

South African Gold: Still Prey for the British Lion

By

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Not until eighty years after the war began did Thomas Pakenham publish his authoritative history, *The Boer War* (Weidenfeld & Nicholson, 1979; Abacus paperback edition, 1992, reprinted 2000, to which all page cites refer). Relying on material largely unavailable earlier, Pakenham emphasizes at the outset that he uncovered four new themes. Two of them are particularly relevant today, as is a third point summarized by the heading -- "Milner's War" -- given to Part 1 of the book.

Cecil Rhodes conceived and funded the notorious Jameson Raid, now generally perceived as the war's opening battle although it preceded the declaration of war by almost four years. However, prior historians assumed that Rhodes, Alfred Beit and Julius Wernher, who collectively controlled the richest gold mines of the Rand, were not directly involved in causing the war in 1899. "But directly concerned they were," says Pakenham (p. xvi), who adds (pp. xvi-xvii): "I have found evidence here of an informal alliance between Sir Alfred Milner, the British High Commissioner, and the firm of Wernher-Beit, the dominant Rand mining house. It was this secret alliance, I believe, that gave Milner the strength to precipitate the war."

The gold mining companies were prepared to endure the certain disruptions and costs of war to secure two important long term advantages which they expected a British administration to deliver: (1) more favorable tax treatment than under President Kruger's Boer government; and (2) a plentiful and reliable supply of cheap black labor. "What made [the gold mining moguls] such wonderful allies was that they repeated over and over again the dictum that there would be no war -- that is, if Britain called Kruger's bluff and sent out the troops," writes Pakenham (p. 89). He adds (id.): "Possibly Rhodes believed his own forecasts. But Beit, Wernher and Fitzpatrick knew the Boers. The dispatch of British troops would precipitate war."

The second new theme underlined by Pakenham is that the heaviest burden of what contemporaries labeled a "white man's war" fell on South Africa's black and coloured populations. Not that the main protagonists did not suffer enormously. In men, money and materiel, it was Britain's costliest war since the defeat of Napoleon, not to be outdone until World War I. Relatively speaking, the costs to the Boers of their "Second War of Independence" were even higher. But, says Pakenham (p. xvii): "In general it was the Africans who had to pay the heaviest price in the war and its aftermath." Adding insult to injury, in the Treaty of Vereeniging ending the conflict, the British agreed to a provision postponing the franchise for blacks and coloureds until after the introduction of self-government, when of course the local white population would not grant it.

Perhaps the most startling point to emerge from Pakenham's book is that absent one man, Alfred Milner, British viceroy of South Africa, the war would never have occurred. Motivated by his belief in Britain's imperial role and a personal ambition to rank among its heroes, Milner hoodwinked his own government into waging war over a controversy that it desired to settle by negotiation and compromise. The public justification for the war -- to secure the franchise and fair treatment for the Uitlanders, white and mostly British immigrants who had followed the gold rush into the Transvaal -- was largely a sham. Worse, with the aid of a few like-minded friends as well as the gold mining interests, Milner deceived his superiors, including the Colonial

Secretary and the Prime Minister, regarding the actual course and content of his negotiations with the Boer government. Referring to the war as "Milner's War" is no exaggeration; it is the simple truth.

About the time that he assumed office, President Kennedy remarked that modern statesmen ought to read Barbara Tuchman's *The Guns of August*. His successful handling of the Cuban missile crisis suggests that he profited from his own advice. Pakenham's *The Boer War* is similar must reading for anyone concerned with modern South Africa or today's gold market. Against this history, the gold price fixing allegations of my Complaint are scarcely far-fetched. Rather, they read like a new variation on an old theme: the plunder of South Africa's gold reserves for the primary use and benefit of British and other outside interests.

The gold cabal orchestrated by top officials of the Clinton administration and the Blair government, with maestro Alan Greenspan and assistant Eddie George directing the BIS ensemble, bears uncanny resemblance to the machinations that brought on the Boer War. Motivated by ambition and greed, cloaked in deceit, both schemes set political power and private profits as their ultimate goal. Both required cunning, Machiavellian leadership. Elements of Milner are readily apparent in Mr. Greenspan, self-described as "among those of us engaged to replace [the gold standard]," that is, to create the economic version of alchemy. Reeking of world class hypocrisy, the IMF gold sales were no more proposed for the benefit of poor countries in sub-Saharan Africa than the Boer War was prosecuted to secure the franchise and other democratic rights for the Uitlanders.

When the British lion roared its defiance of Hitler through the mouth of Winston Churchill, South Africa stood by it notwithstanding painful memories of the Boer War. But the British lion is not like the African lion from whose paw Androcles pulled the thorn. Rather, the British lion displays today the same morality that it seems to have taught its most famous Rhodes scholar, recently departed from the White House: "What have you done for me lately?"

Speaking at the Indaba African Mining Conference last week, one African minister warned that democratic governments cannot expect to take permanent root in developing countries unless they deliver measurably improved living conditions within reasonable time frames. Nor can they succeed unless they provide the basic building blocks of republican democracy: the rule of law, free markets and sound money. Gold mining remains a mainstay of the South African economy, which dominates that of the whole sub-Saharan region. It is hard to imagine anything that would do more to stimulate economic growth in the area than an increase in gold prices from the low levels set by manipulation to their more natural equilibrium now estimated by some at around \$500/oz.

To most Americans, strong U.S. support both for the new multiracial government in South Africa and for other African nations trying to move toward stable democratic regimes appears unquestionably in the national interest. Few would accept that U.S. policy in the region should be hijacked by the Fed for the benefit of a few bullion banks, let alone that the Fed and the Exchange Stabilization Fund should conspire with the BIS and the British government to manipulate the free market price of gold. On the birthday of America's Great Emancipator, the new administration in Washington should make clear that its policies toward South Africa and its neighbors will be governed by the law, the Constitution and the national interest.

But it would be a mistake to conclude that the future of South Africa or its gold mining industry rests in the hands of officials in Washington, London, or elsewhere outside South Africa. It is a nation rich in human as well as natural resources, and possessed of considerable spiritual resources as well. More like the United States than Canada or Australia, South Africa never lived comfortably with the British lion, and completely withdrew from the Commonwealth in 1961. Its great military battles are its own, not engagements in foreign lands on behalf of the Crown.

Of all the smaller nations in the world, South Africa is perhaps best positioned to withdraw from the IMF and reestablish for itself a monetary system linked to gold. In that event, South Africa's national patrimony would not be dumped into the world market at low prices rigged by others. Nor would its currency be battered below any reasonable measure of its purchasing power parity versus others. Rather, its gold would have to be earned by exports of goods or services or purchased for investment on capital account. By adopting a monetary system like that on which most of the developed world developed, including the United States, South Africa might reasonably look forward to following a similar path, and, at long last, to extinction of the British lion on the Rand.

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