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## Joseph Chamberlain, the Treasury and Imperial Development, 1895-1903

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# JOSEPH CHAMBERLAIN, THE TREASURY AND IMPERIAL DEVELOPMENT, 1895-1903<sup>1</sup>

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Joseph Chamberlain wanted the imperial government to provide capital and credit for railways and improved harbors in the undeveloped colonies of tropical Africa, and an irrigation system and railways in Cyprus; he also advocated that imperial tariff arrangements be made, as well as direct grants and loans, to help the depressed West Indian sugar islands. State aid, he predicted, would promote the economic and political viability of these regions, attract private investors and provide ultimately lucrative markets and raw materials for British industry.<sup>2</sup> There was nothing new in Chamberlain's imperial development schemes; during the last half of the nineteenth century the government awarded aid to several colonies for public works and administrative expenses or to offset crop devastation.<sup>3</sup> But there was no precedent for the scale on which he proposed to grant such aid, nor for his efforts to transform ad hoc measures of assistance into a formal policy of long-range development.

While colonial secretary (1895-1903) he did persuade the Unionist government to adopt several measures designed to foster the economic growth of the crown colonies. But it obviated his policy. Despite his substantial political influence and the popularity of his "imperial-estate" speeches, Parliament seemed reluctant to sanction loans, the Cabinet gave little support to his proposals, and the Treasury did not want to provide adequate grants and opposed tariff reforms. In addition, the business community, pessimistic about the potential of the crown colonies, gave Chamberlain's schemes little tangible backing. After 1899 both the government and the public were preoccupied with the distractions and demands of the South African War.<sup>4</sup> Chamberlain's statements, therefore, served not so much as the basis for immediate action as a legacy for post World War I policymakers.

<sup>1</sup> This is a revision of the paper presented to the conference which has benefited from the helpful comments of Dr. John Cairns and Dr. John Norris.

<sup>2</sup> Chamberlain's objectives were set out in a series of public speeches, Cabinet memoranda and letters to his colleagues during 1895. See *The Times*, April 1, 1895, p. 11, Aug. 24, 1895, p. 8; *Hansard*, 4<sup>th</sup> ser., XXXVI, col. 642; Cabinet memoranda of Nov. 25, 1895 and Jan. 8, 1896, Salisbury MSS, Christ Church, Oxford (Colonial Office, Private); and Chamberlain to Hicks Beach, Sept. 26, 1895, Hicks Beach MSS, Williamstrip Park, Cirencester, Gos., PCC/86.

<sup>3</sup> Recipients of loans or grants included Ceylon and Mauritius. See also *Cambridge History of the British Empire*, III, 382-83.

<sup>4</sup> J. L. Garvin and J. Amery, *The Life of Joseph Chamberlain* (4 vols.; London, 1932-51), III, 19-21, 175-77, IV, 234-55; and R. Robinson and J. Gallagher, *Africa and the Victorians* (New York, 1961), pp. 395-402.

During the nineteenth century the chancellor of the exchequer and Treasury officials were important participants in the formulation of imperial policy.<sup>5</sup> In this instance they helped thwart Chamberlain's development policy. They determined the extent and form of much of the aid the colonies received. Their effect upon and objections to his schemes, therefore, merit examination.

Treasury officials viewed Chamberlain's demands for funds within the context of the government's general financial position. Although Sir Edward Hamilton, the permanent assistant secretary in charge of finance, anticipated a near-record surplus for the fiscal year 1895-96, he feared that "unless the brake is applied to the present spending propensities of the state," the government might "find themselves confronted with great difficulties." He thought the chancellor, Sir Michael Hicks Beach, would "have his work cut out for him in resisting some of the demands which Chamberlain & Co. are sure to press, & are beginning to press — like development of Crown Colonies and the further support of voluntary schools."<sup>6</sup> Hicks Beach, himself, expected a "battle royal" with his colleague, George Goschen, at the Admiralty who wanted the surplus for the navy.<sup>7</sup> Also Lord Salisbury, the prime minister, needed funds for building the strategically important Uganda railway in an imperial estate under his own jurisdiction at the Foreign Office.<sup>8</sup> Seeing his chief "badgered by his colleagues for more & more money," Hamilton remarked on Hicks Beach's unenviable position:

Members of the Cabinet press proposals on the Chancellor of the Exchequer from which they derive or hope to derive credit for the expenditure involved thereby and never take into account the discredit which he may get for having to provide the money.<sup>9</sup>

What concerned Hamilton, and Hicks Beach as well, was that present taxation would not keep pace with growing expenditure. Neither, however, wanted to ask the British taxpayer for more money. Existing taxes would have to satisfy the departments, including the Colonial Office, and the

<sup>5</sup> See C. W. de Kiewiet, *The Imperial Factor in South Africa* (Cambridge, 1937), pp. 8-11, 229-30; D. M. L. Farr, *The Colonial Office and Canada, 1867-1887* (Toronto, 1955), pp. 64-106; and J. S. Galbraith, *Reluctant Empire* (Los Angeles, 1963), pp. 22-23.

<sup>6</sup> Hamilton Diary, July 30 and Oct. 15, 1895, BM Add. MS 48667, ff. 83, 132. Hamilton, who had joined the Treasury in 1870 and served as Gladstone's private secretary, was an extremely conscientious and thorough official who moved easily and intimately among the ruling élite, particularly among the leaders of the Liberal party. See R. R. James, *Rosebery* (London, 1963), p. 513.

<sup>7</sup> Hicks Beach to Balfour, Oct. 31, 1895, Balfour MSS, BM Add. MS 49695, ff. 51-52. Hicks Beach, with a reputation for sound but unimaginative business acumen, had himself been colonial secretary (1878-80) in a Disraeli ministry.

<sup>8</sup> Salisbury was not much concerned with the economic potential of Uganda. He wanted a railway to facilitate control of the region as part of his policy to secure Britain's position in the Nile valley. Robinson and Gallagher, *Victorians*, pp. 350-51.

<sup>9</sup> Jan. 9, 1896, Add. MS 48668, ff. 89-90.

Treasury would use fully its authority to review estimates before presentation to Parliament and scrutinize how the votes were spent.

During 1895 and 1896 Chamberlain pushed forward with specific development programs for Cyprus. That island's administration paid the Ottoman emperor an annual tribute of £92,800 as part of the agreement through which Turkey relinquished control of the colony to Great Britain in 1878. The British government usually provided part of the cost but the remainder fell on the island's meager, fluctuating revenues. Curiously enough, the tribute never reached the Sultan as it was transferred to an account of the British Treasury. It paid out funds to holders of an Ottoman loan, guaranteed jointly by France and Great Britain, upon which the Sultan had defaulted. Chamberlain wanted the entire burdensome tribute cancelled or met out of imperial funds; a fixed annual grant for five to seven years of £40,000 to help cover normal administrative costs and improve roads, bridges and public buildings; and loans or grants of up to £300,000 to construct railways and an irrigation system.<sup>10</sup>

Hicks Beach and Hamilton refused to make up the tribute from imperial funds, but they made an effort to terminate it. However, with the French government party to the arrangement, Salisbury unwilling to activate the question, and the Sultan's ambassador hoping to capitalize on any adjustment, the issue proved too delicate to untangle.<sup>11</sup> Hicks Beach would not commit the Treasury to a fixed annual grant; but he agreed to continue to assist the island's administration to meet expenditure when revenues declined. He was also prepared to ask Parliament for a loan of £60,000 to commence irrigation works recommended by a survey team that Chamberlain had sent out to the island. The loan would be charged against the island's revenue and was not to be taken as a pledge of future assistance which would only be forthcoming if the island's tax system could stand the charge and the project proved successful.<sup>12</sup> Chamberlain also wanted a loan of £100,000 to prevent bankruptcy in the administration of Dominica in the West Indies. Hicks Beach agreed, instead, to a grant of £15,000 and argued that not only would the colony be unable to repay a loan but that it was a worthless possession.<sup>13</sup>

These were modest concessions in comparison to the success of other departments. Hicks Beach, for example, assured the prime minister that the Treasury was prepared to ask Parliament to finance the Uganda

<sup>10</sup> Chamberlain to Hicks Beach, Sept. 26, 1895, Hicks Beach MSS, PCC/86.

<sup>11</sup> Hicks Beach to Salisbury, Sept. 22 and Oct. 5, 1895, Salisbury MSS (Beach Box); Hamilton to Chamberlain, Jan. 31, 1898, Chamberlain MSS, University of Birmingham, JC 9/3. See also Sir George Hill, *A History of Cyprus* (4 vols.; Cambridge, 1952), IV, 474-75.

<sup>12</sup> Treasury to Colonial Office, March 26 and Dec. 23, 1896, Public Record Office, T 7/30, ff. 71-74, 401-02.

<sup>13</sup> Hicks Beach to Chamberlain, Dec. 19, 1895, JC 14/3.

railway although it might take £2,000,000 to £4,000,000 to complete and although he probably shared Hamilton's view that the project would end in a financial "fiasco."<sup>14</sup> Goschen secured most of the £4,210,000 surplus for the navy as well as an increase in the naval vote of £3,122,000. That estimate was part of the chancellor's first budget, presented in April 1896, which forecast expenditure of £100,047,000, an increase of some £4,000,000 over 1895-96. The total colonial service appropriation, including supplementaries, was only £129,700, a reduction of £27,400 on the previous vote.<sup>15</sup>

During the first months of his administration, Chamberlain made no specific appeal to the Treasury or Parliament for aid to west Africa. He did, however, towards the end of 1895, instruct the administrations of Sierra Leone and Lagos to begin construction of the first sections of railways recommended in surveys ordered by his predecessors. He also had a survey begun so that the harbor at Lagos might be improved.<sup>16</sup>

Meanwhile Chamberlain produced an ingenuous scheme to establish a reliable source of money for these projects. The government was obtaining almost £700,000 a year in dividends from Suez Canal shares it owned as a result of Disraeli's purchase in 1875. He proposed in July and August 1895 to set aside this income in a special loan fund to be used exclusively for imperial development. He suggested to Salisbury that it could be used to finance the Uganda railway and sought his aid to obtain Hicks Beach's approval. Salisbury reported that the chancellor "seemed quite favourable" to the proposal and he, himself, "heartily concur[red]" in it, especially if its use was confined to tropical and subtropical countries. Arthur Balfour, the leader of the House of Commons, approved too, although he wanted to use part of the fund for public works at home.<sup>17</sup> Hamilton was less encouraging. Following an interview with him Chamberlain reported, "I fear the opposition of the permanent officials of the Treasury who hate anything new."<sup>18</sup> Admittedly Hamilton disliked innovation but he had sound reasons for blocking the scheme. It would, he wrote,

complicate our financial system, it would be undoing what has recently been done, it would be withdrawing public charges from the control of the House of Commons, it would be giving legitimate cause of complaint to the taxpayers, especially the income tax-payers, a truer allocation of this special receipt is to Naval expenditure than to Colonial expenditure.<sup>19</sup>

<sup>14</sup> Hamilton Diary, Aug. 9, 1895, Add. MS 48667, f. 91. In fact the railway, which was completed in 1905, cost more than £5,550,000.

<sup>15</sup> B. Mallet, *British Budgets* (London, 1913), pp. 103-06; *Parliamentary Papers*, 1896 (H of C 7), LV, 438-39, 444, 720, 730.

<sup>16</sup> *Parl. Paps.*, 1905 [Cd. 2325], LVI, 383; 1906 [Cd. 2787], LXXVIII, 39.

<sup>17</sup> Salisbury to Chamberlain, July 31 and Sept. 27, 1895, JC 5/7; Balfour to Chamberlain, Sept. 27, 1895, JC 5/5.

<sup>18</sup> To Balfour, Nov. 26, 1895, Add. MS 49973, ff. 83-84.

<sup>19</sup> Dec. 6, 1895, Add. MS 48668, ff. 37-39.

More specifically he pointed out that the cost of the shares had not been fully repaid to the exchequer (£1,700,000 was still outstanding), and dividends could hardly be set aside for development purposes until they paid for the purchase. Furthermore, the government, faced with rising expenditure, could not afford to write off the debt, nor was it advisable, he argued, to sell shares (13,000 would be needed) to meet it, as a diminished stake in the canal company would be objectionable politically.<sup>20</sup> These arguments persuaded Chamberlain's colleagues, despite their initial approval in 1895, to withdraw support from his scheme in early 1896. He later asserted, because increasing revenues could have been used to pay off the canal debt, that Hamilton's claim was "fallacious"; and Salisbury agreed, adding that the "Gladstonian garrison" of the Treasury had a "very disastrous effect on the chancellor's mind."<sup>21</sup>

In 1897 Chamberlain tried to persuade the Cabinet to give financial relief to the governments of the West Indian sugar islands. He first suggested that an attempt be made to end the export bounties on sugar produced in the various European countries by negotiating with those countries, and backing the negotiations with the threat of retaliatory tariffs.<sup>22</sup> Hicks Beach and the permanent officials at the Treasury opposed this on the ground that it violated free trade principles and, more specifically, because it would increase the cost of sugar to the consumer.

As the chancellor put it to Salisbury,

Whatever the strength of the sentiment on behalf of our Colonies, it will not weigh much against the interest of the pocket. And I would sooner see the West Indies ruined than the Unionist party.<sup>23</sup>

Chamberlain then suggested to Hicks Beach that direct relief be tried as recommended by the Norman commission (which he had sent out to the islands in 1896) to improve steamship communication, create a department of agriculture, establish more peasants on the land and build sugar factories. This aid, to be effective, he said would cost considerably more than the "totally inadequate" sum of £580,000 (£460,000 in grants spread over ten years and loans of £120,000), estimated by the commission.

If [he told the chancellor] we decide not to fight the bounties we must reckon with large Imperial expenditures. . . . These colonies cannot be left to repudiate their debts and relapse into anarchy. For myself, I am not prepared to be responsible for the administration of colonies which the mother country will neither save from ruin nor regenerate when ruined.<sup>24</sup>

<sup>20</sup> Cabinet memoranda on the Suez Canal Shares Scheme by Hamilton, Hicks Beach and Chamberlain, Jan. 8, 1896, Salisbury MSS (Private, Colonial Office); and further memo by Hamilton, March 4, 1896, JC 9/6.

<sup>21</sup> Chamberlain to Salisbury, Dec. 11, 1896, Salisbury MSS (Chamberlain Box); Salisbury to Chamberlain, Dec. 13, 1896, JC 5/7.

<sup>22</sup> Cabinet Memo, Nov. 8, 1897, JC 14/3.

<sup>23</sup> Nov. 24, 1897, Salisbury MSS (Beach Box).

<sup>24</sup> Chamberlain Memo for Hicks Beach, Nov. 26, 1897, JC 14/3.

Hicks Beach, because he was afraid that his colleagues might indeed adopt the retaliatory duties,<sup>25</sup> accepted this substitute and it was adopted by the Cabinet.

Hamilton and Hicks Beach agreed that government aid for depressed industry was an unfortunate precedent and only a lesser evil than retaliatory tariffs.<sup>26</sup> But since Chamberlain had failed to accompany his request for "large Imperial expenditure" with specific financial proposals, the Treasury did not make a commitment to the form and extent of direct imperial assistance. It, therefore, was able to refuse in 1898 to ask Parliament for a grant of £500,000 which Chamberlain wanted as a lump sum to begin implementation of the Norman report as well as proposals devised by his staff. Instead it forced the Colonial Office to make requests for grants and subsidies on an annual basis in yearly estimates.<sup>27</sup> The Treasury could thus review the financial position of colonies, make the Colonial Office justify in detail each additional request for aid, and, on the basis of this information, trim or even refuse to consider an estimate before presenting it to Parliament. This it did particularly with the estimates of one of the most constructive efforts to come out of the commission's recommendations — the agricultural department.<sup>28</sup> Only when the Colonial Office could justify grants on the basis of necessity did it find the Treasury co-operative.<sup>29</sup>

The imperial government was more inclined to provide loans to the West Indies because the chancellor discovered that for once a colonial need could alleviate a government financial difficulty. If the Treasury would not tamper with the Suez account, it did see an advantage in using another entrusted to it for imperial loans. Hamilton could not find a safe outlet for investing large amounts of money deposited in post-office and trustee savings banks. Two outlets he customarily exploited — national securities and municipal loans — proved inadequate. Since the Treasury had to pay depositors interest on their savings and since it could not invest all this money at a profit, the account showed a deficit. In 1895 Hamilton predicted that over the next eight years £100 million would come into the savings banks account and only one half that amount

<sup>25</sup> He told Hamilton afterwards that he "fully expected to be beaten" on the tariff issue. Dec. 9, 1897, Add. MS 48672, f. 68.

<sup>26</sup> Dec. 6, 1897, Add. MS 48672, ff. 64-65.

<sup>27</sup> Hicks Beach to Chamberlain, Jan. 29, 1898, JC 14/3; T to CO, March 8, 1898, T 7/30, ff. 932-35. The Colonial Office proposals involved having £300,000 available for remission of import duties on American produce so as to negotiate a reciprocity agreement with the United States, and £36,000 to aid in bringing coolies to work on sugar plantations.

<sup>28</sup> See CO 431 (Accounts Branch) /102, Nos. 5208, 5231, /104, Nos. 1452, 1761, /109, No. 30183, /111, No. 2248; T to CO, March 31, 1901, T 7/32, f. 770.

<sup>29</sup> See, for example, Hicks Beach's willingness to overrule a Treasury decision not to provide a steamship subsidy when Chamberlain pleaded its absolute necessity if Jamaica was to be kept from bankruptcy. Hicks Beach to Chamberlain, Jan. 15, 1900, JC 14/3.

could be invested in government securities.<sup>30</sup> Hicks Beach thought that a portion of this unemployed capital — some of the money returned to the account by municipal borrowers — might be lent to the Colonies “at rates of investment that would pay very well.”<sup>31</sup> In other words interest charged on the loans would be higher than that paid to savings-banks depositors. This situation explains Hicks Beach’s willingness to consider loans for Cyprus and the West Indies.

By 1897 Hamilton was very concerned about the lack of opportunity for investment.<sup>32</sup> In May he, Hicks Beach and other Treasury officials discussed a draft of a bill for establishing a colonial loans fund from money in the savings-banks account.<sup>33</sup> Hicks Beach introduced the bill in the House of Commons in July, 1898. But he withdrew it when a few critics pointed out that it did not provide an opportunity for Parliament to review proposed loans before they were sanctioned by the departments.<sup>34</sup> This omission was rectified in a bill presented the following year. But it was delayed in committee when a small faction of the opposition proposed various disabling amendments and asked for a list of the loans proposed to be made under the act for that year.<sup>35</sup>

Meanwhile the delay had placed Chamberlain in an extremely awkward position. By mid-1899 the Crown Agents, who acted as financial advisers and brokers to the crown dependencies, reported that they had advanced £1,877,370 to colonies for various public works projects he had sanctioned in the West Indies, west Africa, Cyprus and the Malay States.<sup>36</sup> The agents, rather than raise loans in the open market, as they had done successfully in the past, tided over the colonies with funds

<sup>30</sup> Hamilton Diary, Aug. 4, 1895, Add. MS 48667, f. 88. An increase in the limit on deposits and a general cheapness of money attracted exceptionally large sums to savings banks between 1890 and 1898. Between 1894 and 1897 deposits exceeded withdrawals by an annual average of £7,187,000. *Parl. Pap.*, 1902 (H of C 282), IX, 4.

The retirement of government securities in the Consolidated Fund (a measure adopted to reduce the national debt), and the consequent increase in the market price of the remainder reduced their availability and yield.

<sup>31</sup> Hicks Beach to Balfour, Oct. 31, 1895, Add. MS 49695, ff. 50-51.

<sup>32</sup> Hamilton Diary, Nov. 27, 1896, Add. MS 48670, f. 67, and May 26, 1897, Add. MS 48671, f. 63.

<sup>33</sup> T to CO, July 6, 1897, T 7/30, f. 696.

<sup>34</sup> For the bill see *Parl. Pap.*, 1898 (H of C 302), I, 315 ff. It was modelled after the Local Loans Act of 1875 under which a board, established by the Treasury, granted loans to local authorities and Parliament later perfunctorily approved. The reason for delay in presenting the bill was probably explained by a controversy which developed between the Colonial Office and the Treasury on the rate of interest to be charged.

<sup>35</sup> This opposition, although annoying, was not significant. Sidney Buxton, a former Liberal parliamentary under-secretary at the Colonial Office, withdrew his criticism when the bill was altered. There was left only Henry Labouchere, the vitriolic critic of all imperial activity, his following of a few members and the Irish MPs to adopt obstructive tactics. *Hansard*, 4<sup>th</sup> ser., LXII, cols. 181-82, 188-93, LXVII, cols. 417, 579; and H. Pearson, *Labby: The Life of Henry Labouchere* (London, 1936), p. 280.

<sup>36</sup> Crown Agents to CO, April 13, 1897, CO 323/415, ff. 515-17.



from various accounts at their disposal pending passage of the loans act. Should the bill be dropped the agents, forced into the open market, would have difficulty raising funds on short notice.

When the Colonial Office provided Hicks Beach with a list of the loans it wanted so he could provide Parliament with the information, he received a rude shock. Chamberlain asked for eighteen loans for thirteen colonies involving almost £3,500,000. Only three of the loans, totalling £160,000 for Barbados, St. Vincent and Cyprus, had received Treasury approval. The remainder, most of which were for railway construction in west Africa, Hicks Beach thought neither absolutely necessary, advantageous to the imperial government, nor financially sound. He was not prepared to proceed with the loans bill until he was assured that the Colonial Office would relinquish complete authority to the Treasury to determine what loans would be presented to Parliament.<sup>37</sup> Although Chamberlain conceded the financial soundness of a loan must, of course, be determined by the Treasury, he wanted the right to appeal to the Cabinet when questions other than financial were subjects of dispute between the two departments.<sup>38</sup> But the chancellor, who disagreed sharply with Chamberlain's optimistic estimate of the economic potential of the crown colonies, did not want the Cabinet to act as arbiter.<sup>39</sup> He also objected to Chamberlain's decision, accepted reluctantly by the Cabinet, to send during 1897-98, armed expeditions into west Africa to forestall French penetration and to peg out areas for development in the hinterlands of the Gold Coast and Lagos.<sup>40</sup> In fact the chancellor finally abandoned the bill.

Hicks Beach did, however, agree to assist the Colonial Office with its immediate problem. His office drafted a new bill to obtain £3,351,820 from the local loans fund to cover the projects to which Chamberlain had already committed the colonies. The bill also included provisions for repayment and the Treasury's right to set the interest rate on each loan separately.<sup>41</sup> The proposed act — styled the Colonial Loans Bill — reached the House late in the session; again a few opposition members delayed its passage in committee. Chamberlain intervened. Had not the bill just dropped, he explained, been introduced by the Treasury in the

<sup>37</sup> T to CO, July 12, 1899, T 7/31, ff. 481-82; and *Parl. Paps.*, 1899 [C. 9433], [C. 9440], LVIII, 145-55.

<sup>38</sup> CO to T, July 15, 1899, CO 323/443, No. 18121.

<sup>39</sup> See Chamberlain to Hicks Beach, Jan. 5, 1898, Hicks Beach MSS, PCC/86, in which Chamberlain tried to overcome the chancellor's scepticism.

<sup>40</sup> See Robinson and Gallagher, *Victorians*, pp. 402-09; and Margery Perham, *Lugard* (2 vols.; London, 1956-60), I, 657-58. Hicks Beach also protested unsuccessfully the government's decision to revoke the Royal Niger Company's charter, but he was able to work out directly with Goldie the terms of compensation. J. E. Flint, *Sir George Goldie and the Making of Nigeria* (London, 1960), pp. 280-82, 307-10.

<sup>41</sup> *Parl. Pap.*, 1899 (H of C 98), I, 237-40. In paring down the Colonial Office's requests, the chancellor refused a loan for railway construction in British Guiana and chopped £50,000 from a loan for Jamaica.

first place, the loans could have been obtained on the open market. They had, he said, all been "damnified" by the delay, were absolutely necessary as a large portion was about to be spent; and were, therefore, to meet an emergency, not an attempt to lay down the principle of a great scheme of loans.<sup>42</sup> The bill's protagonists remained adamant but he spoke to a House in which his party had a preponderant majority. With only 170 members in attendance, the Government obtained majorities of more than three to one in each of seven divisions forced by the bill's opponents.<sup>43</sup>

Although Chamberlain's development program had its critics in the House, the original bill was dropped not because of their opposition but because Hicks Beach took exception to the specific purposes to which Chamberlain intended to put imperial loans and because he feared that the colonies would be unable, without government assistance, to repay the loans. Indeed, Hamilton thought opposition in Parliament inconsequential,<sup>44</sup> while Hicks Beach continued to be much disturbed by rising expenditure. Army and navy estimates, he said, were "enormous" and the financial picture for 1899 "very black."<sup>45</sup>

The Colonial Loans Act enabled the Crown Agents to meet their most pressing obligations, but its terms made it unsatisfactory to use for new loans. The Treasury raised the interest rate. In addition, the agents thought too burdensome a proviso that repayment must come from a first lien on the revenues of a borrowing colony. They might instead go to private sources of capital but investors were not interested in these colonial investments in 1900. Surplus capital was diverted into industry and imperial war loans. Even the self-governing colonies, which heretofore found it easy to issue loans, felt the pinch. Furthermore, private speculators were discouraged by the government's abandonment of the ambitious loans scheme put forward in 1897-98, and the first lien on revenue for the repayment of the much more modest scheme finally passed. Unable to attract private capital and unwilling to exploit the government fund, the agents used a temporary expedient to meet impending expenditure. Until the money market improved they used funds obtained from contributions made by various colonies to a sinking fund established for the repayment of loans.<sup>46</sup> This maneuver worked. As of the end of 1910, £1,894,594 or more than one half the sum provided by the act had not been used.<sup>47</sup> However, such projects as the improvement of Lagos harbor had to be postponed, an imperial loan for the Malay States

<sup>42</sup> *Hansard*, 4th ser., LXXV, Cols. 1064, 1156.

<sup>43</sup> *Ibid.*, cols. 1152-98.

<sup>44</sup> Hamilton Diary, July 21, 1899, Add. MS 48675, ff. 25-26. Cf. with Robinson and Gallagher, *Victorians*, p. 401.

<sup>45</sup> Hicks Beach to his wife, Jan. 26, 1899, Lady Hicks Beach, *Life of Sir Michael Beach* (2 vols.; London, 1932), II, 76.

<sup>46</sup> Sir Montague Ommanney, the head agent, to CO, March 23, 1900, CO 323/452, ff. 452-56.

<sup>47</sup> *Parl. Paps.*, 1901 (H of C 94), XXXVII, 178; 1911 (H of C 27), XLV.

abandoned, and loans for railways in the Gold Coast raised in the open market.<sup>48</sup>

In October 1899 Great Britain plunged into war in south Africa. Its cost prompted Hicks Beach to threaten to resign if his colleagues did not adopt retrenchment budgets. Expenditure in the period 1895-1902 increased annually an average of £7,000,000 and reached £147,500,000 in the estimates for 1901-02.<sup>49</sup> Even Chamberlain found the increase startling. He pleaded the necessity of devoting large sums to reconstruction in south Africa, but he admitted "that there is serious ground for caution and for careful examination of all new estimates."<sup>50</sup> Furthermore, by 1902 he had to concede that his earlier hope for rapid development of the African estates was illusory.<sup>51</sup> In west Africa the railway program proceeded more slowly and was more expensive than initial surveys had anticipated;<sup>52</sup> imperial grants were primarily to make up deficiencies in the operating costs of colonial administrations.<sup>53</sup>

In the West Indies too, relief and development programs had not attracted private investors or improved economies appreciably by 1902.<sup>54</sup> A substantial portion of the imperial aid was spent to alleviate distress caused by hurricanes.<sup>55</sup> Chamberlain had to again raise in Cabinet the issue of retaliatory tariffs. This time he was more successful. Hicks Beach, although he had placed a modest tax on sugar to help pay for the war, still opposed discriminatory tariffs. Chamberlain, however, obtained a statement from the Cabinet which threatened retaliation if European states did not stop subsidizing their sugar exports. On the continent, meanwhile, the discovery that sugar cartels were making enormous profits encouraged a reaction against the bounty system. These developments led an international conference to meet in Brussels and to ratify an agreement

<sup>48</sup> *Parl. Pap.*, 1909 [Cd. 4523], LX, 277 ff. Also see *ibid.*, pp. 369-94, for an explanation of why a Public Loans Act of 1907 providing £2,000,000 for construction of railways in Northern Nigeria was not used.

<sup>49</sup> Hicks Beach to Salisbury, Sept. 13, 1901, Salisbury MSS (Beach Box); and Cabinet memo on growth of expenditure, Sept. 12, 1901, JC 14/4. The chancellor did leave the government when Salisbury retired in 1902.

<sup>50</sup> Chamberlain to St. John Brodrick, Sept. 9, 1901, JC 11/1; and to Hicks Beach, Sept. 30, 1901, Hicks Beach MSS, PCC/86.

<sup>51</sup> Perham, *Lugard*, II, 170.

<sup>52</sup> *Parl. Pap.*, 1905 [Cd. 2325], LVI, 361 ff

<sup>53</sup> The Northern Nigerian estimates for 1902-03, for example, provided £67,000 out of a total planned expenditure of £355,000 for "extraordinary public work" — that is for the completion of a tramway, telegraph construction, dwelling houses for officers in the civil administration, two government boats to replace two that had been condemned, and a railway survey. See T to CO, April 12, 1902, T 7/32, ff. 931-33, in which the Treasury sanctioned a grant of £290,000 while at the same time expressing the hope that "extraordinary" expenditure would not recur on future estimates.

<sup>54</sup> CO Confidential Print, 1902, West Indian, No. 92, *passim*.

<sup>55</sup> Hurricanes struck St. Vincent and Barbados in 1898, and Nevis and Montserrat in 1899; a rainstorm brought distress to St. Kitts and Nevis in 1901 and a volcanic eruption devastated St. Vincent in 1902.

to abolish subsidies in March, 1902.<sup>56</sup> The agreement was to go in effect in September, 1903. Hicks Beach agreed that in the interim the West Indian sugar industry should receive an imperial grant of £250,000. This sum, like much of the money spent or lent in the West Indies was to meet an emergency.<sup>57</sup> Neither this direct aid nor the end of the bounty system had much of an effect, other than as a short-term measure to alleviate a crisis, particularly because the beet sugar industry continued to dominate the British market, and because the grants had not been enough to solve satisfactorily the islands' deep-rooted economic problems.<sup>58</sup> In fact the Treasury argued successfully that since the bounties were revoked and the sugar industry was to receive £250,000, the imperial government need not assist in the construction of sugar factories to cut production costs, a project recommended by the Norman commission and advocated by the Colonial Office.<sup>59</sup> In Cyprus railway and irrigation systems planned in 1896 were completed although there was considerable delay, the consequence of a strain placed on the colony's revenues by drought during 1902-03.<sup>60</sup> Here as in all the crown colonies the Treasury's first consideration, maintained throughout its correspondence with the Colonial Office, was that a colony with a depressed or developing revenue system could receive temporary imperial aid to offset the costs of administration. A colony with a viable tax system, on the other hand, should pay for its own development schemes.

The most revealing commentary on the Treasury's influence and its reluctance to provide funds for the spending departments was made by the prime minister. Salisbury asserted publicly that the Treasury, by exercising the power of the purse, claimed a voice in all decisions of administrative authority and policy. He claimed that "much delay and many doubtful resolutions have been the result of the peculiar position which, through many generations, the Treasury has occupied."<sup>61</sup> In private he further explained :

The traditions of the Office are very bad; but I think they are more actuated by the fear of the future demands which any concession may bring upon them than by the actual outlay involved in the concession. They are more likely, therefore, to be open to persuasion at the end of a liability than at the beginning of it. Their great error to my mind is that they are more afflicted at giving way to a small demand than to a larger one.<sup>62</sup>

<sup>56</sup> R. W. Beachey, *The British West India Sugar Industry in the Late 19th Century* (Oxford, 1957), pp. 166-68.

<sup>57</sup> See *Parl. Pap.*, 1910 [Cd. 5369], XI, 219, for a breakdown of imperial grants to the West Indies, 1897-1910, which shows that such aid was little more than the commission's estimate of what should be spent.

<sup>58</sup> S. B. Saul, "The Economic Significance of 'Constructive Imperialism,'" *Journal of Economic History*, XVII (June, 1957), 173-92.

<sup>59</sup> CO Print, West Indian, No. 92.

<sup>60</sup> T to CO, Jan. 21 and Nov. 18, 1903, T 7/33, ff. 278, 695.

<sup>61</sup> Jan. 30, 1900, *Hansard*, 4th ser. LXXVIII, col. 32.

<sup>62</sup> To Lord Cromer, April 24, 1896, PRO, Cromer MSS, FO 633/7, ff. 113-14.

Cabinet ministers might blame Treasury parsimony for inaction or mistakes rather than their own miscalculations or procrastination. But Chamberlain, at least, tried to implement his imperial estates program. Indeed, he managed to launch part of it before the war and his own disillusionment set in, but he was discouraged initially from formulating long-term commitments in west Africa and the West Indies by the chancellor and Treasury officials. Other parts they dissuaded him from even beginning. He wanted, for example, to take over the territory of Rhodesia from the British South Africa Company. But the Treasury, he admitted, "would never give me the money that would be required to place the administration on a proper footing and at the same time to develop the estate."<sup>63</sup> The imperial government might have to provide the means for maintenance of viable colonial administrations; it need not, in the Treasury view, provide British taxpayers' money as risk capital to enable private enterprise to flourish.

If the Colonial Office under Chamberlain dropped its long-held inclination to avoid new overseas responsibilities and reduce expenses in the existing colonial empire, the tradition of non-involvement and economy was carried on by the Treasury. That department, as one of the loci of power in the formulation of imperial policy, not only subscribed to the "informal" tradition of empire,<sup>64</sup> but in the case of imperial development, made the tradition effective.

<sup>63</sup> To Sir Robert Herbert, June 10, 1897, JC 10/8.

<sup>64</sup> See J. Gallagher and R. Robinson, "The Imperialism of Free Trade," *Economic History Review*, 2d series, VI (August, 1953), 6.