Apex, Brakpan and Modder Government Areas, also Geduld, the Van Ryn series has been encountered in depth, but a great deal has yet to be learnt in some of the Further Eastern areas as to whether the true Van Ryn is being prospected upon. All that I have here called attention to must not be regarded as wearisome technique. It has an important bearing upon the fortunes of companies in the region, and though it would be presumptuous on my part, as a non-expert, to offer an opinion as to whether or not Mr. Bleloch is right, *certain of the facts and showings I saw with my own eyes were of a startling character.*

"R. R. MARSON."

[Since receipt of our Special Commissioner's letter we have been favoured by Messrs. E. Marlborough and Company, of 51, Old Bailey, E.C., with a copy of a new "Geological Map of a portion of the Southern Transvaal and of the Northern Orange Free State, illustrating the New Reading of the Geology of the Witwatersrand System in these Areas by Mr. W. E. Bleloch, with his Explanatory Treatise thereon." Messrs. Marlborough, who have just published these in London, state: "Together they indicate that, possibly very soon, there will be found real extensions of the two economically valuable reef series of the system which may rival in extent the present known Witwatersrand Goldfields." The map and treatise are, therefore, of interest from an economic and financial point of view as well as from a purely scientific one. The map and treatise are published by Messrs. Marlborough at £2 2s. net; the treatise can be supplied separately at 5s. net.—ED.]

In 1916 *The Statist*, having evidently forgotten the article of its Special Commissioner of 1911, and having possibly obtained "special" information from the people who control the mines which he stated had caused "discomfort" to the public, published an article headed, "Far Eastern Rand," "Discrimination Needed." Possibly prospecting in London had thrown new light on the problem of the reefs. In any case, the article was designed to keep the principal company—the Southern Van Ryn Reef G.M. Company, Ltd.—working on the lines investigated by its Special Commissioner some years before, from obtaining public support. It was stated that the prospectus and reports of the company were not to be obtained, the insinuation being that information was being hidden and kept back. Further the operations of the Neumann group, the group responsible for "Cloverfield" and other kolossal failures, the latest of which is "Bantjes," were cited as conclusive evidence for the need for "discrimination." I replied as follows:—

" March 2nd, 1916.

" Sir,

" My attention has been called to an article appearing in your issue of the 5th February last entitled 'Far East Rand: Discrimination Needed.' Such an article is calculated to create doubt about the two mining propositions referred to, and I am rather surprised to see it appear in *The Statist* before any information has been sought from the offices of the Southern Van Ryn Reef Gold Mining Company, Limited, or from myself. I only received a copy of your paper to-day, and consequently have not had time to write fully by this mail, but meantime I send you enclosed:

- (1) Copy of the original prospectus of the Southern Van Ryn Reef Gold Mining Company, Limited;
- (2) Copy of statement by the Board of Directors of that company just issued;
- (3) Copy of a report by Mr. W. T. Hallimond on the prospects of the company, and incidentally on the geology of the Far East Rand;
- (4) Copy of the plan of the Far East Rand by myself, which I am just publishing.

" I may say that Mr. W. T. Hallimond is leaving for England by this mail, and I will try and arrange that he calls upon you when he arrives in London to give you further information personally.

" Regarding the Vaal River Gold Estates, Ltd., I see that you have already obtained the information as to its capitalisation and directorate, and if the shares are being dealt in at from twopence to fourpence a share, from what I know of the property, I should say they are cheap.

" I will deal with Mr. Sidney Farrar's letter by next mail, and will conclude this brief note by referring you to an article by your own Special Commissioner which appeared in your issue of May the 20th, 1911, in which he reviews my reading of the East Rand geology. His article was written after he had visited that important area of the Rand in my company for the purpose of seeing the facts for himself. You will find that he concludes with these words, 'Certain of the facts and showings I saw with my own eyes were of a startling character.' I think if you confer with your Special Commissioner you would find that he would join with me in agreeing that discrimination in regard to East Rand mines is very necessary, but not the kind of discrimination which you have exercised in your present article. I will explain my meaning in saying this when I write more fully.

" March 9th, 1916.

" The Editor, *The Statist*, 51, Cannon Street, London City.

" Sir,

" As promised in the letter I sent you last week, I now write you as briefly as possible on the need for discrimination in regard to mines on the East Rand and Far East Rand.

VAAL RIVER GOLD ESTATES CLAIMS.

" These claims, one hundred in number, are situated on Marievale, and are, as you correctly surmise—may be you were duly informed—part of the abandoned holdings of the Marievale Nigel Gold Mines and Estate Company, Ltd. When, however, you assume

that the abandonment of a property controlled by the Neumann Group is sufficient proof that it is worthless you are making about as big a mistake as you would by assuming that the exploitation of a property by that group is a guarantee of value. Surely, Sir, you who have been publishing all these years that excellent record of Rand mining properties known as Mabson's M.O.T. and M.O.A., should know well the histories of such mines as the Vogel Deep, the Main Reef West, the Knights Central, and, most remarkable of all, that of the Cloverfield Mines, Ltd.

"The last named seems to be a peculiarly suitable subject for the discrimination you prescribe. Your own records of that company show that the capital has ranged from £300,000 to £385,000; that 220,000 shares out of 300,000 were taken by the vendors; that 75,000 working capital shares were 'issued' at 40s.; that a market in these shares was started in 1903 at £3 a share—as a favour I got some at that price myself—and the price rose to £3 17s. 6d., to drop gradually back in 1906 to 2s. 6d.; that about 1909 more working capital shares were 'issued'—another run on the market ensued—the price going up to about 50s., dropping back again to about 5s. until recently, and they are now about 7s. 6d. You can well understand what this company has cost the public. Remember that this stock has had two booms already, with big dealings in the shares, yet in the whole course of its twelve years' career the mine has not produced any gold, and say whether a company of such 'great character' is detrimental to the interest of the field or not. Discrimination! I should say that one white man with a few natives and an ordinary dolly would win more gold in a day from the ore dumps on the 100 claims in question than a five-stamp battery would recover in the same time from the development ore on Cloverfield.

"If you would consult your Special Commissioner of 1911, he could tell you that he stood with me at one of the Blue Sky shafts, and I explained to him and showed him the evidence for concluding that the Blue Sky Reef is not the extension of the Main Reef Leader of the Central Rand, as the technical advisers of the groups interested maintained, and still maintain. I pointed out to him the long row of derelict head gears which marks the course of that unpayable line of reef, and I told him that continued working on that reef must eventually mean severe loss to the East Rand Proprietary Mines. East Rand Proprietary Mines shares were then 94s., now they are 16s.* Your commissioner then wrote, 'Certain of the facts and showings I saw with my own eyes were of a startling character.' What a pity you did not boldly advocate discrimination on his home-coming. You might have earned the gratitude of shareholders of the East Rand Proprietary Mines, Boksburg Gold Mines, East Rand Extension, Van Dyk and Rand Collieries companies, who, among them, have contributed several millions of pounds sterling to the fruitless development of that same Blue Sky Reef, and they bought their shares not at twopence and fourpence a share, but in many cases at as many pounds.

"During the past eighteen months I have repeatedly told the public that I do not believe that every Far East Rand company is working the Van Ryn Reef, and I have said this relying on similar evidence to that which startled your Special Commissioner in 1911. Wherever undisputed Van Ryn Reef has been developed great and pronounced success has been the outcome, but wherever, on the

* They have since dropped to 10s. 6d.

northern side of the synclinal area, as in Cloverfield, there is reason to believe that the workings are on a different and lower reef, failure has been the result. I agree with you that discrimination is badly needed, but before jumping at conclusions from a distance of 6,000 miles, why not send out your Special Commissioner once more to enquire into these 'classical' examples of geology and finance of the East and Far East Rand. Such a mission might have the effect of securing for British capital and enterprise a real and great extension of the most valuable goldfield in the world to-day, viz., the Far East Rand syncline containing the Van Ryn and Nigel Reefs.

" MR. SIDNEY H. FARRAR'S LETTER.

" I send you enclosed a copy of Mr. Moffat's report, in which extracts from Mr. Farrar's report of twenty odd years ago are given, and I also refer you to Goldmann's 'South African Mining and Finance,' Vol. I., pp. 214-215, for fuller details. I may say that I was unaware of the existence of Mr. Farrar's report when, at the request of the purchasers of the claims, I wrote my report on them. I ask you to compare my statements with those of Mr. Farrar, and would be glad if in justice to me you would reprint my report in your journal along with that of Mr. Farrar as it appears in Goldmann's book. Now, I take it that I am right in believing that Mr. Farrar was just as clear-sighted, honest and capable when he examined the property and made his report as he is to-day, and I cannot understand why he should, by inference, cast doubt on his own report merely on account of the time which has elapsed since he made it. A banket reef does not change with the passing years. If the reefs were there, with their widths and values as Mr. Farrar described them, he can rest assured they are there still. Judging from the small quantities of waste rock and ore on the surface of the property to-day, the Marievale Nigel Company did little to disturb the reefs—several of them large bodies—which Mr. Farrar reports that he saw and sampled. I would like to know when and where the boreholes you mention were put down by the Marievale Nigel Company. I have had an interview with one who was present when Mr. Farrar inspected the reefs in the shafts, and he tells me that at least one of the shafts, and that from which some of the best values were obtained, has not been opened again to this day. In any case, I can vouch for it that these claims have one banket reef—the Nigel—carrying high gold values as outcrop.* Mr. Moffat confirms this, and so must anyone who visits the property, and we have Mr. Farrar's word for it (of twenty years ago, it is true) that there are two reefs and a leader. Mr. Farrar had opportunities for observation by reason of his having had access to the shafts which present observers have not, and our knowledge of these other wide and valuable reefs is obtained only from his report. I can say further that I am satisfied that the reef which I identify as the Van Ryn Reef in this area also exists on a portion of these claims, approximately in the position shown on my new map. As one claim on the Van Ryn Reef may produce profits of £5,000 to £10,000, this is not a negligible asset.

" I would recommend you in your endeavour to understand this matter to make a study of the financial history of the Marievale Nigel Gold Mines and Estates Company, Ltd. The original capital

* Since this letter was written the Vaal River Gold Estates has opened the Nigel Reef in a new shaft, showing values of 30 dwts. over 20 inches.

was £300,000, of which the vendors took 200,000 shares; 50,000 were 'issued' at £2 to provide working capital, and £50,000 were held in reserve. The material points to enquire into are: Was the working capital of £100,000 for the 50,000 shares at £2 paid up in full to the company, and at what time or times and by whom? If so paid up in full, was the money or part of it lent out again, and to whom? What part of the money was paid for interests acquired by the company in the Driefontein Deep, Ltd., and the Witwatersrand Deep, Ltd., and to whom? The answers to these queries might throw some light on the abandonment of the hundred claims in question. See Mr. Moffat's report, third paragraph, which reads as follows:—'In the early nineties a certain amount of prospecting work was done in the Heidelberg district, but the Rand influences did their utmost to discourage such work in the outside districts, fearing the deflection of capital from the Johannesburg area, where they were heavily interested—hence the reason of these fields being so long neglected.'

"THE SOUTHERN VAN RYN REEF GOLD MINING COMPANY, LTD.

"You have coupled this company with the Vaal River Gold Estates, Ltd., and have stated that they are both of 'small character,' and the introduction of their shares to the public is 'detrimental' to the interest of the field. I will let Mr. Hallimond's very definite report and the statement of the Board of Directors speak for the company, but for myself, as one of the principal shareholders of that company, I shall expect you to retract these damaging statements, and as amends publish the statement and report above referred to. To help you towards a just decision in this matter, I send you herewith a copy of a lecture I gave in Johannesburg last year on the Gold Law and its bearing on the development of new areas. You might find it convenient and in the public interest even to reproduce this when you can find space and time. You will see detailed there the burdens and disabilities the prospecting or pioneer company suffers in the Transvaal. Our company, the Southern Van Ryn Reef G.M. Company, Ltd., is at present paying to the Government (half goes to the estate owner) £255 a month for claim licences. Since its incorporation 80 per cent. of its expenditure has been paid out in taxation. In case similar payable values are established by development on the Van Ryn Reef on this property as have been established by development in the great mines further north, the work of the company will have added enormously to the areas available for mining on that valuable reef, and will also have greatly increased the extent and value of the State's own interest. The work will have been carried out under a crushing burden of taxation and in the teeth of the most determined opposition, while rich neighbours who pay nothing look on and wait, knowing full well that they will gain in any case, as with success we will prove their properties for them without cost. Some of them do even worse than simply look on. Here and in London insidious and lying reports have been spread to our detriment, and no doubt some of these have reached your ears.

"I will conclude by saying that by publishing in *The Statist* such articles as that I am writing about you no doubt unwillingly are helping to undo genuine South African and British effort to work and extend our goldfields.

"I put this to you. If the Springs Mines property with an area of 1,160 claims and the Van Ryn Reef at 3,600 feet deep is

worth two and a half millions, the present market valuation, surely our property with about the same area and with the same reef, but at a depth of a few hundred feet, instead of as many thousand, and with the same prospects of developing payable areas, is worthy of consideration on the moderate capitalisation and on the democratic lines of finance detailed in our statement. Yet a German-controlled house operating in our immediate neighbourhood had the effrontery only two months ago to send home a malign but non-committal report which caused the withdrawal of a support of £5,000 we had already arranged for."

In 1911 Mr. R. R. Mabson, an honest man, recorded "the startling facts" he had seen. In 1916, *The Statist*, the leading financial paper in England, about which Mr. Gladstone said, "the authority of *The Statist* is great," declined to publish my letter, nor would it refer again to the conclusions of its own Special Commissioner.

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“It is to the men who have known and studied the country before the war that we must look to for information as to the real value of the new assets which the South African War has added to the British Empire. Mr. Bleloch's book has appeared at an opportune moment. Its scope is sufficiently indicated by the author's description of it as ‘an unofficial prospectus of the work which lies before the British Administration in the new Colonies.’ Mr. Bleloch takes care to avoid fanciful speculation, and keeps close to the solid ground of existing facts. His predictions are based on elaborate statistics and actual experience. The gold industry takes the first place in Mr. Bleloch's stock-taking. The figures upon which Mr. Bleloch bases his calculations are by no means exaggerated. His sympathy for his fellow Uitlanders does not make him unjust towards the Boers, and he looks forward to their developing the good characteristics of their race for the benefit of themselves and their fellow-men. He is all for giving the largest measure of self-government possible as soon as circumstances permit it. So far, the ‘unofficial prospectus.’ Mr. Bleloch has certainly got together a large mass of interesting and important material, and defends his various theses with earnestness and confidence. The book well deserves careful study.”

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“A mass of valuable information about the Transvaal and Orange Colonies, Mr. Bleloch shows, by unquestionable facts, that the underground wealth of the two States, especially of the Transvaal, is very great, and nothing more than just government and intelligent development are required to make them worth the heavy outlay we have incurred. We must refer to Mr. Bleloch's interesting and suggestive volume for the history of the gold winning enterprise, the result of which has been the production, directly or indirectly, of a system of monopolies, the impoverishment of no small number of Boers, and the enrichment of a small and unscrupulous minority at Pretoria.”

The Daily Telegraph (Leading Article):—

“The ‘New South Africa’ throws a flood of encouraging light upon the future. The treatise is obviously the result of much care, observation and experience, and is certainly not written in the interests of the great capitalists. By a process of scientific reasoning, based upon official returns and reports, Mr. Bleloch estimates the amount of gold available between Randfontein and Holfontein.”

The Morning Post (Special Review on day of publication):—

“Since Mr. Fitzpatrick's book, ‘Transvaal from Within,’ no more important work on the condition of the country has been produced. Accompanied as it is by a great mass of information, it will be heartily welcomed. Mr. Bleloch endeavours to equip us for the work of re-establishing financial prosperity. He agrees with Sir Robert Giffen that the undeveloped wealth of South Africa is enormous. This admirably clear and thoughtful volume is deserving of careful study, and will have many readers.”

The Daily Chronicle (column Review on day of publication):—

“Mr. Bleloch's book is a storehouse of valuable and up-to-date information on the resources and the conditions of life and industry in South Africa. Whatever may be the reader's views on the main points in dispute, he will find it interesting, and when he has got to the last page he will put it on the shelf for future reference.”

“The New South Africa.”

OPINIONS OF THE PRESS.

The Daily Express (Special Review, one column):—

“A striking forecast of prosperity and the means whereby it may be secured. Mr. Bleloch has compiled with immense labour and care a most masterly estimate of the prospects of our new Colonies. The unprejudiced reader, however cautious by temperament, cannot resist his mass of proofs fortified by expert and statistical evidence of every kind. Mr. Bleloch's suggestions, which combine broad grasp and minute details, will be of great value to every student of the complicated problem, from Lord Milner downwards.”

The Pall Mall Gazette (Special Review):—

“Mr. Bleloch's book is an invaluable contribution to a most comprehensive subject, a perfect Bonanza mine of facts and conclusions, and a thoroughly statesmanlike effort to grapple with the problems of Transvaal administration and finance in careful detail. His book will take authoritative rank, and may well exercise notable influence. Its estimates are temperate and conservative, and its practical proposals are conceived in a spirit of all-round fairness. Mr. Bleloch's mass of evidence should carry conviction to any but the most obstinate pessimist.”

Cape Times, in a Leading Article, said:—

“Turn to Mr. Bleloch's book on New South Africa.”

Cape Argus:—

“A remarkable book has just been published in England entitled ‘The New South Africa.’ Its author is Mr. Bleloch, and he may in every sense be proud of his maiden effort in the paths of Literature. The book is destined to make a mark both for its thoroughness and sound judgment, and also for the fact that in some respects it is a remarkable complement to Sir David Barbour's report.”

Diamond Fields Advertiser, Leading Article:—

“Mr. Bleloch has not only given us a readable work, but one worthy of careful study and earnest consideration.”

Natal Witness:—

“A book of accurate facts and logical deduction.”

Natal Times:—

“A more useful or a more important book could hardly have been offered to the public.”

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