

LEGACY OF LATE NINETEENTH CENTURY CAPITALISM:
THE CASE OF W. R. GRACE AND C. J. RHODES*

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For myself, I like the Peruvians; I always enjoy their society.... I know [merchant] houses in Peru that were in my time hated as haters of Peru. The policy of our Lima house has always been to be a Peruvian house.

— William Russell Grace¹

I was in the East End of London yesterday and attended a meeting of the unemployed. I listened to the wild speeches which were just a cry for "bread, bread!" and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism.... [I]n order to save the forty million inhabitants of the United Kingdom from bloody civil war we colonial statesmen must acquire new lands to settle the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war, you must become imperialists.

— Cecil John Rhodes²

Introduction

This article is about the historical activities of two remarkable men during the last quarter of the nineteenth century who were based in South America and Southern Africa. These men, W. R. Grace and C. J. Rhodes, are compared and contrasted against the background of the developments and changes in late nineteenth century capitalism. In their

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¹ From a letter to an associate, quoted in J. Peter Grace, Jr., *W. R. Grace (1832-1904) and the Enterprises He Created* (New York: Newcomen Society, 1953), p. 15.

² Quoted in V.I. Lenin, "Imperialism the Highest Stage of Capitalism", in *Selected Works I* (Moscow, 1972), p. 737.

early years, before they died in 1902 and 1904, both men struggled in failing agrarian economic operations and were essentially financially hardpressed. With the speculative financing fuelled by the developing monopoly mining economy, both prospered through wheeling and dealing and through activating their links with big financiers, chiefly those in Britain and the United States. In this way, Grace was able to consolidate his W. R. Grace and Co. in the 1860s and gain access to the speculative Peruvian Corporation in the late 1880s. Over the same period, and through similar questionable means, Rhodes was able to consolidate diamond and gold interests into the formidable De Beers Consolidated Ltd., the Consolidated Goldfields of South Africa and the infamous British South Chartered Company which misruled much of Central Africa for the political and economic interests of Rhodes and his supporters. During their lifetimes, and long afterwards, both men's legacies had an enduring impact on the political economy of South America and Southern Africa especially that of Peru, Southern and Northern Rhodesia. In fact, their deeds still have a bearing on present-day political and economic discourse. The main point emphasized throughout this paper is that the working of late nineteenth century capitalism, particularly the financial aspects as personified in Grace and Rhodes, cannot be underestimated when seeking to comprehend the political economy of the modern successor states of Peru and Zambia. In the end, even the triumphal populist nationalism of the 1960s could not sweep aside this legacy.

Prologue

In the 1960s there was a great wave of triumphal nationalist optimism in Third World countries about the future. Governments believed, rather naively, that economic barriers erected over a century or so could easily be dismantled by political actions aimed at reclaiming ownership of their natural resources. On August 11, 1969 this belief moved the president of Zambia, Kenneth David Kaunda, to declare: "I shall ask the owners of the mines to invite the government to join their mining enterprises. I am asking the owners of the mines to give 51% of their share to the State...."³ The news reached the Zambian public in newspaper and radio reports announcing that "Now Zambia is Ours."⁴

Reviewing the progress made, a year later, Kaunda observed that:

³ Zambia, *Towards Complete Independence*, Address by His Excellency the President, Dr. Kenneth D. Kaunda, 11 August, 1969, Lusaka.

⁴ *Times of Zambia*, August 13, 1969.

We steered our Ship of State off the dangerous rocks of capitalism, which is the question of exploitation of one man by another, to a humanist one which is the gulf of peace.... It is a long journey which as ever before I am confident we will be able to walk. We will complete the journey but this means each and every one of us must play their part. There is no longer any room for idle passengers or professional critics. This is a march of determined and dedicated workers, determined to see the Revolution to a successful end.⁵

Half a world away, Peruvian military officers had seized power in October 1968 and adopted a stance similar to Zambia's. Led by General Juan Velasco Alvarado, the military proposed a *Plan del Gobierno* or (Plan of Government) which it hoped would eliminate, "The subordination of the Peruvian economy to foreign centers of decision, where actions originate which fundamentally affect the economic life of our nation and prevent an autonomous development process geared to the achievement of national objectives."⁶ Though phrased in a more militant tone, the steps taken by Velasco were, on the whole, similar to those of Kaunda.

There were good reasons for the difference in tactics. Between 1968 and 1971 a wave of strikes against miserable working and living conditions spread to almost all branches of the Peruvian economy. Inspired by the example of Chile, under the socialist Salvador Allende, Peruvian workers demonstrated in the streets, factories, plantations and mines. For the first time in their history they demanded not only higher wages and better living conditions but also the nationalization of all foreign companies. The military junta found itself in a dilemma. Pressed on one hand by the pace of events and on the other by the desire to reclaim the nation's natural resources, the military leaders panicked and reacted with violence against the workers.⁷ The junta, however, was subsequently moved to action by the continuing struggle of workers and the transparent, abusive, power of the foreign companies. Naturally, in contrast to Kaunda who was not as hard pressed, Velasco

⁵ Zambia, *This Completes Economic Reforms: "Now Zambia Is Ours"*, President Kenneth Kaunda, 10th November 1970, Lusaka, pp. 13-14.

⁶ Quoted in E.V.K. Fitzgerald, *The State and Economic Development: Peru Since 1968*, (Cambridge University Press, 1976), p. 68.

⁷ See *Boletín No. 1 del Comité de Sobre Vivientes del Masacre de Cobriza*, cited in Claes Brandenius, "The Anatomy of Imperialism: The Case of the Multinational Mining Corporations in Peru," *Journal of Peace Research*, 3 (1972), p. 206.

acted differently. Instead of waiting for the companies to "invite" the State, Velasco simply decreed the unilateral nationalization of key resource companies including Cerro de Pasco Corporation, the leading mining company.

General reactions to the news of nationalization were best summarised by the *Peruvian Times*, which welcomed the action as "(n)either Left, Right (n)or Centre."⁸ This ambiguity reflected the government's inability to state clearly which direction the economy would follow. Like Kaunda, Velasco justified his actions in highly moral and populist terms. Addressing the International Development Bank in Lima in 1971 Velasco stated:

I have spoken today with the same frankness with which the men of this Revolution have always spoken to our people.... We have done that. We believe we have done our duty and honoured a moral and political responsibility towards yourselves, towards Peru and towards the true cause of our Latin America brother nations.⁹

What is clear, however, is a belief on the part of the Zambian and Peruvian leadership that political action alone could undo the past, that history was reversible and that their nation's destinies could be recaptured. In their quest to overthrow the past, Kaunda and Velasco were even willing to sacrifice the existing political and constitutional arrangements. In Zambia, Kaunda dissolved a powerful but relatively democratic Central Committee of the ruling United National Independence Party and, in 1973, abandoned multiparty democracy for a one-party state. In Peru, Velasco had seized power in 1968, after overthrowing a government considered more democratic than any of the previous regimes.¹⁰ But the history that these two men had inherited,

⁸ *Peruvian Times* July 3, 1970, p. 1.

⁹ Republic of Peru, Speech by General de Division Juan Velasco Alvarado, President of the Republic, at the inauguration of the Twelfth Assembly of International Development Bank Governors, Lima, May 10, 1971. Edited by National Information Office, printed by Editorial Enterprise of the official newspaper, *The Peruvian*.

¹⁰ Acting on behalf of seven military officers General Juan Velasco Alvarado seized the Peruvian state, suspended democratic institutions and became President. He retained leadership and cohesion by gaining the support of a radical group of young generals. For an analysis of the political background of the Velasco Junta, see Fitzgerald, *State and Economic Development*, pp. 4-6.

and were attempting to annul, was deeply rooted in specific economic and political developments of the last quarter of the nineteenth century.

Gold and Money

The last three decades of the nineteenth century, following the American Civil War, witnessed a general crisis in international finance capital caused not by shortage of capital, but rather by the lack of opportunities for profitable investment. One of the indicators of this development was the international position of gold during this period which attested to the movement and productive use of capital. Before the 1860s, when Britain's supremacy in industry and finance was unquestionable, Britain imported enormous quantities of bullion. But in the succeeding decades, there was competition for gold by the newly industrializing states of France, Germany and the United States of America. Yet the gold reserves in the Bank of England remained dangerously low, making sterling vulnerable to pressure.¹¹ Furthermore, the world's annual gold production of £27,815,000 in 1851-55 remained virtually unchanged in 1866-70 at £27,207,000. During the period 1881-85 there was a sharp decline of almost 35 percent.¹² The pressure on gold was not only due to the declining levels of world production, but also to the increasing productive capacity of the world outside Britain, which accounted for the rate of gold absorption at the time of declining supplies.

Nowhere did the position of gold in the economy change so dramatically as in the United States. In the 1870s the U. S. Congress even passed a law making hitherto unconvertible banknotes convertible into gold at the Federal Treasury. By 1887, as shown below, the United States had become a net importer of gold.

¹¹ Sir Walter F. Layton and Geoffrey Crowther, *An Introduction to the Study of Prices*, (London, 1938, Third Edition), p. 85. This has also been reiterated in such recent works as M. de Cecco, *Money and Empire: The International Gold Standard 1890-1914* (Oxford 1974); S. Marks and S. Trapido "Lord Milner and the South African State," *History Workshop* 8, (1979) passim; J. J. Van-Helten "Empire and High Finance: South Africa and the International Gold Standard 1890-1914," *Journal of African History* 23, (1982) pp. 529-48.

¹² Layton and Crowther *op.cit* p. 84.

TABLE I: Balance of US Imports and Exports of Gold

Year	Avg. Annual Balance	Total Balance
1868-72	- £8.35	- £41.75
1873-77	-3.78	-18.9
1878-82	+7.18	+35.9
1883-87	+2.04	+10.2

All figures reported are in millions of £.

+ = balance of imports

- = balance of exports

Source: Layton and Crowther p.84.

The circulation of gold within the United States was further extended by a striking rise in the issue of gold certificates which, according to Layton and Crowther, rose from 25 million pound sterling in 1879 to 101 million sterling in 1890.¹³ These developments were a contrast to what was happening in Britain. As the United States increased the circulation of gold, Britain witnessed the trebling of credit money deposited in joint stock banks from £133 1/4 million sterling to £380 3/4 millions. It was obvious that "Great Britain substituted credit instruments for gold to a greater extent than other commercial countries".¹⁴ This situation, of increased circulation of gold outside Britain and the widespread use of credit money within Britain and elsewhere, has been credited by some scholars for establishing gold as a standard value on the international market.¹⁵ Before this period of lavish consumption, the basis of international transactions periodically alternated between silver and gold. Now it was decidedly all gold.

One of the implications that may be drawn from this international movement of gold was that capitalists, particularly in Britain, were experiencing great difficulties in maintaining profitable levels of investment at home. Such difficulties became acute as industry became more and more competitive in the world during the age of imperialism. For consumers, competition had a welcome effect on prices. However, faced with competition abroad and low returns at home, British capitalists were gradually forced from the realm of domestic industrial expansion to that of expanding capital overseas.¹⁶ This Hobsonian

¹³ *Ibid.*, p. 85.

¹⁴ *Ibid.*, p. 86.

¹⁵ *Ibid.*, p. 83-84.

¹⁶ See P. L. Cottrell, *British Overseas Investment in the Nineteenth Century*, (London, 1975), pp. 35-40, and S. B. Saul, *Studies in British Overseas Trade 1870-*

expansionism was conducted in the City of London by an inter-locking network of a few financiers who enjoyed almost unlimited power over the direction of British savings. Working through an "old boy network" they starved British industry of much-needed finance capital and redirected it to overseas territories where cheap money engaged cheap labor for high profits. At the end of the nineteenth century it was estimated that Britain had more than 50 percent of all its savings in *foreign* investment.¹⁷ Britain's role as a leading exporter of capital, linked to declining productivity at home, was the characteristic feature of the last three decades of the nineteenth century. E. J. Hobsbawm concluded that by 1870 Britain was no longer the undisputed leader of the "workshop of the world in the key areas of cotton, pig iron, steel and steam power." He writes that:

By the early 1890's the U.S.A. and Germany *both passed* Britain in the production of the crucial commodity of industrialization steel. From then on Britain was one of a group of great industrial powers, but not the leader of industrialization. Indeed, among the industrial powers it was the most sluggish and one which showed most obvious signs of relative decline.¹⁸

In spite of the relative decline in industrial productivity, the City of London prospered as a leading international finance center. Increasingly, financial outlets, notably the London Stock Exchange, the dominion and merchant banks, insurance, building societies, and hire purchase finance houses, came to depend on bank notes as a commodity of international exchange.¹⁹ Even this role was not immune from

1914 (London, 1960).

¹⁷ William Woodcraft, *Impact of Western Man: A Study of Europe's Role in the World Economy 1750-1960*, (New York, 1967) p. 150.

¹⁸ E. J. Hobsbawm *Industry and Empire: The Making of Modern English Society, Vol. II, 1750 to the Present Day* (New York, 1968), p. 110 (emphasis in original).

¹⁹ A close observer of the London Market in this period described these activities as follows: "They [professional speculators] possess a boardroom nicely furnished.... Their library of reference is probably in the London Directory, the Banking Almanack (sic), the Hotel and Licensed Victualler's Guide, the Book of Roads and the Insurance Register. Files of the daily papers, to watch advertisements, and catch ideas from any fresh prospectus issued, constitute their stock of periodical literature.... They have planned many banks, failed in some, and brought others to bear and have many others on hand cut and dry to order. When banking schemes do not show sufficient vitality they readily turn their attention to hotels...." in D. M. Evans, *Speculative Notes and Notes of Speculation*, (London, 1864) p. 219.

prevailing international economic conditions. It was weakened, on the one hand, by a long deflationary trend which had reduced prices and interest rates and, on the other hand, by the mounting loss of confidence in British sterling caused by declining gold reserves. Following the near-collapse of Baring Brothers Bank which caused an international banking crisis that prompted the British Chancellor of Exchequer, G. J. Goschen, who was a leading merchant banker as well, to warn:

Our available stock [of gold]...is...smaller to an extraordinary extent than that of any of the great continental countries. Our system is built up on gold. For good or evil, the immense liabilities of this country would have to be discharged, if need there were, in gold.... (A)ny large amount, withdrawn from such a comparatively narrow base for the weight of so enormous a pyramid, will have an effect quite disproportionate to the extent to which gold is withdrawn or the reserve diminished.²⁰

A combination of these factors — declining domestic industrial productivity, deflation, low interest rates, and lack of profitable outlets for surplus capital — gave a misleading impression that Britain was in an economic depression between 1873 and 1896. This, as S. B. Saul has demonstrated, was “only a myth.”²¹ Rather, the drying up of domestic investment opportunities was the main problem. Because of these circumstances of low returns at home, men with money to invest were drawn to overseas outlets.

W.R. Grace in South America

It was during the period discussed thus far, that the lives of two men, William Russell Grace and Cecil John Rhodes, became inextricably linked to the political economies of Peru and Zambia. Long after these men had died (Rhodes in 1902 and Grace 1904) their legacies continued to be influential in the the history of both countries. William Russell Grace, simply known as W. R. Grace in later life, had roots in the countryside. He was born in Ireland in 1832 to a landowning family, the son of an Irish father and a Scottish Calvinist mother,

²⁰ P. Trewhela, *The Development of World Economy and the War in South Africa, 1890-1819*, (University of Sussex, 1970) p. 36.

²¹ S. B. Saul, *The Myth of the Great Depression 1873-1896*, (New York, 1969), p. 55.

reputedly possessing an ascetic, intellectual mind.²² Like many other Irish families, they were completely ruined during the Potato Famine of 1846-1848 and emigrated to Lima as colonists.²³ In 1846, before the Grace family sailed to Lima, the young William Russell, at the age of fourteen, ran away from home in Queens County, Ireland, and then lived in New York City, where he worked in a shop on Chatham Street.

Shortly after returning to Ireland in 1848, William joined his father, James Grace, on a colonists' ship going to Peru. There, William's father failed in his farming efforts and subsequently returned to Ireland. But his son remained and started working for several merchant houses in Lima and Callao, where he earned himself a reputation as an aggressive and enterprising salesman. He was known to overcome "all difficulties with the air of an emperor, and kicked or cuffed or bluffed his way up to the top of any circle in which he moved."²⁴ In 1854, at the age of twenty-two, he used his savings to buy full partnership in a ship chandlery.

At that time, the "Guano Boom" was just beginning. Demand by farmers for fertilizer during this period was increasing faster than available supplies in Europe and the United States.²⁵ As a natural nitrate fertilizer from accumulated deposits of sea birds on the Peruvian coastal islands, guano was in great demand. The most lucrative deposits were situated on the Chincha Island, some 100 hundred miles south of the port of Pisco near Callao. Grace and his partner managed to divert guano-inspired business from their competitors at Pisco by establishing an efficient barge service on the Chincha Islands. According to some estimate more than 100 vessels stopped on the islands at any given time.²⁶ Describing these exploits, Grace's grandson, Peter, wrote:

²² Morgan S. Grace, *A Sketch of the New Zealand War*, (London, 1899), pp. 9-10.

²³ Biographical sketches of William Russell Grace are available from some of the following sources: "William Russell Grace" *National Cyclopaedia of American Biography*, XXXVI (1950), p. 303; Lyman Horace Weeks, ed., *Prominent Families of New York* (New York, 1898) p. 239; John Thompson "A Career of Romantic Achievement," *World's Work* VIII, (May 1904); IV, (1960) p. 463; "Casa Grace" *Fortune*, XXII, pt. 2, (December 1935); pp. 94-101 and 157-164; West Coast Leader, *Anglo-American Yearbook*, Peru, 1940, (Lima, October 1940), p. 73.

²⁴ Grace, *A Sketch of the New Zealand War*, p. 9.

²⁵ Agricultural development in Europe and America increased with enormous speed during the second half of the nineteenth century. The scope of this increase can be seen from the falling prices of agricultural products shown by Layton and Crowther, *An Introduction to the Study of Prices*, p. 88.

²⁶ William Sampson Bollinger, "The Rise of United States' Influence in the

He got ahead of his competitors by stocking an old barge with a complete line of supplies and towing it to the Chincha Islands, where he lived aboard it and multiplied the sales of his firm. The business prospered.²⁷

At first, Grace's business of selling to guano diggers was organised under a joint stock company named Bryce, Grace & Co. When John Bryce sold out after one of the periodic crises, the company was renamed W. R. Grace & Co., a name that has endured for more than a century.

Until the end of the 1870s the mercantile interests of Grace and his partner were primarily with Great Britain, mainly through the private merchant banks of Baring Brothers & Co. and Rothschilds. But financial ties with Great Britain were weakened by a series of crises. First, in 1877, the Peruvian government defaulted on its railway debts and this was quickly followed by the disastrous War of the Pacific in 1879-1881, in which Peru was defeated by Chile. Second, attempts to reconstruct the economy in the 1880s were aborted by the Baring Crisis of 1890. As a leading merchant, bank the threatened collapse of the Baring Brothers & Co. sent shock waves throughout the financial community. South American ventures in which the bank was active got a bad name in London even though the bank was rescued by the timely combined action of the Chancellor of Exchequer and the Bank of England. After these crises, it was not surprising that Grace's financial dealings shifted from London to Wall Street. According to Grace's brother, the only links that remained with London financiers were those concerned with the distribution of fertilizer.²⁸

This shift was significant, reflecting the Grace's financial reorientation. It dated back to the early 1870s, when he married into the American shipping family of Captain George W. Gilcrest of Maine and migrated to New York, leaving his younger brother, Michael, to manage W. R. Grace & Co.²⁹ Indeed, from 1869, when Grace moved from Lima to New York, his company gradually lost its British connections and, in fact, became an important commercial link between Peru and the United States. Although the company maintained offices in Liverpool,

Peruvian Economy 1869-1921," M. A. Thesis, University of California, Los Angeles, p. 102.

²⁷ J. Peter Grace, Jr., *W. R. Grace (1832-1904) and the Enterprises He Created*, (New York, 1953), p. 12.

²⁸ Michael P. Grace, "Evolution of W. R. Grace & Co." in *West Coast Leader*, September 25, 1920, p. 2.

²⁹ Bollinger, *op cit*, p. 104.

London, Manchester and Cardiff, the ties with Wall Street, especially with the shipping and financial interests of the financier J. P. Morgan, grew increasingly stronger than those with the British commercial houses.³⁰ Furthermore, as his financial interests changed, Grace became more active as a capitalist politician. For eight years, beginning in 1880, he served as a mayor of New York City and sat on many boards of directors. Some of these included the Lincoln National Bank, Hamilton City Trust Co., Central & South American Telegraph Co., and Ingersoll-Sergeant Dall Co., which sold mining equipment. The merger of finance and capital was also quite evident in the diversity of Grace's Peruvian operations. With profits generated from the ship chandlery, Grace expanded his business to include railways, arms, intercontinental shipping and a wide range of internal and external economic links. According to a close associate, "The business of W. R. Grace & Co. became varied in its character. In addition to engaging freight and loading vessels, we also acted as commission agents, buying for merchants various estates, and companies in South America."³¹ In the early 1890s, Grace concentrated on financing shipbuilding and interoceanic trade that would link North and South America. In 1889, for example, he formed a joint venture with J. P. Morgan to participate in the construction of the Panama Canal.³²

The transformation of W. R. Grace & Co. from a British merchant house to an American company both reflected and symbolized the basic changes in the flow of international capital, not only in Peru, but also in South America as a whole. In the early years of the company, guano was what linked it to British capital. During the 1840s, for example, British imports of Peruvian guano rose from "zero to over 200,000 tons."³³ Thereafter, the "Guano Boom" occurred up to the War of the Pacific in 1879-81. Before the war, almost 89 percent of Peruvian exports went to Europe and some 60 percent of that was sent to Britain. In contrast, the United States consumed less than 3 percent of Peruvian commodities in 1877. The Peruvian export economy also extended to cotton, sugar and rubber. At its peak in the 1860s and

³⁰ See *American Exporter, Export Trade Directory 1921-22*, (New York, 1921), p. 161.

³¹ Charles R. Flint, *Memories of an Active Life* (New York, 1923), p. 48.

³² Gersette Mack, *The Land Divided, A History of the Panama Canal Projects*, (New York, 1944), p. 233.

³³ Hobsbawm, *Industry and Empire*, p. 85.

1870s, the trade was monopolized by W. R. Grace & Co. and a few Lima merchants.³⁴

One of the many business undertakings in which Grace participated following the earlier example set by the ship chandlery was the construction of the Central Pacific Railway in the mining region of the Sierra in central Peru. As a merchant and financier, Grace was obviously at an advantage when he signed a contract with Henry Meiggs, an American railway builder. At a terrific cost Meiggs built the railway over the Andes.³⁵ It was clear that Grace benefitted from his ties with British bankers, especially Baring Brothers & Co., who, encouraged by the Peruvian export trade, made credit available without considering the feasibility of the project. This was part of the underlying cause of the Banks' crisis. In 1877, Meiggs was both bankrupt and dead, while Grace survived and prospered.

The last two decades of the nineteenth century, also saw a shift in the international commodity market which affected the composition of Peruvian exports and consequently altered the export economy itself. In order to continue participating in this increasingly unstable commodity market, the Peruvian government made important concessions to foreign capitalists which had a great impact on the economy and its people. One such concession was the abrupt transition from crop export to mineral exports, after the disastrous war with Chile.³⁶ As already mentioned, Peru defaulted on international bonds that the state had obtained on the strength of its agricultural export economy, while the war completely destroyed its domestic economy. Unable to consolidate all the debts and guarantee repayment in exchange for the mineral and railway concessions, the government turned to Grace.³⁷

The *Contrato Grace*, as these concessions were called in Peru, was significant because it set the stage for the international struggle to control the mineral regions of Peru. Negotiations for the *Contrato Grace* lasted from 1884 to 1889. At stake were the British bonds which financed the construction of the railway from Callao to the central highland silver mines near Casapalca. Issued between 1869 and 1872 the railway bonds had been floated on the London market at extremely high interest rates. Thus, bonds valued at £17 million in 1887 had

³⁴ For details on local and foreign participation in the Peruvian economy before 1900 see Rosemary Thorp and Geoffrey Bertram, *Peru: 1890-1977 Growth and Policy in an Open Economy*, (New York, 1978), pp. 72-79.

³⁵ Charles R. Flint, *Memories of an Active Life*, p. 55. See also Watt Steward, *Henry Meiggs, Yankee Pizarro*, (Durham, North Carolina, 1946), pp. 158-160.

³⁶ For details see Thorp and Bertram, *Peru 1890-1977*, especially chapter 5.

³⁷ *Anales de las obras publicas del Peru*, ano de 1886, (Lima, 1890), introduction.

accumulated interest of £26 million by the end of 1893 financial year.³⁸ It was then obvious that unless a comprehensive plan was worked out to reschedule the debt, the British bondholders would be unable to collect. In 1889, accordingly, a final agreement was reached in which the Peruvian government ceded ownership of the railway to the British Bondholders Committee and recognized W. R. Grace & Co. as a holder of lease contracts over the mineral region of Cerro de Pasco. In return, the British Bondholders and Grace & Co. agreed to extend the railway from Casapalca to La Oroya.

To manage their newly acquired assets the British Bondholders formed a holding company, the Peruvian Corporation, in which their bonds were converted into shares. Yet, in order to develop their interests, the Peruvian Corporation required an agreement with W. R. Grace & Co. in order to gain access to the lease contracts over the Central Pacific Railway and some of the mines in Cerro de Pasco. W. R. Grace & Co. agreed to transfer the rights to the Peruvian Corporation in exchange for "one-third of the shares that are emitted in reference to the business that corresponds to said cession or transfer."³⁹ Another operating company was required to undertake this joint venture. But it was clear that without committing development capital these financial agreements would serve only speculative interests.

In 1890, following the financial settlement, there was guarded optimism that Peru would again attract foreign capital. Encouraged by several investment projects promoted by W. R. Grace & Co., British capital started to make advances in railways, minerals, oil, cotton and sugar. The *Mexican Financier* of July 4, 1891, listed the 21 companies in which British capital was active: 13 in mines and oil, 5 in railways, 2 in manufacturing. But two years later, these ventures were overtaken by developments at the London Stock Exchange. Following the Baring Crisis, Peruvian and South American investments, in general, were discredited. The stock value of British bondholders in, for example, the Peruvian Corporation depreciated at an alarming speed even in comparison to the defaulted bonds.⁴⁰ The financial climate was also made worse by sudden Peruvian monetary crisis caused by the falling

³⁸ *Anales de las obras publicas del Peru*, ano 1890, primera parte, (Lima, 1897), pp. 280-282.

³⁹ The total market value of Peruvian Corporation stock depreciated from 60 million pounds in 1890 to 1.7 million pounds in 1893. See the *Economist*, II, December 2, 1893, p. 1440.

⁴⁰ The railway was not completed until 1904, the smelter became operational in 1906 and the drainage tunnel reached the flooded mines in 1908. With prices of copper declining the pressure to sell became unbearable.

silver prices. The Peruvian currency, as many other currencies in the pre-gold standard age, were on the silver standard. For Peru, as a silver producer, the drop in prices not only depreciated the currency, but also curtailed production, which triggered a severe recession in almost all commercial sectors of the economy. Furthermore, the collapse of silver prices effectively ended the flow of British capital to Peru which had been attracted by the silver mines in the Sierra and was the main reason why the Central Pacific Railway was extended to Oroya. The Peruvian government had no alternative other than to revoke the mineral rights held by W. R. Grace & Co. and awarded them to Peruvian entrepreneurs who were eager to develop the mining industry at their own pace. The mood in London was uncharacteristically tolerant of the Peruvian actions. The influential *Economist* recommended that:

Investors who lend their money to foreign states at high rates of interest must be prepared for the risks which such rates involve, and not imagine that they will have the additional protection of the British Government and the taxpayers of the country if default be made. If the position were otherwise who would be content with the rate of interest obtainable upon Consols and other "gilt-edged" securities?⁴¹

Without significant foreign capital coming into the country, Peruvian capitalists mobilized internal resources and, between 1892 and 1894, intensive exploratory work was done at Casapalca, Morocococha, and Cerro de Pasco. With the extension of the railway from Casapalca to La Oroya in 1893 as part of *Contrato Grace*, the Peruvian capitalists were also well placed to develop the mines. Before the railway reached La Oroya, ore from the mines was mainly transported on the backs of llama and mules. The Peruvian capitalists were also helped by the copper prices on the world market. The price of copper on the London market rose from an annual average of £40 per ton in 1894 to £73 in 1899. Production figures during this period show the efforts made by local mine owners to develop the mining industry.

⁴¹ Pedro Davalos y Lisson, "Revista Annual sobre la industrial de Plata y Cobre del Cerro de Pasco, con la Estadística de sus Productos Gastos y Utilidades," *Boletín de la Sociedad Nacional de Minería*, (Lima V. 39, 1901), p. 585.

TABLE 2: Copper Production Under Peruvian Capital

Year	Tons
1890	150
1891	280
1892	290
1893	460
1894	440
1895	450
1896	740
1897	1,000
1898	3,040
1899	5,165
1900	8,220

Source: *United States Department (PTO) of Interior, U.S. Geological Survey, Mineral Resources of the United States*, 6 (Washington, GPO, 1882-1900).

The main question was whether the Peruvian capitalists would sustain increasing mineral production. The Peruvian Corporation, as already indicated, had run into financial difficulties and was unable to continue extending the railway line from La Oroya to the copper bearing ore bodies of the interior in Cerro de Pasco. This meant not only that the transportation of bulky ore was expensive, but also the transportation costs of coal for smelting were becoming prohibitive. Coal from fields at great distances from the railway was brought to the mines by llama or mule. The usual practice was for the mine owners to contract with transporters who brought the coal. In the end it was the transporters who were making money out of mining rather than the mine owners. The Peruvian mine owners were alone unable to finance the extension of the railway to the coalfields while the transporters had no incentive to do so. In addition to the transportation problem, the Peruvian capitalists had, by 1898, exhausted the easily accessible ores and had reached floodline thus requiring expensive drainage equipment for further mining. The transportation and drainage problems were also complicated by the sharp drop of copper prices at the end of 1899 which pressed mine owners to sell out.⁴² Sensing a financial crisis, Pedro Davalos Lisson of the *Sociedad Nacional de Minería* warned that, "If tomorrow a person should appear in Cerro with one million soles, there is absolute assurance that in eight days he could purchase half of all mines."⁴³

⁴² *Economist*, "A Great Copper Enterprise," November 15, 1902, p. 1761.

⁴³ Pedro Davalos y Lisson, "Revista Annual sobre la industrial de Plata y Cobre

This was exactly what happened in 1900-1902, when a consortium of American capitalists put up \$10 million to buy mining concessions in Peru. The Peruvian capitalists were not the only ones who lost control over the mineral resources of Cerro de Pasco. Unable to mobilize financial resources on the level of that of the U. S. financiers, British capitalists lost the initiative they had previously enjoyed in the Peruvian economy. The usually nationalistic *Economist* carried a report complaining how:

Once more the lethargic, self-satisfied Englishman threw away a great opportunity, and in due course, a syndicate of Americans, having at its head the greatest metal mining capitalist in the United States, appeared on the scene, and promptly bought the whole thing up.⁴⁴

But it was not only the "lethargic self-satisfied Englishman" who was overthrown by the more virile North American capitalist. The valiant efforts by an incipient local Peruvian entrepreneurial class to mobilize capital and to take control of the commanding heights of the national economy was also overwhelmed in the process. North American capitalists, with large liquid assets in search of investment opportunities, made their direct investment both possible and unstoppable. Europeans, particularly the British, dominated the Peruvian economy through merchant houses, whereas the Americans would control it through amalgamated industries, the precursors of the multinational corporations. Cerro de Pasco Mining Company was promptly incorporated on 6 June 1902 and destined to control almost 95 percent of Peruvian Copper production.

C.J. Rhodes in Southern Africa

Just as American capital was becoming more competitive in South America, European capitalists, notably the British, were moving into Southern Africa, which at the time was considered an open field for venture capital. With the discovery in South Africa of diamonds at Kimberley in 1867 and gold in the Transvaal in 1886, the attraction of Southern Africa became irresistible. Gold mines, in particular, provided an open-ended outlet for overseas investment and also promised to ease the precariousness of Britain's gold reserve, underscored by the Baring Crisis.

del Cerro de Pasco, con la Estadística de sus Productos Gastos y Utilidades," *Boletín de la Sociedad Nacional de Minera*, (Lima V. 39, 1901), p. 585.

⁴⁴ *Economist*, "A Great Copper Enterprise," November 15, 1902, p. 1761.

The person of Cecil John Rhodes, like that of William Russell Grace in Peru, stands out as the one of the foremost British capitalists of nineteenth century Southern Africa. C. J. Rhodes, as he was known in later life, was born in 1853 and developed a reported "girlish" personality.⁴⁵ In a family of eleven livebirths, Cecil was a son of an ordinary vicar in a parish in Hertfordshire, England, and remained there until the age of eighteen. Then, in 1870, pressed by financial and medical problems, the young Rhodes followed his brother, Herbert, who had settled as a cotton farmer in Natal. Shortly after his arrival, both of them drifted to the Kimberley diamond mines, then under the government of Griqualand West, and obtained several diggers claims.⁴⁶

In 1871, as diamonds boomed, Griqualand was annexed by Britain and was fully incorporated as part of the Cape Colony in 1880. The boom also fueled reckless trading and speculation; at a time when interest rates were less than 4 percent, London bankers were granting credit money at 12 percent and more.⁴⁷ Over-extension of credit and excessive speculation led to a financial crisis in 1873-1874, a mild recession in 1876-1877 and a general depression from 1881 to 1886, which has been described by C.G.W. Schumann as "the most severe South Africa had to endure during the 19th century."⁴⁸ These crises not only reflected South Africa's incorporation into the world commodity and money markets, but also the structural changes which were occurring in local production. Diamond mines belonging to small independent diggers experienced the most severe financial and technical difficulties. It was a familiar situation where, as C. W. De Kieweit has written, "the embarrassment of the small man was the opportunity of the strong."⁴⁹

⁴⁵ K. Shillington, *An African Adventure: A Brief Life of Cecil Rhodes* (Jenny Lee Publishing Services, n.d.) According to Shillington there is no firm evidence that he was sent to South Africa because his health was poor, an idea which became a popular myth (p. 8). For other versions of Rhodes' life see J. G. Lockhart and C. M. Woodhouse, *Cecil Rhodes: The Colossus of Southern Africa*. (London, 1963), pp. 54-55. The other two most recent biographies of Rhodes are by the American scholar R. I. Rotberg with M. F. Shore, *The Founder: Cecil Rhodes and the Pursuit for Power* (Oxford 1988), p. 800 and the Russian academic A. Davidson, *Cecil Rhodes and His Time* (Moscow 1987), p. 443.

⁴⁶ C. W. De Kieweit, *The Imperial Factor in South Africa*, (London, 1965, original edition 1935), p. 18.

⁴⁷ C. G. W. Schumann, *Structural Changes and Business Cycles in South Africa*, (London, 1938), p. 84.

⁴⁸ *Ibid.*

⁴⁹ De Kieweit, *The Imperial Factor in South Africa*, p. 53.

One such strong man was Rhodes. In this period of immense structural change in South Africa, Rhodes achieved two things that made him the key figure in the history of contemporary Southern Africa. The first was the gradual consolidation of the diamond mining industry under his company, De Beers Consolidated, Ltd. This followed a drawn out, and sometimes dishonest, struggle for power among various diamond houses especially those belonging to Rhodes and Barney Barnato.⁵⁰ In any event, it was Rhodes who was the victor. Commenting on Rhodes' alliance with financial interests in London, the *Financial News* reported that "it was well known that behind Mr. Rhodes was a great power and from whose fertile brain emanated most of the ideas which were finally adopted and carried out."⁵¹

The second achievement was Rhodes' emergence as an influential politician, the imperialist. In 1882 he was elected to the Cape Parliament and acted as Treasurer in the administration for several weeks. Before he was thirty-three, Rhodes was already becoming a leading figure in Cape politics. In 1883-1884, for instance, he was involved in the expansion of the Cape frontier into Basutoland (Lesotho) and Bechuanaland (now Botswana). Furthermore, he looked beyond. Addressing the Cape Assembly on 23 July 1888, Rhodes said, "I am tired of this mapping out of the Cape Colony to the Zambezi."⁵² This drive for northern expansion gained momentum when Rhodes became the Prime Minister of the Cape in 1890.

The underlying reasons that compelled Rhodes, and other leading Cape financiers, to look beyond the Cape were essentially economic. Up to the early 1880s Rhodes had made profits from diamonds. Some of this money, according to Colin Newbury was made by hoodwinking the British government and his financial brokers.⁵³ The hoodwinking increased when the immense gold deposits were discovered on the Transvaal's Witwatersrand in 1886, and the Kimberley diamond capitalists transferred their interests to the Rand in a cut-throat competition to gain control of choice mining properties.

⁵⁰ For details on these business contests, especially the one between Cecil Rhodes and Barney Barnato, see Sir L. Michell, *The Life of the Rt. Hon. Cecil John Rhodes, 1853-1902* VI, (London, 1910), Chapters 5 and 6.

⁵¹ *Financial News*, 1889, quoted in Paul Emden, *The Randlords*, (London, 1935), p. 260.

⁵² Quoted in D. M. Schreuder, *The Scramble for Southern Africa, 1877-1895: The Politics of Partition Reappraised*, (London, 1980), p. XI.

⁵³ C. Newbury, "Out of Pit: The Capital Accumulation of Cecil Rhodes" *Journal of Imperial and Commonwealth History*, 10.1, 1981.

Reminiscent of the earlier goldrush in California, the scramble for the Rand was intensified by the existence of both out-crop and deep-level gold-bearing mines. Outcrop mines required little effort and expenditure to exploit compared to the scale of capital investment needed to extract gold from deep-levels. But this distinction was temporary. The introduction of new technology in the Rand, such as the MacArthur-Forrest cyanide process of gold recovery, had by the mid-1890s, removed some of the difficulties in deep-level mining.⁵⁴

It was partly a result of the decreasing profitability of Rhodes' gold interests, which were mostly in out-crop mines, and the increasingly potent competition in the Rand from his deep-level rivals, that caused Rhodes to look not only to the Transvaal but also to the land south and north of the Zambezi River. Rhodes and his associates believed there was a "Second Rand" beyond the Limpopo which would compensate for their disadvantages in the Rand. He wrote:

I quite appreciate the enormous difficulties of opening up a new country but still, if Providence will furnish a new paying gold reefs, I think we shall be all right... as you know, gold hastens the development of a country more than anything... [the North] is very healthy, full of gold and dominates the situation.⁵⁵

In addition to gold, the North was coveted by Rhodes as a source of cheap labor for the farms and mines of Southern Africa.

While the availability of local commercial capital had been instrumental in the genesis of the Kimberley diamond mines it was the continued access to international bankers and financiers that could mobilize capital for the Rand on a massive scale to ensure success. Rhodes had this access.⁵⁶ Questionable or disreputable, Rhodes was able to achieve an amalgamation of diamond and gold mining which attracted the continuous flow of funding from such leading London bankers as Baring, Grenfell and particularly the bullion broker

⁵⁴ For a historiographical review of this period, and details on the "outcrop versus deep-levels" debate, see Richard Mendelsohn, "Blainey and the Jameson Raid: The Debate Reviewed," *Journal of Southern African Studies* 6.2, April, 1980, pp. 157-170.

⁵⁵ Rhodes to W. T. Stead, 19 August 1891, quoted in Schreuder, *The Scramble for Southern Africa*, p. 198.

⁵⁶ See R. V. Kubicsek, "Mining: Patterns of Dependence and Development 1870-1930" in Z. A. Konczacki, J. L. Parpart, T. M. Shaw (ed.) *Studies in the Economic History of Southern Africa Vol. II* (Frank Cass, 1991) pp. 67-68.

Rothschilds. In his *Finance... the Governor of the Imperial Engine*, R. Turrell, has convincingly analysed the connections of Rhodes with the powerful London financial interests.⁵⁷ Thus, Rhodes ventures, including the acquisition of territories, could be supported and sustained irrespective of the consequences. Herein lies the larger meaning of Rhodes.

This was, then, the context in which Southern Africa became a theatre of international finance capital. In 1888, to realise the dream of a 'Second Rand,' Rhodes formed the British South Africa Company (the BSA Company, for short) for which he obtained a Royal Charter from the Queen of England in October 1889. The Charter authorised the Company to act on the behalf of the British government. The BSA Company, as R. Robinson and J. Gallagher have written, was essentially "a gigantic speculation in mineral futures over which the royal charter cast the mantle of empire."⁵⁸ As in some of his financial dealing, Rhodes' acquisition of the royal charter was a fraudulent affair. King Lobengula of the Ndebele, north of the Limpopo River and King Lewanika of the Lozi, north of the Zambezi River, were both tricked into signing dubious concessions. "Some time ago a party of men came into my country...." Lobengula wrote to Queen Victoria on 23 April 1889, before the charter was granted, and complained that:

They asked for a place to dig, and said they would give certain things for the right to do so.... About three months afterwards I heard from other sources that I had given by that document the right to all the minerals in my country.... I will not recognize the paper as it contains neither my words, nor the words of those who got it.⁵⁹

Lewanika also expressed similar astonishment when he realized what the BSA Company had done. A trader, George Middleton, himself not a disinterested party was present when Lewanika was tricked. The king never suspected that the document conceded to the company all the natural resources of his country including sovereignty. This, Middleton wrote, was "at variance with his expressed desires and the wishes of his

⁵⁷ R. Turrell, "Finance...the Governor of the Imperial Engine": Hobson and the Case of Rothschilds and Rhodes' *Journal of Southern African Studies* 13, 3 1987 and his earlier "Rhodes, De-Beers, and Monopoly" *Journal of Imperial and Commonwealth History*, 10, 3 1982.

⁵⁸ Robinson and J. Gallagher, *Africa and the Victorians* (London, 1962), p. 251.

⁵⁹ Lobengula to Queen Victoria, 23 April 1889, cited in Schreuder, *The Scramble for Southern Africa*, p. 241.

people."⁶⁰ When the fraudulent origins of the BSA Company surfaced at the end of 1891, a confidential memorandum submitted to the British government confirmed that:

Her Majesty's Government were misled as to the real position which the Chartered Company, on its formation, was to occupy, and the nature of its interest in the concession or concessions which it was believed would constitute its assets, the actual arrangement being of a nature contrary to what was understood, and apparently incongruous with the particulars of the position recited in the preamble of the Charter.⁶¹

But by this time the British government was fully committed to Rhodes and to the Charter as an instrument of empire building. Moreover, Rhodes and his charter did not directly involve the British taxpayers. "Rhodes", in the words of Sir William Harcourt, the British Colonial Secretary, "is a great jingo, but then he is a cheap jingo."⁶²

While the British capitalists and politicians were content to use him as a "cheap jingo," Rhodes had his own economic interests that motivated him to go North. Both the Empire and Rhodes were in the end beneficiaries. As Ian Phimister has demonstrated, the interests were so inextricably linked so that "Kimberley capital financed much of the early denouement on the Rand and, to a lesser degree, both centres invested in Southern Rhodesia mining."⁶³ The search for gold and labor to enhance fortunes on the Rand was undoubtedly the driving force behind the northward expansion. Although, by 1893 hopes of discovering a "Second Rand" had failed, they were kept alive by deceit and trickery. For example, as a means of bolstering confidence in Chartered shares, which were deceptively linked to the Rand, the BSA Company officials hatched a plot to plunder the Ndebele people. Using an "excuse for a row over murdered women and children", the Company resorted to the pillaging of the Ndebele because, in the words of one official, Dr Leander Starr Jameson, "getting Matabeleland open would give us a tremendous lift in shares and everything else. The fact

⁶⁰ Quoted in Richard Hall, *Zambia*, (London, 1965), p. 74.

⁶¹ "Mend. on Origins of Operations of the British South Africa Company" Co. 879/34, Confidential Print No. 439, cited in Schreuder, *The Scramble for Southern Africa*, p. 260.

⁶² *Ibid.*, p. 179.

⁶³ I. R. Phimister, "Rhodes, Rhodesia and the Rand" *Journal of Southern African Studies*, I, 1, October, 1974, p. 74.

of it being shut up gives it an immense value both here and outside".⁶⁴ When the occupation of Matabeleland in 1893 could not bolster the faltering confidence in the future of Chartered shares, the debt ridden BSA Company was sustained only by subsidies from "De Beers and other friends".⁶⁵

The BSA Company's failure, on the one hand, to find another Rand north of the Limpopo river, and the ascendancy, on the other hand, of gold over silver as a stabilizer of world currencies only intensified the mining rivalries on the Transvaal and fuelled further speculation. One financial authority visiting the Rand at the peak of "Kaffir Boom" in October 1895 made this report about the new "shock city" of imperialism:

Some shares have within a few months risen 3,000 percent, although so far they never yielded a farthing in dividends; instances of stocks which quote 1,000 or 1,500 percent of their face value are common and a rise of a few hundred percent during the whole campaign is regarded small and unsatisfactory. Almost every new issue of shares is subscribed for many times over, and in some instances millions of money are readily supplied, without questioning the conditions, or purposes for which nobody can define.⁶⁶

After pointing out the largely artificial nature of these shares, the foresighted visitor warned of the danger of these conditions which were controlled by irresponsible but powerful rulers. He cautioned that "unless this 'mad boom' is checked, if it is still possible to check it, there will come a day of dénouement which must lead to a collapse so huge that the entire business world will feel the shock...."⁶⁷ The shock, which foreshadowed the Anglo-Boer War of 1899-1902, was immediately felt not only in South Africa, but also in areas as far as South and North of the Zambezi River. Conspiring to overthrow the Boer government in Transvaal to install "one more easily manipulated

⁶⁴ *Ibid.*, p. 79.

⁶⁵ E. A. Walker, *A History of Southern Africa*, (Third Edition, London, 1964), p. 426.

⁶⁶ S. F. Van Oss, "The Gold-Mining Madness in the City, *The Nineteenth Century: A Monthly Review*, Vol. 38 (October, 1895), p. 539.

⁶⁷ *Ibid.*, p. 547.

by the mining industry,"⁶⁸ men linked to Rhodes' gold interests launched the disgraceful Jameson Raid in 1895-1896. In 1896-1897 the same forces brutally crushed an uprising by the Ndebele and Shona people and stole their cattle. The same fate befell the people north of the Zambezi River, notably the torture and pillaging of the Ngoni people in 1898. In this way Southern Africa was set on a path of brigandage and plunder for the remainder of the nineteenth century, culminating in the Anglo-Boer War of 1899-1902. Schreuder has argued that this war "represented the final collapse of attempts to divide power and resources in South Africa by diplomacy and politico-geographic adjustment.... At its core was the invisible question of who was to rule and exploit the resources of Southern Africa."⁶⁹ For African people the consequences, as already indicated, were clearly visible and felt even before the war. Lord Milner, himself the foremost strategist and tactician of British imperial interests in Southern Africa, recounted in 1897 how "The Blacks have been scandalously used," by Rhodes and his agents.⁷⁰

Conclusion

The point, however, is that Rhodes as well as Grace, personified late nineteenth century capitalism. Running through their lives, and bearing remarkable resemblance, is a common thread. Later, grossly mystified by commentators and scholars, both came from very hard-pressed economic backgrounds with Grace being the most desperate. They entered the local economies of South Africa and South America essentially through parasitic practices of buying and selling. Grace sold to boom time guano diggers and manipulated the market. Aspects of landlordism are clearly discernable from their railway development schemes. Using the BSA Company as a vehicle, Rhodes shamelessly speculated on railway extension from Kimberley to Katanga and from Southwest Africa to Angola in order to "prop up...faltering Southern Rhodesia interests,"⁷¹ and to boost his political

⁶⁸ Mendelsohn, "Blainey and the Jameson Raid", p. 170. For a review and critique of recent studies on this subject see S. Marks and S. Trapido, "Lord Milner and the South African State Reconsidered" in M. Twaddle (ed) *Imperialism, the State and the Third World* (London, 1992) pp. 80-94. This is essentially a rebuttal to the criticism of their 1979 article already cited in this paper.

⁶⁹ Schreuder, *The Scramble for Southern Africa*, p. 315.

⁷⁰ Milner to Asquith 18 Nov. 1897 cited in T. Ranger, "The Last World on Rhodes?" *Past and Present*, 28, (1964) p. 126.

⁷¹ Phimister, "Rhodes, Rhodesia and the Rand", p. 85. For the broader strategy to connect Angola and Southwest Africa to the Rhodesia Railway, see B.T.O.

ambitions. For Grace, the *Contrato Grace* stands out as one of his most controversial and complex projects. It embroiled Peruvian politicians in corruption which resulted in the acquisition of extensive mineral rights by Grace's Cerro Corporation mainly through speculative financing of railways. In these shady deals many business associates and competitors were ruthlessly driven to bankruptcy and death as in the well known cases of Meiggs and Barnato.

Although they had contrasting private lives, both Rhodes and Grace were very adept at managing other men and lucky in building influential links for very profitable ends. The celibate Rhodes surrounded himself with useful bachelor friends who contributed immensely.⁷² So did Grace, whose family circulated within a close-knit circle of patricians in Wall Street. At their pinnacle both became politicians with influence befitting that of statesmen on matters of war and peace. Behind most crises, raids and wars that took place from the 1870s to his death in 1902 Rhodes name or his interests were involved. This includes the many negative consequences of the search for the Second Rand. The Baring Crisis is to Grace what the Second Rand became to Rhodes.

Grace's guano inspired interests were at the center of the disastrous 1879-81 War of the Pacific between Chile and Peru. To my mind, therefore, the larger meaning and explanation for the activities of Rhodes and his agents, as well as his far off counterpart in South America W.R. Grace, could not be understood fully by looking at them simply as strong-willed individuals with their individually stated objectives and motivations. In any case, history cannot easily be remade; it can only be interpreted and explained. Situating Rhodes and Grace in their context is important. This context, as restated here and reaffirmed in much of recent historiography,⁷³ includes the central role of international finance capital and the leading part played by gold to the working of the world economy during the last three decades of the nineteenth century. An astute contemporary observer, Hobson best articulated this historical context:

Mokopakgosi, "German Colonialism in Microcosm: A Study of the Role of Concessionnaire Companies of the German Colonial State in Namibia, 1890-1915", Ph.D. thesis, University of London, 1988, p. 301.

⁷² Of these bachelor friends were the likes of Alfred Milner, Alfred Beit, Leander Jameson, and his private secretary Pickering whose death emotionally shattered him and is considered to have led to his "loss of will". For this version of Rhodes' life see Apollon Davidson, *Cecil Rhodes and His Time*, pp. 26-79.

⁷³ See Marks and Trapido, "Lord Milner and the South African State Reconsidered" *op. cit.*

Nowhere in the world has there ever existed so concentrated a form of capitalism as that represented by the financial power of the mining houses in South Africa... The newness of the country and the absence of any earlier growth of strong vested interests have enabled these financiers, drawn from all the European countries, to develop the latent powers of pure finance more logically than elsewhere....⁷⁴

Almost a century later, as I have suggested earlier in the prologue, it is the enormity of this power and legacy that Velasco in Peru and Kaunda in Zambia faced and desperately sought to overthrow in a fit of populist nationalism, with its crucial limitations in vision.

⁷⁴ J. A. Hobson, *The Evolution of Modern Capitalism*, (London, 1906) 2nd ed., p. 276.