

THE MINING BOOM OF THE 1890s IN GENERAL AND IN HAURAKI IN  
PARTICULAR

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## THE MINING BOOM OF THE 1890s IN GENERAL AND IN HAURAKI IN PARTICULAR

[**Note:** Because this paper has been processed by several computers, for some reason the formatting has changed, meaning the font is different from the other papers and making the footnotes hard to read; however, if the paper is printed these are readable.]

**Abstract:** *By the 1890s, mining had slowed down and New Zealand in general was economically depressed. Large amounts of capital could only be obtained from London, where exploration companies were formed to investigate potential goldfields, but, as usual, most investors were after quick profits. The mining boom started in 1894 on the Rand in South Africa, then attention turned to Western Australia in the following year, and by 1896 it was New Zealand's turn, where overseas capital was made very welcome, for without it large-scale mining development was not possible.*

*As both vendors and investors sought to exploit the industry for their own benefit, there were fears that a brief boom would handicap rather than assist it. Over-capitalized companies were formed, with vendors and company promoters exploiting the system, including by insider trading, although because of the risks involved some did not make the profits expected. Overseas 'experts' were used to puff mines, as many investors understood, for in England there was no rush by ordinary investors to acquire shares. In New Zealand speculators made quick profits by gambling on the share market in a manner compared to horse racing.*

*The New Zealand boom is traced from its beginnings in 1895 to its fading away as wild cats collapsed in 1897. Although some people blamed government policy for the boom not continuing, more commonly the gambling fever was seen as the cause, for many mining properties placed on the market had no possibility of success. Yet in the short term there were benefits for the industry, sometimes because lessons were learnt and mistakes understood. In general, it was a pegging-out boom rather than a mining boom.*

### EARLIER BOOMS

New Zealand capital had created earlier, short-lived, mining booms. Not all their legacies were bad, as the *Thames Advertiser* argued about 1870, ‘when people had scrip fever very bad, and when we had as many companies as mosquitoes’, of which the ‘great majority’ collapsed.

Many were floated on ground clearly outside the gold-carrying channel, many more were started to work ridiculously small areas of ground -in some instances less than an acre of land, and *all* were begun without any working capital. The greatest wonder is that any of these survived. But a great many did so, and were wonderfully productive.<sup>1</sup>

In 1872, when a Coromandel boom faded, Alexander Saunders, a leading sharebroker,<sup>2</sup> in one of his monthly report stated that the majority of new claims were ‘unworthy of the attention of investors, as they represent mere bubble companies floated to suit the purposes of unscrupulous speculators’.<sup>3</sup> Shortly afterwards, a Coromandel newspaper was ‘glad’ that shares ‘in most of the bubble companies’ were ‘well nigh unsaleable’. It hoped that they would ‘remain in this condition for all time to come, so that the credulous and unwary may not be entrapped into throwing away the results of years of labour and economy for the possession of a few pieces of worthless paper’.<sup>4</sup>

## BEFORE THE BOOM

As an illustration of the depression in the mining industry before the 1890s boom, in 1892 calls totalling £40,000 compared with £3,000 paid in dividends.<sup>5</sup> The following year, mining stock was ‘dull, dead, downward, and no wonder when we see how few dividends are being paid and how little gold is being produced at the present time’.<sup>6</sup> One prominent mine manager and mining

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<sup>1</sup> *Thames Advertiser*, 21 February 1882, p. 2.

<sup>2</sup> See *Observer*, 6 January 1883, p. 259; *Auckland Weekly News*, 11 July 1891, p. 36.

<sup>3</sup> *Coromandel Mail*, 21 May 1872, p. 2.

<sup>4</sup> *Coromandel Mail*, n.d., reprinted in *Auckland Weekly News*, 1 June 1872, p. 4.

<sup>5</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 14 January 1893, p. 5.

<sup>6</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 18 March 1893, p. 12.

reporter, John McCombie,<sup>7</sup> stated that it was ‘harder now to enlist capital for mineral exploration than at any other time during the past 25 years’.<sup>8</sup>

Early in 1895, according to one journalist writing in September, ‘there was not in Auckland or its suburbs a more desolate or deserted looking spot’ than the stock exchange.

In those days, if you had a twenty pound note to invest, and incautiously mentioned the same in the hearing of one of the keen-eared, sharp-sighted brokers, who looked disconsolately forth from their useless offices, you would have but little peace of mind till it was “placed.” The busiest of brokers were idle men then, and would run up to your office with offers or recommendations twice or thrice in the day, and all for the sake of a commission that would now be forfeited rather than waste five minutes’ talk over the matter. “Poor devils, how on earth do they live?” was the stock phrase (no pun intended) one heard as one passed through the building and saw the hungry-eyed brokers glaring from their lairs. The posting of the prices current seemed a farce. Nobody ever appeared to study it, and its publication in the newspapers was by many considered a waste of space, an unjustifiable piece of padding. Seven months ago a crowd of two men, a boy, and a dog on ’change would have been regarded with hopefulness by the brokers, and have been made the subject of a headed article in displayed type under the style of “Unusual Activity on ’Change.” Strangers visited the place in much the same manner other ruins were visited, and the old identities would come forth and gossip of the good old boom days....

Business was so flat as to be almost non-existent, and more than one of the men, who are now making hundreds a week, will tell you they were not then earning the “eight bob [shillings] a day” which the unskilled workman demands as a living wage.<sup>9</sup>

Naturally, therefore, there was a desire to revive the market with new capital, and the success of the cyanide process at Waihi was the trigger to renewed investment.<sup>10</sup> Writing about this development in December 1894, an editorial headlined ‘Revival in the Mining Industry’ noted that for ‘some years’ it had been ‘impossible to arouse anything like speculation on our goldfields. It was difficult, indeed, to obtain any capital to develop the most promising ventures’.<sup>11</sup> But with

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<sup>7</sup> See paper on Billy Nicholl.

<sup>8</sup> ‘Aboriginal’, ‘Gold or Bullion: Tracks as an Aid to Prospecting’, *Auckland Weekly News*, 8 April 1893, p. 35.

<sup>9</sup> ‘The Mining Boom’, *New Zealand Graphic*, 21 September 1895, p. 349.

<sup>10</sup> For example, ‘They Say’, *Observer*, 21 April 1894, p. 4; ‘Obadiah’, ‘Shares and Mining’, *Observer*, 26 May 1894, p. 12.

<sup>11</sup> Editorial, *Auckland Weekly News*, 8 December 1894, p. 17.

the proven success of cyanide and an increase in the price of gold the scene was set for a revival.<sup>12</sup>

### THE LONDON MARKET

In his history of Australian mining, Geoffrey Blainey explained why London was the source of capital in the mid-1890s:

The London stock exchange was ripening for a mining boom. Financial panics in Australia and the United States and world depression cut the outlets for investment in the new world. By 1894 so many Englishmen were hunting for profitable investment that London banks, saturated with money, paid only 10s interest on each £100 deposited “at notice” - only a quarter of the average interest paid from 1884 to 1891. Much of the surplus money went into gold shares. Whereas dividends from most companies had fallen because prices for most commodities were lower in the world-wide trade slump of the early 1890s, the price of gold was unchanged. Therefore gold shares became attractive.<sup>13</sup>

British investors ‘had abundant money but few profitable ways of investing it’.<sup>14</sup> ‘Mining investment is usually heaviest when other investment outlets are weak’.<sup>15</sup>

Other historians explained that speculative company promotion was based in London because it provided ‘a bundle of competitively priced services. Merchant bankers like the Rothschilds did a large amount of business with all the mining companies in which they took a major interest’. Being ‘the heart of the international trade and payments systems’, London was ‘the natural home for large numbers of international mining companies’, many owned by foreigners. ‘The London share market was very open and it was possible to generate trade in a company’s shares and fixed interest securities more easily than elsewhere’.<sup>16</sup> The City of London had ‘a propensity to create companies’:

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<sup>12</sup> Brian R. Hill, ‘New Zealand’s 1896 Mining Boom’, *Journal of Australasian Mining History*, vol. 8 (September 2010), p. 133.

<sup>13</sup> Geoffrey Blainey, *The Rush That Never Ended” A history of Australian mining* (rev. ed., Melbourne, 1964), p. 186.

<sup>14</sup> Blainey, p. 189.

<sup>15</sup> Blainey, p. 289.

<sup>16</sup> Charles Harvey and Jon Press, ‘The City and International Mining, 1970-1914’, *Business History*, vol. 32 no. 3 (1990), p. 114.

It was an easy matter, and a useful way of investigating a prospect without risking too much capital. Companies were formed and liquidated by collaborating groups of firms and individuals in the normal course of business. It was understood by all concerned that only a minority of mines would ever be worth developing. Through involvement in numerous exploratory projects, promoters might expect to gain participation in at least some successful ventures. Shares in unlikely properties could be unloaded whenever the market boomed.<sup>17</sup>

‘Australia, African, Europe, Asia, North America and South America all proved attractive to British mining entrepreneurs and investors’, and British-owned companies ‘accounted for 60 per cent of the world’s output of gold in 1898’.<sup>18</sup> One reason for ‘British pre-eminence in international mining’ was that ‘London was near paradise for speculators and company promoters. The gentlemanly capitalists of the City, keen to find fresh outlets for funds, had no difficulty in organizing new firms and presenting them to the public as worthy investments’. A ‘plethora’ of ‘free-standing multinational firms’ acquired mining concessions ‘in exchange for a combination of cash, debentures, and shares. Substantial promotional profits were common’. To attract investors, ‘favourable reports from mining engineers’ were circulated and ‘establishment worthies’ were appointed as directors.<sup>19</sup>

One historian has pointed out that it was often not the best properties that were floated overseas:

Where there was an excellent prospect of profitable mining producing quick returns, capital could nearly always be found in New Zealand. Only schemes with rather dubious prospects of success, or those which were not immediately productive and required heavy expenditure for machinery, were ever likely to be put before a promoter in Britain. Most British-registered mining companies were therefore floated either by professional promoters of mining companies, who cared little for the value of their assets and never expected them to survive, or by the small group of people who were concerned with Australasian promotions.<sup>20</sup>

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<sup>17</sup> Harvey and Press, ‘City and International Mining’, p. 115.

<sup>18</sup> Charles Harvey and Jon Press, ‘Overseas Investment and the Professional Advance of British Metal Mining Engineers, 1851-1914’, *Economic History Review*, second series, vol. XLII no. 1 (February 1989), p. 64.

<sup>19</sup> Harvey and Press, ‘Overseas Investment’, p. 67.

<sup>20</sup> H.J. Hanham, ‘New Zealand Promoters and British Investors, 1860-1895’, in *Studies in a Small Democracy: Essays in honour of Willis Airey*, ed. Robert Chapman and Keith Sinclair (Auckland, 1963), pp. 63-64.

London correspondents raised hopes of overseas capital creating lasting prosperity. For instance, in late January 1896 one had ‘a long talk with the mining editor of one of the leading financial papers’, who stated that New Zealand’s advantages over South Africa and Western Australia in labour and transport costs were becoming ‘more and more recognized’. Reports of its mines were ‘so satisfactory’ that he had ‘no hesitation’ in predicting that it would be ‘the coming field for the investment of British capital’, provided mine owners did not choke off speculation by making ‘the fatal mistake of demanding prohibitory prices’. The correspondent quoted several English newspapers enthusing ‘tremendously about New Zealand’s prospects’, one congratulating the colony ‘on the golden future before her’.<sup>21</sup> A more cynical view was an *Observer* cartoon published in mid-December 1895, captioned ‘Our New Jingoism’. ‘Young New Zealand’, dressed as a miner, told John Bull, ‘We’ve got the mines, we’ve got the scrip, but we want the money too’. John Bull replied, ‘The devil you do! Ah, well, we are always glad of a new customer at the Big Pawn Shop’.<sup>22</sup>

Historians agree that most overseas investors were only interested in the short term. Probably having ‘no serious expectations of dividends’, their aim was to trade in shares and obtain ‘profits from small changes in values. It mattered little to them whether the companies they invested in were legitimate or fraudulent’, as long as they had sold their interests profitably before they collapsed.<sup>23</sup> ‘Investors who suffer most in a mining mania are those who buy late, not early’.<sup>24</sup> They ‘were more interested in the short term manipulation of wealth, through speculation and share dealing, than in long-term wealth creation, through careful investment in legitimate enterprise’.<sup>25</sup> London promoters and directors did not much care if a mine was rich, and

often wrecked the honest ideas of trained engineers. Directing mines which had little gold, they sometimes boosted share prices by erecting plants; the erection of a plant convinced many investors that the mine was capable of

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<sup>21</sup> London Correspondent, *New Zealand Herald*, 29 February 1896, Supplement, p. 1.

<sup>22</sup> ‘Blo’ [William Blomfield], ‘Our New Jingoism’ (cartoon), *Observer*, 14 December 1895, p. 1.

<sup>23</sup> Roger Burt, ‘Segmented Capital Markets and Patterns of Investment in Late Victorian Britain: Evidence from the Non-Ferrous Mining Industry’, *Economic History Review*, vol. 51 no. 4 (November 1998), p. 723.

<sup>24</sup> Blainey, p. 189.

<sup>25</sup> Burt, ‘Segmented Capital’, p. 731.

producing gold, and shares would rise and directors would sell their shares.<sup>26</sup>

As most companies had hundreds of thousands of shares, ‘they could only earn sufficient profit to satisfy so many shares by mining on a large scale’.<sup>27</sup>

The competence, and honesty, of promoters was one reason for the ‘wholesale failure of hundreds of British mining companies’ in America in the nineteenth century:

The men who promoted and directed the great majority of these enterprises were not well qualified, informed, and experienced. They were frequently chosen for their names and social position rather than their abilities and ... had commonly gained no first-hand knowledge or experience from their own domestic metal mining industry. They were truly innocents abroad – except in such cases where their promotions were deliberate frauds to fleece an unwary public.<sup>28</sup>

But in America there was little evidence of directors being chosen solely for their names, and ‘deliberately fraudulent promotions’ were few. ‘The frequent charge of fraud was probably often a misnomer for honest incompetence’.<sup>29</sup> ‘Nearly all’ directors ‘lived in or around London and very few had direct knowledge of the mining districts and mining industry’.<sup>30</sup>

In 1898, after the boom had collapsed, James Herbert Curle, the *Economist*’s mining correspondent,<sup>31</sup> under the heading ‘The Dangers of Speculation’ had some typically trenchant views on ‘the gambling mania’ in London:

It may be said that three-quarters of all transactions in mining shares come under the head of gambling, pure and simple. The average gambler in mines cares nothing for the intrinsic value of a property; he does not study its past history, he does not intend to hold the shares for dividends – in fact, he wants to know nothing about the mine. All he asks for is a large profit on his

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<sup>26</sup> Blainey, p. 202.

<sup>27</sup> Blainey, p. 199.

<sup>28</sup> Roger Burt, ‘British Investment in the American Mining Frontier’, *Business and Economic History*, vol. 26 no. 2 (Winter 1997), p. 517.

<sup>29</sup> Burt, ‘British Investment’, p. 518.

<sup>30</sup> Burt, ‘British Investment’, p. 519.

<sup>31</sup> James Herbert Curle, *The Gold Mines of the World, Containing Concise and Practical Advice for Investors Gathered from a Personal Inspection of the Mines of the Transvaal, India, West Australia, Queensland, New Zealand, British Columbia and Rhodesia* (London, 1899), vol. 1, p. 2.

speculation in a minimum period, and, credulous and greedy as he is, jumps at the first sources of information that comes to his hand. The company promoter, and his myrmidons, who, in their turn, control a large section of the financial press, have, in these days, effected an organization for the fleecing of these thousands of greedy, credulous gamblers, which is not only complete, but marvelously successful.

The promoter forms a company: he issues a prospectus in flowery language, and to it attaches the report of a dishonest expert or the report of an honest one with the unfavourable points left out: he prints off, for himself or his syndicate, 100,000 or 200,000 shares: he advertises the company by circular, or in the press by paragraphs which are paid for at ten times the rate of ordinary advertisements. If the mining market is strong, or if his company has been cleverly advertised, the shares which are to provide the vendor's proportion of cash, and the small working capital, are all applied for: if the market is indifferent they are only partly applied for – in any case the company proceeds to allotment. Here we pause for a moment, to inspect the share register of the newly formed company. We note that the names of the hundred or two hundred proud possessors of the allotted shares are those of respectable proprietors or shopkeepers in the provinces: of gullible women: of retired officers: of even a curate or two: and of, at least, 25 orphans. But we note with a feeling of due respect that the name of not a single man who is reputed to be "in the know" in the mining world, is included.

But the principal facts that have kept mining men of experience from taking shares in a company of this nature, are facts that are at the disposal of all. To begin with, assuming their neither the flowery language of the promoters, nor the hollowness of the report, nor the evil reputation of the expert who penned it, can be expected to show themselves to the scrutiny of the most ignorant class of speculator, the smallness of the working capital asked for *must* betray the nature of the undertaking. Everybody knows that a mine cannot be started for £15,000 – the sum we will assume as being provided – nor, indeed, very often for £150,000.<sup>32</sup>

Such methods were not new. In 1886, an American explained the 'unique' London procedure for floating mines:

The vendor consults a broker and presents his papers, reports, and samples; the titles and reports must be in good shape, and approved by some firm of solicitors and a mining engineer favourably known to the investing public of London or else the broker will not consider them; this ordeal successfully passed, the vendor names his price, which may be all cash, or partly cash and partly a stock consideration; this done the broker purposes to bring out the company. The first step in this operation is to secure a chairman for the board of directors; nobody untitled will answer for this office, and the broker tries the entire list if he is not at first successful. Dukes, earls, marquesses, viscounts, lords, and baronets. He does not want an earl if he

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<sup>32</sup> Curle, vol. 1, pp. 10-11.

can get a duke, and so down to a sir; which latter he is mostly obliged to accept. The chairman secured, the remainder of the board is made up of business men, naval and military officers, members of Parliament, etc. Upon the *social* standing of the board, solely depends the success of the scheme, and if it is headed by a duke or an earl - a very rare occurrence - the stock is sure to go off quickly and at par. I must not forget to mention the fact, for it is an important consideration, that the services of the board have been secured for a certain block of fully paid shares, the size of the block varying and dependent upon a variety of circumstances, but under the most favourable auspices the allowance is always liberal; this is distributed where it will do the most good, and then a day is set for

**Bringing out the Company.**

This operation is a simple, but not inexpensive one. The *modus operandi* is to advertise in every daily paper in London an abridgment of the prospectus of the proposed company, and this advertisement occupies from a column to half a page of space; hence it is obvious that in a newspaper with a daily circulation of from a quarter to half a million copies, such a “card” will cost (as they say in England) “a lot of money.” These advertisements are usually worded in this style (I quote from a current prospectus): “Capital, £85,000 and 17,000 shares £5 each; 11,500 shares are offered for public subscription. Payments: 10s on application, 30s on allotment, 20s one month after allotment, and 40s two months after allotment.” If the public comes forward and subscribes the stated number of shares, it is then said to “go,” otherwise it is either a failure, or else the unsubscribed stock is underwritten, *i.e.*, taken by the promoters, vendor and board of directors.<sup>33</sup>

The *New Zealand Graphic* agreed that there was ‘a good thing in a title’, for promoters were ‘only too glad to pay’ a nobleman for the use of his name. ‘There is no bait that takes with the British public like a nobleman. Dangle one, two, or three of these from your prospectus and the poor little fish will gobble the hook with an avidity that is not to be denied’.<sup>34</sup> Curle noted the rather ‘ludicrous’ list of directors of dubious companies.

There is a lord, a general, an M.P., a knight, and two untitled men (or some permutation of the above), but not the name of a single well-known business man, nor that of a director connected with any successful mine. All these directors may be honest and willing men, but it is only too evident that they utterly lack the necessary qualifications for their office: that they are merely the dummies or decoy ducks for the promoter.<sup>35</sup>

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<sup>33</sup> ‘A Writer in the Mining and Scientific Press’, London, 6 September 1886, reprinted in *Thames Advertiser*, 4 December 1886, p. 2.

<sup>34</sup> *New Zealand Graphic*, 13 August 1896, pp. 194-195.

<sup>35</sup> Curle, vol. 1, p. 11.

It was the common view that the London sharemarket was a centre of financial roguery. In 1875 the *Thames Advertiser* commented that, although local shareholders were ‘sometimes said to be a very unprincipled set of men’, they compared ‘very favourably’ with members of the London Stock Exchange.<sup>36</sup> One editor of the *Thames Star* and mayor of Thames, Henry James Greenslade,<sup>37</sup> described the London company promoters he met in 1896 as ‘cold, cautious, and lamentably deplorably greedy’.<sup>38</sup> Another Thames resident who visited London later commented that ‘he would be justified in not placing a high estimate’ on ‘the commercial morality of members of the Stock Exchange’.<sup>39</sup>

British publications printed enthusiastic interviews with visitors to England and reprints of Auckland press reports that painted rosy pictures of the future of New Zealand mining,<sup>40</sup> thereby encouraging investment. And promoters used their prospectuses to ‘puff’ their properties, meaning ‘to praise to excess and for one’s own interest’.<sup>41</sup> ‘Although there were various attempts to make prospectuses truthful before 1900, the law did not specify what had to be included and the company promoter had a fairly free rein to indulge his creative-writing talents. It was not unusual for fiction writers and journalists to be employed to turn out an appealing prospectus’.<sup>42</sup> Curle cautioned his English readers:

The public is heavily handicapped in its efforts to acquire correct mining information. The principal channel through which information reaches it is the financial press, and I have no hesitation in stating that the majority of financial papers frequently public incorrect mining matter. These papers are subsidized by one or more of the big mining houses or groups, either by direct payment, or by periodical options on shares, or, most usually, by frequent and highly paid advertisements....

There is no doubt that the system is responsible for the circulation of an immense amount of incorrect information, and frequently causes the ruin of confiding persons who are guileless enough to believe these statements.<sup>43</sup>

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<sup>36</sup> *Thames Advertiser*, 7 July 1875, p. 2.

<sup>37</sup> For his career to 1902, see *Cyclopedia of New Zealand*, vol. 2, pp. 784, 863, 1021-1022.

<sup>38</sup> *Thames Advertiser*, 15 January 1897, p. 4.

<sup>39</sup> *Thames Advertiser*, 11 May 1898, p. 4.

<sup>40</sup> For example, *British Australasian*, 11 April 1895, p. 534, 23 May 1895, pp. 790-791, 27 June 1895, pp. 995-996, 14 November 1895, p. 1804, 4 June 1896, pp. 853-854, 4 February 1897, pp. 213-214, 236-237, 239-243.

<sup>41</sup> Jonathon Green, *The Cassell Dictionary of Slang* (London, 1998), p. 954.

<sup>42</sup> John Armstrong, ‘The Rise and Fall of the Company Promoter and the Financing of British Industry’, in *Capitalism in a Mature Economy: Financial institutions, capital exports and British industry, 1870-1939*, ed. J.J. van Helten and Y. Cassis (Aldershot, 1990), p. 117.

<sup>43</sup> Curle, vol. 1, p. 5.

## EXPLORATION COMPANIES

In the early 1890s, 'gold was seen as the only safe hedge in a period of falling prices and international depression'. With demand for gold exceeding supply, gold mines were seen as potentially profitable investments.<sup>44</sup> This encouraged the establishment of a new type of company by engineering firms, financiers, and merchants. 'In the 1890s there was a rapid growth in the number of joint stock mining finance companies, usually called exploration or trust companies, which made a business out of the issue of new mining companies. All these companies combined engineering and financial expertise, but in different strengths'.<sup>45</sup>

The Auckland public was informed in 1896 that the 'guiding principle' of exploration companies was 'to begin with a thorough exploration and testing of the country', for they would 'not touch any property' not 'satisfactorily proved to be profitably auriferous'. They did not offer shares to the public; these could 'only be obtained privately as a sort of personal favour from their present holders'.<sup>46</sup> Hall considered that most if not all exploration companies were created by speculators and financiers 'who had little if any experience of mining as such but who saw in mines convenient gambling counters with which they could make use of their speculative talents'.<sup>47</sup> 'A large proportion (40 per cent in 1895) of all new international mining companies were created for purposes of exploration and company promotion'.<sup>48</sup> After vendors informed London of potentially lucrative possibilities, a syndicate would be formed to obtain mining concessions and float companies. 'The main promotional gains accrued at the point of transfer of a concession from a syndicate to a newly-formed operating company. Usually a substantial price was paid for the concession in cash, debentures or shares'.<sup>49</sup>

Investment groups developed to spread high-risk investments, first of all in South Africa:

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<sup>44</sup> Van Helten, p. 169.

<sup>45</sup> Turrell with van Helten, pp. 181-182.

<sup>46</sup> Auckland Weekly News, 16 May 1896, p. 20.

<sup>47</sup> Hall, p. 112.

<sup>48</sup> Harvey and Press, 'City and International Mining', p. 108.

<sup>49</sup> Harvey and Press, 'City and International Mining', pp. 109-110.

It was widely accepted that the risks of deep-level mining were so high in relation to fluctuating market demand, and capital needs were so immense, that the initial burden had to be shouldered by an exploration company or financial group. Having proved an economic reef, the finders might then appeal to a wider investment public, in practice rewarding themselves by maintaining control over groups of mines and other properties they did not own.<sup>50</sup>

Exploration companies were common in Britain in the late nineteenth century, sending out expeditions

to acquire concessions in an overseas mineral bearing area, and to prove the existence of worthwhile deposits. When that had been done additional finance could be provided by the original members, or the now valuable mining rights could be sold off, at considerable gain, to a much larger concern which would then complete the development.<sup>51</sup>

Because of the speculative nature of mining, it was considered by mining experts to be 'better to own interests in several picked properties than put all your efforts in one basket'.<sup>52</sup> Curle was particularly critical of exploration companies that did not develop or work their own mines.

The immense majority of these companies "toil not, neither do they spin." The chief object of their controllers is to float new mines, or to reconstruct, or to amalgamate old ones, and, collectively, they are responsible for the printing and the off-loading of an immense amount of worthless scrip among the public. A great deal of the utter rottenness that has crept into gold mining is due to the unscrupulous methods of men, "masters of finance" their subsidized papers call them, who have founded these finance companies.<sup>53</sup>

In 1902, he warned investors of an important point:

No mine with proved or really promising prospects is ever offered on the market except at a high premium. The valuable deep level areas at the Rand, which were known to carry payable gold before operations were ever commenced on them, were never offered to the public as were the outcrop

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<sup>50</sup> S.D. Chapman, 'British-Based Investment Groups Before 1914', *Economic History Review*, vol. 38 no. 2 (May 1985), p. 232.

<sup>51</sup> R.C. Mitchie, 'Options, Concessions, Syndicates and the Provision of Venture Capital, 1880-1913', *Business History*, vol. 23 no. 2 (July 1981), p. 154.

<sup>52</sup> Mitchie, p. 156.

<sup>53</sup> Curle, vol. 1, p. 4.

mines. Their owners themselves were quite content to furnish the enormous sums required for their development, and it was only at a premium of from £2 to £10 per share that the public was afterwards offered an interest.<sup>54</sup>

The normal method of floating a company was for

the mine to be a member of a group, one of which was a really sound venture. This was used as a bait to arouse interest in the group as a whole and its new mines in particular. If the advertising and the bait failed and the public did not enter the market, the issues was taken up by the promoting company in the hope that, by suitable market manipulations, the shares would eventually find their way into the hands of the public.<sup>55</sup>

Also common in several countries was

the acquisition of mining property by a company, the floating of “subsidiary” companies with virtually the same directorate, the sale to the subsidiaries of sections of the property at highly inflated prices, and eventually the consolidation of the group into a united company. The shareholders of the parent company received early and high returns from their investment.<sup>56</sup>

Welton agreed that those acquiring properties from such companies should exercise caution. ‘When the vendor is an Exploration company, there is no excuse for not having developed the property, and it would not be advisable to purchase undeveloped claims off such a company, as its business is to make profits by the development or improvement of unexplored properties’.<sup>57</sup> Finance companies styling themselves exploration companies were, legitimately, improving mines for resale, but he warned that profits would ‘very much depend upon the raw material’. Such a company could become ‘a most dangerous element through its ability to bring out a company without due regard to the value of a property, or with such an excessive nominal capital that nothing but failure can result’.<sup>58</sup>

## THE BOOM ON THE RAND

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<sup>54</sup> Curle, 2 ed., p. 341.

<sup>55</sup> Hall, p. 113.

<sup>56</sup> A.L. Lougheed, ‘British Company Formation and the Queensland Mining Industry, 1886-1890’, *Business History*, vol. 25 no. 1 (1983), pp. 77-78.

<sup>57</sup> Welton, p. 75.

<sup>58</sup> Welton, pp. 84-85.

In mid-1894, English money began to pour into the Rand mines of South Africa. ‘Never before did Britain invest so much money in foreign mines. No broker could remember a boom to rival that part of the London market known as the Kaffir Circus’.<sup>59</sup> The following year ‘saw the greatest boom in South African gold mining shares ever on the London Stock Exchange’, with the nominal capitalization of British-registered Rand mining companies rising ‘from £3.8 million in 1894 to £27.5 million in 1895, only to decline to £13.1 million in the following year’.<sup>60</sup>

Paul Emden vividly described the excesses of the Rand boom:

When the champagne begins to run short, the drinker has to put up with cider, and in times of an enormous consumption of shares smart and adroit promoters have ever been able to let no one die of thirst, and have taken full advantage of the position. When the “X Y Gold Mining shares” began to run short, there was still a sufficiency of “United New Consolidated X Y Extension and Development Block D Proprietary Gold Mining shares,” or there was at any rate not much difficulty in procuring them. If the big men could not satisfy the demand for shares, the little men were only too pleased to do so. Every claim, so long as it was situated “somewhere,” became the substratum of a flotation, and if it was absolutely impossible, without going altogether too far, to call a venture a “gold mine,” it was christened “Land Company” or “Exploration Company” or “Banking Company;” even the idea of forming Trust Companies had been mooted, for speculators, especially on the Continent, showed the most eager disposition to buy anything and everything if only it came from South Africa. Shares which up to then had been unsaleable were pushed into prominence and were sought after at pounds when a year before they had been offered at as many shillings without finding a buyer.<sup>61</sup>

By September 1895, ‘prices had soared to a height which was in no proportion whatever even to the most optimistic expectations, let alone the facts, and, abiding by an unalterable law, the crash was bound to come’.<sup>62</sup> ‘The great boom of 1895’ was ‘killed by its own excessive power’, but ‘while it lasted it was

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<sup>59</sup> Blainey, p. 186.

<sup>60</sup> Jean-Jacques Van Helten, ‘Mining, Share Manias and Speculation: British Investment in Overseas Mining, 1880-1913’, in *Capitalism in a Mature Economy: Financial institutions, capital exports and British industry, 1870-1939*, ed. J.J. van Helten and Y. Cassis (Aldershot, 1990), p. 170.

<sup>61</sup> Paul H. Emden, *Randlords* (London, 1935), pp. 242-243.

<sup>62</sup> Emden, p. 243.

so strong and its influence so far-reaching that it has passed beyond the history of economics into general history'.<sup>63</sup>

'The first light which was to lead to the illumination and the fireworks of the boom of 1895 was lit on the banks of the Seine', and was passed on to London and other capital cities. 'The more hardened London public was infected by Paris; in both centres daring and the passion for speculation grew with every success and increasing profit, for nothing succeeds like success'.<sup>64</sup> Robert Kubicek agreed that the boom 'began in Paris'.<sup>65</sup> One reason was the reluctance of French industry 'to compete for financing in the capital market'.<sup>66</sup> Since the middle of the century, rich Frenchmen had invested considerably more abroad than previously.<sup>67</sup>

'The intermediary in Britain which assumed the role which joint-stock banks and insurance companies were reluctant to play was the investment trust', which became 'essential' for financing South African mines. 'These trusts evolved in the latter half of the nineteenth century by catering to the growing number of small investors, by offering to spread risks, and by promising yields higher than gilt-edged securities'. Despite claiming to be safe, they were 'high-risk ventures'.<sup>68</sup> As was quickly shown. Writing in 1902, William Welton, a mining engineer, produced statistics showing that 'of the 507 African mining companies which have not paid dividends, no more than 128, with about one-fifth of the total capital, were registered prior to 1895.... Of those registered in 1895, nearly two-fifths became extinct' within five years.<sup>69</sup>

## THE 'WESTRALIAN' BOOM

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<sup>63</sup> Emden, p. 244.

<sup>64</sup> Emden, p. 240.

<sup>65</sup> Robert V. Kubicek, *Economic Imperialism in Theory and Practice: The case of South African gold mining finance 1886-1914* (Durham, North Carolina, 1979), p. 25.

<sup>66</sup> Kubicek, p. 29.

<sup>67</sup> Adeline Daumard, 'Wealth and Affluence in France since the Beginning of the Nineteenth Century', in *Wealth and the Wealthy in the Modern World*, ed. W.D. Rubinstein (New York, 1980), p. 107.

<sup>68</sup> Kubicek, p. 33.

<sup>69</sup> William S. Welton, *Practical Gold-Mining: Its commercial aspects: A collection of statistics and data relating to gold-mining and gold-mining finance companies* (London, 1902), p. 27.

The ‘Kaffir Circus’ was succeeded by the ‘Westralian’ boom, which resulted from several discoveries in Western Australia.<sup>70</sup> ‘The boom in Rand shares peaked in September 1895 and speculative interest in London shifted from the Rand to Western Australia’, where promoters of new companies created a boom between October 1895 and the end of June 1896.<sup>71</sup> ‘The profits from buying untested mines and floating them into companies were so attractive that scores of English and French engineers and financiers went to Australia to buy leases. The market for mining shares was insatiable’.<sup>72</sup>

In 1895, 401 mines with a nominal capital of £40.8 million were floated to exploit the fields in and around the Golden Mile. In 1896, a further 410 companies were placed before investors and frenzied trading in “kaffirs” and Westralians all but dominated Stock Exchange business for eighteen months during 1895-7 in London as well as, in due course, Paris.<sup>73</sup>

During the Westralian boom, ‘London financiers took up marginal properties, assigned themselves huge amounts of vendor shares with minimal capital outlays, and puffed their properties in misleading prospectuses’.<sup>74</sup> ‘Considerable capital was sunk in paper companies. Official members of the stock exchange, if they did not join in the deceptions which plagued the mining market and which made mining investment more risky than it would have otherwise been, did nothing to stop them’. Professional investors based in London took up ‘extremely large amounts of shares with little intention of holding them’. When ‘over-extended with large holdings acquired with borrowed money’, they could ‘unload large amounts to exploit a rise or in anticipation of a fall. The insiders thus added an important volatile dimension to stock market transactions’.<sup>75</sup>

In 1896, the process for floating Western Australian mines was described:

The local speculators sell their claims at a good profit to the London promoters who have created a large demand for them; and in their turn these

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<sup>70</sup> Blainey, p. 186.

<sup>71</sup> Alan Loughheed, ‘Europe and Western Australian Gold Mining: 1885-1914’, *Journal of Australasian Mining History*, no. 1 (September 2003), p. 204; see also Loughheed, ‘The London Stock Exchange Boom in Kalgoorlie Shares. 1895-1904’, *Australian Economic History Review*, vol. 35 no. 1 (March 1995), pp. 83-102.

<sup>72</sup> Blainey, p. 187.

<sup>73</sup> Van Helten, p. 179.

<sup>74</sup> Kubicek, p. 35.

<sup>75</sup> Kubicek, p. 36.

promoters endeavour to sell their “valuable properties” to an eager public. Needless to say, the capital of the companies is in almost every case highly inflated. The nominal capital of the various companies is, on the average, just in excess of 100,000*l* [£100,000]. Of this sum, as a rule, only from 15,000*l* to 25,000*l* are working capital - are put into the mine. Of the 75,000,000*l* which constitutes the nominal capital of the Westralian gold mines some 60,000,000*l* have probably gone to the promoters, partly in shares and partly in cash. There is no doubt whatsoever that the vast majority of mines will sooner or later find their working capital too small.<sup>76</sup>

Furthermore, the ground was taken up

with a view of forming subsidiary companies with as high a capital as possible. In this way mining properties have been floated with considerable capital which could only produce dividends by being worked on a small scale and in the most economical manner. The unheard-of high capitalisation excludes, of course, in most cases, the payment of dividends.<sup>77</sup>

#### TURNING TO NEW ZEALAND

With the collapse of the West Australian mining boom, English investors turned to the other Australasian colonies, including New Zealand.<sup>78</sup> In early 1896, they became increasingly interested in Hauraki mines. In April, the Corporation of British Investors in their *Review of Financial Facts and Figures* encouraged investment there, citing the success of one Coromandel company. ‘Enormous results’ were anticipated, especially once the cyanide process so successfully used at Waihi was universally adopted;

We are of the firm opinion that they who now take time by the forelock and invest their money in good New Zealand gold mining properties, will have no reason whatever to regret having done so. On the other hand, inasmuch as there is a vast future before these goldfields, they will have every reason to congratulate themselves upon having invested their cash in what we believe will prove to be a very rich addition to the goldfields of the world. We are convinced that New Zealand offers a wide and most promising field for the investment of capital.<sup>79</sup>

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<sup>76</sup> S.F. Van Oss, ‘The Westralian Mining “Boom”’, *Nineteenth Century*, vol. 40 no. 237 (November 1896), p. 717.

<sup>77</sup> Karl Schmeisser, cited in Van Oss, p. 717, n. 7.

<sup>78</sup> ‘Our City Man’, *British Australasian*, 5 November 1896, p. 1874.

<sup>79</sup> Review of Financial Facts and Figures, n.d., reprinted in *New Zealand Herald*, 3 June 1896, p. 5.

However, New Zealand shares were of ‘paltry’ interest to the London Stock Exchange compared with Kaffirs and Westralians.<sup>80</sup> At the start of 1897, the London market listed 335 African companies, 280 Australian, 90 miscellaneous ones, and 45 New Zealand ones; ordinary quotations in the financial papers were Africans 250, Australian 230, miscellaneous 90, and New Zealand 25.<sup>81</sup> By 1898, 161 London companies had been registered to mine in New Zealand. Whereas their nominal capital was £17,476,000, the paid-up capital was perhaps only £6,000,000. This was ‘a considerable expansion over the ten overseas companies with a total paid-up capital of £767,360, which had been formed in London before the 1890s to operate mines in New Zealand’.<sup>82</sup> This influx of capital ended New Zealand’s long depression.<sup>83</sup>

#### WELCOMING OVERSEAS CAPITAL

English finance was required to develop mines on a large scale because of the lack of capital.<sup>84</sup> New Zealand was ‘too young to have developed a stock of capitalists’, and most of the capital for the 320 local companies working on the Hauraki Peninsula in 1897 had been contributed by Auckland’s population of about 60,000. ‘Taking the average amount of working capital’ as £500 per company, an underestimate, this meant that at least £160,000, over £2 13s for man, woman and child, had been subscribed.<sup>85</sup> Warden Northcroft considered that Hauraki mines could not be developed adequately without overseas capital.<sup>86</sup> In 1881, John McCombie complained that

Auckland capitalists, unlike their Australian cousins, would rather drop thousands in scrip speculations than invest one solitary copper in a legitimate mining enterprise. The pioneer work in this province being left entirely in the hands of poor men, who have but little means and less money by which to foster and aid the development of its mineral resources, and, as

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<sup>80</sup> *Thames Advertiser*, 15 January 1897, p. 4.

<sup>81</sup> *Auckland Weekly News*, 13 February 1897, p. 22.

<sup>82</sup> Brian R. Hill, ‘“The Little Man”: David Ziman, Mining Giant: The Biography of an Entrepreneur’ (PhD thesis, University of Adelaide, 2000), pp. 195-196.

<sup>83</sup> Hill, ‘New Zealand’s 1896 Mining Boom’, p. 133.

<sup>84</sup> ‘English View of Auckland Mining’, *New Zealand Herald*, 29 August 1896, p. 5.

<sup>85</sup> J.A. Wauchope, *The Goldfields of the Hauraki District, New Zealand* (London, n.d. [1897]), p. 45.

<sup>86</sup> H.W. Northcroft (Warden) to Under-Secretary, Mines Department. n.d., *AJHR*, 1891, C-4, p. 145.

a natural sequence, the nakedness of the land is patent to all beholders who cometh from afar.<sup>87</sup>

As the *New Zealand Journal of Mining and Finance* argued in 1898, if development had to rely ‘upon local capital the work will not be accomplished for a generation or more. We must look to British capital, and that being so, it is our bounden duty to encourage this capital in every legitimate way’. New Zealand would gain ‘enormous advantage’ from the development of its goldfields, but the ‘venturesome capitalist’ had ‘not the least certainty of benefit. By encouraging foreign capital to exploit our fields, we shall be conferring on ourselves lasting good’.<sup>88</sup> The *New Zealand Herald* agreed that the colony was ‘absolutely dependent upon capital from England’, and if it was not provided ‘our goldfields will remain unworked, and the population now settled on them be thrown out of employment’.<sup>89</sup>

Writing in 1896 to a South African friend contemplating moving to New Zealand, a mining investor, David Ziman,<sup>90</sup> described investment possibilities:

The country is very poor as there is not a shilling about, and mining is looked upon as worse than horse racing, in fact as a swindle. Therefore there is no chance to make anything from New Zealand people. The only place is London as everything must be financed from there and all the good things will remain there.<sup>91</sup>

Ziman told a London associate that New Zealand was ‘not overrun with capital like South Africa’, and to make money was ‘very difficult’ because there was ‘none’. As ‘everyone’ was ‘poor’, it was necessary to rely on foreign capital.<sup>92</sup> John Chambers, a leading figure in developing the Tui mines,<sup>93</sup> commented in 1892 after returning from a lengthy tour of Australian and New

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<sup>87</sup> Own Correspondent [John McCombie], *Auckland Weekly News*, 29 January 1881, p. 9.

<sup>88</sup> *New Zealand Journal of Mining and Finance*, n.d., reprinted in *Auckland Weekly News*, 23 July 1898, p. 19.

<sup>89</sup> *New Zealand Herald*, 20 April 1898, p. 4.

<sup>90</sup> See Brian R. Hill, ‘Exciting Career of an Obscure Mining Entrepreneur: David Ziman (1862-1920)’, *Journal of Australasian Mining History*, vol. 7 (September 2009), pp. 155, 168.

<sup>91</sup> David Ziman to C. Van Beck, 14 April 1896, David Ziman Letterbook March-October 1896, p. 58, Consolidated Goldfields of New Zealand, 76-083-15/01, Alexander Turnbull Library.

<sup>92</sup> David Ziman to J.R. Rodgers, 3 May 1896, David Ziman Letterbook March-October 1896, pp. 86-87, Consolidated Goldfields of New Zealand, 76-083/15101, Alexander Turnbull Library.

<sup>93</sup> See chapter on the Tui district.

Zealand goldfields that ‘all the principal mines with which he was acquainted were operated by English capital and but for it they would not be worked’.<sup>94</sup>

#### HOW NEW ZEALAND MINES WERE FLOATED IN LONDON

In 1896, a London correspondent explained the slow process of acquiring capital there, warning that ‘the posting of a deposit on a property’ did not mean a prospectus would be issued immediately:

A man comes Home with a property, gets in touch with a possible purchaser, gets a small deposit and then, believing his work to be all but accomplished, he cables the great news and lays himself out to enjoy the good things of the metropolitan life. He very quickly discovers that his work has only just begun, but if he sticks to his man, and is lucky, he may in a month’s time get to the point of contract signing. Then comes harassing legal delays. The buyer’s lawyer wants the clause altered, and the agent’s advisor informs him that the alteration will give the other side an undue advantage. Between the lawyers it is probable another month may be cut to waste before the contracts are finally fixed up to the satisfaction of both parties. But this is not the end of the preliminaries to flotation. Underwriting has to be arranged for, and perhaps just at the time the fraternity are in a particularly greedy mood, and can’t be persuaded to take up the capital on anything like reasonable terms. Supposing, however, that all these matters have been arranged and the prospectus is in the printers’ hands, the promoters, perhaps, assure the vendors that the company will be advertised next week. If things go on all right the advertisements duly appear, but very often at the last moment a market shake - it may be only a trumpery affair, but one never knows how little things may affect new issues - makes it advisable to put off matters for a day or two. By this time the unlucky agent is in receipt of daily cables from the colony asking him in the strongest language available in Moreing’s code when the dash, blank the company is to be floated.

He was amused at the ‘rapidity’ with which New Zealanders

got in with particularly “strong crowds,” “wealthy syndicates,” and “influential financiers.” They all do it within a fortnight of landing, but somehow their success generally stops at this point, their “good people” for a variety of most excellent reasons being unable at the moment to touch their particular properties’.

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<sup>94</sup> *Thames Advertiser*, 6 July 1892, p. 2.

He gave an example of a vendor who ‘completely damned his chances of placing the mines with responsible parties for some months’ because he had offered them to a ‘heavy swell’ whose syndicate ‘couldn’t honestly raise a hundred amongst them’. Many syndicates were ‘of the same kidney, the individuals in them being men of straw banded together on the chance of making a bit out of company mongering. They have everything to gain and nothing much to lose’.<sup>95</sup> The following month, he described ‘the follies and irresponsibilities’ of some New Zealand vendors:

Usually speaking, these gentlemen fall, immediately on arrival, into the hands of one of the innumerable “runners” or “touts” employed by second-rate company promoters. They are eagerly questioned as to whether they have mines or options for sale. The answer is, of course, in the affirmative, and the “runner” then claps his delighted victim on the back, and declares the deeds are as good as done. “How many ‘thou’ do you want,” said one of these precious humbugs to a well-known New Zealander who arrived lately with “a good thing.” “Five thousand,” was the answer, “and 60,000 shares.” “Right you are, dear boy, I’ll get you even more if you like. What’s that you say, isn’t there a difficulty about cash. Nonsense, nonsense, not with *my* people, anyway. Strongest syndicate in the city, I assure you, etc, etc.” The victim - sometimes the confederate - now wires out to New Zealand that the mine is sold, or practically so, with the result that shares on the local market rise. Meanwhile, the property, with scores and scores of others, is being hawked about the city, tossed from one syndicate to another and getting no good in the process. The amount of sharp work being done in this manner is appalling, and so well is it known in the city that unless introduced by one of the few really good responsible people who have come Home, financiers won’t even look into New Zealand ventures. Hundreds of good reliable New Zealand properties are at this present moment for sale in London, and 90 per cent will fail to go off solely and entirely because they have got into the hands of “touts” and “runners” whose names stink in the nostrils of respectable financiers.<sup>96</sup>

He warned that the greediness of New Zealand mine owners was ‘said only to be equalled by their maddening belief that the London business man is a philanthropic, trusting person, who only requires to be informed verbally that the speaker has a gold mine for sale, to pull out his cheque book and sign the contents on demand’.<sup>97</sup> One man who floated mines there said that many New Zealand

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<sup>95</sup> London Correspondent, *Auckland Star*, 18 July 1896, p. 8.

<sup>96</sup> London Correspondent, *Auckland Star*, 31 August 1896, p. 2.

<sup>97</sup> London Correspondent, *Auckland Star*, 1 September 1896, p. 2.

mine owners 'lost many opportunities of selling their properties through stubbornness as to their terms'. New Zealanders apparently wanted 'not only to dictate the price, but even the methods and dates of floating, entirely ignoring the influence of surrounding circumstances'. They also had a reputation for being 'vacillating', changing the terms, and not having satisfactory titles to their ground.<sup>98</sup>

Underwriters were described as 'friends of the promoter and others whom they introduce' who agreed 'to take up a certain proportion of the scrip for which the public may fail to apply'. They received a commission, partly in cash; as well those who obtained the underwriters received 'a small commission of 2 to 5 per cent in cash or shares for their trouble'.<sup>99</sup> A merchant bank, if involved, charged a commission, which could be as high as 5 per cent, and as well there was the broker's commission of up to 0.5 per cent, 'and advertising, often the highest cost of all. Then there were charges for solicitors, printers, stamp duty, registration fees, postage and sometimes others besides', which partly explained why a large capital was sought.<sup>100</sup>

A London correspondent warned in late 1895 that New Zealand mines might obtain 'a bad name' through 'being used to make Stock Exchange fortunes':

The lion's share of the benefits goes into the brokers' and promoters' pockets. I heard of one case in which only 800 shares were actually taken up by the public out of 100,000, all the rest being left on the hands of those who were running the concern, but who expect by making a market to lead the public into buying eagerly at £3 the shares they would not give £1 for when originally offered. A great deal of this sort of thing is being done. When shares "hang fire" a holder goes or sends into the market to buy some and offers steadily increasing prices, getting these duly quoted, until at last there is quite a rush for shares which are apparently rising so fast in price. And then he "unloads." Many large fortunes are being made in this way. Still it is risky, and some have come to grief in trying it.<sup>101</sup>

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<sup>98</sup> Interview with John Banbury, *Auckland Weekly News*, 13 February 1897, p. 22.

<sup>99</sup> [James Williams], 'Second Prize Essay', in *Three Prize Essays on the Present Condition and Future Prospects of the Mineral Resources of New Zealand and the Best Means of Fostering their Development* (Wellington, 1907), p. 181.

<sup>100</sup> Stanley Chapman, *The Rise of Merchant Banking* (London, 1984), p. 100.

<sup>101</sup> London Correspondent, *Auckland Weekly News*, 7 December 1895, p. 21.

In July 1897, the *New Zealand Mining Journal and Financial Guide* described the process used in London to entice investors. Promoters would instruct a broker

to purchase the shares of the company ... in the market, bidding for them at a premium, receiving of course a commission for any shares purchased by him for them. The jobbers in shares, knowing that they can acquire these shares at par when they are offered for subscription, are quite willing to sell the shares at a premium for forward delivery. This premium, when advertised in the papers next day, acts as a bait or inducement to the investor or speculator; for he naturally concludes that if he can obtain an allotment of the shares at par, he will, by selling in the market, realise this premium. Applications for shares in the company pour in until the whole capital is oversubscribed. Needless to say, the premium vanishes after the allotment notices are sent out. This is the ordinary process of floating a company, and is known as “making the market,” or “supporting the issue.”

It may be asked who pays this artificial premium, which is clearly fictitious; the answer is that this expense is generally regarded as one of the ordinary expenses of promotion, and is one of the reasons why the nominal capital of the company largely exceeds the amount necessary for the development of the company’s license.<sup>102</sup>

#### FEARS ABOUT THE EFFECTS OF A BOOM

In mid-1895 the *Te Aroha News* warned that ‘not one half of the many claims which have been pegged out’ would ‘ever be worked, much more pay dividends. In fact the men who are dealing in the scrip do not hope to make their money out of dividends from the mines, but are contented to buy and sell and get gain without any honest attempt to work the claims’. It doubted whether the boom would develop the mines and create ‘the permanent prosperity of the industry’:

When the excitement begins to cool off and we again return to our normal state of things, we shall be left worse off than when the boom visited us. The many “duffers” which have been floated in Auckland will make it difficult to obtain help when there is more reason to speculate in the legitimate work of mining.... The way in which the business is at present conducted is a respectable method of gambling. Many of those most eager to amass wealth on the Exchange will lift up their hands in holy horror at the thought of backing their opinion on a race-course, or putting a pound in the

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<sup>102</sup> *New Zealand Mining Journal and Financial Guide*, vol. 1 no. 5 (1 July 1896), p. 68.

sweep. It is all one and the same thing, and is characteristic of the age in which we live.<sup>103</sup>

Another editorial about ‘the risk of over-speculating in mining adventures’ referred to three or four Hauraki companies being floated daily in Auckland, shares changing hands at ‘an advance’ of up to 50 per cent ‘in an hour or two’:

No field, however well established, could stand such suicidal speculation. On most of the ground pushed so confidently on the public, and with such successful results to the promoters, not a pick stroke had been made; they were recommended on such grounds as that one was situated in a gully similar to the Hauraki, and another commanded a view of the Waihi mine, though actually five miles from it as the crow flies.<sup>104</sup>

In October, the *Thames Star* worried about how ‘wild-cat ventures’ and ‘bogus’ mining undertakings could be prevented. ‘This is a question which always presents itself with every boom, and so far it has never been satisfactorily answered. Not do we suppose that it ever will be’, because of gambling on the sharemarket.

A few dishonest undertakings are bound to creep into prominence, trading on the good name of the honest ones, and the people who invest in a mere spirit of gambling, or who allow themselves to be entrapped by not taking proper precautions, have only themselves to blame. As long as a man can peg out a worthless piece of ground, offer shares at sharemarket value at a big profit, and sell to an excited public which rushes to buy a thing the true value of which it is not cognisant of – so long will investors have to beware the depredations of the wild-cat. The fact of the matter is that many of these undertakings are “sharemarket ventures” pure and simple.<sup>105</sup>

Not only Aucklanders were tricked into putting their money into dubious speculations. One London correspondent wrote that the ‘greediness’ of New Zealand’s mine owners was ‘said only to be equalled by their maddening belief that the London business man’ was ‘a philanthropic, trusting person’ ready to ‘pull out his cheque book and sign’ immediately he was informed a mine was for sale.<sup>106</sup> It was widely believed that owners tried to trick overseas investors into

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<sup>103</sup> Editorial, *Te Aroha News*, 22 June 1895, p. 2.

<sup>104</sup> Editorial, *Te Aroha News*, 20 July 1895, p. 2.

<sup>105</sup> Editorial, *Thames Star*, 21 October 1895, p. 2.

<sup>106</sup> London Correspondent, *Auckland Star*, 1 September 1896, p. 2.

purchasing worthless mines.<sup>107</sup> Four years previously, reputedly the name for New Zealand mining companies was ‘Swindicates’.<sup>108</sup> The boom would reinforce this perception.

The owners of new companies intended to sell them to overseas syndicates for a quick profit, prompting warnings that excesses, whether fraudulent or merely over-hasty grasping for capital, would handicap the industry. For instance, the first issue of the *Mining Standard*, published in Auckland, warned of ‘one evil that always arises when a mining boom sets in, that tends more to divert the stream of legitimate capital from the fields and frighten the investing public than any other, and that is the too rapid flotation of undeveloped prospects’. It delineated two types of wild cat mines. The first were ‘utterly worthless properties, that have been floated by unscrupulous syndicates’. The second were

prospects that have every chance of becoming valuable but that are entirely undeveloped. In the latter case the original promoters are in too great a haste to turn their find into a marketable commodity; in other words, too anxious to realize at once on what is looked upon as a stroke of luck. This is not legitimate mining, but speculation pure and simple. If the property is a promising one it is better in every way to develop it to the fullest extent possible ... then, when floated, the investing public will know what they are, and the promoters will stand a chance of reaping a much greater profit on their original outlay.<sup>109</sup>

The *Te Aroha News* feared that, after the boom ended, ‘we shall be left worse off, because the many ‘duffers’ floated would ‘make it difficult to obtain help when there is more reason to speculate in the legitimate work of mining’.<sup>110</sup>

The *Observer* published one of its regular warnings under the heading ‘Wild Cat Speculations’:

This is the season when the avaricious and unprincipled promoter of wild cat mining schemes sets out on the prowl in search of the unwary individual who has a little money and who wants to quadruple it at one pop without any risk. Watch for the wild cat promoter. He will come upon you suddenly, taking you off your guard, and unless you are careful you will find yourself

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<sup>107</sup> For example, see ‘Gold to be Got for the Picking of it Up: A Powerful Reason why London Capitalists should be sent out to Develop the Resources of our Coromandel Mines’ (cartoon), *Observer*, 6 February 1897, p. 12.

<sup>108</sup> *Observer*, 14 November 1891, p. 6.

<sup>109</sup> *Mining Standard* (Auckland), vol. 1 no. 1 (19 November 1895), p. 3.

<sup>110</sup> Editorial, *Te Aroha News*, 22 June 1895, p. 2.

carefully examining his “little plan,” on which all kinds of rich reefs are laid out, in coloured ink, and swallowing to the full his gorgeous scheme for the accumulation of immense wealth by means of scrip in his “Got-it-Rich” gold mine. Indeed, if you are not careful you will emerge from the glamour of his entertaining conversation only to find that he has got your £50 and you have in return 5000 scrip in his mine-scrip that is bound to be worth 10/- each in two months, but which is in a “mine” that you probably never hear of again. It will never occur to you to enquire why he is so disinterested to give you, almost a complete stranger, £2500 worth of scrip for £50. It would look mean to question the motives of a whole-souled and generous individual who took such an interest in your welfare and was so anxious for you to acquire wealth, and prosper. And yet, why not? This is a business matter. Why not deal with it on strict business principles? Why not go, or get a friend to go, and see this precious mine. If you did, the odds are two to one that you would find, after considerable difficulty, a square allotment of ground, with not even a spade in it, and absolutely nothing to distinguish it from the surrounding country. Nay, more, it is just possible that you would find the same piece of ground doing duty for several “mines.” But how about reefs shown on the plan? you would ask. Purely imaginative. You could not float a wild-cat scheme without reefs, and they are very easily coloured in on a plan. The proper way is to go and see them before you buy a share in them. I well remember a visit I paid to Kuaotunu during the boom there four or five years ago. Curiosity prompted me to go and hunt up several mines whose scrip was selling freely on the Auckland sharemarket, and to my amazement I found, when I reached the ground, that not a pick had been driven into anyone of several of these holdings. Occasional calls were being made in several of the mines to pay the wages of the miners, but the men were living in comfort in the township, and the tools were rusting in the tool-house.... There is going to be a mining boom at the Upper Thames right enough, and those who invest their money judiciously in mines that are being systematically worked, and whose directors are showing their earnestness by erecting batteries, are pretty sure to make money. But let them beware of cheap scrip in mines that have an existence only on paper. They may buy to-day, and see a sudden flutter in the shares, but if they hold on in the hope of sudden wealth, it is almost certain to be their ill-fortune for the mine to die out of recollection, and never be heard of any more. But who gets their money?<sup>111</sup>

It bluntly warned that ‘undue advantage’ being taken of English investors would cause them to lose faith in local mines. ‘Several palpable swindles’ might be ‘foisted upon’ them, such as resurrecting mines that ‘proved worthless’ and combining ‘two or three mining areas on which little or no work has been done on to one good mine’ and floating them together.<sup>112</sup> Noting thousands of pounds

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<sup>111</sup> ‘Wild Cat Speculations’, *Observer*, 30 March 1895, p. 2.

<sup>112</sup> *Observer*, 11 May 1895, p. 9.

being made in quick profits from ‘fortunate mining speculations’,<sup>113</sup> it wondered about what the end of the boom would be, for it was ‘certainly not based on gold yields’.<sup>114</sup>

Whilst being pleased at being ‘on the eve of the greatest development of the mining industry yet witnessed’ in New Zealand, the *Thames Advertiser* lamented the ‘epidemic’ of share purchases as a ‘mad outburst of reckless speculation’, for only ten per cent of the money so hastily invested would ever be recovered.<sup>115</sup> Less than this percentage of new companies would ever pay a dividend.<sup>116</sup>

### OVER-CAPITALIZED COMPANIES

The *Otago Daily Times* was quoted in the first issue of the *New Zealand Mines Record*, published by the Mines Department in August 1897, as drawing ‘pointed attention’ to the over-capitalization of London companies. It argued that mining’s ‘true interests’ were ‘retarded by these rapacious attempts on the public’s savings’. Investors were urged to ‘jealously scan all prospectuses’ to find out how much money was allocated for developing and working the mine and how much went to the promoters;

A mine that might reasonably be expected to pay dividends on £25,000, £50,000, or £100,000 of capital may be utterly inadequate to provide sufficient bullion to enable dividends to be paid on a capital of £200,000 or £250,000; yet this very important fact is often lost sight of by investors, and is kept in the background by the promoters of mining companies. The *Otago Daily Times* refers to one instance where a property was bought for £5,000, and without any further work being done it was placed on the London market for £150,000, and of that amount the working capital was to be only £50,000 - shares of the nominal value of £100,000 being claimed by the vendors; so that “to return interest at even 6 per cent on the nominal capital of £150,000 the working capital of £50,000 will be burdened with the task of earning 18 per cent, and this is an outrageous demand to make on a reef of the kind.” There have been many instances of a similar kind, which have proved a great detriment to the mining industry.<sup>117</sup>

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<sup>113</sup> For example, *Observer*, 8 June 1895, p. 3, 15 June 1895, p. 3.

<sup>114</sup> *Observer*, 8 June 1895, p. 17.

<sup>115</sup> Editorial, *Thames Advertiser*, 10 June 1895, p. 2.

<sup>116</sup> Editorial, *Thames Advertiser*, 19 June 1895, p. 2.

<sup>117</sup> *New Zealand Mines Record*, 16 August 1897, pp. 24-25.

In its fourth issue it repeated that English syndicates with huge capital could not hope to pay dividends.<sup>118</sup> As in New Zealand and elsewhere, over-capitalization of Queensland mines was the result of such a high proportion of the capital being required to pay for the properties, ‘most of which were grossly over-valued’, leaving too little working capital.<sup>119</sup>

The following year, James McGowan, of Thames, a future Minister of Mines, told the Auckland Chamber of Mines that he was concerned at over-capitalized companies:

For the greater part of his life he had been living on a goldfield, and it had been a wonder to him that mines pay as well as they do considering the money that goes in the first instance, not in the direction of mining at all, but in the direction of enabling capital to join with labour. It was not an uncommon thing to see a piece of ground floated for a few thousand pounds; it might go home, and a few more thousands were added, and by the time it came out on the market it meant a capital of £200,000, and they would find, returning to the district supposed to produce profits on the whole of that sum, something ranging from £25,000 down to £12,000. This was a matter the Chamber of Mines should take up, because unless some effort was made to get more development work done they need hardly expect companies to pay very large interest on the subscribed capital. No other industry that could be named had such a load to carry.

After a member responded that McGowan had over-stated the problem and that it ‘cured itself’ because an over-capitalized mine ‘was sure to go to the wall’, the chairman commented that there was ‘a strong feeling’ in England ‘that in the past errors had been made in the way of over-capitalization’.<sup>120</sup>

## VENDORS’ SHARES

‘Large amounts of money were made through the issue of vendors’ shares to concession owners’.<sup>121</sup> The *Observer*, whose sympathies lay with the miner not the capitalist, in 1899 quoted *Skinner’s Mining Manual* on ‘capitalisation with insufficient *working* capital, and the huge sums paid to the “vendors”’, the latter being

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<sup>118</sup> *New Zealand Mines Record*, 16 November 1897, p. 165.

<sup>119</sup> Loughheed, ‘British Company Formation’, pp. 78, 79.

<sup>120</sup> *British Australasian*, 28 April 1898, p. 920.

<sup>121</sup> Harvey and Press, ‘City and International Mining’, p. 112.

the London backers - the legal promoters, or middle-men, or, best term of all, the “first robbers.” Out of 51 New South Wales ventures floated in London with a total capital of £8,918,500, no less than £6,185,500 was paid over to these people as “vendors’ consideration.” £1,292,800 of the sum being in hard cash, and the balance in paid-up shares. Out of this consideration of £6,185,500, it is estimated that only £292,000 reached the pockets of the vendors proper in New South Wales. These figures speak for themselves. They show that the parasites sap the working power of the gold-mining company before it has even got a fair start, and the end of that company is written at its birth. To develop a mine and make it return profits with a depleted working capital is a difficulty. To make it pay dividends on an excessive nominal capital is an impossibility.<sup>122</sup>

In 1896, vendors’ shares comprised 38.4 per cent of the issued capital of all New Zealand companies. At that time it was common for Western Australian ones to have two-thirds of their capital issued as free vendor and promoters’ shares.<sup>123</sup> Alan Ross Hall has explained that the issue of such shares was a way to reward ‘inventors, promoters, and managers who had played a large part in the formation of the company but who had little capital to invest in it’. In the large companies formed during the boom these shares ‘could lead to profits out of all proportion to the work they were intended to reward, and in any company their use tended to lead to the declaration of excessively high dividends’ and could endanger its financial stability.<sup>124</sup> Probably ‘the leading characteristic’ of both local and overseas companies was ‘the large proportion of capital going to the vendors as purchase price for the properties’. He cited 28 Queensland companies formed between 1885 and 1888: out of a total capital of £4,855,000, £4,133,900 was the purchase price. ‘Of the £39,600,000 raised by West Australian mines up to the end of the first quarter of 1896, £28,540,000 represented the purchase price’. As this produced inadequate working capital, either more had to be raised or the company reconstructed.<sup>125</sup> John William McCarty noted a common fraud:

It was most usual for a company to be floated with a nominal capital of £200,000, of which half to two thirds went to the vendor and promoters. In many cases promoters made secret agreements with vendors to inflate the vendors’ price to, say, £100,000 in shares, thus giving evidence of great

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<sup>122</sup> *Observer*, 11 February 1899, p. 3.

<sup>123</sup> Hill, ‘The Little Man’, p. 150.

<sup>124</sup> A.R. Hall, *The London Capital Market and Australia 1870-1914* (Canberra, 1963), p. 31.

<sup>125</sup> Hall, p. 112.

value to the mine, when in fact they paid them, say, £20,000 in shares and kept the rest for themselves.<sup>126</sup>

### RISK-TAKING AND INSIDER TRADING

Robert Kubicek wrote that vendors, ‘usually the partners in or friends of the mining groups’,

usually obtained special privileges through taking up founders’ shares which entitled them to a percentage of the profits. They would also contribute some working capital by taking up additional shares at par. The remainder, invariably a small percentage of the number issued, were then offered to the public at prices well and sometimes incredibly above par. They also released a trickle of their cheaply obtained shares when the market was on the rise; and they pooled their shares in syndicates to better manipulate it. These practices, which had been the norm in the early stages of Rand development (when the developers were rather dubious about the income to be derived from actual production and used the market to take profits), were persisted in long after they knew the mines would yield large quantities of gold for years to come. They produced a “highly leveraged capital structure” which provided enormous incomes for the favoured inside few, but one which was less efficient in generating a steady, dependable source of working capital. A vast amount of immobile share capital was held very expensively by a few; the rest was held very expensively by many.<sup>127</sup>

Sally Herbert Frenkel had more sympathy with investors because the ratio of failures to successes was high, meaning that the ‘risks and uncertainties’ were ‘higher than in most other industries’.<sup>128</sup> The essence of a capital market lay in the opportunity it provided ‘for the “shifting” of financial assets (i.e. the right to expect future income) in such a way as to provide the expected income stream’, Because of economic and engineering problems involved in opening a new mine, ‘the venture, in order to ensure the distribution of the risks involved to investors able and willing to bear them, had to be sponsored by large financial houses or companies, which gradually became the primary or “original” risk-takers’, who accepted ‘the maximum risk’.<sup>129</sup> Not until the mine was sufficiently developed

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<sup>126</sup> J.W. McCarty, ‘British Investment in Western Australian Gold Mining, 1894-1914’, *University Studies in History*, vol. 4 no. 1 (1961-6), pp. 11-12.

<sup>127</sup> Robert Kubicek, ‘Finance Capital and South African Goldmining 1886-1914’, *Journal of Imperial and Commonwealth History*, vol. 3 no. 3 (May 1975), p. 388.

<sup>128</sup> S. Herbert Frenkel, *Gold and International Equity Investment: A study of investment in gold mining and the lessons for the international market in equity capital* (London, 1969), p.22.

<sup>129</sup> Frenkel, p. 36.

could the general public, described by Frenkel as ‘secondary, or subsequent risk-takers’, have sufficient information to enable them to purchase shares with confidence, By selling shares to the public ‘the original risk-taker gets back some of the capital he has risked and, if the shares are sold at a premium, a reward for his risk’. Original risk-takers retained shares if ‘they decide that the information gained makes it desirable to take future risks’.<sup>130</sup>

Trading in shares ‘in volatile markets and with insider information’ was a ‘rich source of profit’.<sup>131</sup> As the greatest profits were won by those who took the earliest risks when the mines were undeveloped, often local people ‘would have the first, and likely the best, pickings. The industry was heavily rigged in favour of the insider’.<sup>132</sup> ‘Legal requirements governing managerial behaviour and the public disclosure of company assets were so permissive as to place the directors and promoters in complete control’ of these. ‘Ordinary investors lacking insider information were rarely able’ to understand the worth and prospects of companies, ‘Promoters, vendors and underwriters were far better informed about the prospects of the ventures they were selling than the bulk of potential buyers’,<sup>133</sup> and, argued Curle, financial logic forced shareholders to ignore ethics and to use this knowledge to their own advantage.<sup>134</sup> Historians agree that those with insider information could ‘rig the market and speculate on the difference between the current and the expected future prices of the assets. Mining lent itself to such speculative activities as it generally entailed a higher degree of risk than more conventional industries’.<sup>135</sup> Insider trading was not illegal, and did not become so in New Zealand until 1988.<sup>136</sup> Several directors and senior staff of Consolidated Goldfields of New Zealand sought and used inside information for this purpose.<sup>137</sup> Once shares were allotted to insiders, the general public had the opportunity to acquire them at a premium that ‘would quickly disappear as the brokers and their friends scrambled to sell their scrip and pull out of the market’.<sup>138</sup>

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<sup>130</sup> Frenkel, p. 37.

<sup>131</sup> Harvey and Press, ‘City and International Mining’, p. 112.

<sup>132</sup> Burt, ‘Segmented Capital’, p. 722.

<sup>133</sup> Van Helten, p. 166.

<sup>134</sup> See hypothetical example in James Herbert Curle, *The Gold Mines of the World* (2 ed., London, 1902), pp. 362-363.

<sup>135</sup> Van Helten, p. 167.

<sup>136</sup> Hill, ‘The Little Man’, pp. 136, 292.

<sup>137</sup> Hill, ‘The Little Man’, pp. 290-292.

<sup>138</sup> Van Helten, p. 168.

Promoters made arrangements with brokers, financiers and titled worthies to secure subscriptions from the public. Shares were placed free or at par with men whose association with the company would inspire confidence.... Underwriting shares, and mining shares in particular, was a common practice from the early 1880s. As a form of insurance, in the event of a poor public response, shares were underwritten for a consideration which could be as little as five per cent and as much as 50 per cent of the capital. This was all part of promotion plunder which came out of inflated flotation prices.<sup>139</sup>

Historians confirm the risks. 'Many investors were attracted by the uncertainty of certain types of overseas investment, rather than their security. As long as the lure of some incalculable gain existed they were willing to find the required finance'.<sup>140</sup> The potential gains for initial investors blinded 'many to the great risks of total loss'.<sup>141</sup> Only the wealthy

could readily afford to take risks as they possessed an ample margin against losses. They could gamble for high stakes as the sum lost was tiny when compared to their total assets, while the gains made could be substantial. Also, it was they who could afford to wait for years without dividends, and with unsaleable assets, until the returns eventually came.<sup>142</sup>

For this reason, the wealthy owned the bulk of the capital:

By 1913, only a little over 1 per cent of stocks, shares and funds traded on the Stock Exchange were owned by those whose property was valued between £1,000 and £20,000 net. Even in the overseas mining market the small denomination of shares and their undoubted marketability had not led to a noticeable democratization of investment.<sup>143</sup>

'Most of the 8,400 companies formed' in Britain 'between 1880 and 1913 for mining and mine exploration abroad ... generated very little serious activity'. Of those that produced minerals, 'only a small proportion became profitable'. But while 'most international mining ventures failed financially', the 'occasional

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<sup>139</sup> Robert Vicat Turrell with Jean-Jacques van Helten, 'The Rothschilds, the Exploration Company and Mining Finance', *Business History*, vol. 28 (1986), p. 193.

<sup>140</sup> Michie, p. 156.

<sup>141</sup> Michie, p. 157.

<sup>142</sup> Michie, p. 157.

<sup>143</sup> Van Helten, p. 165.

successes were sufficiently lucrative to raise the industry rate of return on capital employed, as measured by internal rates of return, to positive levels'.<sup>144</sup> It was accepted by investors that mining was 'a high risk investment':

The poor state of exploration technology meant that it was very difficult to predict the profitability of deposits ahead of considerable expenditure on their development, and investors would normally expect a premium return for their support. Fortunately, the proven experience of *some* mines in all areas showed that this could be obtained. There were numerous examples of mines that leased rich, easily worked deposits, returning high dividends over many years for little initial investment. Even more attractive to the speculator were the legion examples of shareholders who, for a token investment in an exploratory venture, had been made wealthy beyond their dreams. *Because* of its speculative nature and the chance of bonanza profits from dividends and/or share values, the industry ... could compete successfully in the market - or at least, a certain section of the market.<sup>145</sup>

Most investors 'looked more to profits from minor share price movements than operational dividends, and ... regularly proved that gullibility and greed are two sides of the same coin'.<sup>146</sup>

#### 'EXPERTS'

Reports by men who claimed or appeared to be experts were required by overseas companies because the latter's employees, even if 'faithful and competent', had 'no special knowledge of the country on which they are reporting. They have to trust a good deal to hearsay', and as 'development syndicates exist by and for the flotation of mining properties' they were 'expected to furnish reports as favourable as possible'. These were usually based either on 'collecting and collating information obtainable by a much cheaper man' or making 'special, lengthy, and costly journeys'.<sup>147</sup> And, as Welton commented, there was 'no guarantee' that suitably qualified engineers could 'apply their knowledge' or were 'of calm, judicious mind, and fearless in giving their opinions'.<sup>148</sup> As some were 'of more hopeful or excitable dispositions than

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<sup>144</sup> Harvey and Press, 'City and International Mining', p. 99.

<sup>145</sup> Burt, 'Segmented Capital', p. 721.

<sup>146</sup> Burt, 'British Investment', p. 524.

<sup>147</sup> [Williams], pp. 182-183.

<sup>148</sup> Welton, p. 45.

others', he recommended that their information be examined 'by an independent engineer' in England.<sup>149</sup>

In 1905, the Inspector of Mines for Hauraki, James Coutts, explained that one reason why English capitalists would 'not have anything to do' with local mining was that 'during the last boom they were not only deceived by glowing reports but fleeced into the bargain'.<sup>150</sup> As an English journal noted in 1895, representatives of English investors provided many such reports:

When a proposition for the investment of money is brought to the attention of English capitalists, instead of sending out a man who is thoroughly well informed upon the subject at issue ... in nine times out of ten they select some person who, while usually very much of a gentleman, and quite a pleasant fellow, understands no more about the business than the Ameer of Afghanistan. He is often a retired army officer, and generally a distant or ... impecunious relative of one of the leading investors.<sup>151</sup>

A 'pernicious custom', according to one English commentator, was paying deposits 'for the privilege of inspecting mining properties', which tended 'to check legitimate investment. Many of these deposits may just as well have been cast into the Gulf. This lavish expenditure of British capital' was 'the result of sending inexperienced youths out from London'.<sup>152</sup> In 1896, the *Observer* published a cartoon showing a mine manager inviting a visitor to inspect the workings. This 'modern mining expert', who had come from London to see it, responded: 'Oh, no, my good fellow. That is unnecessary. I have selected a piece of your quartz from this reef. It will be quite enough for me'.<sup>153</sup> Another cartoon, 'Rivals as the Prince of Liars', reprinted from the Melbourne *Punch*, showed a mining expert asking Mephistopheles if he might enter Hell, to be told: 'Get you gone. I want no rivals here'.<sup>154</sup> Seven years later, the *Observer* quoted a possibly apocryphal story about early Thames mining:

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<sup>149</sup> Welton, p. 46.

<sup>150</sup> James Coutts to Under-Secretary. Mines Department, 13 March 1905, Inspector of Mines, Thames, Letterbook 1903-1906, p. 360, YBAZ 1240/3, ANZ-A.

<sup>151</sup> *Economist*, 13 July 1895, p. 913, cited in Hill, 'The Little Man', p. 110.

<sup>152</sup> J.A. Wauchope, *The Goldfields of the Hauraki District, New Zealand* (London. n.d. [1897]), p. 44.

<sup>153</sup> 'He Wasn't Buying a Pig in a Poke' (cartoon), *Observer*, 7 November 1896, p. 3.

<sup>154</sup> 'Rivals as the Prince of Lies' (cartoon), *Observer*, 22 August 1896, p. 11.

A reef composed of gold bearing rubbly quartz was constructed specially for the benefit of a mining expert. This gentleman was one of the green order of beings who are generally sent out by mining speculators to report on properties. He swallowed the bait, recommended his principals to purchase the “show” and the only gold ever taken out was contained in two cartloads of ore placed there artificially by the vendors in the first instance.<sup>155</sup>

When the boom was fading, the *Graphic* wrote a long article on ‘The Evolution of the Mining Expert’:

To ordinary minds perhaps the most incomprehensible thing about goldmining is the evolution of the mining expert from a mere nobody into a very big somebody, a transformation which in these days of boom is of a very frequent occurrence.... A veil of mystery hung around the evolution of the man whose name attached to a report was worth £50 to £500, and no one felt bold enough to tear it aside. We were all content to believe that by some occult process ... the mining experts had become endowed with goldmining knowledge and wisdom.... Where he got the knowledge and wisdom and how it got it were confessedly beyond us, but it was surely evident that he must have it before his reports could command the figures they did.

After citing the example of a barber who spent 15 months in South Africa and returned an unchallenged expert, the writer argued that most experts were counterfeits.

The so-called mining expert is a man to be avoided, and, if possible, exposed, for he can do infinite harm. According to Mr Hanbury Tracy he has been the *bete noir* of Westralia, where in the early days of goldmining mining experts “swarmed like locusts over the land.” “Late billiard markers,” Mr Tracy tells us, “hairdressers, grocers, policemen, etc, developed into experts with wonderful rapidity, and no time was lost in acquiring a smattering of mining jargon and in tacking M.E. [probably Mining Engineer rather than Master of Engineering] to their names.” By the aid of these many “wild cats” were floated in London, and much money was sunk by guileless British investors in worthless properties. Fortunately “the spurious mining expert is fast becoming a thing of the past” in Coolgardie, but “the harm these men have done to the fields is incalculable.” I wonder if he is becoming a thing of the past in New Zealand. Evidences would seem to say that he is. Only the other day a friend of mine, who had just returned to town from a mining district, said, “You remember Briff, the mining expert? He is now boots at the Royal, and a jolly good boots, too. Looks as if he had been at the business before.” So there, at least, was an instance that there is a tendency in the bogus mining expert to be resolved back again into

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<sup>155</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 14 November 1903, p. 20.

his former state. It may look like retrogression, but it is honest retrogression, which the evolution from the lower to the higher stage was not. Let us hope that others will follow Briff's example, whether driven to do so by the voice of an accusing conscience telling them what arrant humbugs they are, or by the exigencies of business.<sup>156</sup>

One genuine expert commented on others he had observed in Australasia:

The Australian prospector is perfectly aware of the fact that the extreme richness found in pockets at the outcrop very often disappears as depth is attained, and he therefore tries to sell his discovery as rapidly as possible. The report of a mining expert, which is a necessary preliminary to such a sale, would probably be optimistic unless he were to insist that deeper trial shafts should first be sunk or levels driven for the careful investigation of the nature of the deposits. Experts of very dubious ability and trustworthiness are to be found on every gold-field. Men of all occupations – sailors, officers, doctors, druggists, merchants, book-keepers – become experts with surprising rapidity as soon as they breathe the air of the gold-field and get a glimpse of the shining yellow metal in its natural deposits. The most curious facts are reported in this connection, as, for instance, that an expert of this type reported upon a deposit solely on the strength of specimens that were laid before him. I could relate a great number of curious incidents that show the extent of the knowledge and conscientiousness possessed by many of the mining engineers and firms. Upon the other hand, I have frequently been reproached for reporting upon Australian gold deposits with too great caution or even timidity, because I refused to draw definite conclusions as to their prospects and economic value. Every capable and properly trained engineer who is experienced in reporting upon deposits is so well aware of the doubtful character of the facts upon which he bases his judgment, that he must unconditionally refuse to make reports that go beyond certain definite limits. Any one who does not confine himself within these limits is open to the reproach that he is acting in the interest of the sellers and promoters, to assist them in obtaining the necessary capital through the credulity and ignorance of the larger financial circles.<sup>157</sup>

#### PUBLIC CAUTION

Despite reports of English investors rushing to invest in New Zealand, London correspondents pointed out that this was not the case. In mid-1896, one correspondent explained how speculation operated:

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<sup>156</sup> 'The Evolution of the Mining Expert', *New Zealand Graphic*, 31 July 1897, p. 162.

<sup>157</sup> Karl Schmeisser, *The Gold-fields of Australasia* (London, 1898). pp. 216-217.

Promoters of mining companies are simply rushing after fresh speculations, but the public as a rule will not touch them. Like the man in the song, the outside investor is “content to wait.” The fact is that people have begun to understand the way these companies are floated, and the way the flotation is paid for, viz, by grants of shares at a discount of 25 or 50 per cent. And they begin to realise that sooner or later these underwriters’ shares will come into the market at a considerable discount which nevertheless will mean a large profit to the sellers. Thus, if the underwriters get these £1 shares at 10s or 12s 6d, they can afford to sell at 15s and make a good profit, though that price would be 5s discount on that at which the public would have to take them up. So people knowing this like to wait and see when the holders start unloading. *Then* they sometimes buy. As a rule, however, they wait until some definite news is received as to the actual working of the mine, or until shares are at a premium. They may purchase then, but as a rule they don’t. Very few shares are bought or wanted by the public.<sup>158</sup>

A week later, he wrote that in all the recent flotations most of the investors had been ‘financial syndicates, professional financiers, and the regular “Stock Exchange crowd”’.<sup>159</sup> In September, he reported very little buying by the public; ‘the large sums of money that have been put into mining ventures have been entirely furnished by financial syndicates and other monetary combinations, not by the individual investor’.<sup>160</sup> Three months later, James Russell, an Auckland lawyer heavily involved in mining investment and for a time president of the Chamber of Mines,<sup>161</sup> stated that nine out of ten mines reportedly floated in London were really only ‘syndicated’; ‘up to the present the public there have not invested in New Zealand mining’.<sup>162</sup> The consequence was that ‘a great many shares became left on the underwriters’ hands’.<sup>163</sup> Another London correspondent responded to the New Zealand belief that ‘the greedy London promoter’ made all the money by stating that, ‘after considerable inquiry’, he had failed ‘to find many promoters who have become millionaires upon New Zealand promotions’. During 1896 flotations were, ‘upon the whole, very poorly subscribed for by the outside public’, and underwriters were ‘very heavily loaded, indeed’. He believed that if

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<sup>158</sup> London Correspondent, *New Zealand Herald*, 3 June 1896, p. 5.

<sup>159</sup> London Correspondent, *Auckland Weekly News*, 20 June 1896, p. 21.

<sup>160</sup> London Correspondent, *New Zealand Herald*, 27 October 1896, p. 5.

<sup>161</sup> See *New Zealand Herald*, 19 May 1897, p. 3, 20 February 1905, p. 4; *Observer*, 25 February 1905, p. 4; his letters in Jackson and Russell Letterbooks, MS 360, Library of the Auckland Institute and War Memorial Museum.

<sup>162</sup> *Auckland Weekly News*, 2 January 1897, p. 20.

<sup>163</sup> London Correspondent, *Auckland Weekly News*, 20 February 1897, p. 30.

‘the professional element’ ceased subscribing, shares would be utterly unsaleable.<sup>164</sup>

### SOME NEW ZEALAND SPECULATORS AND SOME QUICK PROFITS

‘The Fretful Porcupine’ had strong views on the morality of New Zealand speculators:

It is a very long time indeed since Auckland has seen a scrip boom approaching in excitement the one now raging. The speculative fever appears to have extended to every class of the community, and the daily frequenters of the Exchange now comprise all sorts and conditions of men. This is not so much a mining boom just yet as a scrip boom. New holdings are being pegged out every day, and scrip in mines that may have no existence anywhere but on paper are eagerly bought at fancy prices on the prospect of a sale of the “property” to English capitalists. Of course, the business is not confined to “wild cats.” There are some good and fairly safe mining investments on the board, but these generally require the investment of a fair amount of money and they do not jump so readily as your “wild cat” venture. Consequently, they are not so much in favour for speculative purposes.

It is amusing to watch some of our most pious citizens on the Exchange. These men would deem it a terrible sin to invest a pound or two on a race-horse, and they would reckon their souls were wholly lost if they indulged in a game of sixpenny nap. But they gamble in shares with apparent eagerness - they make a few pounds in one stock and lose a few pounds in another with a recklessness that would not disgrace a turf plunger. And if they find they have put their money into a bad spec., it is instructive to watch the cunning with which they try to work it off upon some other unsophisticated investor or gambler. And these men are pillars of some of our local churches.

The boom appears to be largely warranted by the results of the cyanide process, which gives us rich yields from stone that would not hitherto pay to crush, and it is also justified by the large amount of English capital that has been coming into Auckland for the working of our best mines. And so long as attention is confined to legitimate investment in good properties, to the exclusion of the “wild-cats” which are being worked off so freely upon an over-greedy and too-confiding public, then so long will the boom be useful to the community and productive of good. But, as is generally the case, many people who ought to know better will be badly taken down by “wild-cat” swindles.

Money has been made very rapidly during the last month or two by people who have been engaging in scrip speculations. One business firm of three

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<sup>164</sup> ‘Dust’, ‘Our English Letter’, *New Zealand Mining Standard*, vol. 3 no. 84 (27 February 1897), p. 10.

well-known citizens cleared £10,000 from their operations on the Exchange in several months. A profit of £500 upon one operation is no uncommon occurrence, while there are many men who have been averaging from £20 to £50 per day buying and selling scrip. You may not believe it, but it is a fact. And so long as the present boom continues, so long will shrewd speculators continue to accumulate profits. But let us hope that the end is afar off, or someone will surely be nipped. Some well known citizens, who have been under a financial cloud for years, have been placed upon their feet again by large profits from the sale of mines in which they were interested to English capitalists.<sup>165</sup>

In July, it commented that many Auckland clergymen held mining scrip,<sup>166</sup> and reported on the link with religious people two months later. ‘Some of the mining swindles attempted in Auckland during the last week beat the shadiest transactions of the turf into a “cocked hat.” And by religious people, too’.<sup>167</sup> One week later, an illustrated journal published photographs of people doing business in the Auckland stock exchange.

One of the most comical and most characteristic feature of the present “boom” is the number of “good men” who creep into brokers’ offices by the back passage and speculate in daring fashion. We have in the present groups the faces of several men well known in religious circles, and who believe and publicly declare that horse-racing is an invention of the devil, and those who patronise it are “damned,” but who evidently like a bit of a flutter in mining scrip.<sup>168</sup>

The stock exchange was ‘crowded with a mass of humanity with one sole and absorbing topic of conversation – scrip, scrip, scrip – one absorbing passion, to make a rise and to make it quickly’. One way to achieve this was described:

The *news* of a good crushing will very frequently cause a sharp collapse, while the uncertain expectation of the same event never fails to create a demand. “Sell before the news of the crushing arrives” is always the advice of the experienced speculator. The true reason for this particular paradox is pretty plain. The prospect of a good crushing is said to be excellent. The news comes direct from the mine, and, so your informant will hint, the clever push are buying. You pass the yarn n with such “corroborative detail” as you may think fit. The market begins to rise slightly, and the question goes round, “What’s up?” “A magnificent crushing is a certainty,” and it is

<sup>165</sup> ‘The Fretful Porcupine’, *Observer*, 15 June 1895, p. 7.

<sup>166</sup> *Observer*, 27 July 1895, p. 9.

<sup>167</sup> *Observer*, 14 September 1895, p. 3.

<sup>168</sup> ‘The Mining Boom’, *New Zealand Graphic*, 21 September 1895, p. 350.

probably added that it will be three times as valuable as last month's. This draws a few more into the net and creates a further rise. Then the great mass of outside speculators begin to operate just because the shares are going up, and in blissful ignorance of the cause, or supposed cause of the improvement.<sup>169</sup>

Some people were borrowing money at high rates of interest (as high as 30 per cent) but still making a profit on 'dabbling largely in scrip'.<sup>170</sup> In June 'a certain Auckland businessman was boasting that he had made £13,000 out of mining speculations during the past fifteen months'.<sup>171</sup> Was he the 'well-known mining speculator in Auckland' whom the *Te Aroha News* reported, one week later, was rumoured to have made 'the handsome amount of £13,000 on the Exchange during the last three months'.<sup>172</sup> Was an urban myth in the making, with the amount the same but the time taken to make this profit shortened? As an example of making a quick profit, a businessman was talking in the Auckland Stock Exchange when a broker offered him 500 Try Flukes (a Kuaotunu mine) at 6s a share. Five minutes after he accepted, the broker returned and offered to buy them back for another client at 8s. 'The business man readily acquiesced, and thus, without laying out a penny of cash, he made a profit of £50 within ten minutes'.<sup>173</sup> By late October rumour had it that 'at least twelve men in Auckland' had each made over £10,000.<sup>174</sup>

## 1895

In early January 1895, the *Thames Advertiser* headed an editorial 'The Coming "Boom" '. Its Auckland correspondent had reported 'a good demand for mining stocks', assisted by the 'low rate of bank interest ... causing money to seek other channels of investment'. It hoped that genuine investors would 'not be frightened away from our market by any of the wild cat schemes for stealing money, which have been too often associated with an industry which might and

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<sup>169</sup> 'The Mining Boom', *New Zealand Graphic*, 21 September 1895, p. 349.

<sup>170</sup> *Observer*, 22 June 1895, p. 3.

<sup>171</sup> *Observer*, 1 June 1895, p. 3.

<sup>172</sup> *Te Aroha News*, 8 June 1895, p. 2.

<sup>173</sup> *Observer*, 15 June 1895, p. 7.

<sup>174</sup> 'They Say', *Observer*, 26 October 1895, p. 3.

ought to be conducted on straight-forward and honourable lines'.<sup>175</sup> Later that month, another editorial was pleased that 'The mining industry from one end of the peninsula to the other is slowly but surely making headway'. The success of the cyanide process at Waihi was 'the great factor in calling new attention to our buried wealth, and at the present moment speculators, investors, and agents are streaming in here from almost all parts of the globe. The world is now ripe for another boom in gold mining', and Hauraki was 'evidently destined to be one of the chief centres of investment'. It was 'many years since so much money was lying idle' awaiting 'profitable investment. The low rate of bank interest now ruling in the old countries and the high price of all proved securities' made capitalists 'jump' at anything offering 'a decent chance of better remuneration. The one thing the world is always in need of is gold, and capitalists are willing to risk a loss for the chance of securing the immense profits which are always on the cards in this business'. It anticipated 'work enough sticking out ahead in our immense low grade fields to find honest work for every willing pair of hands at present unemployed'.<sup>176</sup> Coupled with the success of the cyanide process, Europeans were attracted by the high prices of securities, for New Zealand offered a better return on investments.<sup>177</sup> By March, scrip in the Waihi Company had risen from 6d to £7 10s.<sup>178</sup>

In March, the inspector of the Bank of New South Wales forecast that the boom would be only temporary and 'likely to be followed sooner or later in most cases by disaster to speculators'.<sup>179</sup> Six months later he predicted that few companies would succeed and shareholders were 'bound to lose their money sooner or later'.<sup>180</sup> Both the *Thames Advertiser* and the *Observer* were relieved that about £1,000 of the capital was being subscribed to prospect and work the new properties floated in Auckland. The former commented that working was 'about the last thing thought of by the old-fashioned mine promoter'.<sup>181</sup> The latter

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<sup>175</sup> Editorial, *Thames Advertiser*, 9 January 1895, p. 2.

<sup>176</sup> Editorial, *Thames Advertiser*, 23 January 1895, p. 2.

<sup>177</sup> Editorial, *Thames Advertiser*, 28 January 1895, p. 2; see also *Observer*, 12 January 1895, p. 10; Own Correspondent, *Auckland Weekly News*, 26 January 1895, p. 30.

<sup>178</sup> *Observer*, 16 March 1895, p. 2.

<sup>179</sup> Bank of New South Wales, Inspector's Half-Yearly Report, 4 March 1895, 'Auckland', p.49, Ace. No. 102, box 4, Westpac Archives, Wellington.

<sup>180</sup> Bank of New South Wales, Inspector's Half-Yearly Report, 2 September 1895, 'Auckland', p. 42, Ace. No. 102, box 4, Westpac Archives, Wellington.

<sup>181</sup> Editorial, *Thames Advertiser*, 27 May 1895, p. 2.

considered it ‘an improvement on the old condition of things, under which shareholders were bled by constant calls from the very commencement of operations’. If there was ‘nothing in sight’ when the £1,000 was expended the shareholders would ‘be able to consider their position’. The new capital would enable adequate prospecting of new areas. It also meant profits, because it seemed that almost anything could be sold, but investors should put money only into permanent ventures. ‘Smaller profits and greater safety should be the policy guiding all investments’. The *Observer* had received ‘several letters from well-informed correspondents urging us to protest against the number of claims being floated into companies’, but considered this a matter for the brokers, who were ‘ruining their own business. Seventy applications were in this week for new holdings, and almost every one of these will be floated into a company. Hence, scrip will be as cheap and plentiful as dirt, and legitimate investment will be lessened, if not wholly killed’. If the mines already floated were ‘conscientiously worked’, there would be ‘a big era of mining prosperity’ ahead; but if new claims were floated every day, ‘the investing public will be surfeited with worthless scrip, and the boom will come to an untimely end’. Brokers who permitted wild cat flotations were ‘heavily discounting their own future’.<sup>182</sup>

In late June, according to the *Observer* the boom was

still flourishing, and there seems to be every likelihood at the time of writing that it will be as strong and healthy three months hence as it is today. Wiseacres shake their heads, and predict that we will see the end of it in a week. They have experienced this sort of thing before, they say, and it ended in a collapse, but they forget that there was no cyanide process in use then, and this makes all the difference. The greatest element of danger lies in the new companies that are being floated in such numbers and with such haste to work ground on the Coromandel Peninsula. There is nothing about the Coromandel holdings in particular that we did not know of before, and some of those who are investing so largely in this scrip are bound to be disappointed.

There is one feature about the mines recently placed upon the market that argues well for at least some degree of permanency. All, or nearly all, of the money subscribed is being set apart to work the mine. This means, in almost every instance, that the company commences operations with close upon £1,000 in cash to prospect for a lode or reef, if none is already in hand. If there is nothing in sight when the £1,000 is gone, the shareholders will be able to consider their position.

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<sup>182</sup> ‘The Fretful Porcupine’, *Observer*, 22 June 1895, p. 7.

This is an improvement on the old condition of things, under which shareholders were bled by constant calls from the very commencement of operations. It at least affords a guarantee that work will be done upon all the holdings that are being so prudently managed. So far as Upper Thames mines go, they offer the best prospect to investors, because this country has not been explored yet, and no one can tell what it is capable of. The mines already taken over by English companies are proving their value and permanency as each successive week passes by....

There is no lack of money for the boom. It was coming in from the South literally in bushels during the week, and we hear on good authority that large sums of money have come across from Sydney and Melbourne during the week for investment. There is also a great deal of local money invested. Profits? Well, yes, rather. It seems just now that one cannot go wrong in buying scrip. Anything almost will sell again at a profit. But this cannot continue, and investors should for their own security see that they do not put their money into anything that is not permanent. Smaller profits and greater safety should be the policy guiding all investments just now.

We have had several letters from well-informed correspondents urging us to protest against the number of claims being floated into companies. But this is more a matter for the brokers. As things are going now, they are only ruining their own business. Seventy applications were in this week for new holdings, and almost every one of these will be floated into a company. Hence, scrip will be as cheap and plentiful as dirt, and legitimate investment will be lessened, if not wholly killed. It is a great mistake to overdo the thing. If the mines already floated are conscientiously worked, we have a big era of mining prosperity before us; but if new claims are to be floated every day, the investing public will be surfeited with worthless scrip, and the boom will come to an untimely end. But it is for the brokers to interfere. Theirs will be largely the loss if a collapse comes, and by lending their countenance to "wild cat" flotation schemes they are heavily discounting their own future.<sup>183</sup>

In the same issue, the *Observer* published a cartoon, in six parts, captioned 'You can Make Money like Winking', an 'everyday story of the present mining boom in Auckland'. The investor was tempted to speculate because 'Everybody else appears to be making money at the game'. His friend Bill recommended him to try Golden Pheasants: 'Sure to double your money. They have a six foot lode, and all they have to do is to go in and chip lumps of gold off it'. A broker sold him shares 'for 5d. No, not a ha'penny less. They're sure to go to £1, and what does a ha'penny matter, after all'. That afternoon, the investor joined the rush to see the share list. 'By golly, my Golden Pheasants are 9d already. I'm fairly in it'. Marching confidently down the street and lighting a cigar, he exclaimed, 'Bill

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<sup>183</sup> *Observer*, 22 June 1895, p. 7.

says they've struck gold in the low level. I'm jiggered if I'll sell till they go up to £1. They're worth 30/- in any man's money. It's like picking up pure gold'. The last picture, 'in the sweet bye-and-bye', showed him morosely staring at a list of calls and 'Waiting for the Golden Pheasants to go to £1'.<sup>184</sup>

One week later, there was a 'sudden lull in mining speculation' caused by some speculators buying more scrip than they could afford. 'They cannot hold what they have got, and their doubtful scrip being unsaleable, they are forcing their good stock on the market at prices much below its value, the inevitable consequence' being 'a fall'.<sup>185</sup> Combined with this flooding of the market was that 'a great amount of capital' was 'locked up' in promoters' shares, which were 'held in abeyance' for development.<sup>186</sup> Mining commentator 'Obadiah the Younger', whose first column appeared at this time (his previous manifestation, as 'Obadiah the Scribe', had reported in the *Observer* in earlier years), was pleased at this lull. 'At the rate we were going, we would all have been brought up in the Bankruptcy Court'. The revived interest in mining had been 'preceded or accompanied by a madness of several weeks' duration, during which some people parted with hard cash that they will never see again, and which found its way into the needy pocket of the hard-faced "company promoter" '. He forecast that when the new mines got 'into real swing' and English money arrived, there would be 'an activity on the Exchange to which the madness of the last few weeks will be even as a spasm'.<sup>187</sup> One week later, he commented that the 'wild-eyed speculator' had not been 'so much in evidence on the Exchange during the past week', and his absence was 'just as well. It assists to discount speculative booming of "wild-cat" stock, and tends to bring about a more healthy feeling on the market'. Few new 'ventures' had been floated during the past week, 'but however few they are beyond requirements, and he is a venturesome individual indeed who will take a promoter's share in anything at all until some of the mines already floated have been proved'. He cited a calculation that, since the beginning of the year, 'four million fresh scrip has been placed on the market, in return for which about £60,000 has been locally subscribed to work new claims. If this does not develop something, then we would be wiser to keep our money in our pockets

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<sup>184</sup> 'Blo', 'You Can Make Money Like Winking' (cartoon), *Observer*, 22 June 1895, p. 17.

<sup>185</sup> *Observer*, 29 June 1895, p. 7.

<sup>186</sup> *Thames Advertiser*, 1 July 1895, p. 3.

<sup>187</sup> 'Obadiah', 'Shares and Mining', *Observer*, 29 June 1895, p. 10.

instead of investing it in scrip. But it ought to produce other results besides liquidation calls'.<sup>188</sup>

In late July, the *Observer* published an article headed 'Surely it is a Bonanza', which was reprinted in the *Thames Star* headed 'How the Mining Industry is Crippled':

The gold fever which broke out in Auckland a month or two ago has made its appearance in Wanganui and Marton, and if the people in these two progressive towns do not suffer a little from the consequences of the epidemic, it will not be the fault of the glowing expectations recently held out to them in newspaper advertisements and pamphlets.

Ernest Mansfield, a Whanganui journalist who invested in several companies during 1896 and 1897 and was a director of an unsuccessful one at Te Aroha,<sup>189</sup> was promoting the Lydia mine, near Paeroa, in Marton and Whanganui.

The Lydia is a no liability company. This is a sensible precaution. And the Lydia has been floated with a capital of £50,000 in 200,000 shares of 5s each. Fact! Two hundred thousand shares is the number, and if it is not enough, there ought to be very little difficulty in making it four hundred thousand or even five hundred thousand. That the property is a very valuable one is attested by the fact that 70,000 paid-up shares and £6,000 cash is to be given to the vendors of the mine in full payment for their right, title, and interest. Valuable? We rather guess it must be at this price. Six thousand pounds in money and seventeen thousand pounds in shares? Why, the Lydia must be a second Woodstock, or Crown, or Waihi, or Hauraki. And to think that this veritable bonanza has passed away from us, and has been snapped up by the canny people of Marton and Wanganui at the merest bagatelle of a price.

It quoted the *Wanganui Chronicle* enthusing about 'excitement at Thames' over 'grand stone' assaying at £7 13s per ton, and reprinted advertisements published in the Marton and Wanganui newspapers:

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<sup>188</sup> 'Obadiah', 'Shares and Mining', *Observer*, 6 July 1895, p. 10.

<sup>189</sup> Thames Warden's Court, Register of Applications for Licensed Holdings and Special Claims 1887-1896, folio 198, BACL 14376/1a; Register of Applications for Licensed Holdings and Special Claims 1896-1897, no. 842, BACL 14376/2a; Register of Licensed Holdings and Special Claims 1895-1896, folio 60, BACL 14355/3a; Register of Licensed Holdings and Special Claims 1896-1897, BACL 14355/4a, ANZ-A; *Observer*, 4 March 1893, p. 11; *New Zealand Gazette*, 16 July 1896, p. 1127, 23 July 1896, p. 1161, 29 October 1896, p. 1826; *Ohinemuri Gazette*, 7 October 1896, p. 2; Warden's Court, *Thames Advertiser*, 2 October 1896, p. 4, 5 February 1897, p. 4, 18 May 1898, p. 4, 8 June 1898, p. 4.

Investors wishing to make an *enormous profit* should apply at once for shares in the Lydia Gold-Mining Company – no liability. There are people in Auckland making “thousands of pounds a week” dealing in shares. The Lydia Goldmining Company (no liability) *offers the same opportunity*. The reefs in this mine have been tested and proved to be enormously rich in gold, and is sure to enrich everyone who purchases shares. £100 will secure 4000 shares in this company, which will be certain to give the investor a handsome return. Everyone has heard of the Waihi gold mine. Shares in this company were at one time given away: the mine is now worth £1,000,000. The Lydia Goldmining Company (No Liability) offers a *sure profit of several hundred per cent* on the invested capital. Shares can be purchased for 6d on application, 6d allotment, and the remaining capital (if required) 1d per share per month.

The *Observer* concluded by telling Auckland people asking ‘in amazement where is this Lydia mine which is going to outrival the Waihi’ company not to contact it. ‘We are not taking Lydias’.<sup>190</sup> One month later, ‘Obadiah’ reported that tests had shown the Lydia did have good gold. ‘This shows the mine is valuable, but that is no excuse for the highly coloured and extraordinary prospectus issued by this syndicate’.<sup>191</sup> The prospectus failed, possibly because it was too highly coloured, and the Lydia struggled on as a small mine never to be floated as a company.<sup>192</sup>

By late August, ‘Obadiah’ continued to predict a still greater boom:

But don’t suppose that everything that is floated into a company now is going to participate in the profits of the good time coming. Many will be floated, but few will be chosen. Does any thought of this ever occur to the crowds of people who are flocking like sheep to the slaughter, with their £30’s and £50’s for syndicate shares in God alone knows what. Do they think that their foolishness is just now the sport and profit of the “wild cat” promoter? Four companies out of every five that have been floated during the last fortnight will never produce anything beyond calls. Some few are the most abominable “cronks” that were ever floated off upon a deluded public.

The ‘silly investor’ would lose his investment but ‘at least gain experience’. Advice to invest cautiously and avoid wild cats was repeated. ‘Looking at the

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<sup>190</sup> *Observer*, 27 July 1895, p. 2; reprinted in *Thames Star*, 25 July 1895, p. 2.

<sup>191</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 31 August 1895, p. 16.

<sup>192</sup> Warden’s Court, *Ohinemuri Gazette*, 15 July 1896, p. 3, 29 August 1896, p. 4, 21 October 1896, p. 2, 10 July 1897, p. 5.

recent floatings, I can count on my fingers £9000 for which the speculators will never get a return of a penny. They cannot get it. The gold is not there, and the people who floated the claims knew it was not'. But he could also 'name a dozen ventures no more highly thought of that are certain, sooner or later, to become permanent and payable mining properties, and that will recoup their owners a hundredfold'.<sup>193</sup>

Although refusing to accept any responsibility for his advice, 'Obadiah' each week listed which mines were good investments. He could be blunt about dubious mines, in one case mentioning 'Great display of confidential telegrams, telling fabulous stories of rich gold -the richest ever got in Auckland. People desperate to get shares, and people almost equally desperate to sell them. Sounds funny, doesn't it?'.<sup>194</sup>

In August, the *Thames Advertiser*, in lamenting the immorality in mining, did not think forming a Mining Association would make any difference. 'The only hope that the industry will ever become a subject fit for legitimate investment' lay in the 'probability' that soon large companies would 'work low grade mines for dividend purposes only and that their returns may be depended upon with the certainty attached to coal or iron mining'. Only then would 'the honest investor have a satisfactory show for his money'.<sup>195</sup> During August, the new mining claims taken up in the Thames and Ohinemuri districts totalled 18,051 acres, most of it being 'ground which has never been touched by a pick'. An editor estimated that a 'suitable sum for thorough prospecting purposes' was about £100 an acre, making the capital required for systematic prospecting of land taken up in that month £1,805,100.<sup>196</sup>

A columnist, told that the boom would last 'till the crack of doom!', commented: 'Doom rhymes with boom, you see. But when the crack will come it is hard to say. That is just where the beauty of the things comes in. Everybody knows it is bound to come, and the puzzling point is to get clear then'.<sup>197</sup>

The following month a record time was set for forming a company: three and a half minutes. 'The cynics say the liquidation of some of these ventures will

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<sup>193</sup> 'Obadiah', 'Shares and Mining', *Observer*, 24 August 1895, p. 16.

<sup>194</sup> 'Obadiah', 'Shares and Mining', *Observer*, 24 August 1895, p. 16.

<sup>195</sup> Editorial, *Thames Advertiser*, 14 August 1895, p. 2.

<sup>196</sup> Editorial, *New Zealand Herald*, 3 September 1895, p. 4.

<sup>197</sup> 'Mercutio', 'Local Gossip', *Auckland Weekly News*, 31 August 1895, p. 7.

take a little longer time'.<sup>198</sup> A 'special reporter' who visited Thames in October described how local people were attempting to make their fortunes:

During my stay on the goldfields I did not peg out a single claim. That is quite a remarkable declaration nowadays. Everybody is pegging out for the purpose of selling. Taking a walk in a green paddock on the rising ground at Parawai, just below the cemetery, I came upon a mining peg, with a cow peacefully chewing the cud beside it. The cemetery is pegged in, of course, and it is even said that one man ... drove a peg into his mother's grave.

An enormous amount of overlapping claims awaited the surveyors; 'about 33,000 acres' had been pegged out, but most had not been prospected. 'To man this ground would require about 11,000 miners' and about £3,300,000 would be required to develop it before any return was received. 'It would be years in many cases before the machinery could be put in working order', and 'a considerable proportion' of these claims would be abandoned because of 'the lease rent and other expenses'.<sup>199</sup> The following month, a 'moderate calculation' estimated that the regulations required 'at least 25,000 miners' to man the claims already floated.<sup>200</sup> In September, an Auckland editor regretted that it was not possible to prevent claims being placed on the market before being prospected thoroughly. He accepted that it was 'impossible ... to hope for that under present circumstances, but at all events provision for prospecting should be made in every case'. In very few cases was an adequate amount set aside for this, because the areas being taken up were large, contained no indications of a reef, and had no adjoining workings to indicate where one should be looked for. 'Where the miner has the extent of a moderate-sized farm to wander over, the chances are that he will not be able at the first to hit upon the right spot if there is a right spot'. Once it was proved that payable reefs existed, there would be 'no difficulty in getting money for mining'. But 'mere prospecting' had 'very little chance of being done by calls'.<sup>201</sup> The Auckland manager of one bank cited an estimate that a penny call per share per month in all companies formed in the past 12 months 'would mean £110,000 to £120,000 per annum to be found out of the savings of the

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<sup>198</sup> 'Mercutio', 'Local Gossip', *Auckland Weekly News*, 21 September 1895, p. 7.

<sup>199</sup> Special Reporter, 'The Thames District: Progress and Development', *Auckland Weekly News*, 19 October 1895, p. 20.

<sup>200</sup> 'Obadiah', 'Shares and Mining', *Observer*, 9 November 1895, p. 9.

<sup>201</sup> Editorial, *New Zealand Herald*, 3 September 1895, p. 4.

shareholders'.<sup>202</sup> 'Obadiah' was pleased to see a quieter week on the stock exchange in September. 'The public are surfeited in promoters' shares. They have had enough and to spare, and now they naturally would like to see some of their money back before they allow themselves to be inveigled into anything else'.<sup>203</sup>

Brokers were accused of failing to stop malpractice. A Chamber of Mines had been formed in August,<sup>204</sup> intended to, amongst other things, prevent poor claims being put on the market, but 'Obadiah' accused some of its most active members of being 'most to blame' and for 'fleecing' the public.

We have plenty of mines floated now. Let us bide-a-wee and see what permanency there is in this activity. Let us open a few of the mines. Let us get something out. As it is, with not a few of the concerns already floated the wily promoters have scooped the dollars subscribed into their own pockets, and there is little or nothing with which to buy even a truck or pick and shovel. The only prospect before the shareholders is "calls." Let me hope all the very clever people will be clever enough to keep out of gaol.<sup>205</sup>

One week later, the *Observer* commented that 'Diogenes and his little lantern would have a tough job to find an honest man on the Auckland Exchange just now'.<sup>206</sup> In September, it asked when all the newly pegged out mines were going to be manned.<sup>207</sup> Two or three companies were being formed every day. Some small prospecting ones, spending from £500 to £1,500 testing the country, would succeed, making the boom worthwhile.<sup>208</sup> At Thames it was feared that unless work began in earnest by the new companies, the boom would 'fizzle out'.<sup>209</sup> 'Obadiah' insisted there must be legitimate working:

Gradually, the money subscribed is being eaten up with legal manager's salary at £2 per week, directors' fees of half-a-sovereign [10s] a sitting, and mine supervisor's wages of £3 or £4 a week. No proper work of any consequence is being done. For this the Warden is grossly to blame. By indiscriminately granting periods of protection he is simply bolstering up

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<sup>202</sup> Bank of New South Wales, Report of W. McCullough, 2 September 1895, 'Auckland', p. 43A, Ace. No. 102, box 4, Westpac Archives, Wellington.

<sup>203</sup> 'Obadiah', 'Shares and Mining', *Observer*, 21 September 1895, p. 8.

<sup>204</sup> For the Memorandum of Association and other details, see *New Zealand Graphic*, 5 September 1896, p. 300.

<sup>205</sup> 'Obadiah', 'Shares and Mining', *Observer*, 14 September 1895, p. 8.

<sup>206</sup> *Observer*, 21 September 1895, p. 3.

<sup>207</sup> *Observer*, 7 September 1895, p. 10.

<sup>208</sup> *Observer*, 21 September 1895, p. 2.

<sup>209</sup> *Thames Advertiser*, n.d., cited in *Observer*, 2 November 1895, p. 4.

“wild cats,” and assisting, though perhaps unconsciously, to delude the public. Protection is stagnation, and is unfair to the companies legitimately working. It is also unfair to the unfortunate subscribers of capital that has been put up. Even if many of these claims are duffers, let the money, at least, be spent in proving them rather than having it eaten up slowly in office and other expenses.

There was no excuse not to work mines whilst awaiting English capital. ‘They have capital to work with, and they should be compelled to work, instead of being held solely for speculative purposes’.<sup>210</sup> A mining commentator noted that Auckland had been called the ‘Mad City’ because of ‘the intensity of the mining excitement’, but praised this excitement for impelling men to discover gold,<sup>211</sup>

The boom enriched some previously impoverished men,<sup>212</sup> and all classes of society entered into the gambling frenzy. ‘A certain parson, who has been preaching hard against gambling, found a bundle of mining transfers in his wife’s hand-bag, all good stuff, too, and forced her to sell at once, “on a rise”’.<sup>213</sup> It was, to the *Te Aroha News*, a ‘respectable method of gambling’. Many of those trading in shares would ‘lift up their hands in holy horror at the thought of backing their opinion on a racecourse, or putting a pound in a sweep. It is all one and the same thing, and it is characteristic of the age in which we live’.<sup>214</sup> ‘Mercurio’ lamented that some men were mortgaging their homes ‘and even giving bills of sale over their pianos, or giving promissory notes at heavy rates of interest, in order to gamble in mining shares’.<sup>215</sup> By mid-September, the ‘mining fever’ was spread throughout the colony, and companies were floated in ‘a fashion which will in a month or so seem as lunatic as the South Sea bubble seems to us now’. One observer considered that three quarters of the claims being floated in the ‘wild and unreasoning rush’ were ‘rank and absolute “duffers”’. During the past week it had sometimes been

almost impossible to get into the Exchange. On Friday last a man dropped down in a fit just at the entrance, and almost immediately expired. The occurrence created but the most momentary interest. People rushed away

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<sup>210</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 23 November 1895, p. 9.

<sup>211</sup> G.E. Alderton, *Auckland Goldfields Maps and Investors’ Guide* (Auckland, 1896), p. 1.

<sup>212</sup> For example, *Observer*, 31 August 1895, p. 3, 25 July 1896, p. 18.

<sup>213</sup> *Observer*, 31 August 1895, p. 3.

<sup>214</sup> Editorial, *Te Aroha News*, 22 June 1895, p. 2.

<sup>215</sup> ‘Mercurio’. ‘Local Gossip’, *Auckland Weekly News*, 12 October 1895, p. 7.

from the price lists for a moment, but returned to them with something of impatience at having wasted time over such a trifle as death.

While tradesmen were not being paid, their customers were speculating. 'At present absolutely everyone appears to be making money. One never comes across a man who confesses to having lost any'. He considered there was not 'much more ready money left', and that 'altogether too much reliance' had been 'placed on this much-talked-of English capital' promised in all the 'wild cat' prospectuses. London would not, and could not, take all the mines offered, and, 'save in one or two cases, where are clever city gang are sufficiently subsidized, London will not be satisfied without more *proofs* of the existence of reefs and gold than the majority of the properties sent Home will be able to show'.<sup>216</sup>

In mid-October, the *New Zealand Graphic* announced that 'a very large proportion' of the space it devoted to 'literary articles of miscellaneous character' was now to be devoted to mining news provided by 'probably the most experienced and trusty mining journalist in the colony'. His information was marked by 'absolute reliability and scrupulous exactness', and he would reply to any queries about mines 'except advice as to buying and selling of shares'.<sup>217</sup> This expansion of mining news was 'in response to the numerous requests received from readers at a distance'. Mining had 'assumed such proportions that the majority of our readers are either directly or indirectly interested'. The unnamed expert considered the revival in mining was 'not a mere evanescent boom but the genuine outcome of the systematic development of several now famous mines'. English capital was 'a guarantee' that the mines would be 'thoroughly developed. Of the results in the future we have no fear. The magnificent returned obtained nearly a quarter of a century ago, with the expenditure, comparatively speaking, of but a small amount of capital in a restricted area, augers well' for the prospecting of 'districts hitherto untouched'. The new companies being 'floated daily' were 'distributed over a wide area', meaning that each was 'a prospecting association'. Instead of prospectors 'wandering, perhaps somewhat aimlessly over the country, searching for pockets, a certain number are located on fixed areas', and 'backed with sufficient capital to

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<sup>216</sup> *New Zealand Graphic*, 14 September 1895, p. 329.

<sup>217</sup> *New Zealand Graphic*, 19 October 1895, p. 481.

systematically test each holding'. When the new companies started 'properly to work with large crushing plants economically worked', there was 'little doubt but that satisfactory results will be obtained'. All the new discoveries in new districts proved that payable gold was 'spread over a large area' and indicated 'the permanency of the mining industry'. Another proof of this permanency was that nothing less than 50 or 100 acres was readily floated, 'the aim of the investors being apparently to secure areas large enough to warrant the erection of big crushing plants to economically treat ore in great quantities'. As well, there was 'a general tendency to unite small holdings and form strong companies to work the combined areas'. During the past week, 'while low priced shares were almost entirely neglected, those commanding higher price with few exceptions maintained their value, and in several instances steady advances were recorded'. During the past week 'a Free Exchange' had been formed, 'at which calls were made publicly three times a day in the presence of large crowds of speculators', and three firms were 'holding auction sales of scrip almost daily, so that there are ample avenues for transacting business'. Several 'outside brokers' were likely to join the stock exchange.<sup>218</sup> To join this limited number, they would have to pay £500.<sup>219</sup>

Albert Cuff, a prominent Christchurch businessman,<sup>220</sup> from gave a very positive impression after he visited Auckland:

What are my impressions as to the permanency of the boom? Well, I must say most emphatically that it is not a mere ephemeral one, and for the following reasons. The Companies now formed are all no liability, whereas in the past any holders of scrip were liable for the full amount of their shares. This enables people to hold as much scrip s they can pay for, without any further liability, unless they choose to increase the amount of their holding. Then all the Companies when formed start with their capital in hand, instead of as formerly having to call it up at long periods by instalments. This results in the Companies starting with from £500 to £1,500 in hand, which enables them to prospect the claim thoroughly and test the value of the ground. This in itself will keep the mines from six to twelve months at work in proving the claim. If the claim is good there is no difficulty whatever in obtaining money sufficient to get the plant, machinery, etc. Thus, you see, even if no gold at all is found – a very remote contingency indeed – the activity in mining matters will still keep up for

<sup>218</sup> *New Zealand Graphic*, 19 October 1895, p. 492.

<sup>219</sup> *New Zealand Graphic*, 19 October 1895, p. 493.

<sup>220</sup> See *Cyclopedia of New Zealand*, vol. 3 (Christchurch, 1903), p. 112.

twelve months. But already a good many rich claims have been found and proved. Meanwhile the bulk of the companies formed may be regarded as large prospecting companies. It is immaterial how many companies are floated so long as they have the money in hand, because it means that there will be a large area of the country thoroughly and efficiently prospected and the chance of finding payable claims largely increased.... All the good things in the way of claims are saved for England. There is no trouble, so far as I could gather, in getting a good claim floated in England, and on the prospect of flotation there shares go up 5s or 6s in a good claim very quickly.... As evincing my faith in the matter I am removing with my family at once to Auckland, where I intend to act as mining agent, etc.<sup>221</sup>

At the same time, 'Obadiah' reported flatness on the stock exchange because 'everyone investing' was 'loaded up with syndicate shares or scrip', and were awaiting news of flotations in London. Many claims were not being worked, with miners paid to work them prospecting elsewhere to find new claims to peg out.<sup>222</sup> One week later, the mining reporter for the *Graphic* agreed that there was 'a lull' as if speculators were pausing 'for breathing time'. Although such lulls were normal, there were always 'a number of timid speculators, who, thinking that the end has come, are prepared to rush their stocks on to a market when there are few buyers, and thus help to create the state of affairs they are seeking to escape from'. More 'far-seeing speculators' were therefore able 'to pick up good lines at cheaper rates'. The lull was 'the natural outcome' of floating so many new companies, for there was 'a limit to the buying capacity of investors'. As surveyors struggled to do all the new work, 'thousands of pounds were locked up in the banks awaiting the time when a complete title had been granted'. As more companies were being floated in London, the mining revival was 'not likely to suddenly die out, but must mean the steady expenditure of large sums of money extending over many years, thus assuring the permanent development of our goldfields'. Falls in Kaffirs and Westralians on the London market had not affected New Zealand stocks.<sup>223</sup> One week later, the same reporter claimed that 'the temporary relapse in the mining market in London, which had a depressing effect on New Zealand speculators, was not unforeseen'. He cited a London financial adviser warning against avoiding speculation and not buying 'more

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<sup>221</sup> Alfred Cuff, interviewed in *Christchurch Press*, n.d., reprinted in *New Zealand Graphic*, 19 October 1895, p. 493.

<sup>222</sup> 'Obadiah', 'Shares and Mining', *Observer*, 19 October 1895, p. 16.

<sup>223</sup> *New Zealand Graphic*, 26 October 1895, p. 524.

shares than one can conveniently take up and pay for'. Investors 'should not go beyond their depth, and should be very careful not to embark too heavily in low-priced shares, and in mines of which little is known'. In all parts of New Zealand, 'hundreds upon hundreds of dabblers in gold-mining shares' were ignoring such advice. 'In Auckland, Napier, and Wellington the number of persons who are over-speculating is appalling, and if a lull of a serious, though perhaps temporary character, should take place, as is perfectly possible, though not, I trust, probable, the effect would be disastrous'. There could be 'serious complications' from the 'extraordinary number of irresponsible persons' becoming sharebrokers in Auckland. 'No qualification is apparently regarded necessary, and every Tom, Dick, and Harry who is "out of collar" [unemployed]<sup>224</sup> carries a small order book and pesters friends or nodding acquaintances to "give them a turn" '. Soon there would be 'as many, if not more' brokers outside the stock exchange as there were speculators. 'The proportion is now altogether preposterous, and there can be no doubt that many of them get the small living they do make out of it by dishonesty and fraud', of which two examples were given. There were even several boys fresh from school acting as brokers.<sup>225</sup>

In November, panic was caused on the stock exchange because of alarm over a possible Turkish war. 'All of which goes to show that the people who dabble in mining scrip are mostly fools. They rush into any wild-cat speculation to-day without due enquiry, and tomorrow they are wildly rushing out of that and many other things they have invested in'.<sup>226</sup> Hopes that the boom would continue were boosted by the news that Parisian and South African capitalists were interested in investing.<sup>227</sup> The *Graphic's* reporter insisted that, despite a decline in interest in various stocks, there was 'little doubt but that the confidence in the mining revival is as firm as ever'. A marked increase in output was a 'definite answer' to the pessimists who had predicted a speedy collapse, and capital continued to arrive from England. 'One of the greatest troubles' was that surveyors had taken on too much work and could not conclude their surveys,

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<sup>224</sup> Jonathon Green, *The Cassell Dictionary of Slang* (London, 1998), p. 838.

<sup>225</sup> *New Zealand Graphic*, 2 November 1895, p. 545.

<sup>226</sup> 'Obadiah', 'Shares and Mining', *Observer*, 16 November 1895, p. 9; for other comment on investors' responses to the Turkish crisis, see *New Zealand Graphic*, 23 November 1895, p. 641.

<sup>227</sup> *New Zealand Graphic*, 2 November 1895, p. 546.

‘causing shareholders to complain bitterly’, and justifiably. ‘This is a serious injustice to shareholders, who have to provide the money for these surveys. In several cases the floating of companies has been seriously interfered with’, and sometimes ‘surveyors will neither finish the work themselves nor hand it over to another competent person’. As well, in some cases ‘the cash which should go to prospect the property is being eaten up by managers and directors’ fees’.<sup>228</sup> This reporter also rebuked investors who caused market prices to fall because one Thames mine was not floated in London.

It would be a strange state of affairs if every property sent to London was accepted, no matter what terms were asked, but apparently this is what some speculators expect, and one failure seems to make them forget a dozen successful sales of mines. No property should be offered either locally or in London unless it is a really genuine venture, and if a sale is not effected in any one case, the mine still remains as good as it was before being offered, and should be just as well worth developing locally as ever it was.

The past week was marked by ‘prevailing dullness’, despite the warden’s court in Paeroa receiving 800 applicants for claims, residence and machine sites, and water rights, ‘evidence of the energy with which the mining is being carried on’. An English visitor’s article praising the mining potential of the Hauraki district was printed to show that there was ‘no immediate danger of English capitalists hesitating about investing in New Zealand mines’.<sup>229</sup>

By late November, according to ‘Obadiah’, the market was stagnant because of the amount of scrip acquired. ‘We are all sellers and there are few buyers left. And it will be so until we either got more English capital in or “some gold out”’. He hoped that the ‘wild speculation spree’ had ended and that mines already floated would be worked instead of more companies being floated.<sup>230</sup> The *Graphic* described the value of shares advancing and receding ‘in a manner most embarrassing to the average speculator, and most enriching for brokers, as at each upward move there is a rush of business which would not take place if values were steadily maintained’. The general trend of a dull market was declining values, but with English capital still acquiring properties there was not need for

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<sup>228</sup> *New Zealand Graphic*, 9 November 1895, p. 588.

<sup>229</sup> *New Zealand Graphic*, 16 November 1895, p. 620.

<sup>230</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 23 November 1895, p. 9.

local shareholders 'to exhibit such nervousness regarding the safety of the comparatively small sums they have invested'. Good signs were that mine development was continuing, and there was 'a growing tendency to amalgamate small holdings into one strong company', meaning 'more economical working' of larger amounts of ore. 'While mines are being thus vigorously developed, occasional lulls on the market are of little consequence beyond the fact that they cause shareholders considerable uneasiness while they last'.<sup>231</sup>

By then, over 200 companies had been floated in Auckland, meaning that £200,000 in local capital had been locked up in companies 'which have not yielded a penny', the *Observer* complained. Many people had bought scrip using borrowed money or promissory notes and lacked funds to purchase more shares. It was 'no secret in mining circles that one capitalist, who was here recently with the object of picking up properties for foreign investors, was advised to "hold on" for a month or two until the "funk" had properly set in, and then he would get almost any property he wanted at his own price'.<sup>232</sup> Often decreases in values were 'most unwarranted', as mining continued satisfactorily in many mines.

The real truth is that the persistent floating of new companies has resulted in the locking up of large sums of money, pending the completion of surveys, and has also glutted the market with cheap scrip. Syndicate shares in new ventures were eagerly taken up in the hopes of selling scrip at high rates later on. Now many speculators are realizing that they have got more stock than they can comfortably hold, and the result has been a general desire to sell, and when buyers were few shares were steadily offered at declining prices, a fact which caused those who wished to buy to hold off and wait until bedrock was reached. To rush shares on the market when buyers are not numerous is a suicidal policy.

There had been some trading in stocks of mines 'known to be systematically worked to get the gold, and not for market purposes solely', indicating that people were 'ready enough to invest in companies which are being worked in a *bona fide* manner, which is of itself a guarantee of the permanency of the present wonderful revival in our mining industry'. The 'general tendency' to obtain special claims of 100 acres meant that labour was not 'wasted in useless operations on small pieces

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<sup>231</sup> *New Zealand Graphic*, 23 November 1895, p. 653.

<sup>232</sup> *Observer*, 30 November 1895, p. 2,

of ground'. English capital meant 'energetic' working, and English capitalists were still seeking 'eligible properties'.<sup>233</sup>

By early December 'bedrock' was reached in the value of scrip.<sup>234</sup> By then the South African mining bubble had burst, the Western Australian one was expected to follow suit, and the New Zealand one was weakening, with the English public disinterested in investing.<sup>235</sup> To the *Thames Star*, the condition of local mining was 'an excellent illustration of the vagaries of the sharemarket'. Although gold production at Thames and its 'general prospects' were 'vastly improved' compared with six months previously, 'yet the market, which was feverishly active then, is now utterly flat'. As the values quoted on the stock exchange did 'not by any means accord with actual values', and the market did 'not move in sympathy with the success or non-success of legitimate mining operations'.

Mining is progressing by leaps and bounds throughout our goldfields, but the market, answering only to itself, is dull. The chief cause of this depression is over-speculation and consequent reaction. It is not that investors are losing confidence. On the contrary, the universal feeling is a hopeful one, but owing to the market being flooded with small companies, a large amount of money has been locked up, thus stopping the mad rush of gambling and producing a temporary lull. And it is far better, in the interests of legitimate mining, that "business" should be allowed to ease off for a while. The continuance of the former pace would only mean more promoting, more speculation, and the locking up of good money in useless undertakings, and financial tightness would be certain to overtake us sooner or later. It is to mines of proved value, systematically developed by English capital, that we must look for permanent results. At all events, the speculator cannot complain that he has not had his innings. It was computed the other day that there were at least twelve men in Auckland who had made £10,000 each out of the recent "boom," thus giving to this select coterie the enormous profit of £120,000. If these figures are correct the English capitalist has to pay the local speculator a very considerable commission for the honor of developing our fields, and as this sum represents the gain of the individual alone, it is high time the pace was moderated.<sup>236</sup>

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<sup>233</sup> *New Zealand Graphic*, 30 November 1895, p. 675.

<sup>234</sup> *Thames Advertiser*, 7 December 1895, p. 2.

<sup>235</sup> *Thames Advertiser*, 11 December 1895, p. 3, editorial, 12 December 1895, p. 2; *Auckland Weekly News*, 7 December 1895, pp. 9, 20-21, 29, London Correspondent, 11 January 1896, p. 35 [written on 30 November], London Correspondent, 2 January 1896, p. 15 [written on 6 December], London Correspondent, 28 February 1896, p. 30 [written on 28 December].

<sup>236</sup> Editorial, *Thames Star*, 2 December 1895, p. 2.

During December, the market was quiet, ‘many holders being willing to accept small profits in order to realize and get some money in hand for the Christmas holiday season, while the approach of the end of the month no doubt deterred others from buying’. Waihi shares rose, speculators ‘apparently beginning to realize that shares in an English Company with a working capital of £40,000 are well worth picking up at such ridiculously low rates as 1s 6d’.<sup>237</sup> In mid-December, the *Graphic*’s reporter insisted that, despite prices remaining low, ‘a better feeling prevails, holders having apparently lost that feverish desire to clear out at any price’.

One good effect of the recent depression in the mining market is that new companies are not now being rushed on the market, as the majority of investors, having quite enough scrip on hand, are not eager to go into new ventures. At the Warden’s office, the clerks instead of having hardly sufficient time to receive money and applications, now have to pay a good deal of money every day for withdrawals. While the rush was on, money could be got for anything that was offered, but now the very best property would require considerable influence to float it. This is not to be regretted, as already enough properties have been floated to necessitate considerable expenditure if the shareholders intend to develop them.

He detected ‘a more healthy tone’ in mining, and had ‘every reason to believe that after the holiday season the Exchange will open to brisk business’.<sup>238</sup> ‘Many keen business men’ expected ‘higher values’ in the new year. Reportedly there was ‘a better feeling’ in London towards New Zealand mines.<sup>239</sup> Because of foreign capital and the new crushing plants being erected, it was ‘safe to predict’ a large increase in gold production in 1896. ‘Never before has so much systematic prospecting been in progress over such an extended area, and as there is now no lack of capital for really good ventures, the future of our mining industry should be a good one’. And ‘judging from the tone of the market at closing’ for Christmas, ‘the Exchange should open to good business in the new year’.<sup>240</sup>

Throughout 1895, many voices had warned about the fragility of the boom. For instance, in September one ‘plain speaker’ at Thames pointed out some realities:

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<sup>237</sup> *New Zealand Graphic*, 7 December 1895, p. 716.

<sup>238</sup> *New Zealand Graphic*, 14 December 1895, p. 749.

<sup>239</sup> *New Zealand Graphic*, 21 December 1895, p. 780.

<sup>240</sup> *New Zealand Graphic*, 28 December 1895, p. 808.

Those who remember former times when the scrip mania seized hold of people and the inevitable collapse which always sets in, must look upon the present feverish activity in mining scrip with feelings of distrust, for as history repeats itself a reaction from the present condition is certain, and unless some miraculous creation of the precious metal has taken place it is morally certain that at least one half of those mines, whose scrip is being bought with such avidity, must turn out worthless, and as it is an axiom in physics that action and reaction are always equal and opposite we must prepare ourselves for great disappointments when the boom is over. The way mines are being pegged out simply for the purpose of being floated on the English market makes one fear that the process of killing the goose that lays the golden egg is already begun. It is deplorable that for a temporary benefit advantage should be taken of the English investor, who has been induced to invest his money in our mines because he believes in their *bona fides*.... Should a mass of worthless properties be thrust into his hands, as seems likely to be the case, we may be quite sure that the shower of British gold which has been falling on us during the past few months will suddenly cease, and our last stage may be worse than the first. I do not know exactly the functions of a Chamber of Mines, but I should think that one of them should be the guaranteeing or otherwise of all ground offered for sale outside of the colony, thus protecting not only the foreign investors, but our own good name'.<sup>241</sup>

Shortly afterwards, although a Tauranga newspaper warned its readers, unused to mining booms, that 'an attitude of caution' was appropriate, it estimated that the real amount of capital being received was 'not far short of the amount of an ordinary colonial loan. This of itself gives a great amount of stability to the boom'.<sup>242</sup> At the end of November, the Thames 'plain speaker' had more blunt opinions:

The mad rush for scrip which has been so prominent of late, seems at last to be over, and a good job too, for it has nothing to do with legitimate mining enterprise, rather the opposite, and calculated to do great injury to the proper development of the industry. The wonder to a great many people is not that values are lower all round than they were, but that they were ever so high as they were a week or two ago. In dozens of mines, the scrip of which was realizing good prices, nothing had been done, and little was known of their prospects, yet so great was the desire to own scrip that plenty of buyers were found, and were the cause of a great deal of money being made by a few people in the swim, who were able to gratify the ambition of the public by selling them in thousands – scrip of a very doubtful value – and now the

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<sup>241</sup> 'The Admiral', 'The Plain Speaker', *Thames Star*, 14 September 1895, p. 1.

<sup>242</sup> *Bay of Plenty Times*, n.d., reprinted in *Thames Star*, 17 September 1895, p. 3.

buyers are beginning to find out that there is a limit to their capacity to purchase scrip, and that there must be more to show than a piece of ground upon which no work has been done. The time has come for working in a systematic manner, and proving that the mines are indeed worth at least a part of the value given to them by the price of scrip.<sup>243</sup>

At the end of the year, the *Thames Star* summarized the revival of mining:

Many of our leading mines have passed into the hands of English capitalists, who in turn have formed strong companies for more thoroughly and vigorously developing them. Altogether some twenty English companies, with capital representing several hundred thousands of pounds, are now either in operation or are just about to commence in our midst, whilst other properties are also under offer to foreign investors. In addition to the English companies no less than 163 local companies have been formed, with a total subscribed capital representing about two million pounds sterling, the various properties in the latter category being situated as follows:- 37 at Coromandel, 26 at Kuaotunu, 4 at Manaia, 4 at Tapu, 3 at Waiomu, 21 at Thames, 2 at Puriri, 4 at Tairua, 1 at Maratoto, 18 at Waitekauri, 14 at Waihi, 6 at Owharoa, 22 at Karangahake, and 1 at Te Aroha.... At present the number of stampers available for crushing purposes is about 185 head, but the number will probably be increased to over 400 head during the ensuing year.<sup>244</sup>

Whilst 1894 had been unusually dull, 1895 had been 'perhaps the most eventful in the history of mining' in Hauraki. The main reason for the change was 'the consistent and highly satisfactory returns' from Waihi and some other English-owned mines. In addition to English money, an 'exceptionally large amount' of capital had been raised in New Zealand. Although most local companies could only do small-scale work, 'still a vast amount of hitherto unexplored country will now be tried' and some important discoveries could be anticipated. In listing the encouraging developments, no mention was made of the Te Aroha district.<sup>245</sup>

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<sup>243</sup> 'The Admiral', 'The Plain Speaker', *Thames Star*, 30 November 1895, p. 4.

<sup>244</sup> 'The Revival in Mining', *Thames Star*, 28 December 1895, p. 2.

<sup>245</sup> 'The Mining Industry. Looking Backwards. Review of the Past Year. Some of the Principal Returns', *Thames Star*, 31 December 1895, p 2.

The Auckland Stock Exchange was very quiet in early 1896, as even the *Graphic* had to admit. At their first meeting in January, sharebrokers ‘attempted a sort of “slap-bang-here-we-are-again” jocularly of bearing, intended no doubt to hearten each other’ in the face of an ‘interminable array of sellers to some half dozen buyers’ and a ‘microscopic record of business done’. Auckland had ‘considerably more than twice as many sharebrokers as there are speculators’, and ‘the small boys, the wastrels, the ne’er-do-wells, and hangers-on’ would soon disappear, making the market ‘a more tolerable and a more honest place’.<sup>246</sup> Optimism continued that mining would revive, and that more English capital would soon arrive to work the best properties; ‘The rotten ones will, of course, be returned with thanks’. Some ‘dismal local croakers’ insisted that the boom was over, but the *Graphic*’s reporter believed in ‘the brighter view, and to continually cry “stinking fish” is certainly not the way to mend matters’.<sup>247</sup> ‘Obadiah’ commented that ‘even the buyers at reduced prices are not so prominent as they were. We are all sellers, but it is worthy of remark that none of us are so desperately anxious to get out that we will sell at the other man’s price’.<sup>248</sup> With agents checking on mines for English and Australian investors, the problem was ‘to “hold on” till the good time comes’ when English capital arrived.<sup>249</sup> Despite continued hopes,<sup>250</sup> the continued boom never eventuated, either locally or in London. In March, the *Graphic*’s reporter argued that his advice to expect a revival in that month had been proved correct, for there was ‘a wonderful increase in values generally’. It was pleased at ‘the absence of that feverish excitement so prominent during the boom. Investors have learned by experience, and now act more cautiously’. During the previous year 38 English companies had raised a total capital of £4,526,100, and several more were floated in early 1896, with continued overseas interest being proven by visiting experts inspecting properties. ‘There can be little doubt that those who are now buying at almost bedrock prices

<sup>246</sup> *New Zealand Graphic*, 18 January 1896, p. 66.

<sup>247</sup> ‘On ’Change’, *New Zealand Graphic*, 25 January 1896, p. 100.

<sup>248</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 25 January 1896, p. 10.

<sup>249</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 15 February 1896, p. 10.

<sup>250</sup> For example, ‘Obadiah’, ‘Shares and Mining’, *Observer*, 22 February 1896, p. 10, 14 March 1896, p. 15, 28 March 1896, p. 15, 23 May 1896, p. 7, 30 May 1896, p. 7, 13 June 1896, p. 9, 27 June 1896, p. 7, 1 August 1896, p. 9, 3 October 1896, p. 13, 31 October 1896, p. 9; London Correspondent, *Auckland Weekly News*, 7 March 1896, p. 21, 28 March 1896, p. 22, 4 April 1896, p. 21, 18 April 1896, p. 21, 27 June 1896, p. 21, 11 July 1896, p. 30, 18 July 1896, p. 30, 8 August 1896, p. 21, 19 September 1896, p. 36, 31 October 1896, p. 20, 14 November 1896, p. 19; Alderton, p. 1.

must later on reap a rich harvest'.<sup>251</sup> One week later, he was encouraged by 'a steady demand for high priced shares', which he interpreted as showing interest 'from abroad'. As well, 'the quietly picking up of very cheap shares proves that far-seeing men are purchasing either to average shares already held at higher figures, or else in faith that in a month or two there will be a steady advance all round'. With figures showing that during 1895 New Zealand's output of gold was 71,968oz above the previous years, compared with a Western Australian increase of only 24,382, even the 'most sceptical' should be convinced that New Zealand offered 'a fair investment for foreign capital'.<sup>252</sup> The resignations from government service of both the chief mining inspector and the director of the Thames School of Mines to work for overseas interests was taken that they had 'every faith in the big future before our mining industry'.<sup>253</sup> 'The advent of the lady stock and sharebroker' in the person of a former Thames resident was 'hailed with delight by many of the gentler sex' who were 'anxious to have their dainty little fingers in the mining puddings, and so secure some of the plums'.<sup>254</sup> He noted the previous pattern of tying up good mines 'by giving options for several months to London syndicates' because of 'unwise eagerness' to obtain foreign capital. 'Now, however, when powerful syndicates have sent representatives here to pick up properties, directors of companies and owners of properties can afford to wait until the experts have reported which mines are wanted, when no doubt negotiations will be more rapidly completed than heretofore'. An 'important sign of faith in the permanent revival' of mining was the purchase by the Auckland Brokers' Association of land in Queen Street at a cost of £12,000 to erect a large stock exchange.<sup>255</sup>

April was marked by the twenty-fourth Coromandel property being floated in London, and continued English interest in other areas. Such activity no longer affected the price of shares in Auckland, for investors were 'beginning to realize that there is a considerable difference between an option and a sale, consequently the market does not respond as it used to do when a cable is posted stating that an offer has been made'. Past experience warranted this new 'cautiousness'. Some

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<sup>251</sup> *New Zealand Graphic*, 14 March 1896, p. 295.

<sup>252</sup> *New Zealand Graphic*, 21 March 1896, p. 321.

<sup>253</sup> *New Zealand Graphic*, 28 March 1896, pp. 354-355; for details of their past careers and new positions, see 16 May 1896, p. 555.

<sup>254</sup> *New Zealand Graphic*, 4 April 1896, p. 378.

<sup>255</sup> *New Zealand Graphic*, 4 April 1896, p. 385.

directors were now ‘adopting the wise plan of requiring a substantial deposit to be paid before consenting to tie up a property for three or six months’, and in one or two cases stipulated that working capital was ‘placed to the credit of the Company, and not left to be raised as required’.<sup>256</sup> The *Graphic* continued to publish optimistic articles on Hauraki as ‘The Coming El Dorado’, wishing ‘the foreign capitalist all success. What we could not do with our limited means he is going to accomplish, and though he may be a great gainer, we shall not certainly grudge him his profit, seeing that his advent will have brought profit to us also’.<sup>257</sup> Conflict in the Transvaal was prompting English and South African capitalist to investigate New Zealand possibilities.<sup>258</sup>

In late April, a London correspondent explained that most investors were waiting for shares to reduce in price:

Some of the underwriters are beginning to grow rather “sick” of this sort of thing. They of course rely on their shares being wanted sooner or later, but it is beginning so very much later now, that a feeling of shyness is setting in, and although a boom is still expected, a very slight check might substitute a “slump” in its stead. And let New Zealand mine-owners remark, it may be a fatal error on their part to "open their mouths too wide."<sup>259</sup>

Most new English companies were ‘severely handicapped by insufficiency of working capital and by the enormous loading in cost of flotation. What with the heavy payments in cash and in paid-up shares to the vendor and the allowance for underwriting’, many companies were ‘fatally handicapped from the outset’. Others started out ‘without the faintest shadow of definite proof of there being any auriferous ore in their property’.<sup>260</sup>

By May, underwriters were ‘getting more and more “sick” of putting out capital and burdening themselves with heavy cargoes of shares’ which they would not be able to ‘unload’ for some time. Vendors were urged to ask for ‘modest sums down’ and to ‘look for their return to the results of working the mine’.<sup>261</sup> Their asking for ‘such large sums in hard cash’ was unacceptable to English

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<sup>256</sup> *New Zealand Graphic*, 11 April 1896, p. 411.

<sup>257</sup> *New Zealand Graphic*, 18 April 1896, p. 7.

<sup>258</sup> *New Zealand Graphic*, 18 April 1896, p. 439.

<sup>259</sup> London Correspondent, *New Zealand Herald*, 3 June 1896, p. 5 [written on 24 April].

<sup>260</sup> London Correspondent, *Auckland Weekly News*, 16 May 1896, p. 20 [written on 27 March].

<sup>261</sup> London Correspondent, *Auckland Weekly News*, 20 June 1896, p. 21 [written on 1 May].

capitalists, who were ‘determined that the New Zealand owners shall take their full share of such risk as there may be’.<sup>262</sup> Despite such warnings from London, at the end of May the *Graphic*’s reporter detected the ‘general revival’ he had predicted, ‘for during the last week the market has advanced by leaps and bounds’, with a ‘brisk demand’ in London for shares ‘in proved mines’.

The immediate result was felt by the improved demand for cheaper stocks, many of which more than doubled their value. The crowd on the Exchange was so great that at times it was difficult to walk from one end of the room to the other, while the Brokers’ Association were occupied over an hour at each of the three daily calls in order to get through the business, and after the offices were closed to the public, men were working until after 10 o’clock each night in order to fix up the books so as to be clear for the next day’s business.<sup>263</sup>

At the beginning of June, ‘The Race for Gold’ was on, according to the *Graphic*:

The gold fever is raging in Auckland with unabated vehemence. Indeed, during the past fortnight or so it has been more virulent than ever, and hundreds of new patients are down. It appears to be the pleasantest of maladies, for the sufferers are habitually not only cheerful, but positively jubilant, and any pain it may be responsible for comes during convalescence or after entire recovery. A little while ago it was Johannesburg which was the Mecca of all fruitful speculators and financiers, but now they are deserting that shrine and turning towards Maoriland with the conviction that here lies El Dorado.... Our talk is of golden mines, our thoughts are of golden mines, our dreams are of golden mines, and I sometimes think our most sincere prayers have a metallic jingle in them. Nothing that savours of mines fails to interest us, and even Jones, whom we used to shun as an unutterable bore because of his extreme loquacity, is now the centre of eager listeners as he descants with terrible prolixity on this or that mining property. What an excitement there is everywhere! You, gentle reader, if you happen to be a dweller in any other part of the colony but Auckland, know not the zest which is added to our existence.... We consume Stock Exchange quotations, and fatten on mine managers’ reports. That is the real golden food, the divine ambrosia. What stories one hears of wealth coming and come! Now it is of Jack, who bought 600 “El Dorados” at sixpence and sold them the following day at six shillings; now of Jill, who would have bought into some equally lucrative concern, but could not command the cash at the time. As a rule everybody can command cash enough to be an investor in Auckland to-day. These low-priced stocks offer golden

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<sup>262</sup> London Correspondent, *Auckland Weekly News*, 11 July 1896, p. 30 [written on 22 May].

<sup>263</sup> *New Zealand Graphic*, 30 May 1896, p. 629.

opportunities to the smallest capitalist extant. Napoleon used to say that every soldier in his army carried a field marshal's baton in his knapsack. It may be said that every street boy who has sixpence to his credit carries a Rothschild's banking book in his tattered pocket, or at least he thinks so. I could fill columns with the mining tales that are retailed at every luncheon table, but why should I stir up an envious spirit in those readers of the GRAPHIC who are not in the thick of it?<sup>264</sup>

It had been 'a record week' on the stock exchange, which was crowded with speculators all day long. Each call 'occupies over an hour and a half in spite of the fact that most praiseworthy efforts were made to expedite business'. Deposits were being paid 'almost daily' for options to float properties in London. 'Visiting mining experts are simply amazed that so little has been done during the last 25 years in the way of developing our mines'. There was a steady rise in the value of shares held locally in English companies.

This should act as a warning to those who are at present so eager to sacrifice their mines for the sake of so much cash down. Ready money is always acceptable, but if £10,000 cash had been paid for Woodstocks [a Karangahake mine], and only half the number of paid-up shares obtained, it would have been a serious loss to local shareholders now that these shares are worth 43s 6d, and this remark applies equally to several other properties now being worked by English companies. Capital for development is requisite, but if this is provided shareholders would do well to retain as much interest in the Company as they can. If the property is a good one – and it is suicidal policy to float any that are not – then local shareholders may be sure that with plenty of money to develop it, patience will be rewarded by high prices being paid for shares later on.<sup>265</sup>

Later that month, another *Graphic* journalist was more cynical, wondering why 'the ubiquitous and indefatigable company promoters' did not try to float properties among Maori, who knew 'just about as much regarding gold and goldmining as the most of us do', were 'equally speculative', and 'almost as credulous. It has been said that the gold fever has got such a hold on Aucklanders at present that if a prospectus was issued of a company to dredge gold in mid Pacific there would be no difficulty in getting the shares taken up'.<sup>266</sup> Late in June, sales of low-priced shares slumped because of new companies being

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<sup>264</sup> 'Topics of the Week', *New Zealand Graphic*, 6 June 1896, p. 655.

<sup>265</sup> *New Zealand Graphic*, 6 June 1896, p. 662.

<sup>266</sup> *New Zealand Graphic*, 20 June 1896, p. 720.

formed. 'Thousands of pounds are drawn from the pockets of small investors and locked up in the shape of subscribed capital for new companies, and the immediate effect is to lessen the demand for the cheap stock which small speculators usually dabble in'. It was a 'record' week for floating properties in London and paying deposits for options to purchase, 'all of which points to the permanence of the present revival in the market'.<sup>267</sup> By that time there were reputed to be 'scrip millionaires' in Auckland.<sup>268</sup> Reportedly 'even schoolgirls' were investing.<sup>269</sup>

In mid-June, George Wilson, the Hauraki mining inspector who would become the Inspecting Engineer for the Mines Department after the resignation of his predecessor,<sup>270</sup> reported that 206 companies were at work, including 31 English ones. The 'very marked increase in the yield of gold', £377,636 4s 3d in the past 12 months, had 'established a confidence in the future of the mining industry never before experienced' in Hauraki. Consequently, 'very large areas of land' had been taken up, many in 'hitherto unexplored and almost inaccessible portions' of the district. English capital had 'given permanence' to mining, would mean 'exploration at deep levels', and would introduce 'improved processes in gold-saving, whereby large bodies of quartz of low grade may be profitably dealt with'.

An unprecedented impetus has also been given to mining investment within the colony, and a favourable feature in connection with the formation of local companies is that in most instances the funds obtained from the sale of promoters' shares were devoted to prospecting the land, instead of going into the pockets of the promoters, as was frequently the case in the past. Many of these companies are going good work in the direction of opening up and prospecting new ground; others seem to have exhausted their energies when they have induced the public to invest in their shares. There are also large numbers of private holders of ground who at present are not, and possibly never will be, in a position to utilize the land they have taken up.

He warned that 'many areas' offered 'but slender hope that ever quartz will be found in them. Due care should therefore be exercised by intending investors to

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<sup>267</sup> *New Zealand Graphic*, 27 June 1896, p. 757.

<sup>268</sup> *Observer*, 27 June 1896, p. 20.

<sup>269</sup> *Observer*, 25 July 1896, p. 3.

<sup>270</sup> See paper on his life.

discriminate between genuine investments and such as are unlikely to prove payable'. As well, even in mines where prospects were 'eminently satisfactory, immediate results' were not possible. 'Much time must necessarily elapse before new mines can be opened, and machinery erected', even in areas with easy access.<sup>271</sup>

According to 'Obadiah', investors on the Auckland Stock Exchange by June had become 'indifferent' to 'the temptations of speedy and moderate profits', for they wanted 'big profits now, and don't mind waiting for them and facing the risk'.<sup>272</sup> A *Graphic* journalist was, at the beginning of July, amused at 'how much more circumspectly people people speculate in mining shares now than they did ten months or so ago. A good many people who speculated then got more or less burned, and now, though the fire has not lost its attractions', they approached it more carefully. He expected that many would 'get burned again, for wisdom dwelleth not with the multitude'.<sup>273</sup> According to the *Observer*, the 'knowing push' who had put up the option money withdrew it after making their 'scoop'.<sup>274</sup>

In early August, according to the *Graphic*, 'everybody' in Auckland was talking about gold, 'and even clergymen have been suspected of more frequent allusions to the auriferous deposits of the Eternal City than they were wont to indulge in of yore', rousing the interest of the 'inattentive and drowsy'. If anyone questioned the existence of gold 'in the quantities the imaginations of speculators have conceived, then the indignant Aucklander points to facts and figures, and triumphantly shows that the output of gold' from Hauraki had 'more than doubled in the last year'.<sup>275</sup> In contrast, 'Obadiah' wrote that people had 'tired once more of investing in promoters' shares', and were 'turning their attention to the more legitimate scrip transactions'. As promoters' shares had locked up almost all Auckland's available capital, the market might stagnate.<sup>276</sup> He argued that the problem of floating too many companies would 'cure itself. Four out of every six of these new ventures are palpably wild cats, and the people who are plunging into them in hopes of making big profits are simply being fleeced by the company

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<sup>271</sup> 'General Remarks' by George Wilson, Inspector of Mines, included in H.A. Gordon to Minister of Mines, 17 June 1896, *AJHR*, 1896, C-3. pp. 90-91.

<sup>272</sup> 'Obadiah', 'Shares and Mining', *Observer*, 6 June 1896, p. 7.

<sup>273</sup> *New Zealand Graphic*, 4 July 1896, p. 9.

<sup>274</sup> *Observer*, 11 July 1896, p. 3.

<sup>275</sup> *New Zealand Graphic*, 8 August 1896, p. 170.

<sup>276</sup> 'Obadiah', 'Shares and Mining', *Observer*, 8 August 1896, p. 8.

promoter. By and bye, they will be looking in vain for somebody to nurse the baby'.<sup>277</sup> By the end of the month, dreams of El Dorado were recognized to be just that: dreams.<sup>278</sup>

When a bankrupt mining speculator applied for discharge in September, the judge refused, 'commenting on the gambling spirit prevalent in regard to mining shares'. He expected this to be 'the first of many such cases to be brought before him, and in all similar cases he should refused discharges'.<sup>279</sup> Investors were realizing that they had been tricked by false claims in prospectuses and mine managers' reports and that many mines that were floated as companies were known to be duffers.<sup>280</sup> One commentator estimated that possibly not less than 130,000 men would be required to work the claims marked off, and suggested the government appoint a ' "wild cat" catcher'.<sup>281</sup> By that time there were '633 mining claims allotted in the Upper Thames' (Te Aroha had the lowest number, 90). 'If all these claims had to be manned according to the Mining Act, it would take 16,000 miners to work them, £240,000 to prospect them, and several millions to erect machinery for them'.<sup>282</sup> As surveyors received more work than they could handle, they appointed additional staff by guaranteeing them work for six months. They soon found that 'many of these applications were made purely for speculative purposes, and the applicants failing to dispose of their properties' the surveys were cancelled, resulting in the surveyors losing money.<sup>283</sup>

In October, the French Consul-General warned that the industry was not 'on a sound footing' and that 'the great fury of speculation' endangered it. 'The speculation is enormously out of proportion to the work done'. The bona fide of the promoters needed to be guaranteed, if possible, and skilled miners should be imported.<sup>284</sup> By then, investors wanted the mines worked, signified by their attending company meetings, where they pretended to understand mining

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<sup>277</sup> 'Obadiah', 'Shares and Mining', *Observer*, 1 August 1896, p. 9.

<sup>278</sup> 'The Stockbroker's Vision', *New Zealand Graphic*, 29 August 1896, pp. 265-266.

<sup>279</sup> Supreme Court, *Auckland Weekly News*, 12 September 1896, p. 20.

<sup>280</sup> For example, 'An 'Orrible Tale of a Mine', *New Zealand Graphic*, 26 September 1896, p. 389.

<sup>281</sup> 'A Tramp, Esq.', 'Casual Ramblings', *Auckland Weekly News*, 26 September 1896, p. 38.

<sup>282</sup> *Observer*, 28 November 1896, p. 3.

<sup>283</sup> A.M. and F.J. Kelly, Brown and Bedlington, Harrison and Foster, and John I. Phillips and Co. to Warden, Thames, 14 October 1896, Mines Department, MD 1, 96/2005, ANZ-W.

<sup>284</sup> Interviews with Count Jouffray D'Abbans, *Auckland Weekly News*, 10 October 1896, p. 20, and *New Zealand Times*, 8 October 1896, reprinted in *British Australasian*, 3 December 1896, p. 2065.

methods.<sup>285</sup> The *Graphic*'s reporter continued to be optimistic, arguing that because there had never been so many mining experts in Hauraki, it was 'evident the present dullness is merely of a transitory nature, because the experts would not be here unless the capitalists were behind them'. He repeated his usual argument that it was 'safe to say that careful investment now when times are dull will return handsome interest in a few months' time at the latest'.<sup>286</sup> The *Observer*, in contrast, published a cartoon showing a promoter waving a prospectus to the Bean Rock lighthouse keeper off Auckland:

ENTERPRISING PROMOTER (to Lighthouse Keeper): "Say, Minster, I can let you have a share in a splendid thing. Fifty pounds down and dividends in twelve months. We have four reefs, each a hundred feet deep -"  
But the Lighthouse Keeper had been ashore. He had shares in a dozen companies. And even he, a man of the ocean, was very full up.<sup>287</sup>

In November, buyers were 'few and far between', and the market remained dull.<sup>288</sup> The *Observer* published a cartoon about 'The Scrip That Didn't Rise. A Stock Exchange Daily Episode', showing an investor inspecting the share list. 'He Came. He Saw. He Collapsed'.<sup>289</sup> Despite this, in its Christmas Number the *Graphic* continued to forecast that with 'systematic development on a scientific basis' Hauraki would be 'the future El Dorado of the Southern Ocean'.<sup>290</sup> 'The increasing confidence shown' by 'English and foreign investors promises well for the solid prosperity of the Peninsula as a gold-producing district'. To the end of August, about £6,500,000 of nominal capital had been raised, with 'actual working capital' approximately £1,250,000. The amount of capital raised overseas was 'estimated at about equivalent to the sum locally raised'.

The Government have at last recognized the paramount importance of the industry by placing £200,000 on the Estimates for thoroughly prospecting and opening up the goldfields on the Peninsula, and with the advent of capital sufficient to work our exceedingly extensive ores in a comprehensive

<sup>285</sup> 'Obadiah', 'Shares and Mining', *Observer*, 10 October 1896, p. 9.

<sup>286</sup> *New Zealand Graphic*, 3 October 1896, p. 425.

<sup>287</sup> 'Blo', 'The Last Resource of the Mine Promoter' (cartoon), *Observer*, 31 October 1896, p. 13.

<sup>288</sup> *Mining Standard*, 28 November 1896, p. 5; 'Obadiah', 'Shares and Mining', *Observer*, 21 November 1896, p. 9, 28 November 1896, p. 9, 5 December 1896, p. 11.

<sup>289</sup> 'The Scrip That Didn't Rise. A Stock Exchange Daily Episode' (cartoon), *Observer*, 7 November 1896, p. 7.

<sup>290</sup> 'Mining on the Hauraki Peninsula: A Digger's Paradise', *New Zealand Graphic*, Christmas Number, p. 8.

and systematic manner, and the recognition of New Zealand as a profitable field for investment of English and foreign capital, no one can doubt that the Hauraki Peninsula will before long become a veritable hive of industry, with every auriferous range yielding its golden stores to the resources of science, and establishing Auckland as the Golden City of Australasia.<sup>291</sup>

The reality was that, although capital was received from London for more mines than were good investments, interest in New Zealand mines was never strong, as a London correspondent explained. While nominal market prices fluctuated on the London share market, ‘very little actual business’ was done with the public. ‘The large sums of money that have been put into mining ventures have been entirely furnished by financial syndicates and other monetary combinations, not by the individual investor’.<sup>292</sup> These syndicates were becoming ‘full-up’, and by mid-year they were forfeiting deposits rather than proceed with flotations. A ‘prominent’ financier was quoted:

Far too many New Zealand mines have been rushed on to the market, and the terms asked have been simply preposterous. I know of one case in which the modest sum of £50,000 in cash has been asked for a mining property which, in the present state of affairs, however good it may be, would not fetch as many pence. And I also know one man in the city who has at the present time no fewer than 37 mining properties in his hands for sale, none of which he has meanwhile the remotest chance of placing.

Vendors were accused of objecting to taking ‘a due share of the risk’, and the government of bringing in legislation that it was claimed would ‘strike a deadly blow at the safety and stability of all investments’.<sup>293</sup> However, government reassurances calmed investors.<sup>294</sup>

One vendor warned against offering long options, and opposed the ‘very general tendency ... to the over-capitalisation of mining companies for the purpose

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<sup>291</sup> ‘Mining on the Hauraki Peninsula: A Digger’s Paradise’, *New Zealand Graphic*, Christmas Number, December 1896, p. 10.

<sup>292</sup> For an example confirming this, see interview with James Russell, *Auckland Weekly News*, 2 January 1897, p. 20.

<sup>293</sup> London Correspondent, *New Zealand Herald*, 27 October 1896, p. 5 [written 18 September]; for examples of this view being repeated in later years, see London Correspondent, *Auckland Weekly News*, 23 July 1898, p. 48, 20 August 1898, p. 47, 26 August 1898, p. 47, 30 September 1898, p. 36. For agreement with his views on government legislation, see *Auckland Weekly News*, 26 September 1896, p. 20, editorial, 24 October 1896, p. 17, editorial, 19 March 1898, p. 17.

<sup>294</sup> London Correspondent *Auckland Weekly News*, 28 November 1896, p. 20 [written on 16 October], 26 December 1896, p. 37 [written on 6 November].

of getting a lot of scrip'. He cited the 'best people' as advocating 'keeping down ... the nominal capital so as not to overcrowd the market with scrip'. Another highlighted the 'great mistake' of 'not sending sufficient and satisfactory information and reports to London'.<sup>295</sup> By mid-October, promoters were still trying to float mines in London, 'and in some instances things have struggled to allotment, but in many cases the flotations have been such hopeless failures that the money has been returned to the subscribers'.<sup>296</sup> By the end of the year, there was 'not a single property in New Zealand whose option is worth £500', and a London correspondent said that the terms of some of the too many short options earlier obtained had been 'preposterous'. As the public had 'not come in to any very large extent', a great many paid-up vendors' shares 'became left on the underwriters' hands. In many instances, properties which could have been bought right out in the earlier days for a few thousands in cash, were sold for such ridiculous sums as, say, £70,000 in fully paid-up shares, and these shares have been hawked about the market ever since', usually 'at a heavy discount'.<sup>297</sup>

When New Zealand shareholders were accused in Britain of greediness, the *Observer* analyzed flotations in London:

The shareholders in New Zealand have a fair property, in say 80,000 shares, which they wished to get financed. It is formed into a capital of, say, £150,000, in 150,000 shares, of which the shareholders in New Zealand get, say, 40,000 paid up. A working capital of, say, £25,000 is provided for, and if the flotation is a good one, the shareholders have got £2000 in cash. This represents altogether 67,000 shares. But what becomes of the balance of 83,000 shares of £1 each? ... [These] are for the British financier, who took no trouble to find the property, who risked no money in prospecting and developing it, who didn't even furnish the costly plans and reports for flotation, and who gets practically the whole of the plunder for a month or six weeks service in floating the company in London.<sup>298</sup>

An Auckland vendor warned, soon after his first dealings with the London market, that New Zealand promoters should expect 'to be bled freely'. In 'most cases a definite arrangement had to be made that shares should not be placed on

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<sup>295</sup> *Auckland Weekly News*, 19 September 1896, p. 36.

<sup>296</sup> London Correspondent, *Auckland Weekly News*, 28 November 1896, p. 20 [written on 16 October].

<sup>297</sup> London Correspondent, *Auckland Weekly News*, 20 February 1897, p. 30 [written on 1 January].

<sup>298</sup> *Observer*, 18 July 1896, p. 2.

the market for a certain subsidised time', to enable those who had received shares 'in return for their services in the work of flotation should be able to unload on fairly favourable terms'.<sup>299</sup> Some British investors were insisting that vendors took 'a large proportion of the purchase money in shares, and so retaining a substantial interest in the property, and thus demonstrating their faith in its capabilities'. But when payment was made in vendors' shares, these were 'apt to be rushed on the market at a large discount, thus prejudicially affecting the promoters' shares' which had been intended to raise the working capital.<sup>300</sup> 'Everybody complains bitterly that New Zealand vendors are asking too much', and they were warned that they could not expect to fare better than the promoters. Syndicates had 'distinctly resolved that smaller deposits' would be paid in future.<sup>301</sup>

'Obadiah' warned against 'the fashion to plunge wildly into every concern' placed on offer in London. 'The consequence is that the scrip rises quickly in value and the knowing people clear out speedily, and leave the mining plungers to nurse the baby'. It was 'no secret that the offers made for at least several properties' were 'bogus. It is an easy thing to arrange to get an offer made for a mine, but unless the offer is bound by a deposit in cash, which shall be forfeited in the event of no sale, it should not be allowed to increase the share value of the company by even thousands of pounds as is the case now'.<sup>302</sup> He warned against letting properties be 'thrown away in London', as it was 'possible to pay too high a price even for capital'. It was 'all every well for the first and second robber people', meaning the vendors and promoters, 'to sell for a song what has cost them little or nothing. There are others to consider; and these are they who have come in at the end and paid up the full value of their shares'.<sup>303</sup>

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<sup>299</sup> *Auckland Weekly News*, 30 May 1896, p. 20.

<sup>300</sup> London Correspondent, *Auckland Weekly News*, 6 February 1897, p. 31 [written on 24 December].

<sup>301</sup> Interview with Leo Myers, of the Austral-African Gold Syndicate, *Auckland Weekly News*, 16 January 1897, p. 20.

<sup>302</sup> 'Obadiah', 'Shares and Mining', *Observer*, 6 June 1896, p. 7.

<sup>303</sup> 'Obadiah', 'Shares and Mining', *Observer*, 14 March 1896, p. 15.

In early 1897, a London commentator responding to claims that English promoters were profiting from flotations commented that ‘in certain cases this may be true, but after considerable inquiry I fail to find many promoters who have become millionaires upon New Zealand promotions’.<sup>304</sup> Trading on the Auckland Stock Market was very slow in January, ‘the numerous calls falling due almost daily ... flooding the market with low-priced stocks, the greater part of which ought never to have been floated’.<sup>305</sup> The following month, ‘Obadiah’ described mining as ‘not the most agreeable subject in the world to write about just now. People up in town are discouraged by the collapse in stocks, and wearied and disheartened by the constant succession of calls demanded from them’.<sup>306</sup> In March, ‘the frequency of calls’ was ‘taxing the resources of a large number of speculators’.<sup>307</sup> The *Graphic*, still anxious to be optimistic despite admitting that shares had ‘fallen considerably in price’ over the past few months, argued that this fall was

not on account of any failure on the part of the mines, but simply because when cheap stocks become unsaleable those who really wanted to realize had to accept lower rates for the paid-up shares they held in English companies. Many speculators who bought too heavily have either had to forfeit shares or sacrifice better stocks in order to get money to pay calls, and the inevitable result was to weaken the value of the higher-priced stocks. The buyers at the present time of these shares will, no doubt, make over a hundred per cent during the next few months, as the English companies are spending thousands of pounds to develop the mines already floated. Besides this any revival in the London market would mean these shares advancing rapidly in price.

It cited one leading New Zealand investor, Thomas Russell,<sup>308</sup> stating that Hauraki mines were ‘looked upon very favourably’ in England and that he had great confidence in them, a view the *Graphic* believed was shared by others, as proved by English capitalists ‘taking advantage of the present depression to secure suitable properties at more reasonable rates’ than asked previously. ‘Unless these

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<sup>304</sup> ‘Dust’, ‘Our English Letter’, *Mining Standard*, 27 February 1897, p. 10.

<sup>305</sup> ‘Auckland Share Report’, *Mercantile and Bankruptcy Gazette of New Zealand*, 28 January 1897, p. 55.

<sup>306</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 20 February 1897, p. 10.

<sup>307</sup> ‘Auckland Share Report’, *Mercantile and Bankruptcy Gazette of New Zealand*, 11 March 1897, p. 139.

<sup>308</sup> See *New Zealand Herald*, 5 September 1904, p. 5, 6 September 1904, p. 3.

gentlemen anticipated a revival of the London market in due course it is needless to say they would not be taking up options'.<sup>309</sup>

The calls payable in April exceeded £15,000, 'a heavy strain'.<sup>310</sup> The *Observer* asked what had become 'of all those mining experts who were so much in evidence six or eight months ago, and each of whom represented millions of foreign capital? Also, where are those millions of foreign capital?'<sup>311</sup> The no liability companies floated during the boom were being liquidated. 'The dickens of it just now is to know what is worth paying calls on'.<sup>312</sup> The *Graphic* was, as ever, hopeful:

At present even good stocks are being offered at very low rates, and the shrewd men that are picking up lines of fully paid-up shares in English Companies must later on realize handsome profits. With no further liability and £20,000 to £30,000 to develop properties and erect crushing plants, it should be a safe investment to give from 3s 9d to 10s for £1 paid-up shares in the various Companies already being worked with London capital. The real reason why these paid-up shares are offered at such low rates is that the holders in many instances bought heavily in newly-started local companies, and now that the calls are being freely made they follow the strange policy of selling shares that must ultimately more than double their present price, in order to pay calls and hold shares that in nine cases out of ten may prove valueless simply because the local holders cannot find sufficient capital, to properly develop the mines and erect modern crushing plants. The ca list this month is a very heavy one, and there seems little doubt that the time is near at hand when the winnowing process must be gone through in order to sift the wheat from the chaff. There is, however, a danger that if the winding up of new companies becomes the fashion, some really good properties may pass from the hands of shareholders to those of men who have been working in the mines on wages. The miners will, of course, know which are really good properties, and will, no doubt, take the first opportunity of securing such mines when they are forfeited by the Companies.<sup>313</sup>

In the first week of May, it explained the quiet trading in Auckland on being 'so closely in touch with' the London market 'that dullness in the world's metropolis is felt locally within a day or two'. This dullness was still expected to be 'of a temporary nature' because 'representatives of English capitalists are still quietly picking up desirable properties. It is not improbable that the present slump

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<sup>309</sup> *New Zealand Graphic*, 27 March 1897, p. 379.

<sup>310</sup> *Observer*, 17 April 1897, p. 3.

<sup>311</sup> *Observer*, 3 April 1897, p. 10.

<sup>312</sup> 'Obadiah', 'Shares and Mining'. *Observer*, 10 April 1897, p. 9.

<sup>313</sup> *New Zealand Graphic*, 17 April 1897, p. 474.

will ultimately benefit the colony, as vendors' ideas of values are much more reasonable than they were some months ago, and this will, no doubt, result in more properties being taken over', once the 'European complications and the threatened trouble in the Transvaal' were resolved.<sup>314</sup> One week later, it claimed that after a period where matters were 'very gloomy', there had been a 'considerable improvement' with 'quite a good demand for low-priced shares in cases where the mines are well situated alongside properties now being worked by English companies'. Further improvement was anticipated, and while it was 'yet too soon to say whether or not the tide has really turned on the Exchange', it was 'certain' that 'representatives of English syndicates are more eager than they were in seeking to secure options'. In a few cases low offers were declined, directors preferring 'to go on developing the mines' and waiting 'for better terms in brighter times. This policy of self-reliance' would 'go far to proving to outside investors the value of some of our mining properties'.<sup>315</sup> Another week later, there was 'a considerable increase in the number of buyers' with 'a fairly distributed advance in prices', and 'the next few months should see brisk times'. Gold output had increased by nearly £2,900 on the previous month, tensions in South Africa and between Greece and Turkey had eased, and 'it would seem as if those who are now buying the paid-up shares in English companies at the low prices still ruling must within a month or two get a handsome return'. The outlook therefore seemed to be 'very satisfactory'.<sup>316</sup>

At the end of May, the *Graphic* was delighted to report a 'very marked' rise in prices. 'Instead of a small *coterie* with long faces, there may now be seen a crowded floor, and the hum of business' on the stock exchange was heard. 'An illustration of the large numbers that daily haunted the Exchange this week was given when one morning a procession of two-year-old racers was drawn up in front of the main entrance in order to get them used to a moving crowd'. The outlook seemed 'to point to steady business during June'.<sup>317</sup> It considered another indication of the 'permanence of the mining industry' to be the formation of a New Zealand Institute of Mining Engineers.<sup>318</sup> An *Observer* cartoon, 'The First

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<sup>314</sup> *New Zealand Graphic*, 8 May 1897, p. 571.

<sup>315</sup> *New Zealand Graphic*, 15 May 1897, p. 609.

<sup>316</sup> *New Zealand Graphic*, 22 May 1897, p. 634.

<sup>317</sup> *New Zealand Graphic*, 29 May 1897, p. 665.

<sup>318</sup> *New Zealand Graphic*, 5 June 1897, p. 697.

Shower after a Drought’, showed sharebrokers rejoicing became ‘the boom has set in again’ in the stock exchange. ‘“Let some droppings fall on me – even me,” is the popular prayer’.<sup>319</sup>

Once again, hopes were not fulfilled. Wild cat companies were being weeded out, and ‘the burial service is daily read by the auctioneers in the shape of sales of forfeited shares’.<sup>320</sup> The *Graphic* was encouraged by working options ‘being quietly secured by representatives of English capitalists’, with the time required being ‘longer than that formerly asked, but as the option holders pay all development expenses during the period, local shareholders get their properties opened up free of cost to themselves’.<sup>321</sup> It remained over-optimistic in the face of declining markets in both London and Auckland.<sup>322</sup> But an English friend of one leading mine manager, John Watson Walker,<sup>323</sup> informed him in early July that in London there was ‘quite a feeling of disgust that New Zealand mines have taken so long to develop and that so few show any results’ compared with mines in Western Australia and the Rand. The only way ‘to attract the investor, or even the speculator’, was ‘to increase the results from some of your producers, and an increase in the number of actual producers’.<sup>324</sup>

George Wilson, the inspecting engineer of the Mines Department, wrote much more positively about the large amounts of capital being subscribed marking ‘a new era in the history of the industry’, with ‘improved machinery capable of dealing with large quantities’ of low grade ore replacing ‘the past method of selecting only the richer portions of the reefs for quick returns’. But most of the claims taken up during the past 12 months had been acquired in the hope of floating companies overseas. ‘In a great many cases the land taken up has failed to attract the representatives of capital, and the owners are left with claims they are unable to work for want of funds’. Many areas appeared to have ‘very little chance of valuable discoveries being made’, and would be abandoned, the owners losing their money. ‘Care must be exercised in placing before investors a true report of the value of any property on which expenditure of capital is invited.

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<sup>319</sup> ‘Blo’, ‘The First Shower after a Drought’ (cartoon), *Observer*, 29 May 1897, p. 1.

<sup>320</sup> ‘Share Report, Auckland’, *Mercantile and Bankruptcy Gazette of New Zealand*, 6 May 1897, p. 237.

<sup>321</sup> *New Zealand Graphic*, 12 June 1897, p. 761.

<sup>322</sup> *New Zealand Graphic*, 26 June 1897, p. 10, 24 July 1897, p. 138, 18 September 1897, p. 395.

<sup>323</sup> See paper on his life.

<sup>324</sup> Letter to John Watson Walker, 9 July 1897, reprinted in *Thames Star*, 14 August 1897, p. 2.

In this way only can a distinction be made between those ventures that will be genuine or otherwise'. Many new discoveries being made far from existing gold producing areas promised 'to become before long a valuable addition to the field of legitimate investment'.<sup>325</sup>

Despite such official hopes, mining agents were going bankrupt or fleeing the country to evade paying their creditors.<sup>326</sup> One sharebroker ended up 'digging gum for a living', reportedly 'never so happy, so healthy, and so well-off'.<sup>327</sup> An *Observer* cartoon showed a mine promoter, 'with whom times have been slack lately', telling an ironmonger, 'Yes, sir, I know a splendid piece of ground, with a reef worth £20 running through it, and if you choose to find the lease money---', and having ironmongery thrown at him because the storekeeper was selling his goods 'at sacrifice to pay calls'.<sup>328</sup>

Investors also fell foul of goldfield regulations:

When the mining boom was at its height in Auckland, and small syndicates were being formed to take up sections of ground, many worthy men in the community signed applications for leases for themselves and others without any idea that this involved any subsequent liability. Now they find that even though the land was abandoned by them as soon as it was granted, they are held liable by the local bodies for the second year's rent. Some men have as many as ten or a dozen leases in their name, and the exaction of the rent means absolute ruin to them. These monies are now being recovered by legal process, and property is being seized and homes sold up in all directions to satisfy the local bodies or the Government. This is a shameful condition of things. Hitherto, when ground was not worked, the Mining Inspector laid a plaint and the ground was forfeited.<sup>329</sup>

This policy was hastening the liquidation of companies that were not working or had not properly surrendered their ground.<sup>330</sup> Liquidation of no liability companies proved to be bad for storekeepers who had given 'credit freely, relying on the commercial standing of the directors'. They now found that most of the companies had no funds, could not get in calls, and that directors and legal managers were 'not liable for the debts incurred'.<sup>331</sup> Many companies floated

<sup>325</sup> George Wilson to Minister of Mines, 29 June 1897, *AJHR*, 1897, C-3, p. 29.

<sup>326</sup> *Observer*, 15 May 1897, p. 3, 3 July 1897, p. 3, 2 July 1898, p. 6.

<sup>327</sup> *Observer*, 1 August 1903, p. 7.

<sup>328</sup> 'The Mine Promoter's Occupation Gone' (cartoon), *Observer*, 18 September 1897, p. 5.

<sup>329</sup> *Observer*, 14 August 1897, p. 7.

<sup>330</sup> 'Obadiah', 'Shares and Mining', *Observer*, 28 August 1897, p. 9.

<sup>331</sup> *Observer*, 25 September 1897, p. 5.

with up to £1,000 of capital without finding anything payable had come to ‘realize only too well how useless small capital is for quartz mining development’, and had no other choice than liquidation. Only in companies with ‘exceptionally bright prospects’ were calls being paid in September.<sup>332</sup> Even the *Graphic* was forced to recognize this, the cover of its first issue for that month showing an investor marooned on a rock at the end of ‘The Great Golden Diddle Reef (‘ware sharks)’ and surrounded by ‘calls’. The caption was ‘ “What are the Wild ‘Cats’ Saying?” Painful position of the individual who stayed there too long’.<sup>333</sup> At the annual meeting of the Chamber of Mines, the chairman reported that there had been good returns from mining and ‘very much augmented’ output was anticipated from mines currently being developed.

The records of the year show that within the colony a very large amount of capital has been invested in mining, thus showing the faith in the district of those who know it best; but the result of starting with comparatively small capital, to be replenished by “calls,” required to carry out works, has so hampered operations that large sums of this local money have been thrown away practically. This is especially the case in “no-liability” companies, as the power of the directors to undertake a scheme is limited to the actual amount of cash in hand. Under such conditions it is unreasonable to expect that ground can be fairly prospected. In spite of these drawbacks there has been a fair percentage of valuable mines opened out.<sup>334</sup>

‘Obadiah’ noted that many companies were protected, meaning that their funds were ‘nearly exhausted, or calls only realize a small amount, in fact enough to pay legal management, directors’ fees and ground rent’.

There are a great many really good shows that are languishing for development; in some cases shareholders have paid calls in a claim where a certain distance of driving is being done to intersect a reef, and have stopped paying when the reef was within in one instance, 30 feet of the “object” simply because the market is “sick.” It only goes to prove that speculators have very little wish to help genuine mining.<sup>335</sup>

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<sup>332</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 25 September 1897, p. 9.

<sup>333</sup> Ashley Hunter, ‘What are the Wild “Cats” Saying?’, *New Zealand Graphic*, 4 September 1897, p. 321.

<sup>334</sup> *New Zealand Graphic*, 11 September 1897, p. 361.

<sup>335</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 9 October 1897, p. 9.

In November, a member of the Auckland Chamber of Mines expressed pleasure that the government was ‘taking very stringent measures as regards rentals, which will have the effect of weeding out many of the properties’ that were ‘not sufficiently valuable to be retained by the local owners’. This was ‘a great safety to the investing public, inasmuch as the owners won’t continue to pay rents for lands which they don’t believe in’.<sup>336</sup> The *Graphic* professed itself optimistic at the collapse of so many companies:

The dullness of the Exchange ... is not the result of any weakness on the part of the mining industry itself, but simply the natural outcome of the wild boom of 18 months ago, which caused more companies to be floated than it was possible for local capital to keep going. A number of these have already been wound up, and others must follow in due course, where the work done has not revealed anything of importance. When the sifting process is ended, and only legitimate miners are left, matters will be on a sounder basis, and there will be less useless expenditure of money.<sup>337</sup>

By that month, about 200 ‘wild cat’ companies were being wound up. ‘No matter how promising some of these properties might be, there is not money enough in the place to keep them all going’.<sup>338</sup> A bank inspector noted that ‘probably half of the companies that arose like mushrooms are either in liquidation, or moribund; even the best of mining stocks have seriously retrograded in market value; and stocks that are undoubtedly of great promise are practically unsaleable’. Turnover in the brokers’ accounts was ‘barely a fifth of what it was; in a word the general public are for the time being sick of mining’.<sup>339</sup> Nevertheless, the *Graphic* remained hopeful, pointing out the development of so many mines, some of which had ‘joined the noble army of dividend payers’. New batteries were ‘bound to give a splendid return in the immediate future, though to those unacquainted with technicalities it looks dull and unproductive enough’.<sup>340</sup>

And surely the history of the Waihi [mine] is not merely an encouragement but a lesson in patience. For years the struggle was an uphill one, and at one time so hopeless did the outlook seem to some shareholders that they gave

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<sup>336</sup> *New Zealand Mines Record*, 16 November 1897, p. 168.

<sup>337</sup> *New Zealand Graphic*, 27 November 1897, p. 716.

<sup>338</sup> ‘Obadiah’, ‘Shares and Mining’, *Observer*, 6 November 1897, p. 9.

<sup>339</sup> National Bank, Inspector’s Reports, Auckland Branch, 13 December 1897, National Bank Archives, Wellington.

<sup>340</sup> *New Zealand Graphic*, Christmas Number 1897, p. 12.

away or sacrificed their shares rather than pay a sixpenny call Imagine the feelings of these unfortunates now with the shares approaching £8 and £228,500 paid in dividends already.<sup>341</sup>

English investors were not interested in New Zealand mines unless more companies produced gold. By June properties were being offered on the London market ‘for working options only, some of them having been hawked about town 6 months ago asking £2,000 to £10,000 cash as well as a big percentage of shares’, an ‘extravagance’ that did ‘more to nip the New Zealand market than anything else’.<sup>342</sup> A London correspondent wrote that City of London investors were unanimous in wanting to see whether the mines really had any gold, ‘and until we see some prospect of return for our money, we are not going to touch anything of the same kind with the longest pair of tongs’.<sup>343</sup> Henry Reynolds, more prominent in the dairy industry,<sup>344</sup> when trying to float mines in London, discovered that some syndicates were ‘disposed to insist on future contracts with vendors containing a clause to the effect that if, after spending a certain amount of the working capital within a prescribed time, no satisfactory results’ had been obtained, the company could refuse to spend any more. In future, vendors would have to prove that good reefs existed and there was ‘some definite practical prospect’ of producing dividends. ‘And it will always be difficult now to get any part of the purchase money paid in cash, unless the property is shown to be a very good one indeed -something quite above the ordinary average’.<sup>345</sup>

Henry James Greenslade, a future mayor of Thames and Member of Parliament,<sup>346</sup> when in London attempting to float properties discovered

a great difference between what Aucklanders imagine *ought to* be done in London and what *can* be done. Out there the lamentable incompetence of A. in failing to get off that mine (in embryo) the Hauraki Boodle [illicit

<sup>341</sup> *New Zealand Graphic*, Christmas Number 1897, p. 14.

<sup>342</sup> ‘Gold Dust’, ‘Our English Letter’, *Mining Standard*, 24 June 1897, p. 5.

<sup>343</sup> London Correspondent, *New Zealand Herald*, written on 30 October 1897, reprinted in *Thames Advertiser*, 3 December 1897, p. 4: see also London Correspondent, *Auckland Weekly News*, 27 March 1897, p. 8, 3 April 1897, p. 38, 11 September 1897, p. 20, 4 December 1897, p. 31.

<sup>344</sup> See *Cyclopedia of New Zealand*, vol. 2, p. 757: *Auckland Weekly News*, 25 April 1891, p. 10, 5 September 1896, p. 30, 27 March 1897, p. 8, 1 March 1901, p. 44; *Te Aroha News*, 3 April 1895, p. 2; *Observer*, 24 October 1903, p. 4; *New Zealand Herald*, 23 September 1925, p. 12.

<sup>345</sup> London Correspondent, *Auckland Weekly News*, 1 May 1897, p. 20 [written on 20 March].

<sup>346</sup> See *Cyclopedia of New Zealand*, vol. 2, pp. 784, 863, 1021-1022; *Observer*, 3 April 1897, p. 18, 7 January 1899, p. 6, 30 August 1902, p. 5, 16 September 1905, p. 17, 25 November 1911, p. 12, 10 February 1912, p. 5; *Thames Star*, 26 August 1902, p. 1.

gain],<sup>347</sup> or the shameless mismanagement of B. in accepting so little in cash for the Waihi Mugs Company property, seems utterly incomprehensible.

In London, all was clear. The ‘cold, cautious, and lamentably deplorably greedy’ London promoter was not interested in the ‘the golden hopes on which Aucklanders appear to be largely living’, because he had ‘heard such tales before. Talk of the “great future before the mine” makes him smile; “and how many mines did you say were paying dividends *now*?” he inquires, grimly’. Greenslade thought New Zealanders did not realize ‘how paltry’ the trading in shares in their mines was ‘compared with the huge volume of daily speculation’ in South African and Western Australian ones.<sup>348</sup> On his return to New Zealand, Greenslade repeated that there was a ‘marked disinclination’ by underwriters who held most of the shares to commit any more capital until they received returns from existing investments.<sup>349</sup>

#### THE FINAL FADING OF THE BOOM

At the beginning of 1898, Henry Andrew Gordon, former chief inspecting engineer for the Mines Department and now the first president of the Institute of Mining Engineers, after conferring with directors of the English and European companies employing him, still expressed confidence.

There has not been sufficient time for the properties floated to be brought to that stage when they can be expected to be regular bullion producers. Many mines were floated that never had a ghost of a show, but when these are weeded out there still remains a percentage for which success can be confidently prophesied, while new and many of them apparently exceedingly valuable finds have been made and will continue to be made as the result of the impetus given the industry a couple of years ago. In almost every division of the goldfields of the colony there are mines of great value showing the widespread nature of the auriferous wealth with which New Zealand has been endowed, and I venture the opinion that the proof of this will not be so long now in being demonstrated, and if my opinions are

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<sup>347</sup> Eric Partridge, *A Dictionary of Slang and Unconventional English*, 8 ed., ed. Paul Beale (London, 1984), p. 115.

<sup>348</sup> *Thames Advertiser*, 15 January 1897, p. 4.

<sup>349</sup> *Thames Advertiser*, 3 September 1897, p. 1.

correct it does not need a very astute prophet to predict a revival within measurable time.<sup>350</sup>

The *Graphic* continued to see signs of revival where none existed. In mid-February it reported ‘a feeling’ that ‘the worst of the slump has been passed’. That the last week had produced an output of £27,519 ‘should go a long way towards convincing the timorous that mining is now on a substantial basis, and also that there would be more justification for a boom now than there was a couple of years ago, when the mad rush for mining investments set it’.<sup>351</sup> Mining still provided employment for many, mostly in English companies, which employed 3,000 men in Hauraki compared with little more than 165 men employed by local companies or working on their own behalf.<sup>352</sup> But an indication of the fading of both mining and investing was that information on both had shrunk to only a column in the *Graphic* by the end of May.<sup>353</sup>

By mid-1898, the London market was ignoring New Zealand mines because of ‘hopes deferred all along the line’. Of all the mines floated there, only four were paying dividends, while ‘at least’ 20 per cent had ‘been proved utterly unpayable propositions’.<sup>354</sup> The *Mining Journal* of London, under the heading ‘New Zealand in the Dumps’, noted that, ‘with the prominent exception of Waihi’, no mines had ‘achieved anything exceptional. On the contrary, instead of profits and dividends there have been more reconstructions and invitations for more capital’, prompting investors to unload their shares.<sup>355</sup> It later wrote that British capital coupled with the cyanide process had proved that, ‘with the exception of one or two favoured locations’, it was not worth spending money on New Zealand mines.<sup>356</sup> The following year, the *Economist*’s ‘Special Commissioner’, probably James Herbert Curle, estimated that ‘about 30 exploration and finance companies, and 100 gold mines were floated’, and he expected two-thirds of the latter to be liquidated.<sup>357</sup>

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<sup>350</sup> *New Zealand Graphic*, 22 January 1898, p. 99.

<sup>351</sup> *New Zealand Graphic*, 19 February 1898, p. 217.

<sup>352</sup> *New Zealand Graphic*, 19 April 1898, p. 442.

<sup>353</sup> *New Zealand Graphic*, 28 May 1898, p. 666.

<sup>354</sup> *Thames Advertiser*, 11 June 1898, p. 4.

<sup>355</sup> *Mining Journal* (London), n.d. [mid-February 1898], reprinted in *Auckland Weekly News*, 2 April 1898, p. 35.

<sup>356</sup> *Mining Journal*, n.d. [early July 1898], reprinted in *Auckland Weekly News*, 20 August 1898, p. 47.

<sup>357</sup> Cited in *Auckland Weekly News*, 3 March 1899, p. 46.

During the depression that succeeded the boom, ‘Mercutio’ noted a ‘marked difference’ in meetings of mining companies;

At meetings where prospects are bright, and the managers’ reports contain pleasing reference to “gold showing freely,” the reports and balance-sheets are read and adopted, the retiring directors re-appointed, votes of thanks are passed, and the directors and shareholders immediately proceed to foregather “in another place” [a hotel]. But at meetings of companies, the shareholders of which decline to pay calls, and where liquidation, like a gaunt and fearsome shadow, looms ahead, things are different. The shareholders, silent but angry, trickle slowly in, and glance viciously at the directors; the latter, ruminating over lost fees, glare at the legal manager; and the legal manager, doubtless thinking of another thirty shillings to be docked off his salary [when the company is wound up], thinks sadly of the good old days of the boom, when of companies there were ample. The funeral service is read, the shareholders chivvy the directors, and the latter get back on the legal manager, and the latter still sits and thinks some more. Then the prospectors (usually the vendors) are brought up and discussed and dissected, and occasionally severely dealt with (in their absence), and the directors and shareholders, and reporters, and legal manager stalk slowly out and think of those old days when men knew not the value of gold, and when the souls of the children of nature hungered not after scrip.<sup>358</sup>

A shareholder overtaken by a ‘deluge’ of calls sent the following letter ‘in reply to a polite note from one of our best known legal managers’:

Dear Sir,- I have your letter of this date, and note that your directors propose to proceed against me. Your prospectus stated that one of the objects of your company was to “seek, win, and work gold in ----- and elsewhere.” Things not turning out well in -----, your directors apparently consider it their duty to seek, win, and work gold elsewhere, *i.e.*, out of me. I can assure you, however, that I am not in an auriferous vein; the only lode I possess is a load of debt, and as a gold mine I shall be a failure. Your prospectus estimates a yield of 10z of gold per ton on 30,000 tons of quartz crushed per annum. You may “crush” me, but you will find that I will not yield nearly so much. My person (which for the purpose of this calculation may be considered quartz) weighs, roughly speaking, 10st[one], and if crushed immediately I estimate that it would yield as under: - Gold, *nil*; silver, 3s; copper, 4 1/2d - total, 3s 4 1/2d. Deduct cost of crushing, say £5 5s.<sup>359</sup>

In 1902, a prospector who ‘sought to persuade an Auckland business man to invest £20, as the “best of good things,” in a property in which he had lost £400 at

<sup>358</sup> ‘Mercutio’, ‘Local Gossip’, *Auckland Weekly News*, 2 October 1897, p. 7.

<sup>359</sup> ‘After the Game the Reckoning!’, *Thames Advertiser*, 2 April 1898, p. 2.

the boom time, didn't wait for his hat in leaving'.<sup>360</sup> By that time speculators had been 'so misled and swindled by "mining sharks" and their plausible tales' that they were 'afraid to touch anything', no matter how apparently good. 'The man with the oily tongue' was 'played out'.<sup>361</sup> While a revival in mining was desirable, 'Heaven save us from a boom'.<sup>362</sup> To prevent 'wholesale swindling', one correspondent urged that no properties should be floated unless 'certified to by a mining inspector as being genuine and correct according to the prospectus'.<sup>363</sup>

Edwin Edwards, who in August 1896 had abandoned his attempt to be a mining agent in the hope of entering parliament,<sup>364</sup> was provoked to write a 'Vicious Verse on the Burst Boom':

Our talons are pointed, and sharpened our fangs,  
 Fit to delve for the long hidden gold,  
 Which the ages, like ravens, have stolen and hid,  
 And the miserly rocks try to hold.  
 And we sit in our office and fashion our tools  
 (So the spider deft weaves in its den),  
 But what is the name of the tools that *we* use?  
*The truth, and the honour of men.*

Once, in old '49, when the digger went forth  
 (Alas! for the days that have gone),  
 He looked for the gold and he found it, and then  
 What he looked for and found was his own.  
 Then civilisation, all wily, sneaked in  
 With its Bible, and Lawbook (and Fee),  
 And then said the Giant who lives in a Bank,  
 "What you find please hand over to me."

Then brass-plated companies, syndicates, trusts,  
 Brass-fronted and bell-topped men,  
 Making two sets of fools into two sets of rogues,  
 All leisurely wrought in their den.  
 They taught the fool miner the creed of wild cat,  
 And they taught the fool Fatman<sup>365</sup> the same,  
 While the one he got jail and the other went bung,  
 And the syndicate lived on the game.

<sup>360</sup> *Observer*, 25 October 1902, p. 7.

<sup>361</sup> 'Primrose Hill', 'Current Topics', *Ohinemuri Gazette*, 26 March 1902, p. 2.

<sup>362</sup> *Observer*, 20 August 1904, p. 7.

<sup>363</sup> 'The Sentinel'. 'Paeroa Jottings', *Waikato Argus*, 17 January 1899, p. 2.

<sup>364</sup> *New Zealand Herald*, 20 August 1896, p. 5

<sup>365</sup> Capitalist.

Eftsoons, unexpected, grim Nemesis came,  
 The eternal equation of things;  
 He drew a big bead on the brass-plated men,  
 On the trusts and the Bourses<sup>366</sup> and rings,  
 Like Jack Cade,<sup>367</sup> he broke up each lawyer at sight,  
 Legal Managers strewed in his tracks,  
 And newspaper men who told lies about mines  
 Were buried by dozens in sacks.

The Stock Exchange chaps stowed away on the mail,<sup>368</sup>  
 The auditors all went as well.  
 All directors made tracks for Honolulu,  
 And the Chairmen - well, they went to Hell.  
 And most people lived upon fern root and pork,  
 After making arrangements to file,<sup>369</sup>  
 And everyone said damn the boom  
 (Everyone who hadn't sneaked out with a pile).

The usual finish to didactic verse,  
 For public instruction (like this)  
 Is a moral (the author regrets very much  
 He can't find a moral to his),  
 So we'll make up our minds that we've boomed and we've bust,  
 That adversity's some sort of gain,  
 And we'll groan like the chap who has "just had 'em bad,"<sup>370</sup>  
 Oh Lord! we won't do it again.<sup>371</sup>

The collapse of the boom was world wide. Between May 1897 and May 1900, '565 African and Australian and New Zealand gold-mining companies had been wound up or become defunct, and there had been 405 reconstructions. Some of the defunct properties had been sold or amalgamated to form other companies, and a larger number had been reconstructed'.<sup>372</sup> Whilst there were 'a few large gold-mining companies making considerable profits' and 'a good many others doing fairly well from a commercial point of view', the number of failures was 'large'.<sup>373</sup>

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<sup>366</sup> Stock Exchanges.

<sup>367</sup> A leader of the Peasants' Revolt in England in 1450.

<sup>368</sup> Mail boats.

<sup>369</sup> As bankrupt.

<sup>370</sup> Possibly *Delirium Tremens*.

<sup>371</sup> Edwin Edwards, 'Vicious Verse on the Burst Boom', *Observer*, 1 May 1897, p. 23.

<sup>372</sup> Welton, pp. 49-50.

<sup>373</sup> Welton, p. 96.

## BLAMING THE GOVERNMENT

A Mining Bill was introduced in 1896 because the government considered that speculating capitalists were preying upon New Zealand miners.<sup>374</sup> Naturally the capitalists had a different perspective. In April 1898, the ‘representatives of English capital in Auckland’, meaning all the attorneys and managers for the English companies mining in Hauraki, sent a letter to the Minister of Mines seeking remedies to ‘the disabilities, which call loudly for redress, now imposed on the mining industry’. An annual tax of 1s per cent on nominal capital was ‘a hardship’ for purely mining companies and should not apply to these. They were ‘very much dissatisfied’ with an import duty of five per cent on mining machinery, for ‘a good deal’ of this could not be made in New Zealand. ‘We believe that, considering the great risk that persons run who embark capital in gold mine, machinery of all kinds for gold mines should be duty free’. An annual ground rent of 10s per acre was ‘too much, considering that the land itself is, in nearly every instance, not worth probably more than one year’s rent an acre for the fee simple, therefore such rents appear to be exorbitant, and a hardship’, and should be reduced. The export duty on gold of 2s per ounce was not only ‘objectionable in itself, but the method by which it is levied is most unfair, because a higher rate is charged to owners of poor gold’. The tenure of leases was not ‘sufficiently permanent’, and ‘a better, more secure, and more liberal title’ was sought. They ‘respectfully’ suggested ‘that there should be as little legislation on mining matters as possible’. London investors had ‘a deep-rooted distrust’ of future legislation, ‘and this distrust prevents the investment of capital here, and turns it away to other fields where the same objections do not exist’. The current Bill should either be ‘dropped altogether, or only such portions of it put through as would remedy any defects in the former Acts’. The Government Valuation of Land Act of 1896 had caused a ‘feeling of uneasiness’. They could ‘hardly think’ that further taxation was to be levied, ‘but we would like to have some assurance’ that this would not happen.

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<sup>374</sup> ‘Blo’, ‘The Mining Bill Gun is Loaded, Ready to Shoot’ (cartoon), *Observer*, 17 October 1896, p. 1.

Generally: In the face of the low-grade ores on the Hauraki goldfields, these taxes and charges will inevitably injure and retard the mining industry. Mining specially should be taxed as lightly as possible, on account of its risky nature; reefs cut out, or fall from payable to low-grade ore, and often expensive pumping operations have to be faced not at first contemplated. Mining is very costly work, with labour at 8s to 10s per day, and expensive explosives. The industry runs risks not incurred by any other business; such risks, in fact, that capitalists require every encouragement to embark any more money in it, instead of being taxed to the utmost. We wish strongly to impress upon you that the mining legislation for some time past has been upsetting the minds of those having capital in the Old Country to embark in mines, and that in consequence large sums of money have been diverted from these shores.

To show the value of English capital, they pointed out that in Hauraki 3,222 men were paid by English capital whilst those paid by New Zealand capital probably did not exceed 300. Their was 'a fixed determination' by their 'principals in London' and 'other capitalists who are connected with' mining there that they would 'not embark further capital in New Zealand unless there is some guarantee given that these various taxes of which they complain will be altered and fixed on a more liberal basis, and some measure of relief given'. They concluded that instructions had been received countermanding work 'which to our certain knowledge would have otherwise been carried out'.<sup>375</sup>

Curle's rejoinder was that there was 'really little to be found fault with'. Abusing the government for its regulations had 'been rather by way of excuses to disappointed shareholders'. There was the 'usual tax of 5 per cent on dividends, and exemption from the somewhat severe labour conditions can always be secured from the Minister of Mines when a satisfactory excuse is forthcoming'.<sup>376</sup>

### WAS THE BOOM WORTHWHILE?

Geoffrey Blainey's assessment of British investment in the Australian boom was relevant to New Zealand:

From 1886 to 1907 British investors must have paid Australians from £40 million to £50 million cash for shares in mines and holes in the ground....

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<sup>375</sup> The Association of Representatives of English Capital to A.J. Cadman, Minister of Mines, 14 April 1898, printed in *New Zealand Herald*, 22 April 1898, p. 6.

<sup>376</sup> Curle, vol. 1, p. 236.

This investment was a disastrous loss, less because so many mines were worthless than because Britain paid too much for both the rich mines and the poor. In the history of British investment in many lands this was one of the leanest chapters.

British money had strong impact. It stimulated so much prospecting and the sinking of shafts that many concealed deposits were found decades before they might otherwise have been found. It reopened old mines that would have otherwise been shunned. It equipped many mines so efficiently that they could work poorer ore and make higher profits. Although British companies worked scores of gold and copper mines that should probably not have been touched, such mines increased the output if not the profits of Australian mining.<sup>377</sup>

Blainey also noted that most of the profits of the greatest Western Australian mines, directed from London, ‘returned to England; their gold created no new Australian industries. Although British venture-money was vital for reviving Australian mining, it exacted its price’.<sup>378</sup>

In its review of 1895, the *Thames Advertiser* considered that the boom had been worthwhile. The ‘unusual dullness’ of mining had been replaced by the investment of ‘an exceptionally large amount of local money’ as well as English capital, enabling ‘the thorough development of some of our most important mines’. During the year 160 companies had been formed, the small ones with ‘called up capital ‘varying from £500 to £1000, and even £2000’, had been formed, which created the possibility of new discoveries in previously unexplored areas.<sup>379</sup> About 20 English companies had been formed by February 1896, which with the 103 new local ones meant a subscribed capital of £2,000,000.<sup>380</sup> In July that year, there were 114 English companies investing in mines throughout New Zealand.<sup>381</sup> Near the end of 1896, when the boom had long ended, there was satisfaction that more English capital had gone to develop the mines and less into the promoters’ pockets than in previous booms, permitting more mining ‘than ever before’.<sup>382</sup> ‘Obadiah’ considered that even if there was only ‘one sound venture against every eight or ten worthless ones the effect of the recent wild

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<sup>377</sup> Blainey, pp. 250-251.

<sup>378</sup> Blainey, p. 256.

<sup>379</sup> ‘The Mining Industry: Looking Backwards: Review of the Past Year’, *Thames Advertiser*, 1 January 1896, p. 1.

<sup>380</sup> *Money* (London), n.d., reprinted by London Correspondent, *Auckland Weekly News*, 4 April 1896, p. 21 [written 22 February].

<sup>381</sup> *New Zealand Mines Record*, 16 September 1896, pp. 97, 98.

<sup>382</sup> *New Zealand Mining Standard and Financial News*, vol. 3 no. 72 (22 November 1896), p. 5.

speculation will be good'.<sup>383</sup> It was estimated that about £1,500,000 had been subscribed in London during the boom, and in August £1,042 a day was being received in Hauraki from English mining companies.<sup>384</sup> During 1897, £72,000-worth of extra gold was extracted in the same district because of it.<sup>385</sup>

One commentator felt that some good had been done in opening up 'country that might have remained untouched for another century', but 'at about ten times the necessary cost. If a thousand pounds has been raised through the "boom" agency to develop any out of the way claim perhaps three hundred pounds has gone into working the claim and the remainder has gone in "boom" '.<sup>386</sup> Curle, after noting that 'the investing public was thoroughly fooled in the usual manner', wrote that in place of less than a dozen English-owned mines there were 89, plus 30 exploration and finances companies. As most were floated to work untested, worked out, or worthless ground, the results were 'extremely bad', and the market for New Zealand mines was by mid-1898 in 'a state of complete collapse'. But while most mines were 'worthless', there were 'perhaps a dozen mines which may be safely classified as either really sound investments or favourable speculations'.<sup>387</sup>

In 1903, the residents of Thames were pleased that British capitalists were selling two of their main mines, according to the *Observer*. 'British capital has not proved the splendid thing for the Thames that it was cracked up to be. Certainly, it has been the means of distributing a vast sum in wages, chiefly amongst a floating population which is off at the first appearance of bad times, but it has done little or nothing' towards 'permanent development' because the money was not well spent.

With a fifth of the expenditure, under experienced local management, the output of gold would have been considerably increased and the development of the field greatly advanced. But after six or seven years under the rule of high-salaried experts who knew little or nothing of the conditions of local practical mining, we are precisely where we were when we started.

Indeed, as a mining community, we have been worse off for the last year or two than we were before we ever heard of British capital. Nearly the whole

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<sup>383</sup> 'Obadiah', 'Shares and Mining', *Observer*, 20 February 1897, p. 10.

<sup>384</sup> *Thames Advertiser*, 19 August 1896, p. 3; 'Obadiah', 'Shares and Mining', *Observer*, 8 August 1896, p. 8.

<sup>385</sup> 'Obadiah', 'Shares and Mining', *Observer*, 12 February 1898, p. 9.

<sup>386</sup> 'The Warrigal', in *Press* (Christchurch), n.d., cited in *Observer*, 17 July 1897, p. 9.

<sup>387</sup> Curle, vol. 1, pp. 236, 259 [for correct number of English-owned mines].

of the payable auriferous ground has been spread-eagled by the British companies, which have been allowed to hold the ground without doing any work, and if it had not been for the right of tributing insisted upon by the Warden, the Thames would have been idle and deserted to-day for all the foreign companies cared.<sup>388</sup>

### LESSONS LEARNT

Most of the foreign-owned companies had far too much nominal capital, and most collapsed.<sup>389</sup> This was a world wide phenomenon ‘in this and in subsequent booms’, for ‘international mining was a high risk business made riskier by the dealings of many fraudulent promoters’.<sup>390</sup> Even if promoters were not fraudulent, as in America many mines were ‘inevitably doomed to failure because of the inherently high-risk nature of an industry in which it is almost impossible to predict profit levels before major expenditures on prospecting and development. Even the most expert can make mistakes’.<sup>391</sup> Many failures were due to ‘paying too large a sum to the vendors without raising a proportionate amount of working capital or duly measuring the capabilities of the property to make returns. There may also have been some instances of ignorance of mining or mismanagement’. The greatest cause of failure was ‘the payment of excessive commissions to promoters’, the effect of which was ‘to make England a bad market for owners of good mining properties, as the actual owner may get very little for his property beyond some fully-paid up shares which may never be of value’.<sup>392</sup>

Despite the failures, in New Zealand, as elsewhere, foreign capital enabled the development of many mines and the erection of new batteries, which increased the output of gold in the short term, to the benefit of miners and storekeepers as well as some investors.<sup>393</sup> And according to one participant whose cartoons satirized the speculative boom, some people made ‘a lot of money’ and were able

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<sup>388</sup> *Observer*, 7 February 1903, pp. 2-3.

<sup>389</sup> See Edward Ashmead, *Twenty-Five Years of Mining, 1860-1904: A retrospective review* (London, 1909), pp. 143, 146-147, 167.

<sup>390</sup> Harvey and Press, ‘Overseas Investment’, p. 67.

<sup>391</sup> Burt, ‘British Investment’, p. 524.

<sup>392</sup> Welton, p. 96.

<sup>393</sup> National Bank, Inspector’s Reports, Auckland Branch, 13 December 1897, National Bank Archives, Wellington.

to live ‘in ease and comfort’ from the fortunes they made ‘by astute or lucky dealings’.<sup>394</sup>

One commentator criticized New Zealanders for crying, over and over again, ‘All we want is capital’, because when they obtained it they took the cash and avoided ‘all the practical work of mining’. He called for laws that assisted ‘the *bona fide* worker instead of the jumper and the speculator’.<sup>395</sup> One English mine manager warned that any future boom would come only after ‘markedly increased’ returns and ‘very important discoveries’ had proved that the spending of capital had been justified. If vendors were to achieve the terms they sought, they must do ‘a considerable amount of opening out and developing work’ first.<sup>396</sup> Edward Kersey Cooper,<sup>397</sup> who had also sought capital in England, reported ‘abundance of money’ for investing, ‘but the mines must be proved payable’.<sup>398</sup> After returning from England, in May 1898 William Horne, a legal manager,<sup>399</sup> pointed out that New Zealand had offered English investors ‘undeveloped mines and too many of them. The newspapers were greatly to blame’ through being ‘too anxious to boom New Zealand’, and had done ‘more harm than good – especially when the mines had not come up to representations’.<sup>400</sup>

In 1902, John McCombie reviewed the state of mining:

During the boom which commenced some time in the year 1895, nearly the whole of the Hauraki Peninsula was marked off in gold mining leases, and it took an army of men to carry out the surveys. Lately I visited one block covering fully three square miles that was marked off at that time, in areas averaging 100 acres each, and a good number of these were floated into companies in Auckland and elsewhere. Now there is no reef, nor the semblance of a reef or a bit of country favorable to the existence of a payable reef in the whole of that territory. These claims could very properly be termed “Wild Cats.”<sup>401</sup>

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<sup>394</sup> ‘Bio,’ ‘In Quest of El Dorado: The Miracle of the Martha Lode’, *Observer*, 18 August 1932, p. 31.

<sup>395</sup> ‘The Warrigal’, ‘Our Northern Goldfields’, *Mining Standard*, 6 March 1897, p. 10.

<sup>396</sup> *Thames Advertiser*, 17 February 1897, p. 3.

<sup>397</sup> See paper on his life.

<sup>398</sup> *Thames Advertiser*, 26 March 1897, p. 3.

<sup>399</sup> See advertisement, *Thames Advertiser*, 11 January 1882, p. 2; *Thames Electoral Roll, 1890*, p. 17.

<sup>400</sup> *Thames Advertiser*, 11 May 1898, p. 4.

<sup>401</sup> ‘Aboriginal’, ‘A Review’, *Thames Star*, 21 August 1902, p. 3.

He incorporated this example into his later prize-winning essay on the industry to support his argument that wardens ‘should have the power to refuse the granting of a lease’ to those ‘who cannot prove that the ground they are applying for is marked off on the line of a known reef system, or that they have a reef exposed to view within their own boundaries’. The use of this power ‘would undoubtedly check the flotation of “bogus concerns,” and it would give those who are honestly endeavouring to exploit legitimate shows’ a chance to raise capital.<sup>402</sup> Henry Cadell, Vice President of the Mining Institute of Scotland, who had visited New Zealand in 1895,<sup>403</sup> described owners of small claims as ‘of small means and small intelligence’ who exploited rich shoots for quick profit for shareholders but left no money to work poorer parts of the mine’. New Zealanders should treat mining like any other form of business, not ‘as a field for pure gambling and speculation’.<sup>404</sup>

The Inspecting Engineer of the Mines Department was also critical of New Zealand’s largest mining boom. People had pegged off claims to sell to foreigners ‘without doing any actual work, simply getting a grant’ of a claim. Mining engineers had sprung into existence like mushrooms, some reporting the values of properties ‘in such glowing terms that people residing at a distance’ had ‘great difficulty’ determining which were legitimate enterprises. The ground was often not tested, and companies were formed to work possibly worthless land. On the other hand, unlike other commentators he considered that in most cases money raised was going into developing mines, ‘instead of going into the pockets of the promoters as in days gone by’.<sup>405</sup> He did not expect the English companies to be regular bullion producers for a time because mines that were ‘largely developed and handsomely paid their ways were not put in the markets till calls from local shareholders could no longer be got in, and before they were relinquished every promising and easily got at piece of quartz was removed’. Other mines had not

the slightest prospect of being successful. In many cases all that was done was to race on a horse to the place where a good find was reported and stick in four pegs adjoining the property on which the discovery had been made.

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<sup>402</sup> [John McCombie], ‘Third Prize Essay’, p. 288.

<sup>403</sup> *AJHR*, 1896, C-3, p. 81.

<sup>404</sup> Henry M. Cadell, ‘Gold-Mining in the Hauraki District, New Zealand: A paper read before the Mining Institute of Scotland, 7 December 1895’, reprinted in *AJHR*, 1896, C-3, p.85.

<sup>405</sup> H.A. Gordon to Minister of Mines, 17 June 1896, *AJHR*, 1896, C-3, pp. 27-28.

Good surface indications may be got almost anywhere, and assays were not to be relied on.

These mines were floated ‘on the most unreliable reports’ and shareholders never had any chance of getting their money back. ‘Prices so extortionate that they could hardly be called anything but blackmail’ had been paid. Booms were ‘prejudicial to the ultimate success of mining’, and were ‘followed almost invariably by an exaggerated state of depression’.<sup>406</sup> He noted that English investors did not expect all the properties acquired to be profitable, but they had expected ‘a fair percentage of them to do so’.<sup>407</sup>

The government tidied up company law because of the defects exposed during the boom whereby most of the English capital went to the English promoters. These companies were accused of having costly management, excessive directors’ fees, and appointing managers who built elaborate plants before they developed the mines.<sup>408</sup>

Vendors and brokers received a bad press, as in Edwin Edwards’ 1897 poem ‘When the Tin Pot Floats’:

I’ve pegged a little holding - a mile or two of ground -  
 There’s lots o’ reefs awaitin’ there (awaitin’ to be found).  
     ’Tis peg and peg with 8oz rock, of course clean on the line  
     Of that most accommodating little Waihi mine.  
 And if you only sink enough, and drive enough, and spend  
 A ton or so of bullion till the capital’s up-end,  
     Why there’s money in the trouble (for the fellow who promotes),  
     And a pretty little pass-book when the Tin Pot floats!

And when the experts clamber up, all breathless they arrive,  
 (We’ve got a little bit of dirt all planted in the drive);  
     And while they gas of tufa, andesite and other gag,  
     We stand aghast (and drop a sniff of bullion in the bag);  
 Or, perhaps, yer spit a bit of “colour” in the dish  
 (You gauge yer bait according to the value of yer fish);  
     And if they jam their German down yer open mouths and throats,  
     Well, they’ll talk another language when the Tin Pot floats.

In the meantime, up at Gallagher’s, or any other pubs,  
 Or sometimes when the toffs invite yer to the swagger clubs,

<sup>406</sup> Interview with H.A. Gordon, *Thames Advertiser*, 19 January 1898, p. 4.

<sup>407</sup> Interview with H.A. Gordon, *Auckland Weekly News*, 29 January 1898, p. 22.

<sup>408</sup> *New Zealand Mines Record*, 16 November 1898, pp. 147-148.

You play the honest miner and the “got a fiver?” joke  
 (Oh, the little Auckland draper is a first-class bloke),  
 With biceps thirteen inches, well, you can’t graft, anyhow.  
 Once you *did* a bit of mining, but you make it do *you* now;  
 So you travel on the grocer, and on Queen-street goats,  
 “Wot, pay yer? yes, I’ll pay yer when the Tin Pot floats!”

You spot your man, you get your plan - a whisky for the muff,<sup>409</sup>  
 And carelessly you pocket his little bit of stuff.  
 It took him half a year to save that little bit of tin,  
 But what’s the good of talking, that’s just where *you* come in.  
 I believe that *vae victis*,<sup>410</sup> some chap has said before,  
 There’s diamond plus, and city sins, and Pommery galore.  
*He’s* staring at the overdraft; *you’re* counting out his notes,  
 But, Lord, there’ll be a pay-day when the Tin Pot floats.

Near a solemn-looking mountain stands a mansion, grim and strong -  
 ’Tis known to *habitues* as Reston’s Restaurant;<sup>411</sup>  
 ’Tis the goal of mining experts,  
 ’Tis the Queen-street miners’ fate,  
 To read that sad inscription –“your hair cut while you wait.”  
 So, think awhile, ye broker-man; you pegger-out, beware;  
 Your conscience may not be extant, but hang on to your hair!  
 ’Tis well to keep the arrows from your trousers and your coat,<sup>412</sup>  
 Which are certain to adorn you should the Tin Pot float.<sup>413</sup>

The *Observer* was more sympathetic to the prospector with a mine to sell, noting that he received ‘but the veriest drop in the bucket’ of all the ‘boom’ money.<sup>414</sup> In an editorial headlined ‘A Foreign Ring’, the *Mining Standard* claimed that foreign capitalists had come to dominate Hauraki mines and to cause the post-boom depression. Their intention was, as in other colonies, to ‘freeze out’ other investors. ‘They, having ready money resources, can hold out longer than we can, and will eventually scoop in all the richer properties at ridiculously low prices’. Local investors, requiring capital, became ‘too highly elated by the influx’ of funds which

brought about the ephemeral boom, with the consequence, that everybody tried to get a cut in, caring nothing for the morrow. Companies were floated

<sup>409</sup> ‘An incompetent; a fool, albeit an amiable one’: Green, p. 812.

<sup>410</sup> ‘Woe to the vanquished’.

<sup>411</sup> Mount Eden gaol.

<sup>412</sup> The broad arrows on prison garb.

<sup>413</sup> Edwin Edwards, ‘When the Tin Pot Floats’, *Observer*, 13 March 1897, p. 14.

<sup>414</sup> *Observer*, 11 February 1899, p. 3.

by the wholesale, ground was taken up all over the peninsula, and not a stroke of real New Zealand work done, on the contrary, protection was invoked, and the ground was allowed to lie idle, while the owners and promoters used their best endeavours to sell it at any and every price that the foreign capitalist would buy at as long as the money was cash down. This was playing right into the hands of foreign capitalists. It enabled them to pick and choose the choicest properties, and when they had secured sufficient control for the time they simply buttoned up their pockets and sat down to a game of “freeze-out,” or, in other words, brought on an inevitable depression, well knowing that as soon as protection ran out on the various claims, and shares fell to a minimum, they could step in and buy both shares and properties at their own price, and by concerted action secure our birthright for the historical mess of pottage.<sup>415</sup>

In January 1897, the *Mining Standard* assessed the boom and its collapse:

The protracted period of depression that has overshadowed our market is due in a great measure to over speculation in scrip, but chiefly in an absurd and indiscriminate rush in pegging-out areas, the bulk of which are practically worthless, the hasty investor receiving in return for his hard cash only the bare satisfaction that he has helped to swell the revenue of the colony. The plausible, wily and untrustworthy prospector, or claim pegger, is the personage we should all unite in branding, thereby stamping out a nefarious calling, and one calculated to cause a lock-up of capital, and robbing legitimate ventures of the full support they are entitled to.

It was pleased that the ‘lull in our market’ would ‘clear and purify our market of wild cat and bubble ventures, at the same time dealing a deadly blow to unprincipled and reckless promoters’. The share list was ‘far too great, and out of all proportion to the limited market of the colony’. Most ‘ventures offered to investors should never have reached the stage of company form’, being but ‘weak prospecting syndicates’ usually with capital ‘totally inadequate to carry out the necessary surface prospecting’.

When legal expenses, legal and mine managers, directors, and sundry incidental charges are registered against these companies a very short time elapses before the total fund available is swallowed up, necessitating calls, wearying the hopeful investors, and running a business where liquidation is the only certain product they possess.

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<sup>415</sup> Editorial, *Mining Standard*, 20 February 1897, p. 6.

Ways must be devised to manage such 'untried ventures' much more cheaply and ensure that 'a much higher percentage of money subscribed must be represented by actual work in the mines'.<sup>416</sup> In October, it wrote that 'in every case' where mining took place the results had been 'eminently satisfactory', and only in mines where little or no mining was done and protection was 'repeatedly asked for, that calls have followed one on the other with monotonous regularity. It is the "paper" mines that have not paid', being left idle while attempts were made to sell them 'at exorbitant prices' to give their owners 'rapid fortunes, on a purely speculative basis'. The industry should not be judged by the health of the sharemarket.

What does the New Zealand mining market consist of? A handful of speculators; leeches on the industrial body, who care nothing whether the industry is successful or not as long as they have an innings long enough to enable them to make their little pile, either out of the public, or by a game of "bluff" amongst themselves in which the cleverest gambler wins.<sup>417</sup>

Responding to criticism in London's financial papers of New Zealand mining, the *Observer* argued that it was unreasonable to judge the industry by the failure of its wild cats. Some properties 'ought never to have been touched except as prospecting areas'.

The syndicate promoters took no trouble to assure themselves that the properties offered to them were developed mines with a fair prospect of becoming payable. They gave the preference to those properties that gave them the largest cut, with the result that many really good properties were never floated at all, while, on the other hand, large tracts of barren country in which no reef was proved to exist were sold for big sums of money as promising mines. This is beyond doubt. There is in our rind now one large holding at Waitekauri upon which a large sum of money has been spent without discovering the slightest sign of a reef. Why was this property ever bought in London? Here, it was well-known to be worthless.

Incompetent mine managers were appointed, and every mining township could 'tell of all-night debaucheries, of champagne that flowed like water, of costly accounts for carriages and horses charged as mine expenses, and Heaven

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<sup>416</sup> *Mining Standard*, 9 January 1897, p. 13.

<sup>417</sup> *Mining Standard*, n.d. [late October 1897], reprinted in editorial, *Thames Advertiser*, 30 October 1897, p. 2.

only knows what besides'. Very few companies spent even an eighth or a tenth of their working capital in development. 'Large amounts have been swallowed up in expenses of flotation, cost of management, fees of directors and so on, but mighty little in the wages of miners'. Almost all the 'carefully-selected mines that were fairly developed before they were floated' and on which money had been judiciously spent had produced gold.

Some of them are payable, and some probably are not. But they have all justified expenditure. They have all assisted to prove the existence of a good goldfield in the Auckland district. There was never a field yet on which there was not a proportion of duffers, and ours is not exception to the rule, but the substantial gold yield from Auckland alone of upwards of half-a-million annually, with an ever-increasing tendency, is a splendid result for the money actually and wisely spent. It is not our goldfields the London financial papers ought to decry. It is the bad selection of properties, the incapable and wasteful management by the Home directors, and the sinful system under which a paltry tith of the working capital is spent in developing the property, while the greater part of it goes in promotion expenses, directors' fees and costly management.<sup>418</sup>

Writing after the boom had collapsed, one mining expert warned investors who were not mining experts that they should be aware 'the comparative uncertainty of ore-deposits', and 'should not invest if they are not in a position to bear the total loss should the investment prove a failure'.<sup>419</sup> He warned European capitalist not to 'credulously buy shares in undertakings on the strength of reports by unknown individuals, but should first investigate the matter most carefully for himself, and should avail himself of the services' of genuine experts.<sup>420</sup> Another expert recommended the elimination of 'the London middleman', who was 'the curse of gold mining today'. Such men did 'not provide the capital to work the mines – they merely transfer the capital from the public, and in so doing keep the greater part for themselves'.<sup>421</sup> In their place, 'small syndicates of speculators' should get 'into direct touch with the prospectors and their claims'. Such syndicates 'must have no vendor's interest, no watered capital. They must be fair and square from their inception to the day when the property acquired is either

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<sup>418</sup> *Observer*, 10 September 1898, pp. 2-3.

<sup>419</sup> Schmeisser, p. 217.

<sup>420</sup> Schmeisser, p. 220.

<sup>421</sup> Curle, vol. 1, pp. 8-9.

abandoned or floated into a reasonably capitalized mining company, furnished by the members of the syndicate, with a substantial working capital'.<sup>422</sup> The management of New Zealand mines shared the same defects as in all countries affected by the boom:

To begin with, the mines were floated during a period of financial excitements, and with directors, who, entirely deficient in the important qualifications necessary for such a post, were only anxious to make money. The development of the mine, or the erection of machinery, was to them only important in so far as it added a glamour to the specious market value of the shares. They soon found that the readiest way to add still further market value to the shares was to announce that a large battery had been ordered and was in course of erection. This did not imply that the mine could maintain a large battery, or even that the mine was payable at all, but the public, anxious for any excuse to gamble, assumed that it did – which was the same thing. The mines were therefore developed in a more or less slipshod manner, and were neither systematically nor carefully sampled, while the manager's chief attention, and an appallingly large amount of the cash at the company's disposal, were devoted to costly water races, aerial trams, and batteries, with all the additional expenses which their construction implies.... Nobody, neither managers, directors, nor shareholders, know the real value of even rather promising mines such as the Woodstock, Talisman, [both at Karangahake] or Waitekauri Extended, although these mines have been floated for several years, and have long since been prematurely attempting to turn out regular returns. What well-informed outsiders *do know*, however, is that these mines, together with dozens of others, have spent large sums upon water races, aerial trams and batteries, sums which would have been of incalculable value if laid out in systematic mine development and preparations for an eventual output, but which are now only monuments to the rapacity of several hundred elderly gentlemen in London.<sup>423</sup>

Moral condemnation of the excesses of the boom, with the implication of 'Never Again', was reflected in a serial published in 1902, 'In Search of a Fortune: A Story of the Auckland Mining Boom', written by a well-informed man disguised as 'A. Pick'. The fourth chapter described the prospector, from the South Island, revisiting Coromandel during the height of the boom:

It was in no pleasant humour that I returned to Coromandel intending to take boat from there to Auckland. My search for fortune had not been too

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<sup>422</sup> Curle, vol. 1, p. 9.

<sup>423</sup> Curle, vol. 1, pp. 260-261.

promising so far. It was not that I was fool enough to give up all hope after so short an experience. But it was the fact that a large proportion of those I met seemed to me to be making piles of money, and I could not help thinking it was time I made some, and wondering what would my friends down South think of me if I failed to secure them a good claim.

The Star and Garter, at which I stayed in Coromandel, was crowded with speculators, agents, surveyors, prospectors, and so-called mining experts. They were all in the maddest state of excitement, making money in piles to judge by the thousands of shares they held in claims, the prospects of which were simply fabulous. That goes without saying.

They were all making money. Why was not I? A simple question, simply answered. Because I could not stoop to their ways and means.

Speculators vying with one another to secure ground, which would look most promising on a prospectus, were bargaining with surveyors to lay them on to something good. These surveyors had naturally been over all sorts of country surveying claims and were popularly supposed to know where all the best things were. They had no difficulty whatever in supplying the demand. With a good “cut-in” [receiving shares]<sup>424</sup> in the shape of paid-up shares in any companies floated, or what was better, a handsome fee, there was no need to be particular in their recommendations. Some of them, they argued were sure to turn up trumps; it mattered not a rap whether it was the one they recommended to Smith, Jones or Robinson. But these recommendations told with the Auckland public when the claims were floated into companies. It was not commonly Smith, Jones or Robinson, however, who were bitten, that is if they were wise, for they generally unloaded rapidly. Their method was a simple one, but it did not appeal to me. A carefully-worded prospectus and a few lumps of picked stone, a nice little parcel of shares handed to prominent citizens secured their names on a directorate, and the subscription list would be full in a few hours.

Mining agents, whose names were legion, were employed by those who preferred not to appear too prominently themselves in transactions, or could not leave town. Their commissions were handsome. In a week or two many of them blossomed into legal managers, with long lists of companies over their doors (£2 per week for each company was the lowest remuneration paid). No special ability was needed.

Prospectors had a royal time. It was surprising to the uninitiated what grand reefs they found, and what splendid assay results were obtained from the specimens they secured.

Mine managers were required by the hundred for claims away up amid tangled, out-of-the-way bush gullies. Four or five pounds a week was the pay, and there was nothing to prevent one man taking the management of several of these newly-pegged-out mines. There was no one to see how much time he spent on the claim, or whether he ever went near it, as long as he sent up a report once a week to the legal manager in Auckland. Reports were easily written in those days. It was easier work than prospecting, and, as a rule, paid infinitely better.

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<sup>424</sup> Green, p. 306.

But the mining expert reaped the richest cash harvest. The man who could command the most faith in his abilities (and this was by no means so difficult a matter as it would appear) could earn from £50 to £100 by looking at a property and reporting on its capabilities as a good producer. And in many cases several claims could be visited in a day. Amongst all these it is true there was a sprinkling of honest, old-fashioned diggers and mine managers, employed for the most part in the genuine gold-producing mines, who looked aghast at the methods resorted to by these unscrupulous mine boomists....

I looked on all this scheming and counter-scheming with unutterable disgust.... No, I could not stoop to it. I must bide my time. I would make my fortune and that of my friends honestly, or I would not make it at all, on that point I was resolved.<sup>425</sup>

He then received a letter from an Auckland friend that 'hinted at something with splendid prospects'.

Landed once again in Auckland I found the excitement in the Stock Exchange had no whit abated. Brokers were buying and selling for their clients all day, and making up their books on Sundays and at night. They were floating new companies by the score. Enticing-looking plans, with yellow stripes representing gold-bearing reefs freely distributed over them, were being hung up on every side. The course of these gold-painted reefs could easily be altered. A stroke or two of a brush was sufficient.

Thereby hangs a tale, which was told me on good authority.

A broker had just disposed of all the shares in the "Digger's Dream" (we will call it). He then hung up the plan of an adjoining claim, the "Digger's Dream Extended." It showed by the usual yellow streak that the reef, previously represented as running through the "Digger's Dream," now enriched and adorned the "Digger's Dream Extended."

He was about to show the plan to a likely purchaser to whom he had been descanting on the wonderful size and richness of the reef. On approaching the wall for the purpose, to his horror and dismay he saw scrawled across its fair surface in thick blue penciling the ominous words:

"Take Notice.- Unless the shares in this property are all disposed of before four o'clock this afternoon the reef will be immediately moved back into the Digger's Dream, from whence it came, without further notice."

Roars of laughter disclosed the fact that the perpetrator and his friends were awaiting developments close at hand, but no one appeared to know which was which. The intended purchaser left with full purse, but certainly without scrip, and "Digger's Dream Extendeds" were at a discount.

The broker tore down the plan, and vowed vengeance on whomsoever it should concern.

The business which called me up to town was quickly completed.

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<sup>425</sup> 'A. Pick', 'In Search of a Fortune. A Story of the Auckland Boom', *New Zealand Illustrated Magazine*, vol. 6 no. 6 (September 1902), pp. 409-411.

The good thing which my friend was so enthusiastic about in his letter, my more practical mining experience, on hearing fuller particulars, pronounced a fraud. I knew the particular district well, and knew that from it no good thing could possibly come.... As I walked up Queen-street, jostled at every turn by the buzzing crowd, and hearing nothing talked about but options and shares, reefs and leaders, specimens and picked stone, I heartily wished myself back in the bush again, fossicking in some glorious bush gully, or even sheltering myself from a shower under the dripping ledge of some precipitous rock, with the luxuriant growth of the forest all around, and no sound but the swish of rain on the leaves and the occasional note of a bird in place of this babel of senseless tongues and the roar and rattle of street traffic. And more than this, I wished to be engaged in mining pure and simple. Stock Exchange gambling the Wild Cat promoting was not mining, and I would have none of it.<sup>426</sup>

## CONCLUSION

One South Island observer of the excesses of the boom believed it should have been called a ‘Pegging-out Boom’. But by whatever name it was called, it displayed ‘the usual feverish insanity which characterizes all “booms” – that frantic plunge into gambling speculations with the idea of making money easily and quickly’. It ‘grew beyond reason, and became a sort of monster, which sent a good many respectable people out of their safe grooves, and send some individuals into channels neither safe nor respectable’.<sup>427</sup> And many of these people lost from their speculations, although a few succeeded in making a quick profit. British investors suffered ‘an overall loss’.<sup>428</sup> As Brian Hill has stressed, for miners the boom meant increased employment opportunities, at least in the short term, with the number employed throughout New Zealand rising from less than 4,000 in 1895 to nearly 6,000 by 1898.<sup>429</sup> Mine management was improved with the introduction of modern methods and new technologies.<sup>430</sup> ‘Without the boom little high-risk exploration and even development would have taken place. These activities are telescoped into a short period when speculative capital is plentiful and readily available. Relatively little of this essential work was done in other times’.<sup>431</sup> But for a quick profit, mining the stock exchange was better than working the mines.

## *Appendix*

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<sup>426</sup> ‘Pick’, p. 413.

<sup>427</sup> ‘The Warrigal’, ‘The Auckland Goldfields’, *Press*, 4 June 1897, p. 2.

<sup>428</sup> Hill, ‘New Zealand’s 1896 Mining Boom’, p. 143.

<sup>429</sup> Hill, ‘New Zealand’s 1896 Mining Boom’, p. 136.

<sup>430</sup> Hill, ‘New Zealand’s 1896 Mining Boom’, p. 137.

<sup>431</sup> Hill, ‘New Zealand’s 1896 Mining Boom’, p. 142.

*Figure 1:* 'Blo' [William Blomfield], '“You Can Make Money Like Winking.” An Everyday Story of the Present Mining Boom in Auckland', *Observer*, 22 June 1895, p. 17.

*Figure 2:* 'Blo', 'Our New Jingoism', *Observer*, 14 December 1895, p. 1.

*Figure 3:* 'Rivals as the Prince of Liars', *Observer*, 22 August 1896, p. 11.

*Figure 4:* 'Blo', 'The Mining Bill Gun is Loaded, Ready to Shoot', *Observer*, 17 October 1896, p. 1.

*Figure 5:* 'Blo', 'The Last Resource of the Mine Promoter', *Observer*, 31 October 1896, p. 13.

*Figure 6:* 'Blo', 'He Wasn't Buying a Pig in a Poke', *Observer*, 7 November 1896, p. 3.

*Figure 7:* 'Blo', 'The Scrip That Didn't Rise. A Stock Exchange Daily Episode', *Observer*, 7 November 1896, p. 7.

*Figure 8:* 'Blo', 'Gold to be Got for the Picking of it Up. A Powerful Reason why London Capitalists should be sent out to Develop the Resources of our Coromandel Mines', *Observer*, 6 February 1897, p. 12.

*Figure 9:* 'Blo', 'The First Shower After a Drought', *Observer*, 29 May 1897, p. 1.

*Figure 10:* 'Blo', 'The Mine Promoter's Occupation Gone', *Observer*, 18 September 1897, p. 5.



Figure 1: 'Blo' [William Blomfield], "You Can Make Money Like Winking." An Everyday Story of the Present Mining Boom in Auckland', *Observer*, 22 June 1895, p. 17.



## OUR NEW JINGOISM.

YOUNG NEW ZEALAND (to John Bull)—We've got the mines, we've got the scrip, but we want the money too.  
 JOHN BULL—The devil you do! Ah, well, we are always glad of a new customer at the Big Pawn Shop.

Figure 2: 'Blo', 'Our New Jingoism', *Observer*, 14 December 1895, p. 1.



*With apologies to Melancton Punch.*

### **Rivals as the Prince of Liars.**

LOST SOUL: Please may I come in?

MEPHISTOPHELES: And who are you, pray?

LOST SOUL: A late mining expert.

MEPH. (emphatically): Get you gone. I want no rivals here.

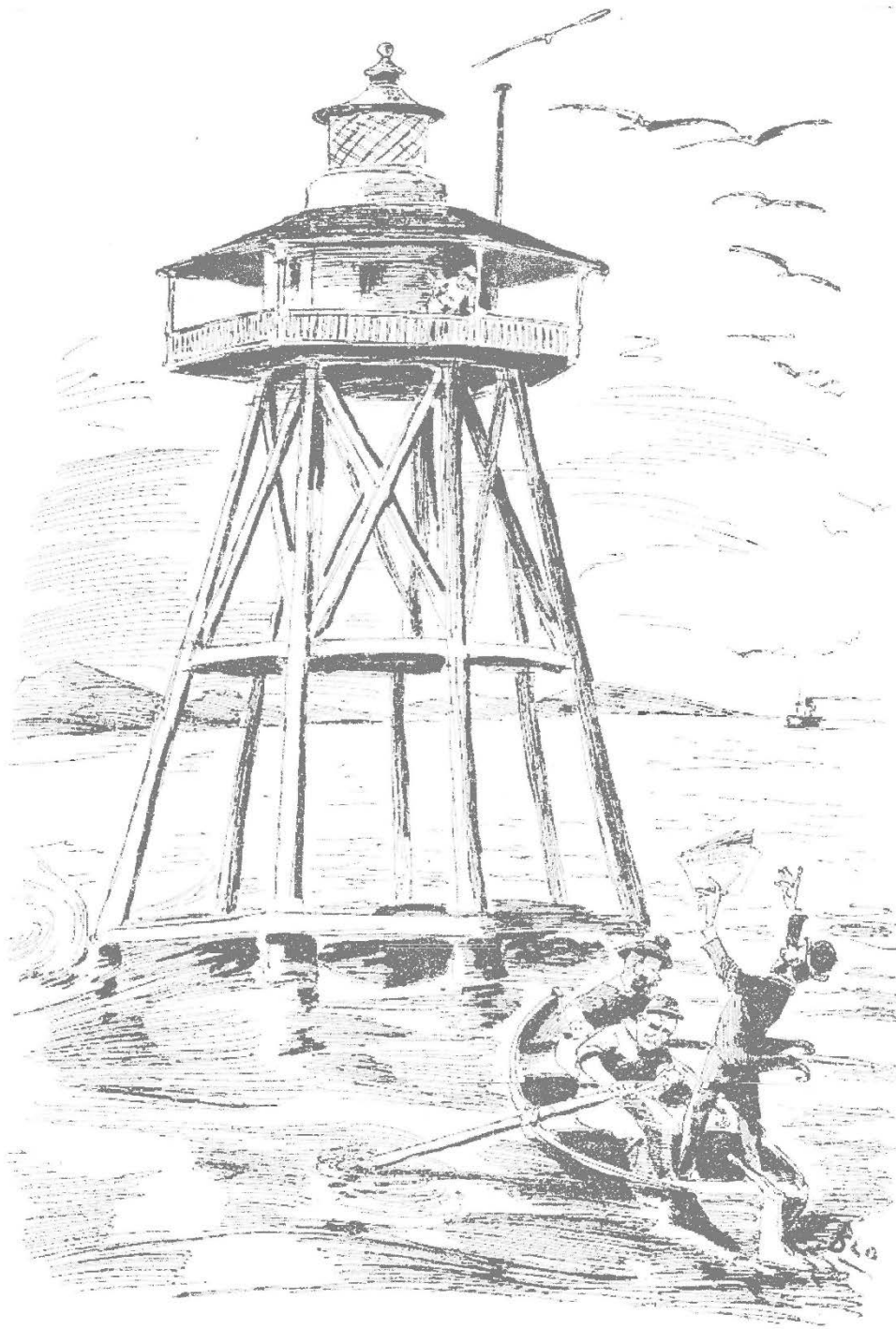
*Figure 3: 'Rivals as the Prince of Liars', Observer, 22 August 1896, p. 11.*



THE MINING BILL GUN IS LOADED, READY TO SHOOT.

How, O'Grady? Now that all is ready to shoot these speculative hawks that prey upon my miner birds, I wonder if the report will frighten away the fat heads who do so much good. I hope not. (But will they be a report? Perhaps the Upper House has dumped the powder.)

Figure 4: 'Blo', 'The Mining Bill Gun is Loaded, Ready to Shoot', *Observer*, 17 October 1896, p. 1.



THE LAST RESOURCE OF THE MINE PROMOTER.

EMERSONIAN PROMOTER to Lighthouse Keeper: "Say, Mister, I can let you have a share in a splendid thing. Fifty pounds down and dividends in twelve months. We have four reefs, each a hundred feet deep. But the Lighthouse Keeper had been asleep. He had shares in a dozen companies. And even so, a man of the ocean was very tall up."

Figure 5: 'Blo', 'The Last Resource of the Mine Promoter', *Observer*, 31 October 1896, p.



**He Wasn't Buying a Pig in a Poke.**

**MINE MANAGER:** This is the main tunnel, sir. Will you come in and look at the workings?

**MODERN MINING EXPERT** (who has come from London to see the property): Oh, no, my good fellow. That is unnecessary. I have selected a piece of your quartz from this reef. It will be quite enough for me.

Figure 6: 'Blo', 'He Wasn't Buying a Pig in a Poke', *Observer*, 7 November 1896, p. 3.

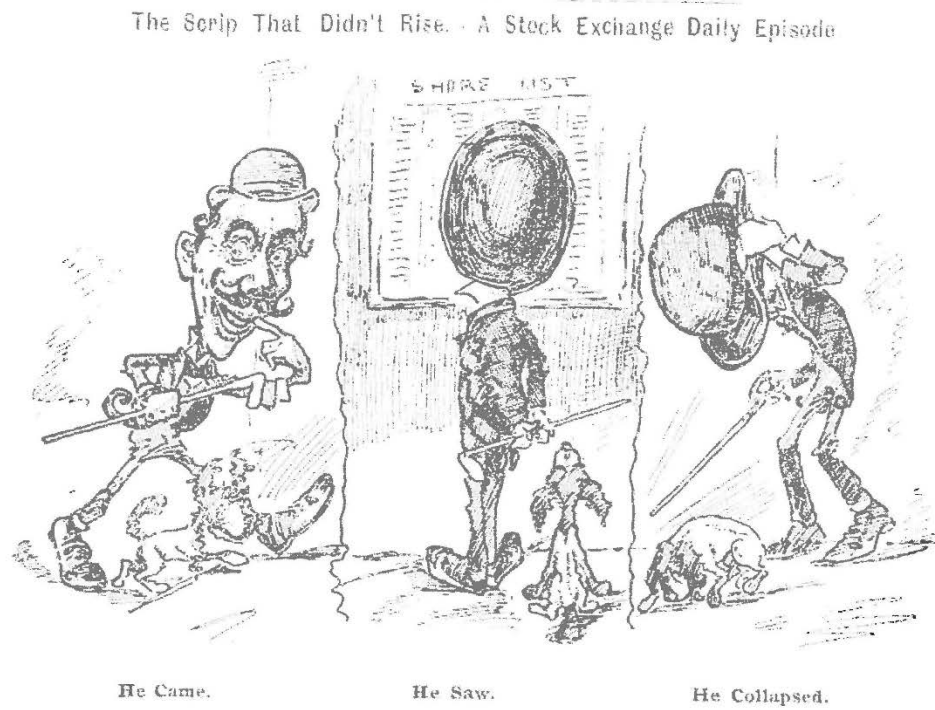
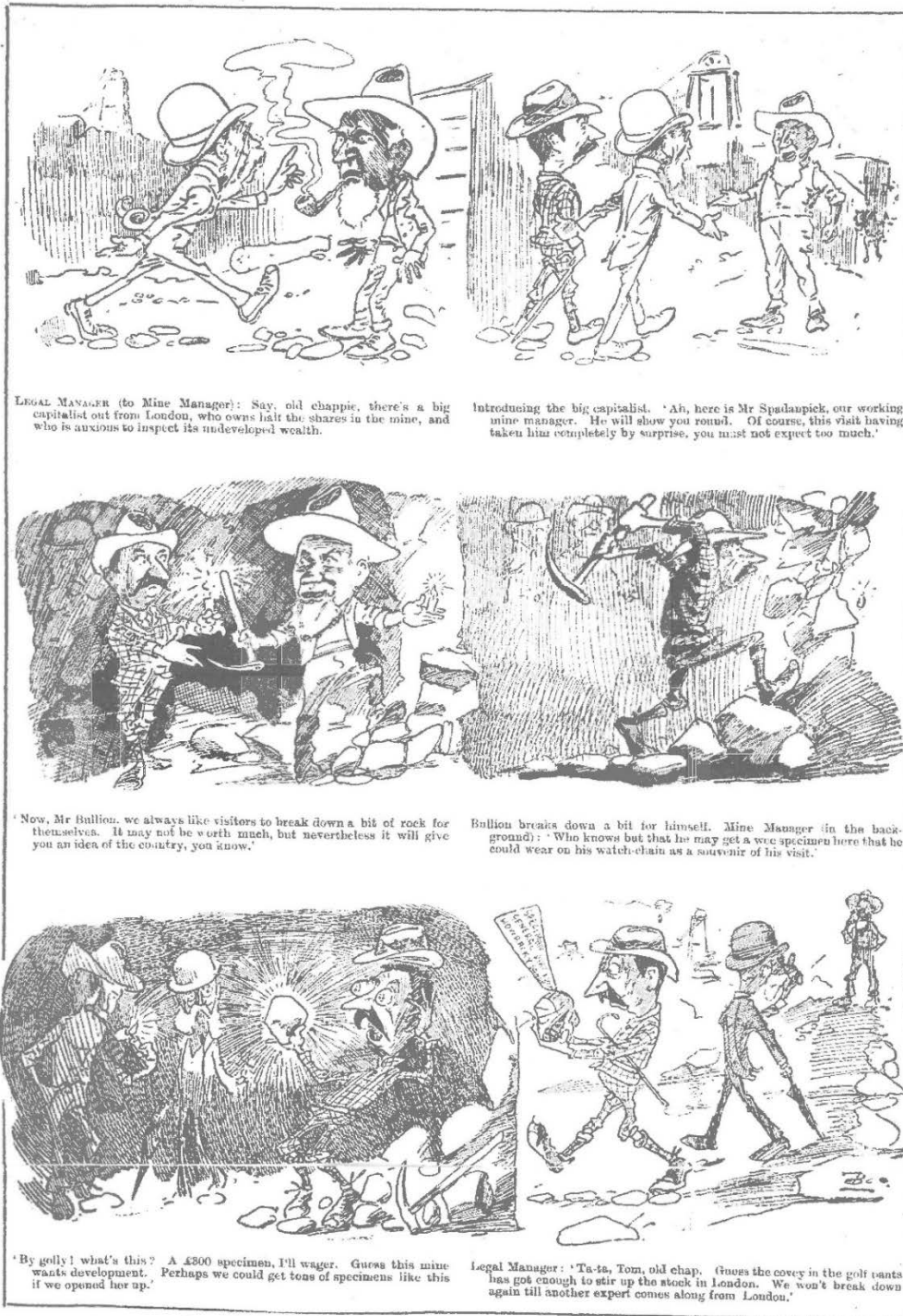


Figure 7: 'Blo', 'The Scrip That Didn't Rise. A Stock Exchange Daily Episode', *Observer*, 7 November 1896, p. 7.



LEGAL MANAGER (to Mine Manager): Say, old chappie, there's a big capitalist out from London, who owns half the shares in the mine, and who is anxious to inspect its undeveloped wealth.

Introducing the big capitalist. 'Ah, here is Mr Spadaupiek, our working mine manager. He will show you round. Of course, this visit having taken him completely by surprise, you must not expect too much.'

'Now, Mr Bullion, we always like visitors to break down a bit of rock for themselves. It may not be worth much, but nevertheless it will give you an idea of the country, you know.'

Bullion breaks down a bit for himself. Mine Manager (in the background): 'Who knows but that he may get a wee specimen here that he could wear on his watch-chain as a souvenir of his visit.'

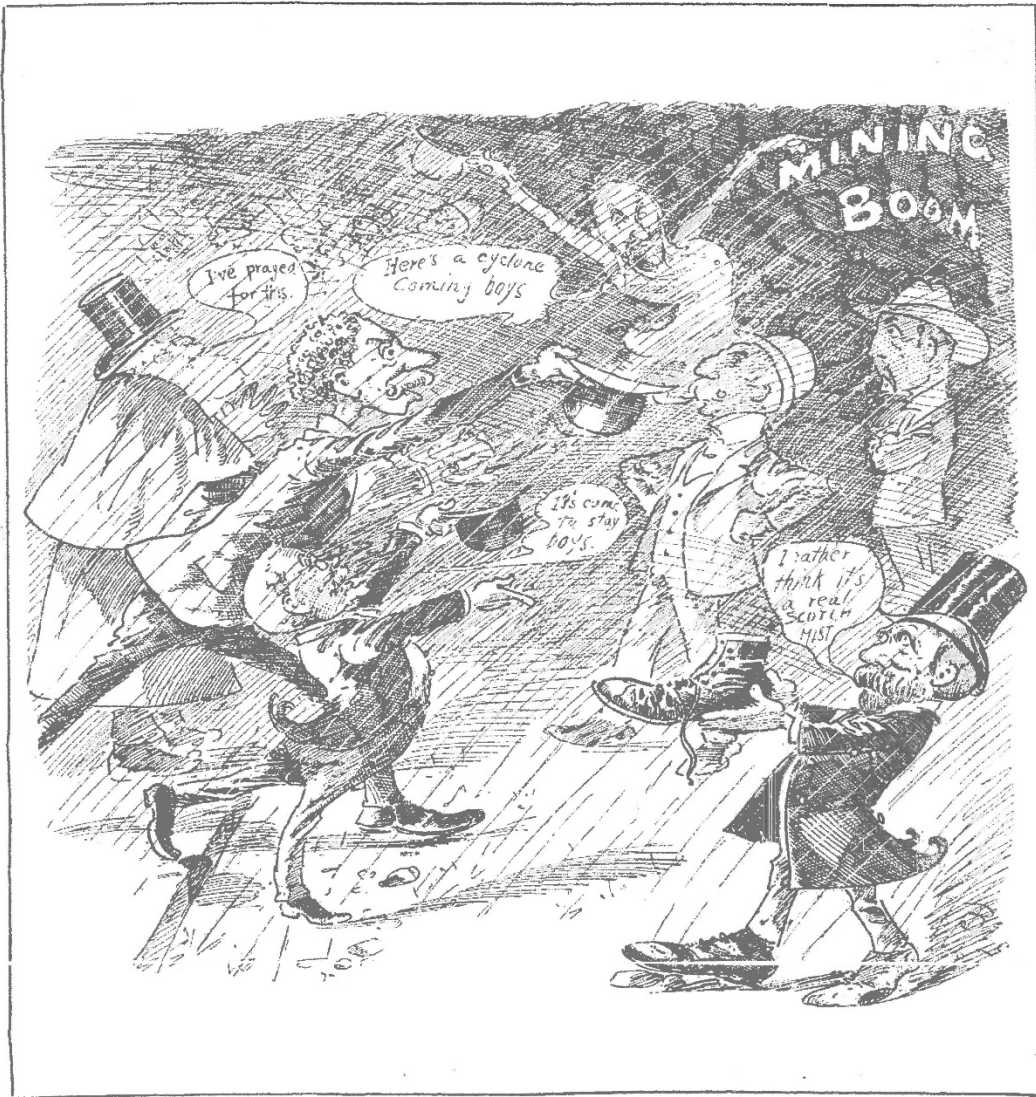
'By golly! what's this? A £300 specimen, I'll wager. Guess this mine wants development. Perhaps we could get tons of specimens like this if we opened her up.'

Legal Manager: 'Ta-ta, Tom, old chap. (Guess the cover in the golf pants has got enough to stir up the stock in London. We won't break down again till another expert comes along from London.'

**GOLD TO BE GOT FOR THE PICKING OF IT UP.**

A POWERFUL REASON WHY LONDON CAPITALISTS SHOULD BE SENT OUT TO DEVELOPE THE RESOURCES OF OUR COROMANDEL MINES.

Figure 8: 'Blo', 'Gold to be Got for the Picking of it Up. A Powerful Reason why London Capitalists should be sent out to Develop the Resources of our Coromandel Mines', *Observer*, 6 February 1897, p. 12.



'THE FIRST SHOWER AFTER A DROUGHT.'

The boom has set in again on the Auckland Exchange, and there is rejoicing amongst the sharebrokers. 'Let some droppings fall on me—even me,' is the popular prayer.

Figure 9: 'Blo', 'The First Shower After a Drought', *Observer*, 29 May 1897, p. 1.

THE MINE PROMOTER'S OCCUPATION GONE.



Mine Promoter (with whom times have been slack lately): Yes, sir, I know a splendid piece of ground, with a reef worth £70 running right through it, and if you choose to find the lease money—!!



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—He didn't find the lease money.

Figure 10: 'Blo', 'The Mine Promoter's Occupation Gone', *Observer*, 18 September 1897, p. 5.