

A History of the Rhodesian Stock Exchange: The Formative Years, 1946-1952

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Abstract

This study attempts to fill the gap in the literature by tracing the history and operations of the Rhodesia Stock Exchange (RSE) between its establishment in 1946 and 1952, shortly before the birth of the Federation of Rhodesia and Nyasaland in 1953 when different dynamics came into play. It examines why and how the RSE was formed and documents its early history, as well as investigating the role and impact of the local bourse in the economy. The study is divided into three sections. The first section examines the origins of the RSE and analyses the internal organisation of the Exchange, while the second gives an analysis of the RSE's operations and its influence on economic development between 1946 and 1952. Finally the conclusion assesses the RSE's role and performance and highlights some theoretical issues emerging from the study's findings.

Introduction

The Stock Exchange is a market where stocks and shares are purchased and sold and capital is raised for the purposes of industry and both local and central government.¹ Markets for the trading of stocks and shares or securities have existed for centuries all over the world. One of the earliest known markets was established in Paris, France around 1138.² However, the modern form of the Stock Exchange can be traced to about 200 years ago.³ By the twentieth century, the Stock Exchange had become a common feature in many capitalist economies and was widely considered an institution characteristic of a 'modern economy'. The Stock Exchange is now recognised as an important cog in the financial structure of the capitalist system. While the Stock Exchange serves an important function in the economy, it can also wreak havoc. Nowhere is this clearer than in the case of the Wall Street Crash of 1929, which triggered a global economic depression.⁴

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1. F. E. Armstrong 1957 *The Book of The Stock Exchange*, London: Pitman: 17.
 2. E. H. H. Edwards 1963 "The Role of the Stock Exchange", in RSE, *Financial and Economic Symposium, Record of Proceedings*, Salisbury: 3.
 3. W. T. C. King 1954 *The Stock Exchange*, London: Allen & Unwin: 15.
 4. J. Attack and P. Passell 1994 *A New Economic View of American History from Colonial Times to 1940*, New York: W. W. Norton: 583.

Trading of stocks and shares in Zimbabwe goes back to 1891, when the first stock-broking firm was opened.⁵ The first Stock Exchanges were set up a few years later in 1894 in Salisbury and Bulawayo. Later, two other exchanges emerged in Gwelo and Umtali around 1898. These exchanges were intended to meet the capital needs of the gold mining industry, whose rapid expansion was fuelled by rumours of a 'Second Rand' in Southern Rhodesia.⁶ During this period, the London and Johannesburg exchanges also saw the listing of Rhodesian enterprises seeking to raise capital.⁷ On the whole, these exchanges generated wild speculation in the country, which ended in financial chaos as the hope of the Second Rand faded. The result was that, as mining companies withdrew, the local stock markets collapsed. By 1902, all the local Exchanges had ceased to operate.

Between 1902 and 1945, public authorities and companies in Southern Rhodesia relied on the London Stock Exchange (LSE) and the Johannesburg Stock Exchange (JSE) for their capital needs. Due to a number of reasons, the main one being the boom in manufacturing during World War Two, the Rhodesian Stock Exchange (RSE) was set up in Bulawayo in 1946.⁸ By 1963, there were 98 listed companies, from only 7 in 1946. Because of economic sanctions during the UDI period, the RSE was largely quiet. This was because the period was characterised by the utilisation of existing excess capacity as opposed to investment in capital development.⁹ During the late 1970s, the hope of independence and the end of sanctions led to a brief rise in share prices. By 1980, the RSE was a highly specialised market, which was likely to prove useful in the economy if a capitalist oriented development strategy was adopted.¹⁰

After independence, however, the independence government declared Socialism as its official ideology. This, combined with a global recession, resulted in the dramatic fall of the industrial and mining indices on the Exchange (now called the Zimbabwe Stock Exchange — ZSE). By 1981, the market's total capitalisation had fallen from Z\$911 million to Z\$52.5 million.¹¹ 1984 marked the Exchange's lowest point since its birth. However, between 1984 and 1990, the ZSE's performance improved considerably. The industrial

5. *The Rhodesian Herald*, 29 October 1892.

6. The name Southern Rhodesia shall be used throughout the paper because the period under study falls within the colonial era.

7. *The Rhodesian Herald*, 1 June 1894.

8. NAZ, S10/51 Industrial Development Commission Correspondence, RSE, formation, 1945-48, Minutes of the meeting to form the RSE on 25 June 1945.

9. P. Bond 1998 *Unseen Zimbabwe, A Study of Finance and Underdevelopment*, Asmara: AWP: 128.

10. *Ibid*: 229.

11. *Ibid*: 231.

index shot up from 150 in 1984 to 2 732 in 1991, while the mining index jumped from 28 to 500 between 1984 and 1990. This was due to the restored confidence among the investors that colonial property rights would be upheld.

To date, the history of the Stock Exchange in Zimbabwe has received little scholarly attention although some economic analyses exist. van Onselen, Phimister and Bond have each made passing references to the history of the local Exchanges during the 1890s.¹² However, their focus has been, invariably, on illustrating the highly speculative character of the gold mining industry in the country and not on the Exchanges themselves. Newlyn and Rowan have briefly discussed the emergence of the RSE.¹³ While their arguments on the anomaly of the emergence of a Stock Exchange in a dependent economy are useful, their analysis focuses on the broad monetary and financial systems in eight British African colonies between 1946 and 1951. As such, their treatment of the RSE is necessarily limited.

Sowelem's work similarly concentrates on the monetary experience of the Federation of Rhodesia and Nyasaland between 1952 and 1963 and only Sowelem touches on the internal organisation of the RSE and its performance.¹⁴ These analyses do not trace the origins and development of the Stock Exchange in the country. Clarke also briefly examines the RSE's performance in the 1970s, but his study is not on the Exchange itself. Rather, it only uses quoted companies as its sample for investigating the degree of foreign control in the Rhodesian economy.¹⁵ Finally, Bonds' work comes closest to a critical study of the Stock Exchange but is limited to the period between 1980 and 1995 and concentrates on illustrating the role of financial capital in the uneven development of Zimbabwe.¹⁶ There is, thus, need for a scholarly study of the history of the Zimbabwe Stock Exchange, which has played a very important part in the recent history of Zimbabwe.

The Stock Exchange in History

The Stock Exchange essentially provides a mechanism for collecting the money capital of savers and channelling it to the system's investors in such

12. C. van Onselen 1976 *Chibaro: African Mine Labour in Southern Rhodesia 1900-1933*, London: Pluto: 14; I. R. Phimister 1988 *An Economic and Social History of Zimbabwe 1890-1948*, London: Longman: 20.

13. W. T. Newlyn, D. C. Rowan 1954 *Money and Banking in British Colonial Africa*, Oxford: Clarendon: 143.

14. R. A. Sowelem 1967 *Towards Financial Independence in a Developing Economy*, London: Clarendon: 166.

15. D. G. Clarke 1980 *Foreign Companies and International Investment in Zimbabwe*, Gwelo: Mambo: 116.

16. Bond, *Uneven Zimbabwe*: 229.

a way that the lion's share of the economy's savings flow, accrues to those industries, firms and individuals with the most promising investment opportunities.¹⁷ Markets for securities have existed since the 12th century. These consisted of a few individuals who agreed to act as intermediaries between buyers and sellers of shares for a commission. One of the first recorded markets for securities was, reportedly, established in Paris in 1138, by money changers.¹⁸ A securities market was also founded in Amsterdam in 1611, largely to finance the activities of the Dutch East India Company. A securities market is also reported to have existed in ancient Morocco.¹⁹ However, the modern form of the Stock Exchange can be said to have originated in England where the name also first came into use. The origins of this Stock Exchange, which has come to be known as the London Stock Exchange, are to be found in the history of England's national debt and developments in business organisation.

In the early days of stock trading, speculation was rife due to the public's obsession with making a quick fortune. Stock dealing in those days was carried out in open courtyards, for example, in what is now called Exchange Alley in London. On cold days, trading was moved into coffeehouses or restaurants. This brought about a new level of organisation in the stock dealing trade. In 1762, the first attempt at creating a settled and organised exchange was made when 150 dealers formed a club at Jonathan's Coffee House in London. They paid a subscription to the proprietor and attempted to exclude non-members, but this attempt failed. In 1773, however, the first Stock Exchange, in the modern sense, came into existence. A number of dealers came together and decided to establish their own premises for the business of share trading. For the first time, the name "The Stock Exchange" was formally adopted and inscribed over the door of the premises. By 1801, the Exchange was an exclusive institution, while, in 1802, its constitution was laid down.²⁰

From this period onwards, Stock Exchanges emerged in other countries. In 1792, the New York Stock Exchange was formed, essentially, to finance the American Revolutionary War. The first of Italy's Exchanges, the Milan Stock Exchange, was founded in 1876. In Switzerland, the Zurich Stock Exchange was also set up in 1876. South Africa's first Stock Exchange was established in Barberton in 1866. The concept of the Stock Exchange spread

17. R. R. West and S. M. Tinic 1971 *The Economics of the Stock Market*, New York: Praeger: 5.

18. Edwards, "The Role of the Stock Exchange": 3.

19. E. E. Jucker-Fleetwood 1964 *Money and Finance in Africa*, London, Allen & Unwin: 174.

20. King, *The Stock Exchange*: 11.

to Southern Rhodesia soon after colonial occupation in 1890.²¹ By 1894, the first two Exchanges were established in the colony, as will be discussed in the next section.

The Origins of the Rhodesian Stock Exchange

The roots of the Rhodesian Stock Exchange can be traced to as far back as the 1890s. The first 15 years of colonial rule in Southern Rhodesia witnessed the rise and fall of four local Stock Exchanges. These Exchanges served the colony alongside the London and Johannesburg Stock Exchanges. By 1902, the local Exchanges had closed down. Between 1903 and 1945, the colony had to rely on the LSE and the JSE. The WW II period saw the rise of a new drive to re-establish a local Stock Exchange.

The rise of the Stock Exchange in Southern Rhodesia has to be seen within the context of the fact that the primary motive for the colonisation of Southern Rhodesia was the hope of finding the tamed 'Second Rand'.²² This generated immense interest among British and South African mining, development and exploration companies. However, before these companies could embark on their ventures, they had to raise the necessary capital and, thus, resorted to their domestic stock markets, namely the LSE and the JSE. Consequently, many Rhodesian companies were listed on either of these two exchanges. The British South Africa Company (BSAC), which led the colonisation of Southern Rhodesia, was itself listed on the LSE. Thus by 1892, there were five Rhodesian companies listed on the LSE and seven on the JSE by 1894.²³ The BSAC actually made it mandatory for all mining companies to list on the LSE. This ensured that mainly large companies established operations in the colony. This would benefit the Chartered Company, which was entitled to half the profits of these enterprises. Not surprisingly, by April 1900, there were 91 Rhodesian stocks and shares listed on the London bourse, the majority of which were mining stocks.²⁴

The practice of share trading began almost immediately after occupation, with S. Hyman, the first stockbroker, setting up a broking firm in 1891.²⁵ The firm acted as an intermediary for settlers who wanted to buy shares on the JSE and LSE. Soon, other broking firms, whose services varied from acting as brokers or financial agents to auctioneers and forwarding agents, emerged. The first move to instil a semblance of order in the business of

21. *Talbot Encyclopedia*: 364.

22. I. R. Phimister 1983 "Zimbabwe, the path of capitalist development", in Birmingham and P. Martin eds *History of Central Africa*, London: Longman: 251.

23. *The Rhodesian Herald*, 1 June 1894.

24. *Rhodesia*, 21 April 1900.

25. *The Rhodesian Herald*, 29 October 1892.

share trading in the colony was made in July 1891.²⁶ Five brokers, living in huts in and around Causeway in Salisbury, met and agreed to charge the same brokerage for their services. In the absence of any meaningful capitalist development in the colony, some argued that the move was premature. However, the proponents of the idea felt that the rapidly expanding economy would soon require an Exchange. In November 1892, many influential men of Salisbury met to consider the building of an Exchange in the town.²⁷ The meeting led to the formation of the "Mashonaland Exchange and Estate Syndicate", with a capital base of £1 500 in thirty £50 shares. A provisional directorate, chaired by Mr Murray-Courlay, was elected and tasked with drawing up a prospectus and taking other preliminary steps to form a Stock Exchange.

On the 20th of June 1894, the first Stock Exchange in Southern Rhodesia, the Salisbury Stock Exchange, was opened in the Masonic Assembly Room.²⁸ It had 33 members and 18 quotations. It was established to provide capital for the rapidly expanding gold mining industry and to place business on a sounder footing in the colony. It was also felt that a Stock Exchange would minimise the loose way in which pioneer communities were wont to transact their business. In addition, a local Exchange, it was believed, would raise the colony's estimation in the eyes of foreign investors. Shares listed on this Exchange included the BSAC, Frank Johnson and Co, Matabeleland Loot Rights and Mashonaland Claim Rights and Exploring Co. Later in 1894, the Bulawayo Stock Exchange was formed.²⁹ Soon, two other exchanges were set up in Gwelo and Umtali, primarily, to meet the capital needs of the gold mining industry.³⁰

The establishment of local Stock Exchanges in Southern Rhodesia was peculiar for a number of reasons. As Newlyn and Rowan argue,

one of the distinguishing features of the financially dependent economies is that, such specialized and organised markets (i.e. Stock Exchanges) do not exist locally and such economies have . . . to rely upon external markets.³¹

Southern Rhodesia thus presented an anomaly where local Exchanges developed and operated alongside external markets. This is explained by the fact that, the Stock Exchange, like all other capitalist institutions in the colony at this time, was simply trans-located from Britain to Southern

26. *Ibid.*, 22 June 1894.

27. *Ibid.*, 5 November 1892.

28. *Ibid.*, 22 June 1894.

29. Bond, *Uneven Zimbabwe*: 44.

30. *Tabex Encyclopaedia*: 364.

31. Newlyn *et al.*, *Money and Banking*: 143.

Rhodesia without any consideration as to whether the conditions were suitable or not.

In other words, the emergence of the local Exchanges did not correspond to the level of capitalist development on the ground. Contrary to mainstream theories, in Southern Rhodesia Exchanges did not necessarily indicate a high level of economic development. In fact, they preceded any real capitalist development. In 1894, there was no banking system to facilitate simple transactions in shares and often the colony was so short of cash that most business was done on credit. Furthermore, there were not enough wealthy men in the colony prepared to hold financial assets rather than real property. The establishment of the domestic exchanges was a reflection of the highly speculative nature of business in the colony.

Local and external Exchanges generated wild speculation in the colony. According to Bond, soon after its establishment, the Bulawayo Stock Exchange "became closely linked to Johannesburg and itself promptly registered an astonishing £15 million worth of shares in 1894 to 1895".³² This was made possible by expatriate banks such as Standard Bank, set up in 1892, and Barclays Bank, established in the colony in 1895. These banks provided a link between the local Exchanges and foreign investors, allowing a huge influx of risk capital for investment on the local Exchanges. As early as 1895, the local Exchanges experienced a huge speculative bubble.³³ At the height of the boom, BSAC and Rhodesia Exploration and Development Co. shares were valued at £8.17s.6d. and £18, respectively. Phimister, however, comments that, "Much of the boom was speculative not industrial in character. Although partly based on an overestimation of the region's mineral resources, it was innately dependent on the Rand boom of 1894-95."³⁴ By 1898, the bubble had burst and the shares of the BSAC and Rhodesia Exploration and Development Co. fell sharply to £2.15s and £4 respectively.

The BSAC then began to steer its policies away from the speculation of the earlier years to real production. This rampant speculation had been responsible for the supply of securities on the markets. However, as speculation was discouraged, the supply of securities fell. This trend was accentuated by the withdrawal of mining companies from Southern Rhodesia. This was because, on exhausting surface ores, companies encountered unexploitable deeper reefs containing sulphides and, thus, ceased operations. This caused a "constriction in the business undertaken

32. Bond, *Uneven Zimbabwe*: 44.

33. Phimister "Zimbabwe, the past of capitalist development": 253.

34. *Ibid.*

by the Stock Exchange[s] and eventually led to [their] closing down".³⁵ Ultimately, by 1902, all the local Exchanges had collapsed.

The Era of Foreign Exchanges, 1903-1945

Between 1903 and 1939 Southern Rhodesia was faced with a number of economic problems, culminating in the Great Depression of 1929, which crippled almost all sectors of the Rhodesian economy and continued to impact negatively on the economy until the Second World War. As such, the environment was not conducive to the establishment of a Stock Exchange. The colony had to depend on the LSE and the JSE.

Between 1903 and 1945, therefore, Southern Rhodesian companies and public authorities issued stocks through either of the foreign exchanges. To do this, they had to secure the services of an agent either in London or Johannesburg to handle their affairs. The central government, for instance, issued the 1934/49 5% stock on the LSE in 1926.³⁶ For this purpose, it secured the services of the Bank of England. Local authorities normally listed their loan stocks on the JSE, provided they met the requirements. Rhodesian companies such as Bushticks, Falcon Mines, Rhodesia Anglo America, and Mashaba Rhodesian Asbestos were listed on the LSE.³⁷ During this period, most stockbrokers resided in Salisbury and Bulawayo and kept close contact with London and Johannesburg.

The Movement for a New Stock Exchange

The drive to re-establish a local Exchange in Southern Rhodesia began during the Second World War and was led by a group of Bulawayo brokers.³⁸ During the Second World War, the Rhodesian economy witnessed important changes. In agriculture, the tobacco industry was experiencing a boom. Annual earnings rose from £1 012 390 in 1939 to £6 515 534 in 1946.³⁹ Both the demand and the price of base minerals had risen considerably. Chrome earnings for example had risen from £186 577 in 1939 to £667 254 by 1942. The gold mining industry, however, was experiencing a down turn due to cost inflation and unsympathetic government policy. The most important development of this period, with respect to the establishment of the RSE,

35. NAZ, S10/51, Industrial Development Commission Correspondence, Minutes of 25 June 1945 meeting.

36. NAZ S881/1413/1, Southern Rhodesia Stock administered by the Bank of England - Correspondence, 1924-1943.

37. *The Bulawayo Chronicle*, 3 January 1946.

38. *Ibid.*

39. I. Phimister 1988 *An Economic and Social History of Zimbabwe 1890-1948: Class Struggle and Capital Accumulation*, London: Longman: 33.

was the emergence of the manufacturing sector in the Southern Rhodesian economy. In 1939, the colony had only 294 factories but, by 1949, the number had risen to 504.⁴⁰ It was against this background that a group of Bulawayo brokers met in 1942 to discuss setting up an exchange. These brokers' aim was to re-establish the Exchange, which had existed in the country in the 1890s. They enlisted the support of their counterparts in Salisbury before approaching the government, which, however, advised them to postpone the initiative until after the war.

The calls to set up a new Stock Exchange were fuelled by a number of factors, among which were problems emanating from the country's reliance on foreign markets. A major problem was the difficult process of selling shares on foreign markets, which cost both time and money. In the case of government and municipal loan stocks, it was "almost impossible to obtain such stocks or dispose of such stocks in Johannesburg".⁴¹ Furthermore, it frequently happened that "investors, in an endeavour to dispose of such stocks, accept[ed] par value despite accrued interest." Consequently, these stocks were very unattractive to local investors. Setting up a local Exchange, which would allow local investors to liquidate their investments quickly, could solve this problem. A. M. Bentley, a Bulawayo broker who later became the first chairman of the Stock Exchange, argued that the need for a quick means of converting stocks and shares into cash was, in itself, sufficient reason for establishing a local Stock Exchange.⁴²

The reliance on foreign exchanges also led to the loss of revenue by the Rhodesian government. In 1926 the Bank of England, which acted as the Rhodesian government's financial agent, charged a fee of £437.15s 6d every 6 months for services rendered.⁴³ This charge had risen to over £800 by 1940. In addition, the colony incurred costs of communication between Salisbury and London. The government also lost a huge amount of income to London financial agents for underwriting, and to the LSE itself for registration of its stock. In addition,

Investors in Rhodesian enterprises such as the Wankie Colliery, Globe and Phoenix etc; apart from the invisible export of the time of purchase, found at death that their estates were called upon to take out probates in England with all the added expense and loss of death dues to the colony.⁴⁴

40. Southern Rhodesia Central Statistical Office 1952 *Official Year book of Southern Rhodesia*, Salisbury: Rhodesia Printers: 530.

41. NAZ, S10/51, Industrial Development Commission Correspondence, Minutes of 25 June 1945 meeting.

42. *The Bulawayo Chronicle*, 3 January 1946.

43. NAZ, 5881/1413/1, Southern Rhodesia Stock administered by the Bank of England.

44. *Ibid.*

Evidently, the establishment of a local Exchange was considered an advantage to the state. Smaller municipalities, which failed to meet the high requirements of foreign markets, could also benefit from a local Exchange.

The establishment of a local Stock Exchange also offered certain advantages to the economy. Bond rightly observes that "As the local economy became more balanced in the course of world depression and war, a need again arose to raise capital for nascent manufacturing concerns."⁴⁵ Whereas the early exchanges had been stimulated by a need for capital in the gold mining industry, the RSE was born of the need for capital in the manufacturing industry. The minutes of the meeting to discuss the formation of a Stock Exchange held by Bulawayo businessmen noted that,

A Stock Exchange would prove useful in developing of secondary industries as it is reasonable to expect that a number of such enterprises either in being or about to be commenced would require additional capital to place them on a sound footing and so enable them to compete with overseas competitors.⁴⁶

It would appear, therefore, that this was the single most important reason for the establishment of the RSE.

The calls for a local Exchange were reinforced by the recommendations of the Mining Industry Commission of 1945, which was chaired by H. S. Frankel. The Commission's terms of reference were, *inter alia*, "to advise on the problems and difficulties of the mining industry and the best means to be adopted to encourage development".⁴⁷ It reported that it was "desirable" to set up a Stock Exchange in Southern Rhodesia. It argued that there was no "adequate machinery of a public nature" to facilitate local investment in the various opportunities offered by the colony. Thus, it maintained that,

It appears to us, therefore, that it may be in the interest of the colony if a local Stock Exchange were established. We therefore recommend that the question of setting up a Stock Exchange in the colony ... should be investigated as soon as this can be conveniently undertaken.⁴⁸

S. Cooke, the President of the Bulawayo Chamber of Commerce, agreed with the commission's view. He noted that a local Exchange would "help

45. Bond, *Unsettled Zimbabwe*: 228.

46. NAZ S10/51 Industrial Development Commission Correspondence, Minutes of 25 June 1945 meeting.

47. *Report of the Commission of Enquiry into the Mining Industry of Southern Rhodesia*, 1945: para 234.

48. *Ibid.*

Rhodesians to invest their capital to advantage" and "bring new capital to Rhodesia".⁴⁹

The Industrial Development Commission (IDC) of 1945 to 1948 also lent its support to the Stock Exchange movement. In a letter to the Department of Commerce and Industry, G. Musgrave, the Commission's chairman, wrote that "the commission considers that no obstacle should be placed in the way of the Bulawayo brokers forming a Stock Exchange".⁵⁰ He noted that the current system of selling company shares, in default of an exchange, through an auctioneer posed many disadvantages. It meant that investors in the company would never really know the market price of their shares. In addition, members of the public who wanted shares often failed to attend such auctions or arrange for a proxy. A local Exchange, he argued, could rectify this position. He, therefore, suggested that the government offer practical assistance by way of amending the License and Stamp Act to provide for a separate license for brokers and revising the Companies Act to recognise the planned Stock Exchange as a legal entity.

After the war, the movement received further impetus from the possibility of the South African Union government passing a piece of legislation that would negatively affect Southern Rhodesians' ability to trade on the JSE.⁵¹ On the 25th of June 1945, a group of prominent men from finance, banking, mining industry and stockbroking met and resolved to set up a Stock Exchange in Bulawayo.⁵² This Exchange was meant to be exclusive. A deputation of representatives was chosen to approach the government and the IDC. After all the necessary consultation, the RSE was officially opened on 2 January 1946 with the blessing of the government, the support of the IDC and the recommendation of the mining commission as well as the pledge of support from the business community. The Exchange was established in Bulawayo because the initiative to set up a new Exchange had begun in the city. This initiative had been aimed at reviving the earlier Exchange, which had been established in the city, as it had been the most successful of the early Exchanges. In addition, Bulawayo, like Salisbury, was an important commercial and industrial centre in the colony.

The circumstances under which the RSE and the early Exchanges were formed differed widely. An important difference was the nature of the economy. By 1946, the economy was more diversified and consisted of

49. *The Bulawayo Chronicle*, 3 January 1946.

50. NAZ 510/51, Industrial Development Commission Correspondence, letter from IDC Chairman to Dept. of Commerce and Industry.

51. *The Bulawayo Chronicle*, 3 January 1946.

52. NAZ 510/51, Minutes of 25 June 1945 Meeting.

agricultural, mining, manufacturing and commercial sectors.⁵³ In the 1890s, however, there was very little capitalist development. In 1946, a Stock Exchange could fit in well in the Rhodesian economy given its level of diversification. Also of importance is the fact that, in the 1890s, the economy was based on a precarious gold mining industry whose hallmark was speculation. It was this shaky industry's capital needs, which stimulated the setting up of Stock Exchanges and, when the industry collapsed, so did the Exchanges. In 1946 however, the RSE's formation was stimulated by a genuinely thriving manufacturing sector.

While the earlier exchanges were affected by companies' failure to exploit deeper zones where the ore was combined with sulphur compounds, by 1946, technological improvements enabled mining companies to do so.⁵⁴ This saw companies converging on the once abandoned mines to re-activate mining operations. Significantly, the RSE was formed as an exclusive Stock Exchange and it was prohibited to form any other Exchanges. This differed from the situation in the 1890s where four Exchanges emerged and contributed to each other's downfall by dividing the contracting amount of business. These differences clearly augured well for the future of the RSE.

Internal Organisation of the RSE

The capital for the formation of the RSE was raised by the sale of proprietary rights. These were set at a nominal value of £12.10.0 each.⁵⁵ Every member of the RSE had to hold at least four but not more than 8 rights. Non-broker members had to hold at least two but not more than four rights. Similarly, the LSE and JSE had also issued proprietary rights, which had, over time, risen in value. In general, these rights could not be sold to members of the public. Holders of these rights were entitled to an annual interest, which was determined by the committee and approved at the Annual General Meeting. The committee also determined the number and value of rights to be issued. On formation, the RSE was made up of about 22 practising and 9 non-practising members.⁵⁶

The rules and regulations of the RSE followed "very closely upon those of the Johannesburg Exchange with only minor modification." Adopting the JSE rules and regulations meant that the RSE got a fairly comprehensive set of rules and regulations which covered all aspects from members rules

53. G. Arrighi 1973 "The political economy of Rhodesia", in G. Arrighi and J. Saul eds, *Essays on the Political Economy of Africa*, New York: Monthly Review Press: 354.

54. NAZ S10/51, Industrial Development Commission Correspondence, Minutes of 25 June 1945 meeting.

55. *Ibid.*, Rules and Regulations para 27 (All information on the RSEs Rules and Regulations is taken from the NAZ S10/51 file unless otherwise indicated).

56. Southern Rhodesia 1952, Salisbury: 658.

to provisions on the sureties and trustees of broking firms. In addition, there were clearly set parameters according to which the business on the Exchange was to be transacted. On formation, the RSE was a well-organised Exchange with carefully drafted rules. It did not have to go through the long process of developing its own structures and rules. The almost wholesale adoption of the JSE's rules and regulations was in itself a problem. This was because, not all the provisions which were suited to the JSE, could be applied to the RSE.

The government of the Stock Exchange was vested in "The Committee of the Stock Exchange". This body consisted of seven members of the Exchange. Two of these could be non-practising members who helped found the Exchange. The committee also decided on the "modes and conditions subject to which the business of the Stock Exchange shall be transacted". The powers vested in the committee were considerable, as was the case with the LSE and JSE. This helped to protect the public from any dishonesty on the part of brokers. It also allowed for strict supervision of the Exchange's affairs. The rules decreed that the committee decision was final. It was important for the survival of the RSE that it be firmly administered with strict adherence to the rules, to ensure that no practices detrimental to the well-being of the Exchange were carried out. Caution and careful selection of companies was important for the new Exchange. Indeed, watchwords had to be prudence and circumspection if the RSE was to survive.

The RSE was made up of members who were brokers, dealers, or non-trading members. All members of the RSE had to be above 21 years of age and "no one other than an individual who [was] a British subject" was eligible for membership. What was not said but was a strictly followed rule was the condition that all members had to be white. Applications for membership were dealt with by a sub-committee, which would report to the committee where a vote was held. To be accepted, companies had to have a two-thirds majority. Care was taken to ensure that those individuals elected as members of the committee had a sufficient capital base to conduct business. Members of the RSE were entitled to 4 clerks, of whom only two could trade on behalf of their superiors. The clerks' role, in general, was to assist their superiors. However, clerks were forbidden to trade in their own name without the committee's approval. A similar brokerage rate was to be charged by all RSE brokers for their services. Any broker guilty of not abiding by the stipulated rates of brokerage was liable to a fine, suspension, or expulsion.

Quotation was granted to companies "of sufficient magnitude and importance" in the opinion of the committee. Applications for quotation were to be forwarded to the secretary along with a certified copy of the company's prospectus, giving details of the company and its share offer. Other documents such as the Trust Deed and Articles of Association were

also to be submitted on request. Once listed, companies were to keep the Exchange informed on any changes in their capital, liquidations, or issue of new shares. Transactions on the RSE were completed through a system of direct dealing as on the JSE where brokers dealt directly with each other without the use of a jobber. In the case of a small emerging exchange like the RSE, this system was more appropriate as having both brokers and jobbers would merely result in the duplication of duties. In addition, every bargain had to be fulfilled according to the rules and regulations of the Stock Exchange.

Trading of shares not quoted on its exchange was strictly prohibited. While the rules covered the normal trading practices sufficiently, they were silent on insider trading — the use of illicitly obtained information to determine which shares to buy. The rules did not lay down the information the listed companies had to make available to the public either. This was an impediment to the free access to information and, hence, negatively affected the Exchange's level of efficiency.

The RSE provided a market for different types of securities. These were local and central government stock, ordinary and preference shares in mining and industrial companies, debentures, rights issues, and loan stocks. The relationship between the RSE and the LSE and JSE was a close one. This was because the two foreign exchanges had been providing services to Southern Rhodesia since the colony's founding. Soon after its formation, the LSE and JSE accepted the RSE as an associate exchange. This reflected the close ties between the economies of Britain, Southern Rhodesia, and South Africa. It was also advantageous for the RSE to be closely tied to the LSE and JSE. This can be seen in the fact that the RSE adopted the JSE's rules and regulations. The influence of the foreign exchanges on the RSE will be examined in the next section.

Between 1946 and 1952, the rules and regulations governing the stock exchange did not undergo any radical changes. However, in 1947, the committee of the Exchange tried to have a Stock Exchange Bill promulgated by Parliament.⁵⁷ The Bill was meant to incorporate and regulate the management of the RSE and to provide for the registration of Stock Brokers and dealers in stocks and shares. This bill was not passed mainly because it was felt that it was premature to do so and that the Exchange should be allowed to grow before such a step could be taken. It was only in 1974 that the Stock Exchange Act was promulgated. There was, however, a change in the internal organisation of the RSE. In 1951, a second duplicate floor was opened in Salisbury.⁵⁸ Due to the expansion of the Exchange, it was felt that

57. NAZ, S10/51 Industrial Development Commission Correspondence, Stock Exchange Bill.

58. Bond, *Uneven Zimbabwe*: 228.

it would be advantageous to have another floor in Salisbury. Brokers met in Salisbury for a daily call over prices. The prices made were communicated to Bulawayo by telephone and merged with those made in Bulawayo for the daily official price list.

The Rhodesian Stock Exchange 1946-1952

In the first seven years of its existence, the RSE met with a number of problems. It also scored much success, much to the surprise of some contemporary analysts. This section analyses the operations of the local bourse between 1946 and 1952. It traces the growth of the Exchange in that period and examines its functions and impact on the Southern Rhodesian economy. Finally, it analyses what the establishment of the Exchange meant for the colony's financial system.

The Growth of the RSE

On its first day of trading, the 2nd of January 1946, 13 share counters were traded. With the exception of one or two, the rest of the share counters were either listed on the LSE or JSE. Publishing transactions in unlisted shares was motivated by the view that "Unless some report of the proceedings was available, the Exchange was in danger of losing that publicity which it had already received".⁵⁹ That, on the official opening, only two local companies, Cam and Motor and Mashaba Rhodesia Asbestos, had listed on the RSE attests to the fact that there was a poor response from the business community of Southern Rhodesia despite their promise of support. This reluctance to list on the RSE on the part of Rhodesian companies was due to uncertainty as to the advantages of listing on the RSE.

In a letter to the IDC, the RSE secretary stated that, "The committee of this exchange are somewhat disappointed at the amount of applications received to date."⁶⁰ In his reply, the IDC chairman, G. Musgrave outlined a number of reasons why there was a poor response from the general public, businesses, and public authorities. He noted that the public was "not yet convinced that there [was] any real advantage in dealing through the Bulawayo exchange." In fact, "members of the public [felt] that there [was] a danger of their having to pay double commission, i.e. Bulawayo and J'burg." Musgrave also pointed out that,

There is a general feeling that while Rhodesians should naturally support the local Exchange, it is of dubious advantage to do so, in which

59. NAZ, S10/51, Industrial Development Commission Correspondence, letter from RSE to the IDC, 3 January 1946.

60. *Ibid.*, Letter from RSE to the IDC, 1 February 1946.

circumstances the payment of 57 guineas to obtain a quotation appears to some people to be rather high.⁶¹

With respect to public authorities, Musgrave noted that, these bodies were conservative by nature and would take a while to be convinced of the Exchange's advantages. Clearly, in the early days, the running of the RSE was an uphill task.

In the course of the year, the Exchange showed signs of improvement.⁶² By December, eight Rhodesian companies had received an official quotation on the RSE. These were Connocks Motors, Dandazi, Marshall Industrials, Matabeleland Tattersalls Club, Porterfield Estates, Rhodesia Weaving Mills, and Sun Yet Sen mine. The Southern Rhodesian government issued eight stocks consisting mainly of war loans. The Gwelo and Bulawayo municipalities had one and four loan stocks in issue, respectively. There was very little trading in the shares of companies due to the uncertainty that stocks in a small market such as the RSE would rise significantly to overtake the high inflation of the period. Government stocks however, attracted more shares because the return on such investments was assured. Thus, the whole period 1946-1952 was characterised by more active trading in government stocks as compared to company stocks. Table 1 below shows the listings and de-listings that took place on the Exchange during the period under study.

As shown in Table 1, a total of 48 mining and industrial and retail companies were listed on the RSE. Sixteen of these were light industrial companies mostly producing consumer items such as sugar, alcoholic beverages, textiles, and canned foods. This was a reflection of the fact that, during the period, much of the industrial output consisted of light industrial consumer items. Retail companies such as Greatermans, Haddon & Sly and Hodgson and Myburg also listed. These companies sought capital to expand their operations so as to take full advantage of the general prosperity in the country. Ten of the listed companies were in the heavy industry sector. Most were linked to the construction industry. This was because of the wartime construction material shortage which needed to be satisfied. Hence, construction industry related companies like Porter Cement, Quality Brick, and Rhodesia Engineering and Steel Construction Co. sought to expand their operations. During the period a few companies also de-listed from the Exchange. This was partly due to internal problems.

Evidently, between 1946 and 1952, the RSE had achieved considerable growth. By 1952, the Exchange could be said to have three markets, one for

61. *Ibid.*, Letter the IDC to the RSE, 4 February 1946.

62. *The Rhodesian Herald*, 24 December 1946 (All information on the growth of the RSE is taken from the *Rhodesian Herald* unless otherwise specified).

Table 1: Listings and de-listings on the RSE between 1946 and 1952

YEAR	TYPES OF SECURITIES LISTED						Delistings
	Government	Municipality	Light Ind.	Heavy Ind.	Mining	Other	
1946	7 war loans 1 victory loan	7 Byo loans, 1 Gwelo loan	Matabele- land Tattersalls, Rho. Wvng. Mills.	Connocks, Dandazi, Marshall Inds. Porterfield Estates	Mashaba Asbestos, Sun Yet Sen		Sun Yet Sen
1947		1 Byo loan	Rho. Sugar Refinery, Gatooma Textiles, Nyasaland Hotels, Rho. Brewery	Rho. Cement, Porter Cemnt Rho. Dev. Corp.	Motapa Gold	2 Rho. Sugar Refinery debentures, Rho. Tobacco Warehouse pref's	Dandazi
1948	2 victory loans		Joelson Bros, Spa Foods Greaternans Byo. Omni bus, Rho. Printing, Alf Stores, Premier Wood	Quality Bricks, PP Cement, Rho. Brick & Potteries Rho. Eng. & Steel	Rho. Corp		Leonara
1949	1 Dev. Loan 1 bond issue, 1 loan						Quality Bricks
1950		4 Salisbury loans	Inyanga Hotels, Haddon & Myburg, Kingstons		Goldfields of Rho., Falcon Mines.		
1951		1 Salisbury loan	Aln Distillers, Johnson & Fletcher, Art Printing Works	Rho. Plough & Machinery	Nchanga Copper, Rho. Broken Hill, Rhokana Corp., Sherwood Starr, Cam & Motor, Anglo-America	Rights issues by Haddon & Sly, Hodgsons & Myburg.	
1952	1 local registered loan		Rho. Pulp & Paper, Neon Fluorescent		Magundi Chrome Divide, Chrome	Rho. Dev Corp debenture	Rho. Sugar Refineries

Source: *Butawayo Chronicle*, 1946-52.

industrial, one for mining, and another for local and central government stock. In addition, a number of preference shares, debentures, and loan stocks had been registered. However, with 45 industrial and mining ordinaries, 13 preference shares and a handful of local and central government stock, the RSE could hardly be compared with the LSE and JSE, which had over 1000 and 400 listed stocks and shares, respectively. In addition, the local bourse remained narrow in the sense that it had a small number of shares listed and undeveloped in that it was still limited in the services it offered. These points notwithstanding, considering the small size of the Southern Rhodesian economy, the RSE's growth was commendable. A number of factors influenced the growth of the Exchange. These were the generally prosperous economic environment, the attitude of the public and the business sector, the operations of the JSE and LSE, as well as high inflation and taxation.

The economic environment that prevailed during the post-war era was one of rapid economic expansion. According to Phimister, the colony's economy grew at an annual rate of around 24.4% between 1944 and 1948.⁶³ This growth was largely due to expansion in manufacturing, base mineral mining and tobacco production. During this period, companies about to start, and those already established needed capital to finance their operations or expansion. The Stock Exchange provided capital for such companies. The majority of the listed shares on the RSE were industrial, for example, Marshall Industrials, Premier Woodworks, Rhodesia Bricks and Potteries, Gatooma Textiles and Rhodesia Cement. This was a reflection of the rapid expansion of this sector in the economy. As pointed out earlier the construction industry also expanded rapidly after 1945 in a bid to satisfy the pent up demand generated during the war, hence the significant number of construction industry related companies on the Exchange.

In the tobacco industry, the RSE had only one quoted company, the Rhodesia Tobacco Warehouse, and Export Company. This absence of tobacco industry's representation can be partly explained by the fact that the Land and Agricultural Bank, other commercial banks, and the government were the main players in financing the industry. This was because the industry needed mostly seasonal loans whereas the RSE did not provide this type of capital. The base mineral industry was represented by Divide Chrome Mine, Mashaba Asbestos, and Magundi Chrome. The relatively large number of gold mining companies was, ironically, due to the problems facing the industry rather than increased prosperity and expansion. The 1945 Mining Industry Commission had noted that "one of the difficulties of small and

63. A. S. Mlambo, E. S. Pangeti, J. Phimister 2000 *Zimbabwe: A History of Manufacturing 1890-1995*, Harare: University of Zimbabwe Publications: 33.

medium entrepreneurs in mining is that they cannot raise capital."⁶⁴ The formation of the RSE improved this position and mining companies, even large ones, sought capital on the RSE to place their operations on a sounder footing. Matapa Gold Mining Co. for example raised £800 000, while Cam and Motor Gold Mining Co. raised £468 750 on the RSE.⁶⁵

The economic expansion of the period also led local and central government to issue loan stocks. The expansion of factories and the attendant rural to urban African migration created a need to expand economic and social infrastructure in urban areas.⁶⁶ New roads were needed, new industrial sites needed servicing, public amenities had to be provided and the African housing shortage was critical. The revenue base of both central and local government was too small to finance these projects. These public bodies thus sought to borrow money through the RSE where large amounts of money could be raised in a short time. This rationale behind government borrowing through the Exchange is clear in the advert for the 1948 3% 1968/78 Development loan, which read: "Help to develop Southern Rhodesia... Money is wanted for capital expenditure on national development projects such as housing, public buildings, roads and water conservation".⁶⁷ Clearly, the post-war economic boom in Southern Rhodesia was to the advantage of the RSE and aided its growth to a large extent. Unlike the speculation of the 1890s, the post-war economic growth was based on the expansion in the economy's productive capacity. Thus, the RSE rested on a firmer economic base.

The growth of the Exchange was, however, hindered by some factors. One of these was the attitude of the Southern Rhodesians to the RSE. As already noted, both the public and the business sector viewed the local bourse with scepticism. While this gradually changed and some LSE listed companies sought and gained listing on the RSE, a stock market commentator stated that,

It is understood that, within the next few months, a further well-known Rhodesian company will allow their shares to be quoted on the local Stock Exchange. It is to be hoped that all our best concerns will follow this lead and apply for local quotations.⁶⁸

What can be deduced from this statement is that, five years after the establishment of the RSE, some of the colony's best business enterprises

64. *Report of the Commission of Enquiry into the Mining Industry of Southern Rhodesia*, 1945: para 234.

65. *Handbook of Stocks and Shares as quoted on the RSE 1953*, Salisbury: 20.

66. Arrighi "The political economy of Rhodesia": 351.

67. *The Bulawayo Chronicle*, 10 December 1948.

68. *Commerce of Rhodesia*, Vol. 1 No. 8, July 1950: 17.

were still reluctant to list on the Exchange. Some of these enterprises were listed on foreign markets, while others were not. This reluctance is partly explained by the availability of other sources of capital.

It is important to note that the RSE was operating in an environment in which there were many other players who provided loan capital to Rhodesian firms. In some cases, these institutions offered more attractive loans. The Rhodesia Economic Survey, conducted by the Treasury in 1951 for the period between 1946 and 1951, observed that:

The long term financing of new secondary and basic industries has been done from tobacco sales, and from external services. Accurate figures are not available but it is considered that the major portion emanates from external sources. The main internal sources of supply are the government, the Land and Agricultural Bank of Southern Rhodesia, building societies, insurance companies, and finance houses.⁶⁹

It was these alternative sources of capital, which lowered the number of RSE listings. Where foreign capital was concerned, "In the 5 years from 1946 to 1950, 62.4% of all funds for investment were supplied from abroad".⁷⁰

Another factor retarding the growth of the RSE was its inexperience as compared to the LSE and JSE. These bourses had, since 1903, catered for the capital needs, particularly of the larger companies in the colony, which could meet their listing requirements. It was unlikely that these large companies would list on the RSE until they were convinced of its advantages over the JSE. Cam and Motor, one of the largest gold mining companies in the colony, was only listed in 1951 after its shareholders were convinced that it was in the best interests of the company.⁷¹ Cam and Motor was one of the few companies which took this path. Even the Southern Rhodesian government continued to use the LSE to raise funds after 1946. According to Newlyn and Rowan, the government raised about £43 439 000 on the LSE between 1945 and 1951 as compared to £17 152 000 raised locally.⁷² The Salisbury municipality only began issuing its stock on the RSE in 1949, before which it had relied on the JSE.

The growth of the RSE was also affected by the post-war inflation in Southern Rhodesia, which was exacerbated by the devaluation of the pound-sterling. This, combined with the high taxation in the colony, resulted in reduced disposable income. One commentator stated succinctly,

Unlike South Africa, the cost of living index appears still on the upgrade in this country, and it seems that with present crippling direct and indirect

69. *Rhodesian Economic Survey* April 1946 to March 1951, The Treasury, Salisbury: 12.

70. *Southern Rhodesian Central Statistical Office*: 628.

71. *Handbook of Stocks and Shares as quoted on the RSE*: 11.

72. Newlyn and Rowan, *Money and Banking*: 148.

taxation, resources for market investment, and in fact, for any investment are reaching a low ebb.⁷³

The inflation of the period is clearly shown by the figures below.

Table 2: Consumer Price Index Numbers

Year	All items	Foodstuffs	Clothing and footwear	Household stores
August 1939	100	100	100	100
June 1947	133	140	177	184
" 1948	145	165	193	205
" 1949	153	171	211	204
" 1950	164	199	222	218
" 1951	175	219	249	237

Source: *Commerce of Rhodesia*, Vol. 3, No. 5 May 1952.

Evidently, the colony was in the grip of chronic inflation, and this impacted negatively on the citizens' ability to invest. Inflation, however, had an opposite effect on financial institutions such as insurance companies. In their search for a hedge against inflation, some companies invested in stocks and shares on the RSE.⁷⁴

Functions of the RSE

The functions of the RSE in the Southern Rhodesian economy have so far been merely implied. It is, however, important to examine the Exchange's functions in greater detail. One function of the Exchange was to provide a market for government securities. According to the *Rhodesian Economic Survey* of 1946-51,

in 1946, the market for Government stock was practically negligible. Since then, particularly during the last two years, the position has radically changed and there is now a healthy market in government local registered stock.⁷⁵

This development was, to a large extent, the result of the RSE's establishment.

The Exchange also played the important role of providing the "link between commerce and industry and the capital market". Between 1946

73. *Commerce of Rhodesia*, Vol. 3, March 1952: 55.

74. *Ibid.*

75. *Rhodesian Economic Survey*: 13.

and 1952, the RSE raised money for over 40 companies in the colony by facilitating the issue of various securities. Greatermans, for example, raised £442 500 in 1948 through the issue of ordinary and preference shares on the RSE.⁷⁶ In 1951, Greatermans issued more ordinary and preference shares, thus raising its issued capital from £442 500 to £500 000. Gatooma Textiles raised £100 000, Connocks Motor Holdings £550 000, and Falcon mines £453 902. The Exchange's function in raising capital for companies as well as public bodies raises questions as to the RSE's influence on economic development in the colony.

The principal role of the RSE in the economy's expansion was that of mobilising the colony's savings for investment by the active agents in capital development, namely, public authorities and business. The central government raised a number of loans in order to develop the country's public infrastructure. Between 1950 and 1953, the government was involved in a four-year programme of capital development.⁷⁷ The plan involved spending more than £48 000 000 over the four years on roads, bridges, dams, houses and other public amenities.

The RSE's contribution to the expansion of the business sector is best seen in light of the amount of money it raised. The amount of capital raised through the issue of company securities between 1946 and 1952 exceeded £36 million.⁷⁸ The lowest amount was raised by Matabeleland Tattersalls Club which raised £2 353 through the issue of ordinary shares. The largest amount was raised by Rhodesian Anglo-American limited, which raised £9 956 609 through the issue of ordinary shares in 1951. The money was used either to improve or expand the operations of the companies. An example was African stores, an agricultural produce retailer. It issued ordinary shares to the tune of £237 425 which was used to expand the company's operations. In 1951 the chairman of the company's board of directors attested to the firm's expansion saying that, "the company started in 1948, with 12 stores and a modest working capital of £58 000. Starting with that small beginning we now operate some 36 stores in different parts of Mashonaland."⁷⁹ Cam and Motor Gold Mining Company used part of its issued capital to buy Pickstone Mine. It was felt that the Company would enjoy economies of scale by expanding its operations.

76. *Handbook of Stocks and Shares as quoted on the RSE*: 17.

77. *Commerce of Rhodesia* Vol. 1, No. 4, March 1950: 29.

78. *Handbook of Stocks and Shares as quoted on the RSE for 1952*.

79. *Ibid.*

The role of the RSE in the economic expansion of the colony, however, should not be over-emphasised. In 1952, the Exchange was still in its "embryonic stages" and thus could only play a limited role. As stated earlier, there were other financial institutions and other sources of capital, both local and external, which played a large part in providing investment capital for local companies. In relation to these other sources of capital, the RSE was overshadowed. Also of importance is the fact that a Stock Exchange's role in economic development is necessarily limited. The Exchange can only raise and distribute capital. Those managing the public body or company largely influence what happens after that. As such, the RSE could not translate capital into concrete development on the ground. Money raised was not always used in ways that increased production. Some money was used in the retirement of debt, the strengthening of capital reserves, the purchase of premises, and in financing recurrent expenditure such as salaries. It is thus important not to overstate the RSE's contribution to the economic development of Southern Rhodesia.

The RSE also provided an avenue for the investment of surplus funds by both individuals and companies. Financial institutions in the colony, such as banks, building societies, and insurance companies normally had locally quoted securities as part of their investment portfolio. Barclays and Standard Bank invested between 9% and 13, 6% of their total assets, about £3 million in locally listed government and municipal stock between 1946 and 1950.⁸⁰ In 1953 local life insurance companies held about £6 million of their assets in central and local government securities. Individuals also invested on the Exchange, notwithstanding the problems mentioned earlier. Though it is difficult to quantify the amount of individual investment, there is no doubt that many white citizens invested on the RSE. By 1946, a wealthy local white class had emerged, involved in activities varying from mining to agriculture and from commerce to manufacturing.

The extent of African participation on the RSE is not easy to determine. However, a number of observations can be made. To invest on the Stock Exchange, one had to have surplus income. The Howman Report clearly showed how underpaid the African workers were and, thus, they had very little, if any, surplus income.⁸¹ This alone hindered African investment on the RSE. Lack of information was another problem. Africans, like many white citizens, needed to be educated on the Stock Exchange if they were to actively participate in it. No evidence is available to show that any attempt to educate Africans was ever made, suggesting that Africans remained

80. *Southern Rhodesia Central Statistical Office*: 638.

81. *Commission of Enquiry to Investigate the Economic, Social and Health Conditions of Africans Employed in Urban Areas 1944*. Salisbury: 20.

ignorant. The racially discriminatory nature of Southern Rhodesia also militated against the likelihood of Africans entering European stockbrokers' offices in the middle of Salisbury or Bulawayo and placing orders for shares. Thus, direct African investment on the RSE was next to impossible and African participation was limited to menial labour in the Exchange offices.

However, it is likely that African savings were invested on the RSE through the Post Office Savings Bank (POSB).⁸² The POSB had a wide network of branches and was prepared to deal in very small sums of money. As a result, it had a sizeable number of Africans amongst its clientele. The investment portfolio of the POSB was predominantly locally registered securities. Newlyn and Rowan observed that the POSB's "financial statements show that the entire investment portfolio now consists of Southern Rhodesian securities and that the great majority of these are local registered stock".⁸³ In this way, African savings were invested on the RSE. However, Africans did not enjoy the resultant benefits.

The RSE and the Rhodesian Financial System

The establishment of the RSE had a number of effects on the financial system of the colony. The RSE led to greater economic sophistication in the colony. Before 1946, the Rhodesian economy had achieved a certain degree of economic sophistication. It had specialised financial institutions, such as insurance companies, building societies, commercial banks, the Land Agricultural Bank, and the POSB, as well as large investment trusts such as the BSAC and Tanganyika Concessions Limited, all of which influenced the supply and distribution of capital.⁸⁴ The RSE's role was complementary to these institutions and, there were many links between the RSE and financial intermediaries, such as banks. In some cases, the RSE's role was competitive, as some of the institutions were also capital mobilisers. The RSE also provided a convenient channel for foreign investment into local concerns.

According to Newlyn and Rowan, an organised and specialised market such as a Stock Exchange cannot be set up in a financially dependent country. They have supported their argument by analysing eight British African colonies, all of which have confirmed their thesis, with the exception of Southern Rhodesia. The Southern Rhodesia anomaly raises the question as to whether the establishment of the RSE meant the lessening of its dependency. An analysis of the evidence suggests otherwise. First, most of the companies listed on the RSE were foreign, particularly British controlled.

82. Newlyn and Rowan, *Money and Banking*: 140.

83. *Ibid.*

84. *Ibid.*

Second, the larger fraction of the risk capital invested on the RSE was foreign, carrying through expatriate firms, expatriate investment trusts, and local firms financed by external funds.

The fact that foreign companies came and listed on the Exchange meant that locally generated savings were used to invest in expatriate firms and no new capital was brought into the country. This was clearly the case with respect to Nchanga Copper Mines of Northern Rhodesia and Nyasaland Hotels. Large multi-national corporations such as Anglo-America also listed on the local Exchange and, instead of bringing in new capital to the country, utilised savings generated within the country. The profits generated by these savings were then siphoned out of the country. The large amounts of foreign risk capital invested on the RSE meant that capital gains accrued to foreign beneficiaries. Thus, the RSE's establishment did not mean the lessening of Southern Rhodesia financial dependence. If anything, it placed the colony firmly in the financial orbit of London.

Conclusion

The years between 1946 and 1952 were, on the whole, formative years for the Rhodesian Stock Exchange. From its humble beginnings in 1946, the RSE developed into a promising exchange. By 1952, the Exchange became an important institution in Southern Rhodesia's financial system. From the fore-going study, a number of theoretical and historical points can be deduced.

It is clear from the Southern Rhodesian experience that, for a Stock Exchange to be successfully established, it has to be in harmony with the economy's stage of development. The RSE was set up at a time when the Southern Rhodesian economy was experiencing an economic boom and the RSE played its role, albeit a small one, in promoting the boom. There is also need for a consensus among all the interested parties to ensure support from all sectors. In the early years, firm administration of the Exchange is of utmost importance to ensure that the public is not swindled and public confidence remains high. The Exchange also plays an important role in the economic development of a country. This role is essentially limited to mobilising capital for investment in the economy and providing an avenue for investment for those with surplus capital.

The role of the Exchange in economic development is limited in the sense that the actual development on the ground is not in the hands of the Stock Exchange. It is dependent on the prudent use of funds by the active agents in capital development. The presence of a Stock Exchange also attracts foreign investment, which the Exchange channels to the appropriate areas. However, without the necessary controls, the influx of foreign capital may lead to a foreign dominated exchange. In this case, the price movements on the Exchange will be subordinated to the whims of foreign capital.

On a historical note, the re-establishment of a Stock Exchange in Southern Rhodesia was largely successful. Within the seven years, the RSE had 45 industrial and mining stocks, 12 preference shares, 1 debenture, and 1 loan stock. It also had 15 government and 9 municipal stocks in issue. This was a notable achievement. However, the RSE still had a long way to go in becoming a fully developed Stock Exchange. As Newlyn and Rowan pointed out, the RSE was still a narrow and undeveloped capital market in 1952. The functions of the local bourse were also limited. The Southern Rhodesia Treasury rightly stated that, "As the country develops the functions of the Exchange must necessarily broaden."⁸⁵

The main problem of the Exchange was foreign domination, both in terms of the listed companies and the money invested on it. In the view of contemporary Rhodesian analysts, this was not a problem. However, to the extent that this characteristic has been partially maintained to date, this can be considered a problem. The Rhodesian Stock Exchange has stood the test of time unlike its predecessors. Throughout the period of Federation, UDI, Socialism, and the 1990s, the Exchange experienced both expansion and contraction in response to the political and economic conditions prevailing at any given time. While many improvements have been made over the years, there is still room for improvement in areas such as guarding against insider trading and bringing the Exchange up to date where technology is concerned. In conclusion, the RSE brought with it certain advantages as well as disadvantages. However, it was an important cog in the colony's financial machinery.

85. *Rhodesian Economic Survey*: 13.