
PROBLEMS

Britain and the Rehabilitation of the Cypriot Economy

Richard M. Kesner
Stanford University

I

Few imperial undertakings more readily exemplify the role of pragmatism in Britain's response to imperial problems than British efforts to improve the economic conditions on the island of Cyprus between 1895 and 1903. Most colonies required assistance if they were to develop commercially. But the British government was wary of deep involvement in the economies of its colonies for practical as well as ideological reasons. The costs of colonial improvement were immense. If Britain assumed responsibility for the modernization of her dependencies, she would, or so it was argued, overburden her own resources. The British nevertheless recognized a certain obligation to assist colonial economic growth.

Self-interest therefore bred caution and pragmatic attitudes towards colonial administration. The Colonial Office pursued development policies keeping in mind the limitations imposed by colonial revenues and Treasury demands for retrenchment. For its part, the Treasury accepted Colonial Office proposals when they demonstrated clear benefits to the colonies at limited cost to the Imperial Exchequer. Both agencies also recognized the need, within certain limits, to improve the conditions in Britain's possessions so that future economic growth could be financed out of colonial and not British revenues. Cyprus is a case in point. Acquired through treaty agreement with the Ottoman Empire, the island became a British protectorate in 1878. During the period of Turkish government (1571-1878), Cyprus was taxed heavily and left practically untouched by innovations in industry and agriculture. When the British assumed control

of the island, they found harbours in ruins, roads in need of repair and expansion, locusts, and drought. The protectorate's new administration sought from the start to ameliorate this situation.

The financial arrangements between Cyprus and the Porte (the Turkish government in Constantinople) hindered the rapid modernization of the island. Instead the British High Commissioner in Cyprus turned to piecemeal reform; progress was slow. After almost two decades of British rule, many of the smaller problems had been eliminated. The number of well-graded roads increased yearly. Locust plagues and malaria ceased to be major health and crop hazards. Tax reform was begun. But larger development problems, such as railways, the construction of harbour works and irrigation systems, lagged behind. Public works of this kind required considerable planning and capital. Fortunately for Cyprus, Walter Sendall was appointed High Commissioner (1829-1898) at this crucial time. Through his energetic efforts, the Colonial Office and the Crown Agents began to address themselves to the larger tasks in the rehabilitation of the Cypriot economy. In so doing, the British government involved itself with the modernization of the island. The complexity of this relationship demonstrates the extent to which circumstances drew the government into the management of colonial finances and how it responded to the challenges set before it.

The transfer of the Cypriot Government from Turkish to British control provided the people of the island with their first opportunity in many years to rise out of their abysmal poverty.¹ The tax system was in need of reform, but it was tied to the annual "Tribute" payments to the Porte.² If the British High Commissioner tried to modify the tax structure and lessen the financial burden upon the Cypriot peasantry, it did not affect the need to pay the Tribute. When tax revenues did not meet the sum required, the British had to step in and supplement the protectorate's revenues. In response to this difficult situation, Britain tried to induce the Porte to reduce the Tribute while initiating programmes designed to augment the island's revenue yields.

The British government reasoned that the original Tribute agreement denied Cyprus all funds that might be employed to improve island conditions. Only when the Cypriot economy prospered and tax revenues consequently increased could the local government hope to pay the Tribute

¹ The final agreement was signed on July 6, 1878, well after the commencement of the Congress of Berlin. See M. S. ANDERSON, *The Eastern Question* (London, 1972), p. 210. See also Dwight E. LEE, *Great Britain and the Cyprus Convention Policy of 1878* (London, 1934).

² In the original agreement this excess revenue was calculated upon the average surplus of the last five years; namely, 22,936 purses (approximately £ 92,800). T 165/25/ 1905-06/ Class V, Cyprus, Grant in Aid, p. 1.

and still have funds left for public works improvements. Though the imperial government objected to the annual drain of funds from Cyprus to the Porte, Britain's attitude toward the Tribute was complicated by its own financial requirements. In theory the Turkish government received the Tribute (approximately £ 93,000 per annum) but in fact the funds reverted to the British Exchequer to cover interest owed Britain for an earlier loan to Turkey.³ The virtual annexation of Cyprus in 1878 provided Britain with funds she required to pay for the cost of the old Turkish loans. By applying the Tributes of Cyprus (£ 93,000) and Egypt, (£ 72,000), the interest and operating expenses of the Turkish debt could be expiated leaving a small surplus of ten thousand pounds a year for a projected sinking fund.⁴

Since the collection of both Tributes was under the control of Britain, the Porte had no choice but to accept this proposal. While it did not in any way improve Cyprus's economic situation, the Tribute's obvious benefits to Britain gave rise to mixed feelings in Treasury circles regarding its proposed diminution. The Exchequer admitted that the Tribute slowed development of the island. But they also argued that the imperial government was entitled to the fund as a major shareholder of the original loan.⁵ The Tribute therefore continued and when crop failure prevented the protectorate from meeting its obligations, the British government supplemented Cypriot revenues with its own funds.⁶ Thus the circle was closed: Britain gave Cyprus money to pay her Tribute to the Porte, so that the Porte could pay the interest on the Turkish Loan of 1855 to the guarantors, France and Britain, so that they could compensate the stock holders of the Loan, primarily Britain.

The British government could not afford to break this circle unless it willingly recognized the bad debt and accepted a loss. This the Treasury would not do. Since the Exchequer refused this obvious alternative, Cyprus suffered under the burden of the Tribute until 1888 when the Chan-

³ "Turkish Loan Act of 1855", (18 & 19 Vict., C. 99), *Law Reports* (London, 1855). See also *Parl. Papers (G.B.)* LV (1854-55) c. 1961, p. 49; and *Parl. Papers (G.B.)* IV (1854-5) c. 1968, p. 57.

⁴ The first transfer of funds amounted to £ 1,891,920, including fees and was arranged jointly by the Bank of England and the Rothschild Family. "Turkish Loan, Statement of Sums Transmitted", *Parl. Paper (G.B.)* XXXVIII (1856) Paper No. 24, p. 789. See also correspondence regarding the Turkish loan during the period of the default, *Parl. Papers (G.B.)* LXXXII (1880) c. 2310, p. 311.

⁵ By 1875, the Turkish government had paid off £ 1,184,800 of the original loan, leaving £ 3,815,200. Interest amounted to £ 152,698 each year, plus £ 1,144 for the loans management and expenses. CO 67/95/17952, Hamilton Memorandum: "The Turkish Guaranteed Loan, 1855 and the Cyprus Tribute", September 15, 1895.

⁶ Grants in Aid payments to the Cyprus administration ranged from nothing in 1892-3 to £ 90,000 in 1882-3. T 165/25/1905-6, Class V, Cyprus, Grant in Aid, p. 2.

cellor, G. J. Goschen, attempted to renegotiate the loan.⁷ Due to Turkish intransigence, little came of these efforts and the Exchequer did not return to the initiative until 1895.

The Treasury reviewed Goschen's proposal in 1895 as an economy measure. In that year, the Exchequer could have easily issued an imperial guaranteed loan at two and one-half percent or even two percent to pay off the original debt. The Treasury would then require the Egyptian Tribute and only one-third of the old Cyprus Tribute (i.e. £ 34,000) to pay the interest and sinking fund on the newly converted debt. This proposal benefitted the Imperial Exchequer in two ways. If carried out, the plan would provide funds for the loan while reducing Cyprus's share of those liabilities, obviating further imperial subsidies. In addition to eliminating the British grants in aid that regularly ranged between £ 20,000 and £ 40,000 per annum, the plan kept more money in the hands of the Cypriot government (ca. £ 20,000) for public works and social improvements.

While they were hopeful of Treasury success, Chamberlain and his staff at the Colonial Office played no direct role in the negotiations regarding the conversion of the 1855 loan. They were far from inactive however. Prompted by an energetic High Commissioner in Cyprus and dubious of a favourable outcome in the Anglo-Turkish discussions, the Colonial Office devised numerous schemes to develop the protectorate. Plans for roads, railways, irrigation works and harbour improvements circulated through the Office. The High Commissioner also promoted tax reform and the cultivation of cash crops, like tobacco, as further means of increasing the island's prosperity and hence its revenues. In contrast to the Treasury, the Colonial Office was primarily concerned with the proper administration and future economic independence of Cyprus. While the former viewed the elimination or at least the reduction of the Tribute as first and foremost a boon for British taxpayers, the latter looked upon the loan conversion and its own programmes in terms of the long-range economic growth of the protectorate. In addition an economically self-sufficient Cyprus would mean an end to Treasury interference in the administration of the protectorate, something that Chamberlain viewed as a positive goal. These differences do not belie the fact that both sets of policies if success-

⁷ It was quite common for long term borrowers to "renegotiate" their loans when the market permitted more favourable terms. Before attempting a renegotiation of the Turkish Loan of 1855, Chancellor of the Exchequer Goschen had achieved a much greater feat by converting all of Great Britain's 3% Consolidated Annuities to 2¾% through April 5, 1903 and thereafter to 2½%. If it had not been for the Boer war and the debts it engendered, Goschen's great "Conversion and Redemption" would have considerably reduced Britain's national debt by 1904. See EDWARD W. HAMILTON, *Conversion and Redemption: An Account of the Operations under the National Debt Conversion Act of 1888 and the National Debt Redemption Act of 1889* (London, 1889).

fully implemented would greatly benefit the Cypriot economy hence relieving British taxpayers of a further burden. An examination of British policy illustrates the degree to which the Treasury and the Colonial Office came to cooperate in the economic rehabilitation of Cyprus during the Chamberlain years.

II

Immediately upon entering office in 1895, Hicks Beach and his senior Treasury staff began a thorough survey of all budget subheadings, looking for any expenditure that might warrant reduction.⁸ Among the many recommendations that came out of these investigations was that the government should do everything in its power to reduce the annual subsidy to Cyprus.⁹ (See Table III). The Cancellor informed Chamberlain that "we must turn a new leaf in the matter of Cyprus".¹⁰ Since the management of the Turkish loan was a Treasury matter, Hicks Beach remained the major British participant in negotiations regarding the Cyprus Tribute.

By early September 1895, Hicks Beach and Hamilton had discussed the various alternatives open to the government and sent them on to the Colonial Office for observation. Hamilton recommended that the British government redeem all remaining stock from the original loan (i.e. £ 3,815,700). In return the Porte would grant Britain the Egyptian and Cypriot Tributes. The former would be employed to pay most of the sinking fund and interest on the new loan while the latter, though considerably reduced, would be employed to make up the difference.¹¹ Hamilton also suggested that the British government pay the Porte half a million pounds to induce the Turkish government to give up their Tributes. According to Hamilton's calculations, this "inducement" was to be added to the amount the Turks still owed on their 1855 debt and would not therefore affect the Imperial Exchequer. The same Tributes that extinguished the old Loan would also pay the Porte's "inducement".

⁸ BM Add MSS 48667/f. 87, August 4, 1895. T 168/33, Hamilton Memorandum "Some Remarks on Public Finance", July 24, 1895.

⁹ The official minute in which Hamilton discussed the history of the Tribute payments and various proposals for eliminating them arrived at the Colonial Office in September 1895. CO 67/95/17952, "Turkish Guarantee Loan 1855 and the Cyprus Tribute", September 18, 1895. But the original draft provided the basis for discussion between Edward Fairfield of the Colonial Office and Hamilton in July of that year. On the basis of these discussions, Fairfield drafted his own memorandum to Chamberlain regarding the Loan. See JC 9/3/1/4, Fairfield memorandum, August 1, 1895.

¹⁰ JC 16/5/2 Hicks Beach to Chamberlain, September 7, 1895.

¹¹ BM Add MSS 48612/ff. 57-8, Hicks Beach to Hamilton, September 16, 1895. Hamilton estimated that at current market prices, the imperial government could issue a loan of its own at 2½% reducing the Cyprus tribute to £ 36,000 this saving the island's government £ 56,000 a year. CO 67/95/17952.

CYPRUS GRANTS IN AID OF TAXES

	Local Revenue	Grant in Aid	Total Receipt	Expen- diture	Tribute	Total Payments	Surplus	Deficit
1878-1879	139,586	8,000	147,586	48,308	61,862	110,170	37,416	—
1879-1880	148,361	13,085	161,466	130,530	90,000	226,030	—	59,084
1880-1881	156,095	20,000	176,095	119,417	92,686	212,103	—	36,008
1881-1882	163,733	78,000	241,733	157,673	92,686	250,359	—	8,626
1882-1883	189,335	90,000	279,335	120,636	92,686	213,332	66,013	—
1883-1884	194,051	30,000	224,051	111,684	92,086	294,370	19,681	—
1884-1885	172,072	15,000	187,072	112,086	92,746	204,832	—	17,760
1885-1886	172,334	15,000	187,334	111,301	92,799	204,100	—	16,766
1886-1887	187,044	20,000	207,044	110,679	92,799	203,478	3,566	—
1887-1888	145,443	18,000	163,443	113,325	92,799	206,124	—	42,681
1888-1889	149,362	55,000	204,362	109,963	92,799	202,762	1,660	—
1889-1890	174,499	45,000	219,499	106,338	92,799	199,137	20,362	—
1890-1891	194,936	35,000	221,936	107,589	92,800	200,380	29,547	—
1891-1892	217,162	10,000	227,162	112,742	92,800	205,542	21,620	—
1892-1893	139,933	Nil	189,933	111,394	92,799	204,193	—	14,260
1893-1894	177,053	Nil	177,053	117,654	92,799	210,453	—	33,400
1894-1895	167,093	29,000	196,099	114,756	92,800	207,556	—	11,463
1895-1896	167,777	35,000	202,777	113,851	92,800	206,651	—	3,874
1896-1897	188,658	46,000	234,658	129,494	92,800	224,294	12,364	—
1897-1898	190,525	40,000	230,525	132,130	92,800	224,930	5,595	—
1898-1899	210,284	33,000	343,284	132,975	92,799	225,774	17,510	—
1899-1900	200,638	13,000	213,638	134,682	92,799	227,481	—	—
1900-1901	215,268	32,000	247,268	135,388	92,799	228,187	10,081	—
1901-1902	198,070	16,000	214,070	135,825	92,799	228,624	—	14,554
1902-1903	160,112	30,000	190,112	139,714	92,799	232,513	—	42,101
1903-1904	215,360	87,000	302,360	140,284	92,799	233,083	69,277	—
1904-1905	210,072	—	210,072	141,781	92,799	234,583	—	24,511
							323,632	339,231
								15,599

Net deficit on general account to 31st March 1905

15,599

The purpose of the Grant in Aid was to balance the budget of the Protectorate. When surpluses or deficits occurred these were caused by errors in estimating Cypriot expenditure or revenues. Deficits were cleared from the books through supplementary votes by Parliament. Surpluses remained and the grant in aid for the following year reduced.

Source: T/165/1905-06, Class V, Cyprus, Grants in Aid, p. 2.

The new loan would be, as Hamilton pointed out, an entirely British debt, hence the low interest rate enjoyed by the government. If Turkey consented to give up her Tributes, she would be relieved of an old burden and her credit cleared. As Hamilton argued, the plan offered something for everyone:

- (1) We should be turning our credit to proper account.
- (2) Cyprus would get an appreciable boon, in which the British taxpayers would have a direct interest.
- (3) France would get rid of all liability in respect of her guarantee.

(4) a liability which but for the accidental arrangement connected with Cyprus [i.e. the Tribute] would probably have been a very real one.¹²

In addition to the £ 500,000 for the Porte, Hamilton suggested that the British government return a nominal Cyprus tribute of £ 1,000 per annum to the Porte once the new loan was extinguished. As an alternative, the Financial Secretary recommended that the Egyptian Tribute might also be returned gradually over a number of years as the loan was reduced.

Hicks Beach in particular saw the merits in Hamilton's proposals. They would cost the imperial government nothing while lessening the burden on both British and Cypriot taxpayers. As he pointed out to the Prime Minister, this approach to the problems of Cyprus was certainly superior to those recommended by the Secretary of State for the Colonies.¹³

Hicks Beach anticipated that the discussions between the Treasury and representatives of the Porte would be brief. According to information already obtained from the Turkish Ambassador, the Porte was in need of funds and would therefore be receptive towards Hamilton's proposal with its "inducements". Until the Government completed negotiations, the Chancellor did not view further imperial funding for Cypriot development as either necessary or desirable. Hicks Beach argued that once a settlement was reached between the Porte and the British government, the protectorate would enjoy a considerably reduced Tribute payment and could then finance development projects on its own.¹⁴

Salisbury's response to Hamilton's paper and Hicks Beach's optimistic observations was far from enthusiastic. He pointed out that the cooperation of France, the other guarantor of the original 1855 loan, was crucial for the plan's success. In Salisbury's view, the growing tensions between France and Great Britain in West Africa and elsewhere made that cooperation unlikely.¹⁵

Chamberlain on the other hand did not find fault with the Treasury's proposals. Instead he argued that his plans ought to be considered independently of discussions regarding the Tribute. He desired to "bring about an equilibrium in the ordinary annual budget of the island", that

¹² CO 67/95/17952. See also A/90/13, "The Turkish Guarantee Loan of 1855 and the Cyprus Tribute", September 18, 1895.

¹³ Hamilton's minute (A/90/13) was delivered to Salisbury accompanied by Hicks Beach's cover letter. Salisbury Correspondence (unbound), Hicks Beach to Salisbury, September 22, 1895.

¹⁴ In a letter to Chamberlain, Hicks Beach informed the Secretary of State that the Prime Minister was considering Hamilton's plan. He continued to stress that the British government "ought to exhaust every possibility with the Turk (the Sultan) before resorting to the British taxpayer for help". JC 16/5/3, Hicks Beach to Chamberlain, September 22, 1895.

¹⁵ PCC/69, Salisbury to Hicks Beach, September 24, 1895.

also provided for certain public works like roads, bridges, and sewage works. In addition he wanted an imperial loan of £ 300,000 for extraordinary public works.¹⁶ Chamberlain responded that the Treasury's interests and his own were complementary and not mutually exclusive. While the Exchequer's negotiations if successful would contribute to a balanced budget for Cyprus, his building plans would make the island a healthier and more productive British possession.

Chamberlain's comments elicited no definite response from Hicks Beach. But the Colonial Office was allowed to pursue various projected proposals with the understanding that they would require Treasury approval before execution. Salisbury's comments by contrast demonstrated a real weakness in Hicks Beach's proposals. After further talks with his staff, the Chancellor had to admit that there was no way of forcing France's cooperation. He therefore suggested that the Prime Minister use his influence to win French acceptance of the scheme.¹⁷

Due to the complex and delicate nature of these negotiations, little progress was made until late March of the following year; then it was Turkey rather than France that showed some interest in the proposal. On Salisbury's request, Hamilton sought an interview with the Turkish Ambassador in London to discuss the plan in detail. The Ambassador expressed some hope that the situation might be resolved and promised to refer the matter to the Porte for consideration.¹⁸ In the meantime, negotiations with France deteriorated. The French refused to cooperate in a loan conversion that would primarily benefit the British.¹⁹ The Porte replied to Britain's overtures in an equally unsatisfactory manner. The Sultan desired £ 785,000 and not £ 500,000 for allowing the loans commutation and insisted upon the return of Cyprus and the restitution of the full tribute when the debt was liquidated.²⁰

This response greatly diminished Treasury expectations for an early solution of the Tribute question. Further political instability in the East heightened Hicks Beach's concern:

I told you [Salisbury] that I have circulated the draft proposal [of Hamilton's plan] to Balfour, Chamberlain and Goschen. All three agree in the necessity

¹⁶ PCC/86, Chamberlain to Hicks Beach, September 26, 1895.

¹⁷ BM Add MSS 48612/ff. 61-3, Hicks Beach to Hamilton, September 26, 1895. BM Add MSS 48612/ff. 65-5, Hicks Beach to Hamilton, September 28, 1895. Salisbury Correspondence (unbound), Hicks Beach to Salisbury, September 29, 1895. See also PCC/69, Hicks Beach to Salisbury, September 29, 1895; Salisbury Correspondence (unbound), Hicks Beach to Salisbury, October 5, 1895.

¹⁸ BM Add MSS 48669/f. 9, March 20, 1896. BM Add MSS 48669/f. 18, April, 1896.

¹⁹ BM Add MSS 48669/f. 26, April 20, 1896. BM Add MSS 48669/f. 60, June 1, 1896.

²⁰ PCC/33, Hicks Beach to Salisbury, June 25, 1896.

of consulting France before any financial bargain is made with the Turk. But they are also alarmed at the idea of proposing anything to Parliament which would just now be represented as a grant to enable the Sultan to massacre his subjects and the two former go as far as to say that they think on this account the matter should not be proceeded with at present.²¹

Negotiations continued to founder as proposal and counter proposal passed between Hamilton and the Ambassador.²² Further political disorder in the East prompted Salisbury to insist that the Porte accept the original British proposal. Otherwise he thought it unlikely that Parliament would ever accept the terms of the plan.²³ Indecision in the counsel of the Treasury led to growing Colonial Office impatience. It was anxious to apply its own solutions to Cyprus' economic quandary, and was concerned with the effects of prolonged negotiations on the deteriorating conditions in Cyprus.²⁴

While Salisbury and Hicks Beach debated the merits of the island's claim for increased British assistance, Hamilton continued his talks with the Turkish Ambassador.²⁵ But the Turkish government remained dilatory in its response and discussion dragged on well into 1898 with no end in sight. By this time, the Colonial Office had given up all hope of a negotiated settlement regarding the Tribute and was busily devising plans for increasing Cypriot revenues and imperial grants in aid. Hamilton persisted in his role as the sole British negotiator between the two governments but with little success.²⁶ By March 1899, even Hicks Beach had given up all hope of a negotiated settlement; he asked Salisbury to break off negotiations.²⁷

²¹ A/90/35, Hicks Beach to Salisbury, July 1, 1896.

²² BM Add MSS 48669/f. 115, August 6, 1896.

²³ PCC/69, Salisbury to Hicks Beach, August 26, 1896.

²⁴ Amphill's (Chamberlain's private secretary) memorandum emphasized the lack of progress in Treasury's negotiations with Turkey and stressed Cyprus' need for assistance. JC 9/3/1/5, Amphill Memorandum, August 28, 1896.

²⁵ PCC/69, Salisbury to Hicks Beach, October 14, 1896. PCC/33, Hicks Beach to Salisbury, October 18, 1896. BM Add MSS 48672/ff. 90-1 January 6, 1896. BM Add MSS 48672/ff. 108-10, January 25, 1898. In an apologetic letter Hamilton informed Chamberlain that negotiations would soon end with a satisfactory conclusion of the matter; JC 9/3/1/9, Hamilton to Chamberlain, January 31, 1898.

²⁶ The Financial Secretary apparently persisted in this role because he thoroughly enjoyed the opportunity of representing the British government in negotiations with foreign heads-of-state. Hamilton's letter to Chamberlain and his numerous diary entries regarding the negotiations portray an optimism that was not substantiated by the results of the talks. See BM Add MSS 48673/f. 63, June 19, 1898; and BM Add MSS 48673/f. 64, June 22, 1898.

²⁷ Salisbury Correspondence (unbound), Hicks Beach to Salisbury, March 19, 1899. See also PCC/34, Hicks Beach to Salisbury, March 19, 1899.

Though talks continued into June, no progress ensued and the loan remained unconverted, the Tribute undiminished.²⁸ Cyprus paid the latter until its formal annexation by Britain in 1914. In every respect the Anglo-Turkish negotiations regarding the Loan of 1855 were a major disappointment for the government. Because the Treasury insisted on a negotiated settlement of the Tribute question before other avenues were explored, the Colonial Office met initial resistance and delays in formulating its own Cyprus policies. Once it became clear that the talks had failed, the Office's programmes gained ascendancy and the focus of the policy process shifted from the Treasury to the Colonial Office.

III

Early Colonial Office initiatives to improve the economic situation in Cyprus were obscured by Treasury efforts to reduce the Tribute by renegotiating the Turkish loan. Chamberlain did not believe that the Porte could be moved to support such a proposal. He and his staff therefore devised a set of alternatives whose main objective was to improve the overall economy of the island so that the protectorate could provide for itself. While he agreed with the Treasury that Cyprus ought to be financially self-sufficient, Chamberlain argued that the British would need to shoulder the financial burden of development initially, if the protectorate was to enjoy economic stability at a later date.

The Colonial Secretary therefore recommended two levels of British assistance. First he desired a balanced budget for the island that included disbursements for small-scale public works like roads, bridges, and sewer systems:

To do this and assuming that no change is made in regard to the Tribute, I require an annual subsidy of £40,000 per annum which is only £5,000 more than the average paid since the occupation [in aid of revenues]... You will see that I have no idea of raising a loan on this extra £5,000 and I only ask the additional subsidy for a fixed period — five years — to devote to minor works of public improvement to which I have referred.²⁹

The second phase of Chamberlain's Cyprus proposals dealt with large-scale projects. He desired £1,000 immediately for a survey of possible irrigation sites on the island. In addition, he anticipated the need to borrow approximately £300,000 for the construction of irrigation works and

²⁸ BM Add MSS 48675/f. 1, June 9, 1899. T 1/9975A/12790, Bank of England Memorandum: "The Imperial Ottoman Guaranteed Loan of 1855", January 21, 1903.

²⁹ PCC/86, Chamberlain to Hicks Beach, September 26, 1895.

railways.³⁰ While the small-scale public works would improve communications and health conditions on Cyprus, he hoped to exploit this larger development fund to bring considerable tracks of fertile but arid Cypriot land under cultivation. Subsequently Chamberlain hoped to employ a newly built railway to transport produce from these areas to a port like Famagusta and hence to markets abroad. In this fashion the Colonial Office expected to tap exploitable Cypriot resources by developing and modernizing the island's agrarian sector.

The Treasury's response to these requests was sympathetic but negative. Speaking for the Exchequer, G.L. Ryder stressed that there was little that his colleagues could do until negotiations with the Porte were completed. The Treasury did however grant £ 40,000 in aid for the fiscal year 1896-7 and a additional L. 1,000 for the surveys.³¹ Chamberlain was pleased with this compromise:

This is not unsatisfactory and it is all I expected from their [the Treasury's] official reply. I mean to have a minimum of £ 40,000 for the next five years and although they will not promise it, afterwards, they will have to give it. We must tell the Governor that he may count upon the relief (whether it comes by a commutation of the Tribute or by direct grant) and that he may make his plans and estimates on the understanding.³²

Apparently Chamberlain viewed the Treasury's concessions as a foot in the door for the Colonial Office. He therefore instructed Walter Sendall, the High Commissioner, to begin the surveys immediately. Investigations began in early 1896 after the arrival of the consulting engineer.³³

The early stages of public works construction in Cyprus therefore began at the same time as Anglo-Turkish talks reached an impasse. By the time the latter had proved fruitless, the government in Cyprus had a series of proposals ready for implementation. The sequence of these events was crucial. When the failure of talks with the Porte forced the Treasury to admit that an alternative to their strategy was necessary, the Colonial Office was prepared with plans to increase the revenue-generating capacity of the island through irrigation works and improved transport and communications. The Treasury staff carefully scrutinized these proposals and

³⁰ Chamberlain hoped to get an Imperial Guaranteed loan at 2½% interest, a 1% sinking fund, and a thirty-year currency. PCC/86, Chamberlain to Hicks Beach, September 26, 1895.

³¹ T 7/29/16739/95, Mowatt (actually written by Ryder) to the Colonial Office, December 10, 1895. See also CO 67/95/22041, Mowatt to the Colonial Office, December 10, 1895.

³² *Ibid.*, Chamberlain Memorandum, December 13, 1895.

³³ CO 67/97/4264, Sendall to the Colonial Office, February 15, 1896. Sendall employed Major Medlicott, an engineer on special leave from the India Office Department of Works, who was an irrigation specialist.

in the end supported them because they provided a practical alternative to their own now bankrupt policies.

As a result of Colonial Office encouragement, Sendall recommended more elaborate and expensive projects. He pointed out that Cyprus required extensive irrigation to alleviate the effects of drought and to increase crop yield.³⁴ The island also needed cash crops besides grapes, wine and olives and the High Commissioner suggested that Cypriot farmers might be induced to cultivate tobacco.³⁵ Finally and most important, Sendall pointed out that the absence of rapid and inexpensive transportation hindered the island's economic growth. Only small ships could use the best of Cyprus's harbours, Famagusta, and the protectorate lacked railways tying agricultural regions to the port and hence limiting export. Drawing upon the schemes devised by his predecessor Robert Biddulph, Sendall recommended the construction of a light gauge railway link between Famagusta and Larnaca via Nicosia and the dredging of Famagusta harbour to accommodate larger ships.³⁶

The irrigation proposals were the first to come before the Treasury. Both Major Medicott, the consulting engineer and Ashmore, the Receiver General of Cyprus, contributed to the report. Before the Colonial Office could possibly present the plan to the Exchequer for approval, Chamberlain desired one unified system. M.F. Ommanney of the Crown Agents, an engineer in his own right, was therefore called in to evaluate the suggestions of those in the field. Ommanney pointed to contradictions between the estimated cost of the works cited by Ashmore and the scope of the works expected by Medicott. To resolve these problems, John Anderson of the Mediterranean Department met with Ommanney and Medicott. The meeting resolved all differences and produced a proposal that Anderson thought sound enough to place before the Treasury.³⁷ Anderson's superiors, Baillie Hamilton and Edward Fairfield, agreed with his suggestion that Major Medicott be secured to supervise the construction of irrigation works affecting twenty-two thousand acres of the Messaoria Plain. The plan's

³⁴ Drought was an age-old problem in Cyprus. Medicott's report recommended the exploitation of a network of mountain streams feeding the Messaoria Plain and the construction of reservoirs. See CO 67/99/12848, Medicott Report, June 8, 1896.

³⁵ In the case of tobacco, the High Commissioner recommended that an additional duty on imported tobacco could be employed to subsidize domestic cultivation. T 1/9169B/11824, Sendall Memorandum, May 10, 1897.

³⁶ The Biddulph proposals were issued in 1882. *Parl. Papers (G.B.)* XCV (1882), c. 3384, p. 15. For Sendall's proposal see CO 67/107/17324, Sendall Memorandum, July 30, 1897.

³⁷ CO 67/99/13299, Ashmore Report, June 13, 1896. Ommanney Memorandum, July 9, 1896. Anderson was vitally concerned that "the reports of Messrs. Medicott and Ashmore show sufficient prospect of success to justify us in going to the Treasury for authority and money to begin". *Ibid.*, Anderson Memorandum, August 19, 1896.

projected cost was £ 60,000. If it was successful it could be expanded to a larger area. Fairfield instructed Anderson to inform the Treasury of the Colonial Office's proposal and to write the India Office in the hope of securing Medlicott's services for another year.³⁸

Summer holidays interfered with the prompt considerations of these proposals by the Treasury. But when G.L. Ryder finally reviewed the irrigation works scheme, his response was most favourable:

With these papers before us we can hardly refuse to make an experiment with irrigation in Cyprus on a sufficiently large scale to really test the practicability to successfully working the scheme. The proposed outlay of £ 60,000 on 22,000 acres will no doubt answer this purpose. As it is evident that we are entering a period of Reproduction loan grants to Colonies, we had better have as uniform a code of regulation regarding interest, sinking funds and mode of charge, as we can.³⁹

Guided by Ryder's opinion, Edward Hamilton suggested that the Treasury begin by advancing small sums for the project and later include the entire Cyprus loan under some extension of the Local Loans Fund. Hicks Beach concurred with his subordinates that the project ought to be pursued as an experiment.⁴⁰

In acknowledging the Treasury's approval, Edward Wingfield explained that the Colonial Office planned to charge a small fee for use of the completed works (ca. three shillings per acre irrigated).⁴¹ According to the estimates of the Cyprus Receiver General and the Crown Agents, these fees would sufficiently cover the cost of the sinking fund and interest on the loan. This was an important argument in ensuring Treasury approval of the proposal because it eliminated the complaint that the cost of the loan would fall on the revenues of the island and therefore ultimately on the Imperial Exchequer. Once opened, the irrigation works would pay for themselves, benefiting the island while freeing the protectorate administration from further financial burdens. The Treasury agreed to these terms and left further details entirely to the Colonial Office's discretion. As Ryder recorded:

The Treasury must leave major decisions as to the nature of the loan and its operation up to the Colonial Office as I admitted in my note but hope for the best returns on the system expressed so as to guarantee a speedy repayment of the debt.

³⁸ *Ibid.*, Baillie Hamilton Memorandum, August 26, 1896; and Fairfield Memorandum, August 26, 1896.

³⁹ T 1/9223B/19469, Ryder Memorandum, December 4, 1896.

⁴⁰ Cyprus did eventually borrow £ 314,000 under the Act. T 1/9223B/19469. Hamilton Memorandum, December 7, 1896. Hicks Beach to Mowatt, December 23, 1896. See also CO 67/102/26429, Hamilton to the Colonial Office, December 23, 1896.

⁴¹ T 1/9223B/19469, Wingfield to the Treasury, January 12, 1897. See also CO 67/102/26429, Anderson Draft Minute to Treasury, January 12, 1897.

⁴² T 1/9223B/19469, Ryder Memorandum, May 5, 1897.

The irrigation loan was therefore approved by the Treasury, and later increased as the works began to show a profit. However the works did not generate enough revenue to liquidate the construction debt. Fortunately, by the time the Colonial Office opened the project and was faced with deficits, increased annual public works grants and Locust Department Fund surpluses were available.⁴³ If the new irrigation system did not prove of great benefit to the Imperial Exchequer or to the British taxpayer, it did improve crop yields and local prosperity without placing a significant additional burden on Cypriot revenues.

Unlike his irrigation schemes, Sendall's attempts to induce new cash crops among the peasants met with failure. The farmers were cautious and showed little interest in experimentation with new farming techniques. The High Commissioner hoped to alter their conservative proclivities with an experiment of his own. He offered a special subsidy to any farmer who agreed to cultivate tobacco. Since he could not draw upon protectorate revenues for these purposes, Sendall proposed to increase the duty on "Tumbeki", the popular Persian tobacco smoked by most islanders. He argued that the Tumbeki duty would discourage Cypriots from smoking imported tobacco while providing the means for encouraging domestic cultivation. Both the Colonial Office and the Treasury agreed to this proposal.⁴⁴ The Tobacco Law of 1897 was, however, more complex than either ministry had anticipated.⁴⁵ It entailed price fixing, manipulation of the market and what amounted to a protective duty against imported tobacco. The Treasury nevertheless supported the scheme.

Chamberlain, on the other hand, objected strongly to what he viewed as the threat posed by the new law to the protectorate's tobacco revenues.

I cannot conceive that anyone would care to apply to cut tobacco on such conditions — it removes all elasticity from one of the most important sources of the public revenue and therefore I cannot recommend that HM Government accept it.⁴⁶

⁴³ T 1/9309/17958, Mowatt to the Colonial Office, April 1, 1898. Once the original project neared completion, the Treasury granted funds for further irrigation and drainage works in the Messaoria Plain (area west of Famagusta). T 1/9410A/12974, Chalmers to the Colonial Office, August 8, 1899. See also T 1/9606A/19235, Heath Memorandum, May 3, 1900; CO 67/117/6634, Hayes Smith Memorandum, March 5, 1899 and CO 67/130/11546, "Further Proposals Extensions of Irrigation Works", March 6, 1902. In the past, Cyprus had suffered locust plagues. A special tax was levied to provide a bounty on locust larvae destroyed by farmers. By the 1890's the locust problem was under control and Fund surpluses were diverted to other public works projects. See T 168/28/534, Bromley Memorandum: Cyprus Finances (Part III), "Locust Destruction Fund", June 1904. See also CO 67/125/42228, Hayes Smith Draft Law XVII of 1900 regarding Locust Destruction Fund", December 12, 1900.

⁴⁴ Cyprus imported almost all its tobacco, called "Tumbeki", from Persia. CO 67/105/8185, Anderson to Wingfield, April 20, 1897. Wingfield Memorandum, April 20, 1897. T 1/9169B/11824, Ryder Memorandum, May 10, 1897.

⁴⁵ T 7/30/6988/97, Mowatt to the Colonial Office, August 10, 1897.

⁴⁶ CO 67/100/14626, Chamberlain Memorandum, November 18, 1896.

He feared that the law might depress consumption therefore diminishing the revenues derived from it. Ironically Chamberlain had expected the Treasury to raise these objections but since they had not done so, he voiced them himself. Even as an advocate of change Chamberlain never entirely broke with the economic dogma of the day. Anderson succeeded in smoothing over the Colonial Secretary's objection and the local ordinance governing the tobacco trade was allowed to pass.⁴⁷

Once approved, the Act affected the tobacco industries in Cyprus along the lines that Chamberlain had envisaged. The subsidies did not encourage cultivation and the duties, much to the High Commissioner's dismay, merely discouraged consumption. Revenues on imported tobacco therefore declined while the cash crop that Sendall had desired never materialized. When the Law expired in November 1902, it was not renewed and the duty on "Tumbeki" returned to its old level.⁴⁸

Tobacco cultivation was not the only scheme that met with some Colonial Office opposition and ultimately failed. Hayes Smith, Sendall's successor, recommended modernized, centralized factories for olive oil and wine production.⁴⁹ The idea showed some promise but as Harris of the Mediterranean Department pointed out:

It is contended that the peasants in some syndicates of peasants should be the owners... the ultimate owners and the government would receive for all the risk and trouble the increased yield of Taxation... The scheme relies on Government support and prestige without direct return to the Government itself.⁵⁰

Harris ended his memorandum by remarking that the High Commissioner was obviously a man of great imagination but "lacking the practical wisdom or financial ability" to pursue a project to fruition. Anderson was even less generous in his evaluation of the proposal. He argued that the plan would never benefit the peasants, and viewed Hayes Smith's suggestions as unnecessary interference in free enterprise.⁵¹

⁴⁷ *Ibid.*, Anderson Memorandum, November 20, 1896. Sendall was informed of Colonial Office approval of the Tobacco Law on November 30, 1896 in a letter written by Anderson.

⁴⁸ CO 67/130/6260, Collins to Cox, February 24, 1902 and T 1/9814B/8322, Davies to Chalmers, March 25, 1902. The High Commissioner, Hayes Smith, wanted the Law renewed for five years but the facts argued strongly for its termination and his request was overruled by the Colonial Office. CO 67/130/6260, Anderson Draft Minute, February 24, 1902.

⁴⁹ CO 67/113/20430, Hayes Smith to the Colonial Office, September 1, 1898.

⁵⁰ CO 67/113/20430, Harris to Graham, September 29, 1898.

⁵¹ The vituperative comments of Harris and Anderson no doubt reflect their apprehension towards any proposal framed by Hayes Smith in light of his past record in the West Indies where he had introduced added expenditure without proper authorization to a colony's detriment. CO 67/114/28925, Anderson Memorandum, September 30, 1898.

The Colonial Office therefore rejected the High Commissioner's proposal. As in the case of tobacco cultivation, Chamberlain opposed the project because it did not offer a satisfactory return on the investment. Where he cautiously followed the example of his predecessors, Hayes Smith's suggestions enjoyed Office support. For example, he encouraged "afforestation" which cost the imperial government very little while proving of great value to the protectorate.⁵² In contrast with his wine factory scheme, Hayes Smith's forestry programme was backed by both the Treasury and the Colonial Office. Again pragmatic considerations precipitated a favourable government response.

On the whole, the Colonial Office's efforts to encourage new agricultural techniques and to introduce new crops were not successful. Their proposals lacked the forethought and careful planning that marked the evolution of plans regarding irrigation works and other building programme. No doubt the expectation of Treasury resistance compelled them to prepare public works projects with more care. In addition, works projects in West Africa and India provided useful precedents when arguing their case. Economic reconstruction through bounties, tariffs, and cooperative factories were on the other hand ad hoc solutions that broke with tradition. While the Treasury showed great flexibility in sanctioning such proposals in light of the unique circumstances, the Colonial Office Staff, and in particular Chamberlain, were not always willing to plunge into economic expenditure on such a scale. Sendall's initial proposal included a request and the ministry's commitment to the problem dictated the department's response to a proposal.

In contrast to the wine factory and tobacco cultivation schemes, the Cyprus railway and harbour works enjoyed the benefits of thorough research and full Colonial Office support. Together they constituted the single most important contribution of the British government to the rehabilitation of the Cypriot economy in the Chamberlain years. Both the railway and the harbour works had been the subject of studies in the early 1880's,⁵³ but not until Sendall's tenure could the economy of the island afford the expenditure on such a scale. Sendall's initial proposal included a request for £ 100,000 railway loan for a line between Nicosia and Famagusta with a trunk line south from Nicosia to Larnaca. He also requested £ 50,000 for the dredging of Famagusta harbour. Though these proposals relied on outdated surveys executed in 1880, Anderson urged Chamberlain to accept the project without delay. He pointed out that Locust Destruction Funds could be employed to pay the cost of interest and sinking fund on the

⁵² CO 67/114/28925, Hayes Smith Memorandum, December 13, 1898. CO 67/120/866, Hayes Smith Memorandum, December 26, 1899.

⁵³ T 1/9274B/12357, "Report on Improvements Proposed at the Harbour of Famagusta", January 10, 1880.

required loan and that the profits of the railway would defray future costs.⁵⁴

Chamberlain was less enthusiastic. He had hoped that a private company would pursue the enterprise. Since no private firm came forward he approved the proposal for state construction and sent it on to the Treasury. In an accompanying letter, Anderson urged the Treasury to demonstrate the same generous attitude towards these suggestions as they had shown towards the irrigation works scheme.⁵⁵ While Ryder, Hamilton and Hicks Beach considered the full ramifications of the project, they approved the initiation of surveys paid for out of the regular public works fund. Lieutenant Pritchard, from the India Office Board of Engineers and a colleague of Medlicott, supervised the railway survey, while the Crown Agents arranged for their harbour contractors, Coode, Son and Mathews, to study possible improvements for Famagusta.⁵⁶

According to these surveys, it was estimated that the railway from Famagusta to Nicosia would take a year to complete and cost approximately £ 180,000 to construct, and that the harbour would cost an additional £ 124,000 but might take as long as three years to finish.⁵⁷ Anderson viewed a further proposal to extend the railway line to Larnaca with suspicion. He did not think that traffic on the additional trunk line would pay for its operating costs. Anderson therefore asked that the government discard the idea of building the Larnaca branch. In his review of the evidence, Cox agreed that the additional line might prevent the financial success of the project as a whole. It is noteworthy that neither Colonial Office official supported the harbour and railway works merely on their merit as Cyprus public works projects. Only after convincing themselves

⁵⁴ CO 67/107/17324, Sendall to the Colonial Office, July 30, 1897. Anderson Memorandum, August 15, 1897. Supported by Lord Selborne in a memorandum dated August 17, 1897.

⁵⁵ *Ibid.*, Chamberlain Memorandum, August 20, 1897. CO 67/108/542, Anderson to the Treasury, December 30, 1897.

⁵⁶ CO 67/112/16708, Hayes Smith Memorandum, July 14, 1898; Anderson Memorandum, July 22, 1898. CO 67/117/1165, Hayer Smith Memorandum, January 3, 1899. Pritchard's report reached the Colonial Office in February 1899. See CO 67/117/1675, Pritchard Memorandum, February 14, 1899. The Crown Agents did not actually maintain their own engineer corps. Instead they kept a list of firms that had consistently demonstrated quality and reliability in executing government contracts. By the late nineteenth century they relied almost exclusively on Coode, Son and Mathews for harbour and marine works and Shelford and Son for railway construction in the tropical Empire. See CA (E) 202/1, Coode's Survey and Report, May 6, 1898.

⁵⁷ CO 67/117/6310, Hayes Smith to the Colonial Office, March 14, 1899. CO 67/118/13568, Hayes Smith to the Colonial Offices, May 17, 1899.

that the work would provide the interest and sinking fund on the loan issued to construct them did Anderson and Cox support the proposition. Chamberlain agreed but suggested private talks with the Treasury before the Office approached Hicks Beach formally with a request for an imperial guaranteed loan.⁵⁸

Colonial Office estimates regarding the ability of Cyprus to afford a large development loan were based on the assumption that the protectorate would receive excellent terms from the Treasury. Since their own efforts to reduce the Tribute had failed, Hicks Beach and his staff recognized the need to pursue some alternative course as Chamberlain had recommended. They also realized that a loan at unreasonable terms might force Cyprus to default at some later date. Under the existing conditions, the British government was obliged to liquidate all bad debts held by Cyprus. The Treasury therefore agreed to the proposed works at terms that they viewed as reasonable.

As for what constituted "reasonable terms", Chalmers and Hamilton agreed with the Colonial Office that the loan ought to be issued by the imperial government but they deferred to Hicks Beach before settling the exact terms of the loan.

The Chancellor had promised Parliament at the time of the irrigation works loan that he would in the future seek market place terms for Cyprus projects. He insisted therefore on the inclusion of Cyprus in the schedule for the Colonial Loans Act.⁵⁹ His decision meant that the protectorate's loan would cost between three and three and one-half percent a year in interest depending on the currency of the issue. A number of private notes and visits from Anderson did not move Hicks Beach or his financial secretary on this point, and the loan was finally issued under the Colonial Loans Act of 1899.⁶⁰ But this was a minor defeat for the Colonial Office. With the passage of the Loans Act, Cyprus had the funds she required for the development of her transport system.

Though the Crown Agents and the Treasury continued to debate technical aspects of the project, work finally commenced in 1900.⁶¹ By

⁵⁸ *Ibid.*, Anderson to Cox, July 20, 1899, Cox to Wingfield, July 22, 1899. Chamberlain Memorandum, July 27, 1899.

⁵⁹ T 1/9427A/15575, Chalmers Memorandum, July 28, 1899; and Hamilton Memorandum, August 5, 1899. Hicks Beach to Hamilton, August 2, 1899; and Hicks Beach to Hamilton, August 5, 1899.

⁶⁰ The exact terms under which Cyprus was admitted were decided by the Treasury in discussions with the Crown Agents. See CA (A) 27, Mowatt to the Crown Agents, October 23, 1900.

⁶¹ The Crown Agents desired to execute all of the proposed works through their own supervisory engineers (i.e. Coode and Shelford) and the Cyprus Public Works

1903 the dredging of Famagusta was completed. It took contractors another three years to finish the harbour but it began to receive larger cargo ships from 1903 onwards. The railway opened for the first time in 1906 carrying produce to Famagusta and hence by ship to Europe and Northern Africa. Thus by 1906 the Cyprus economy was on its way to becoming healthier and more self-sufficient. British development programmes, great and small, as well as administrative and tax reform improved living conditions for the population.⁶² While the Tribute remained a burden until the island's annexation by Great Britain (1914), annual British subsidies continued and in fact were increased to £ 50,000 a year in 1906-7.

The striking feature of Colonial Office-Treasury policy towards Cyprus was the degree of departmental harmony demonstrated by both sides. Though it might have shown greater concern for its own taxpayers than for the people of Cyprus, the Treasury nevertheless pursued policies designed to eliminate the heavy burden of the Tribute from the island's shoulders. The importance of reducing the Tribute was not lost on the Colonial Office. Treasury success would have allowed Chamberlain to proceed with his own plans for the protectorate's development. Both ministries therefore expectantly awaited the outcome of the Turkish loan negotiations.

Since the Treasury had originally negotiated the terms of the Turkish loan, only Exchequer representatives were involved in the talks for its conversion. Negotiations dragged on for years with little result because neither side proved flexible enough in their positions. In addition uprisings in Armenia and Crete and their bloody suppression by the Porte put a strain on Anglo-Turkish relations, making Parliamentary support for a compromise agreement unlikely. Hamilton failed to break the deadlock in the negotiations which were abandoned in 1899.

While Hamilton continued to hope for the success of the Turkish loan talks, Ryder, Mowatt and Hicks Beach soon realized that the Cyprus Tribute would remain unchanged and that some alternative was necessary.

Department. The Treasury, on the other hand, wanted to open up each set of works to competitive tender among private contractors. Eventually a compromise was struck whereby the Public Works Department built the railway and the harbour was dredged by a private firm. See T 1/9427A/15575, Heath Memorandum, September 6, 1899; and Chalmers Memorandum: "Contract Versus Departmental System of Construction", March 24, 1898. Chamberlain supported the Treasury's position preferring private tender to public construction. See CO 67/136/28061, Chamberlain to Ommanney, August 20, 1903.

⁶² For a brief but informative study of the Cyprus economy in the post-Second World War period see A.J. MEYERS, *The Economy of Cyprus*, (Cambridge, Mass., 1962). See also LEKOS P. GEOGROGES, *Some Notes on the Cyprus Economy*, (Nicosia, 1953); and DIAMOND JENNESS, *The Economics of Cyprus to 1914* (Montreal, 1962).

They therefore agreed almost from the outset to support Colonial Office initiatives. The Treasury sanctioned surveys of the island for irrigation works as early as 1896. Viewing this action as tantamount to approval for their entire programme, Chamberlain and his staff pressed ahead optimistically. Hicks Beach did nothing to diminish these expectations. His department ultimately approved all the Colonial Office programmes differing only with the mode of construction recommended by the Crown Agents.

There is nothing particularly surprising in this degree of Treasury cooperation. The Exchequer, for different reasons, shared the Colonial Office's desire to lessen the burden of taxation carried by the islanders. Anderson, Cox, Wingfield, and Fairfield drafted plans that set out to achieve these ends. They took care to demonstrate that the works would pay for themselves through their own revenues and eventually prove profitable enough to reduce the British grant in aid. In addition, funds were to be borrowed under the Colonial Loans Act and therefore on the safest terms from an imperial point of view. In short the Colonial Office provided the Treasury with a low-risk alternative to their Tribute reduction scheme. Furthermore Chamberlain's staff observed the proper channels in conveying information and proposals to the Treasury. By proceeding in this manner, policies evolved gradually and in a form acceptable to both sides. Unlike the situations that arose when Chamberlain abruptly placed his programmes before Hicks Beach or the Cabinet, these negotiations resolved most differences quickly.

The plans devised by the Colonial Office for the rehabilitation of the Cypriot economy were not altogether different from those formulated for other British possessions. Their common objective was to have the colony live off its revenues. Grants-in-aid and imperial guaranteed loans were employed when projects seemed economically sound and promised to foster self-sufficiency. The field staff led by the High Commissioner, Sendall, therefore recommended a transport and communications network that would complement other works projects such as irrigation. It was hoped that their combination would encourage the expansion of the island's agrarian economy. Like many other proposals of the period the Cyprus schemes mixed state intervention with free enterprise to achieve the desired results.

The apparent reversal of positions demonstrated by the ministries involved in the negotiations is particularly noteworthy. The Treasury repeatedly approved innovative programmes, breaking time and time again with the cherished rules of classical economics. The Colonial Office and especially Chamberlain, on the other hand, demonstrated considerable caution in the evaluation of projects suggested by their field representatives. Though he finally approved the projects set before him, the Colonial Secre-

tary expressed personal hopes that private companies and not the government would assume responsibility for the proposed works. Since he expressed these views in Office memoranda and not in official letters to the Treasury, one must assume that Chamberlain was sincere in expressing these "traditionalist" sentiments. Yet his earlier statements regarding the development of Cyprus seem to belie these sentiments.

In Chamberlain's case, this contradiction was more apparent than real. He usually painted his schemes in bold strokes while remaining rather traditional in his views of the role of the government in economy. But problems of imperial development demanded flexibility and the willingness to break with tradition. Chamberlain demonstrated this capacity; so too did the staffs of the Treasury and the Colonial Office. Though Chamberlain might have used rhetoric of "high moral purpose", his civil servants analyzed each proposal from the standpoint of its financial return on the investment. Both ministries showed themselves to be pragmatic and adaptable when the situation required it. The Treasury, for example, had sanctioned various proposals regarding centralized factories, price regulation, and import controls in the West Indies because many of those islands were hovering on the brink of bankruptcy. When their own negotiations to convert the Turkish loan failed the Exchequer staff supported a set of proposals that essentially sought to restructure the Cypriot economy. They supported these schemes because they were convinced that the plans would succeed and that their success would benefit British taxpayers while assisting the people of Cyprus. Similarly the Colonial Office civil servants coaxed their chief into accepting the proposals of his field staff and the Crown Agents because they were convinced of the ultimate benefits they would provide.

In framing a policy for the rehabilitation of the Cypriot economy, the British government found itself in an awkward position. As in the case of the Lagos railway and numerous other projects throughout the Empire, London was forced to choose between its interests and those of the colony. The government could have sacrificed its own economic interests and eliminated the Tribute or it could have maintained the Tribute and ignored the resultant poverty in Cyprus. Neither course seemed acceptable. The Treasury and the Colonial Office therefore sought a middle ground where the Cypriot economy could be improved without burdening Exchequer funds.

The imperial government was obliged to make similar decisions each day. While the government was careful not grossly to exceed the wishes of British taxpayers, it recognized Britain's responsibilities abroad. Admittedly altruism did not guide imperial policy. But as this study demonstrates, the government did not ignore the needs of its dependencies as long

as those needs did not endanger its own interests. Instead the British sought a compromise that would benefit both the colony and the Exchequer. The Treasury and Colonial Office pragmatism was not merely a means of coping with hitherto unknown problems, but also provided a bridge between sometimes conflicting needs of the mother country and her dependencies. Within this framework ministers, like Chamberlain and Hicks Beach, sought new avenues through which colonies might be strengthened without weakening Britain.