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Ungentlemanly Capitalism: John Hay and Malaya, 1904-1964

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Keywords:	gentlemanly capitalism, Malaya, Empire, rubber, decolonization, free-standing companies
Abstract:	<p>John Hay was one of Britain's leading colonial capitalists, building his career from the 1900s to the 1960s in Malaya's plantation industry. He became the leading spokesperson for the British rubber growers, and played a major role in the formulation of international restriction schemes during the 1930s. Hay was a remarkable entrepreneurial talent, consolidating his corporate power through the premiere Malayan agency house, Guthrie & Co. This in itself challenges the notion that Britain's myriad of 'free-standing' companies, which were typical of direct investment in the Empire, represented a relatively weak and unsustainable form of multinational enterprise. But Hay's dominance of the Malayan plantation sector also questions the notion of 'gentlemanly capitalism' as the driving force behind the expansion and sustenance of the British imperial system. Hay's network of colonial corporate influence did not extend into the corridors of 'gentlemanly capitalist' power in Whitehall and the City, where he often had frosty relations. Ultimately, it was the financial sector in London that brought about Hay's forced resignation from Guthrie in 1963. Examining questions of class, ethnicity, personality, ideology and strategy, the article focuses on why Hay did not develop better relations with commercial, financial and official elites, issues that would also engender tensions with the post-colonial political and business leadership of Malaya/Malaysia.</p>

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Manuscripts

'Ungentlemanly capitalism': John Hay and Malaya, 1904-1964¹

In putting the metropole back at the heart of analyses of the expansion, maintenance and contraction of the British Empire, Cain and Hopkins identified 'gentlemanly capitalism' as the essential engine. 'Gentlemanly capitalists' inhabited an overlapping milieu of elite military, political, bureaucratic and financial-cum-commercial circles. In a non-Marxist analysis of wealth creation and political influence, Cain & Hopkins stressed culture and connections rather than accumulation alone as the source of power. Consequently, low-born and geographically-distanced manufacturers were at a distinct disadvantage because they lacked social capital. Business success in Empire was culturally constructed. Influence, according to Cain & Hopkins, derived from making the right kind of money - in finance and services, not secondary production. The closer that business activity aped an aristocratic life-style the better - hence, the attraction of agricultural plantations overseas, which were revealingly called 'estates'. The 'gentlemanly capitalism' paradigm was a shrewd means of making economic history relevant in the age of the viciously anti-materialist 'linguistic turn'. Cain & Hopkins also offered a timely, *de rigueur* explanation of the late-twentieth century eclipse of northern UK industry by the outward-facing British financial and services sector headquartered in the 'Square Mile' of the City of London.²

However, the rise of John George Hay, a leading colonial capitalist, sits incongruously in the 'gentlemanly capitalist' frame. Born in 1883, Hay became Britain's leading rubber baron from the early-1930s to the early-1960s. His plantation interests were concentrated in Malaya (today's West or peninsular Malaysia), a territory fast-becoming an Empire gem by the end of the First World War, given a massive US dollar surplus from the export of highly-prized strategic raw materials. The Malay Peninsula received levels of UK investment far above any other British tropical territory. In the post-1945 era, British Southeast Asia became more important to Britain in financial terms than even India: according to Foreign Office estimates, the annual return on investments from Malaya and Borneo for 1951-4 was over £11.2 million compared to £8.8 million from the newly-independent Commonwealth country. India's surplus with the dollar area in 1954 was £6million compared to the Malayan area's £37 million.³ Yet, John Hay, the new jewel in the

¹ I am indebted to John Gullick and Mark Gent (both now sadly deceased), in the research and writing of this paper. It has also benefitted immensely from the comments of two anonymous reviewers. All errors of fact or interpretation remain the author's.

² P. J. Cain and A. G. Hopkins, *British Imperialism, 1688-2000*, 2nd edition, Harlow: Longman, 2001.

³ J. H. Drabble, *Malayan Rubber: the Interwar Years*, Houndmills: Macmillan, 1991, 144, 157, 167, 169, 181; R. B. Smith, 'Some Contrasts between Burma and Malaya in British Policy in South-East Asia, 1942-1946' in R. B. Smith and A. J. Stockwell (eds), *British Policy and the Transfer of Power in Asia: Documentary Perspectives*, London: School of Oriental and African Studies, 1988, 32, 47-8, 69; The National Archives of the United Kingdom (hereafter TNA), FO 371/123251, 'UK Economic Interests in the Far East, South East Asia and South Asia, 1955, Revised', note by Foreign Office Research

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3 crown's leading entrepreneur, was far from being a 'gentlemanly capitalist'.
4 Self-educated and from impecunious Scottish origins, Hay worked his way up
5 from the Accounts Department of Guthrie & Co. to become managing director
6 of the premiere Malayan agency house in 1930. Three years' earlier, Hay
7 estimated that the capital administered and controlled by Guthrie enjoyed a
8 market value of about £16 million, and Guthrie's associated companies as a
9 group constituted the second largest producer of rubber in the world.⁴
10 Although knighted in 1939 (and a director of the Mercantile Bank of India
11 after 1941), Hay achieved remarkable business success without close links to
12 the City or cosy relations with the state. Sir John frequently clashed with the
13 imperial and colonial authorities on the future of the rubber industry, and on
14 economic policy for Malaya generally. At the same time, Hay's lack of
15 integration into charmed City circles proved his downfall, culminating in his
16 deposition from Guthrie in December 1963. He died five months later.
17
18

19 In terms of organisational forms, Hay's career points to a consolidation of
20 corporate power through a colonial agency house (alternatively known as a
21 merchant firm or a trading company), independent of both City of London
22 and imperial government mediation. The analysis presented here permits
23 further modification of the 'free-standing company' model developed by
24 Wilkins.⁵ This 'typical mode of British direct investment abroad', which
25 'spread in the High Age of Imperialism, when the "Sun Never Set on the
26 British Empire"', involved minimalist head office structures in London
27 supervising substantial assets overseas.⁶ It was a system of surplus capital
28 capture and deployment which was prevalent in the development of Malayan
29 plantation companies from the 1900s.⁷ But, as Wilkins herself acknowledged,
30 this mass of apparently autonomous and relatively small joint-stock, limited-
31 liability companies was in reality clustered together through inter-locking
32 directorships and cross-shareholdings, as well as management and supply
33 contracts, controlled by the agency houses. As such, 'the rubber-plantation
34 companies... might not be considered free-standing at all'.⁸
35
36

37 '[O]verlapping circles of individuals and enterprises' were clearly
38 characteristic of the Guthrie Group under Hay's direction.⁹ Like its arch rival
39 in the Malayan plantations, Harrisons & Crosfield (H&C), the Guthrie
40 'business group' constituted 'a "network" form of international business
41
42

43 Department, 23 November 1956, tables D and E. These figures do not include returns
44 from the oil companies which could not be territorially divided.

45 ⁴ Guthrie Archive, School of Oriental and African Studies, London (hereafter GA),
46 G/MIS/9, Hay to Lady Anderson, 27 April 1927.

47 ⁵ Mira Wilkins, 'The free standing-company, 1870-1914: an important type of British
48 foreign direct investment', *Economic History Review*, 41, 2 (1988): 259-282; idem., 'The
49 Free-Standing Company Revisited', in Mira Wilkins and Harm Schröter (eds), *The Free-
50 Standing Company in the World Economy, 1830-1996*, Oxford: Oxford University Press,
51 1998, 3-64.

52 ⁶ Wilkins, 'Free-standing company, 1870-1914', 261; Wilkins, 'Revisited', 11.

53 ⁷ Wilkins, 'Free-standing company, 1870-1914', 264; Wilkins, 'Revisited', 20-1.

54 ⁸ Wilkins, 'Free-standing company, 1870-1914', 265, 268-9; Wilkins, 'Revisited', 6, 14, 56
55 n. 87.

56 ⁹ Wilkins, 'Free-standing company, 1870-1914', 265
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2
3 organisation'. Guthrie, in line with H&C, 'was the core company joined
4 through a variety of financial, trading and contractual relationships with a
5 much wider network of firms'.¹⁰ Moreover, the longevity and continued
6 entrepreneurial dynamism of this network structure, well into the post-1945
7 era, suggests that this was not an inferior form of multinational business
8 management as compared with the supposedly better-integrated and better-
9 managed American model (as Wilkins suggests).¹¹ Nevertheless, Hay's
10 network was not 'gentlemanly capitalist' in nature because it did not develop
11 robust relationships with Whitehall or the City. In the case of the leading
12 financial institutions of London, Hay's personal dominance of the Guthrie
13 Group came to be seen as an impediment to efficient management by the
14 1960s.
15

16
17 To plug the gaps in the Guthrie archive held at the School of Oriental and
18 African Studies in London, particularly with regard to correspondence outside
19 the 1920s and 1930s, a variety of official and business records, as well as
20 references to Hay in the existing secondary literature, are drawn upon in this
21 article. This material was cross-checked and triangulated with some insightful
22 personal reminiscences shared with the author. The correspondents, who had
23 worked closely with Sir John, were asked to focus specifically on the key
24 theme of this paper: why was Hay was incapable of developing better relations
25 with commercial, financial and official elites? Although this 'failing' can be put
26 down to ethnic and class prejudice, we also need to examine Hay's complex
27 personality. At the same time, however, we need to investigate more than
28 issues of character, and the analysis presented here is set within the wider
29 context of the business-government relations of late-colonialism. Hay's frosty
30 relations with the state underline the ideological gulf which was opening up
31 between imperial business and imperial governance by the late-colonial era.
32 Even under the rubber restriction schemes of the 1930s, Hay furiously
33 disagreed with senior Colonial Office (CO) mandarins. After the Second World
34 War, discourses on reconstruction, and the general issue of state intervention
35 in Malayan economic development, exacerbated these differences. Moreover,
36 Sir John's stubborn commitment to the 'open' economy would also engender
37 tensions with the Federation's post-colonial political and business leadership.
38
39

40 41 **'It's a hard life if you don't weaken'¹²: Hay's Curriculum Vitae**

42
43 John Hay has been described as one of the 'most able British entrepreneurs of
44 the period'.¹³ Hay had arrived on the international rubber scene by 1922 when
45
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48

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50 ¹⁰ Geoffrey Jones and Judith Wale, 'Diversification strategies of British trading
51 companies: Harrisons & Crosfield, c. 1900-c. 1980', *Business History*, 14, 2 (April 1999):
52 69-101, citation at 74.

53 ¹¹ Geoffrey Jones and Judith Wale, 'Merchants as Business Groups: British Trading
54 Companies in Asia before 1945', *Business History Review*, 72 (Autumn 1998): 367-408;
55 Wilkins, 'Free-standing company, 1870-1914', 264, 269; Wilkins, 'Revisited', 21.

56 ¹² A favourite phrase of my Aberdonian grandmother-in-law, Betty Barwise (1916-
57 2015), and this article is dedicated to her memory.

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2
3 he began regularly attending the council meetings of the London-based
4 Rubber Growers' Association (RGA), the leading lobby for the European-
5 owned estate side of the industry.¹⁴ In 1929, Hay became the RGA's vice-
6 chairman. Following a visit to the USA in that year, he reported to the RGA
7 Council that 'it would be wise for producing interests to keep in close touch
8 with America, the largest consumer of rubber.'¹⁵
9

10
11 Indeed, Hay was distinctive 'as the first industry leader to view rubber
12 production as a global rather than as a local issue'.¹⁶ He was too junior to be
13 involved in the making of the Stevenson restriction scheme of 1922 but
14 emerged as a vociferous critic of its shortcomings (its British colonial
15 unilateralism and the non-participation of the Netherlands East Indies [NEI]
16 primarily). He agitated for the scheme's abolition (achieved finally in 1928),
17 convincing the CO and Board of Trade officials of the futility of a system of
18 restriction which was not universal.¹⁷ As Wall Street crashed, Hay came up
19 with a cooperative selling scheme, with the aim of fusing 'all the [rubber
20 growing] groups into one selling unit'.¹⁸ By 1930, the idea of a joint marketing
21 organisation was superseded by a focus upon an international restriction
22 scheme. As RGA chairman, 1930-1, Hay was centre stage in the lobbying of
23 imperial and colonial governments and in intra-industry negotiations.¹⁹
24
25

26 Hay continued to play a key role in the formulation of the International
27 Rubber Restriction Agreement (IRRA) of May 1934. He held out for a
28 comprehensive agreement, encompassing the NEI and other major producer
29 territories, thus avoiding the inadequacies of the 1920s restriction debacle.²⁰
30 Hay was feted in 1934 by the Secretary of State for the Colonies, Sir Philip
31 Cunliffe-Lister, as both 'architect and builder' compared to the minister's role
32 as mere 'builder's labourer'.²¹ Hay had 'converted an atmosphere heavily
33
34
35

36 ¹³ Lionel Carter, *Chronicles of British Business in Asia, 1850-1960: a bibliography of*
37 *printed company histories with short accounts of the concerns*, New Delhi: Manohar, 2002,
38 13.

39 ¹⁴ London Metropolitan Archives, Rubber Growers' Association Council Minutes
40 (hereafter RGACM), 24863/10-11, 3 April and 1 May 1922.

41 ¹⁵ RGACM, 24863/26, 3 June 1929, 4.

42 ¹⁶ John Orbell, 'Hay, Sir John George (1883-1964)', *Oxford Dictionary of National*
43 *Biography*, Oxford University Press, 2004;
44 <http://www.oxforddnb.com/view/article/52620> [accessed 24 June 2014].

45 ¹⁷ Sjovald Cunyngham-Brown, *The Traders: a Story of Britain's South-East Asian*
46 *Commercial Adventure*, London: Newman Neame, 1971, 242-3, 253; D. J. M. Tate, *The*
47 *RGA History of the Plantation Industry in the Malay Peninsula*, Kuala Lumpur: Oxford
48 University Press, 1996, 349 n. 3, 360.

49 ¹⁸ RGACM, 24863/27, 18 Nov 1929.

50 ¹⁹ RGACM, 24863/29, 28 July 1930, 6 Oct 1930 (including copy of cablegram to the
51 Chairman of the Rubber Industry Committee, Ceylon, Sept 1930), and copy of letter to
52 Professor M. W. F. Treub, Ondernemersraad voor Nederlandsch-Indië, The Hague, 26
53 Sept 1930.

54 ²⁰ RGACM, 24863/38, 21 Sept 1933; Tate, *RGA*, 381-3, Drabble, *Malayan Rubber*, 145,
55 181.

56 ²¹ Cunyngham-Brown, *Traders*, 259-60.
57

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3 charged with anti-restriction sentiment into one where it found favour'.²² He
4 went on to become the most effective member of the International Rubber
5 Regulation Committee (IRRC), which executed the agreement's production
6 controls.²³ In insisting on Hay's presence on the IRRC, senior CO civil servant,
7 Sir John Campbell, described Hay as 'head and shoulders above any other
8 member of the [RGA] in ability and breadth of view'.²⁴ Hay subsequently
9 negotiated the deal of 1937 which kept Thailand within the agreement.²⁵ He
10 was knighted in 1939 for these services. During 1940 and 1941, Hay worked on
11 the American consumer and the Roosevelt administration. A crucial Allied
12 wartime stockpile was thereby established and virtually all Malaya's rubber
13 crop was sold before the Japanese took Singapore in February 1942.²⁶
14

15
16 Into his sixties, Sir John proved a force in the rehabilitation of Malaya's
17 plantations as head of a joint committee of dispossessed Far Eastern business
18 interests in Britain.²⁷ From September 1943, he was one of the two RGA
19 representatives in the Malayan Planning Unit (MPU) tasked with overseeing
20 the reoccupation of Malaya. Hay subsequently planned and chaired the
21 Malayan Rubber Estates Owners Company (MREOC), which oversaw the
22 reconstruction of the estates through pooling the resources of the large
23 European rubber companies.²⁸ Hay's role as one of Britain's leading imperial
24 capitalists was confirmed in his membership of the Colonial Economic
25 Advisory Committee (CEAC), consulting with the Colonial Secretary on
26 economic policy matters for the Empire as a whole from 1944-5.²⁹ His position
27 as the 'uncrowned king of the rubber plantation industry' was reflected in
28 Hay's appointment to the Rubber Consultative Committee (RCC) in London.³⁰
29 The RCC brought together the leading British rubber producers, sellers and
30 manufacturers with key Whitehall mandarins, given the importance of rubber
31 for metropolitan industrial rehabilitation plus the commodity's global
32 significance as the prime dollar-earner of the sterling area in Britain's post-
33 war financial crisis.³¹
34
35

36
37 At Guthrie, meanwhile, Hay proved himself an ingenious innovator, ruthlessly
38 driving down production costs in the 'Little' and 'Great' Depressions of the
39 1920s and 1930s. This included wage cuts for, and repatriation of, Indian
40 labour, retrenchment or salary and allowance cuts for expatriate staff, and the
41

42 ²² Tate, *RGA*, 382.

43 ²³ Drabble, *Malayan Rubber*, 185-6.

44 ²⁴ *Ibid.*, 182.

45 ²⁵ Cunyngham-Brown, *Traders*, 263; Drabble, *Malayan Rubber*, 192.

46 ²⁶ *Financial Times*, 27 May 1964; Cunyngham-Brown, *Traders*, 265-6, 274; Tate, *RGA*,
47 482-3; Austin Coates, *The Commerce in Rubber: The First Two Hundred and Fifty Years*,
48 Singapore: Oxford University Press, 1987, 288-9.

49 ²⁷ Cunyngham-Brown, *Traders*, 282-5.

50 ²⁸ Nicholas J. White, *Business, Government and the End of Empire: Malaya, 1942-57*, Kuala
51 Lumpur: Oxford University Press, 1996, 65, 67.

52 ²⁹ TNA, CO 852/588/2, 'Extract from the minutes of a meeting of CEAC, 19 December
53 1944', reproduced in A. N. Porter and A. J. Stockwell, *British Imperial Policy and
54 Decolonization, 1938-64*, London: Macmillan, 1987, 216.

55 ³⁰ Cunyngham-Brown, *Traders*, 312.

56 ³¹ White, *Business*, 35-6.
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3 weeding out of unprofitable trading and distribution businesses to focus on
4 the core business of primary production.³² A move of head office in London
5 during 1932 was engineered to reduce rents.³³ This was strategic cost-cutting,
6 however, which minimised disgruntlement amongst the European planters,
7 and did not damage productivity: Hay calculated in the early-1930s that the
8 younger assistants could find other jobs, while the more well-to-do senior
9 managers could exist on their accumulated earnings. He retained instead the
10 middle-aged planters 'with initiative and a name for toughness'.³⁴ Hay had a
11 reputation for 'callous ruthlessness'.³⁵ But he was no believer in economy for
12 economy's sake. As General Manager in 1926, he called for an increase in
13 remuneration scales for expatriate staff in Southeast Asia on the grounds that
14 'true economy seldom consists in merely with-holding money, but rather in an
15 expenditure of money wisely directed'. The intention was 'to make the service
16 an attractive one, offering ample scope for men of ability and character and
17 giving a proper reward for services rendered'. Nonetheless, 'there should be
18 no mistake, that policy also implies this, that having given these terms, the
19 Firm will exact adequate services for them from all men, both in the junior,
20 intermediate and senior ranks'. This was a key means of 'improving a
21 profitable business'.³⁶ In the reviving of a tea estate after 1938, Hay advised on
22 a 'judicious adjustment' of annual bonuses to encourage 'key members of the
23 subordinate [Asian] staff to give of their best', while warning against 'false
24 economies' in road- and office-construction. Nor was there any scrimping in
25 the provision of a temple and a hospital for the ordinary labourers.³⁷
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29
30 Moreover, Hay was prepared to expend resources for Guthrie to diversify into
31 oil palms (and to a lesser extent tin) during the 1920s to reduce the
32 dependence upon one export.³⁸ Concurrently, with emerging competition
33 from synthetic rubbers, Hay pushed Guthrie's investment in research,
34 focussing, ahead of his time, on the genetics of *Hevea Brasiliensis*.³⁹ By 1938,
35 Guthrie had expanded to 12 times the size it had been when he joined the firm
36 in the 1900s – again emphasising that the agency house cluster was not as un-
37 dynamic or managerially weak as Wilkins suggests, and Guthrie was in line
38 here with other British merchant-led business groups in Asia.⁴⁰ At Malayan
39 independence in 1957, Hay's Guthrie Group lorded over 150,000 acres of
40 planted rubber, palm oil and tea, plus two tin mines – an investment stake in
41 Malaya estimated at M\$300 million (about £35 million or in excess of £775
42
43

44
45 ³² Cunyngham-Brown, *Traders*, 252, 255-7; Tate, *RGA*, 324-5, 455-6; GA, G/MIS/9,
46 enclosure in Hay to Anderson, 2 July 1925; Hay to Robertson, 18 Sept 1930 and 11 June
47 1931.

48 ³³ GA, G/MIS/9, Hay to Lady Anderson, 19 Sept 1932.

49 ³⁴ Cunyngham-Brown, *Traders*, 255.

50 ³⁵ Tate, *RGA*, 325.

51 ³⁶ GA, G/MIS/9, Hay to Singapore, 27 May 1926.

52 ³⁷ Hay to Harry Piper, United Sua Betong Rubber Estates, 16 March, extracted in C. N.
53 Parkinson, *The Guthrie Flagship: United Sua Betong* (ed. and abridged by J. M. Gullick),
54 Kuala Lumpur: Malaysian Branch of the Royal Asiatic Society, 1996, 106-7.

55 ³⁸ GA, G/MIS/9, Hay to Lady Anderson, 8 June 1928.

56 ³⁹ Tate, *RGA*, 420, 425-6

57 ⁴⁰ *Ibid.*, 480; Jones and Wale, 'Business Groups'

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3 million at 2017 values).⁴¹ Some of those assets were indeed vast in scale: as a
4 director in the Guthrie stable of companies pointed out in 1958, the Tanah
5 Merah rubber estate alone (at about 18,000 acres) covered an area that, if
6 transplanted to London, would have its northern corner in Hyde Park in the
7 centre of the city and its southern corner in suburban Croydon on the far
8 outskirts of the conurbation.⁴²
9

10 Post-1945, to deal with intensified synthetic competition, Hay again turned to
11 cost cutting innovations, pioneering replanting of old rubber stands with high-
12 yielding clones, road and drainage improvements, the standardisation of
13 properties in solid and latex rubbers, and the processing of rubber.⁴³ Guthrie
14 was also ahead of the game in terms of its oil palm research facilities in
15 southern Malaya. With the closing of the West African Institute for Oil Palm
16 Breeding in the 1960s, the Guthrie research organisation was rated the 'best in
17 the world', making the Group an attractive proposition for take-over as palm
18 oil became an increasingly profitable alternative to rubber. Indeed, in
19 considering a bid for Sir John's companies in 1963, the rival Barlow Group
20 was primarily interested in acquiring 'the Guthrie knowhow and the Chemara
21 Research Station', given the 'very high yielding palms' which Guthrie was
22 breeding.⁴⁴ Through providing these central services, Guthrie did not
23 represent the 'loose cluster' of free-standing companies, 'too partial' and 'too
24 weak' to be designated as a 'multinational enterprise', which Wilkins viewed
25 as typical of British direct foreign investment.⁴⁵ Guthrie and John Hay, the
26 central organisers of the network, provided the 'entire package, including
27 product, process, marketing ability, technological know how, capital, *and*
28 management' which was true also of 'the prototype US multinational
29 enterprise'.⁴⁶ The willingness of Guthrie to take a lead in the provision of
30 cutting-edge R&D also demonstrated an organisational business form which
31 could more than adequately engage 'with the most advanced technology' and
32 knowledge creation (albeit in agribusiness rather than manufacturing).⁴⁷ As
33 Wilkins admitted: 'The free-standing companies with their rubber plantations
34 in Malaya probably had an advantage over Ford with its rubber plantations in
35 Brazil. The former were frequently set up or came to be managed by
36 experienced agency houses: they were thus better positioned to draw on
37 outsiders' talents'.⁴⁸
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41 Hay was no absentee landlord either – he was a hands-on chief executive,
42 making a three-month long visit to Southeast Asia every year to see conditions
43 first-hand for himself, not only at the Guthrie branches but on the estates of
44
45

46 ⁴¹ *Straits Times*, 4 Feb 1958; <http://www.thisismoney.co.uk/money/bills/article-1633409/Historic-inflation-calculator-value-money-changed-1900.html> [accessed 21
47 November 2017]
48

49 ⁴² Sir Andrew McFadyean, *United Sua Betong: A Retrospect*, 1959 reproduced in
50 Parkinson, *Flagship*, 130.

51 ⁴³ Cunyngham-Brown, 294-5, 304-5

52 ⁴⁴ Barlow, 26/1, Hindson to Barlow, 29 July 1963

53 ⁴⁵ Wilkins, 'Free-standing company, 1870-1914', 265.

54 ⁴⁶ Wilkins pp. 265, 269-70; see also Jones and Wale, 'Business Groups', 389, 396, 399-40.

55 ⁴⁷ Wilkins, 'Free-standing company, 1870-1914', 277

56 ⁴⁸ *Ibid.*, 21.
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2
3 the 'free-standing' companies as well.⁴⁹ Reports would be compiled on the
4 long sea-voyage home, and recommendations fired off to the overseas
5 branches on Hay's return to London. Within the Group itself, Hay's
6 entrepreneurial skills were highly regarded. In May 1932, a fellow director on
7 Guthrie company boards commended Hay's 'wonderful penetrating analysis of
8 difficult problems' which he found 'astonishing'; Hay 'always look[ed] years
9 ahead'. Hay's 'selling ability' was labelled 'extraordinary', given that USB's
10 selling price 'for the past year' had been 'considerably higher than the average
11 London price'.⁵⁰ John Gullick, the former Malayan civil servant, who became
12 Guthrie's company secretary in London from 1957-62 emphasised: 'the sheer
13 clarity of his mind [even at 80] and his ability to express a case persuasively
14 were remarkable gifts'.⁵¹ A 'lightning intake of information and [a]
15 comprehensive grasp of the overall picture' made Hay an exceptionally
16 talented entrepreneur.⁵² Hay's canny ability to predict the future was
17 illustrated in 1936 when, anticipating a Second World War, secret instructions
18 were issued to senior planters to put their estates on a maximum-production
19 footing.⁵³
20
21
22

23 But Hay was hardly a 'gentlemanly capitalist' - the fusing of aristocracy and
24 finance-cum-commercial services, based upon London and the Southeast of
25 England, and which, according to Cain & Hopkins, was the central driver in
26 the growth, maintenance and retrenchment of the British imperial system.
27 Hay was a 'privately educated' accountant from an impoverished Scottish
28 background.⁵⁴ John George was the seventh child in a family of ten, his father
29 being a village shopkeeper in Fife, who had run into financial difficulties,
30 forcing the family to move to Aberdeen. There, Hay went to work in a draper's
31 shop at age seventeen. He obtained an accountancy qualification at night
32 school (his only formal qualification), moving on to work as a clerk at
33 Aberdeen railway station. In 1904, the twenty-one year old followed a friend
34 to London, and worked his way up through Guthrie from the post of Assistant
35 Cashier. He found himself in the newly formed Companies Department at
36 Guthrie (of which he eventually became head in 1918). Here, Hay was engaged
37 in raising capital through company flotations on the London Stock Exchange
38 for the emerging rubber industry.⁵⁵ Guthrie has indeed been recognised in the
39 secondary literature as a leader in the 'reinvention' of the Southeast Asian
40 agency houses as they metamorphosed from being principally concerned with
41 the import-export trade, and shipping and insurance agencies, into becoming
42 managers of fixed investments in primary production.⁵⁶
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46 ⁴⁹ Parkinson, *Flagship*, 104.

47 ⁵⁰ W. J. Gallagher at USB AGM, 27 May 1932 quoted in Parkinson, *Flagship*, 91.

48 ⁵¹ John Gullick, 'Sir John Hay: A Personal Recollection', *The Planter*, 71, 834 (Sept
49 1995):439-42, quotation at 440.

50 ⁵² Cunyngham-Brown, 224.

51 ⁵³ Tate, *RGA*, 481.

52 ⁵⁴ The term 'privately educated' in *Who's Who* etc. indicates an inferior or limited
53 education.

54 ⁵⁵ Cunyngham-Brown, *Traders*, 223-4, 226.

55 ⁵⁶ Geoffrey Jones, Geoffrey Jones, *Merchants to Multinationals: British trading companies
56 in the nineteenth and twentieth centuries*, Oxford: Oxford University Press, 2000, 69-71.
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3 The shift from coffee to rubber as the main plantation crop in early-twentieth
4 century Malaya required much larger economic units, and far more capital
5 than a proprietary planter could provide. Hence, rubber estates tended to be
6 run by London-registered limited companies – the agency houses bought the
7 land and then sold it on to newly floated firms.⁵⁷ The trading companies
8 leveraged on their established links with plantation owners in Malaya ‘prior to
9 the advent of rubber-growing’ as suppliers of estate equipment, sellers of
10 crops like coffee on a commission basis, and ‘in some cases the provision of
11 working capital, particularly during the early stages of the switch to rubber’.⁵⁸
12 Moreover, the agency houses usually retained remarkable influence over the
13 new listed outfits, not by directly owning the capital but through controlling
14 the management via the provision of secretarial services, as well as on the spot
15 expert knowledge of Malayan conditions. The executive directors of rubber
16 companies were usually agency house appointees. Via interlocking
17 directorships, cross shareholdings, and managerial arrangements, London’s
18 mass of supposedly ‘free-standing’ rubber companies were coordinated into a
19 dozen or so groups corresponding to agency-house boundaries. Guthrie was
20 clearly much more than a collection of ‘brass plate’ firms.⁵⁹ Moreover, as
21 Jones & Wale calculated, Guthrie and H&C, Malaya’s two ‘dominating’ agency
22 houses, controlled group assets which made them probably ‘amongst the
23 largest’ of British business enterprises in the inter-war years, and certainly
24 larger than the British overseas banks in Asia with their more obvious
25 connections to ‘gentlemanly capitalism’ in the City of London.⁶⁰
26
27
28

29 Up to the First World War, Hay became ‘indispensable’ to the Anderson
30 family (which owned Guthrie).⁶¹ He put together the prospectuses which
31 converted private firms into listed companies. The exemplar was Hay’s
32 beloved United Sua Betong (USB), floated in 1909. Hay became first secretary
33 at USB (1911), then director (1919) and chairman (1927 to his death).⁶² USB
34 doubled in size in 1925 through Hay persuading the board to buy the vast
35 Tanah Merah tapioca plantation, involving further capitalisation through an
36 additional London share issue in which a huge sum of £10 million was
37 subscribed.⁶³ A similar pattern followed with numerous other primary
38 producing firms in the Guthrie Group – by 1945, Hay sat on the boards of
39 twenty-one of these operating units, being chair of thirteen.⁶⁴
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44 ⁵⁷ J. M. Gullick, ‘The London Secretary’, *The Planter*, 74, 862 (Jan 1998): 43-9, citation at
45 43-4.

46 ⁵⁸ J. H. Drabble and P. J. Drake, ‘More on the Financing of Malayan Rubber, 1905-23’,
47 *Economic History Review*, 27, 1 (Feb 1974): 108-120, p. 113.

48 ⁵⁹ Wilkins, ‘Free-standing company, 1870-1914’, 264

49 ⁶⁰ Jones and Wale, ‘Diversification’, 72; Geoffrey Jones, ‘British Overseas Banks as Free-
50 Standing Companies, 1830-1996’, in Wilkins and Schröter (eds), *Free Standing-Company*,
51 pp. 350-1, 358.

52 ⁶¹ Gullick, ‘Recollection’, 439.

53 ⁶² Cunyngham-Brown, *Traders*, 228, 232, 242; Parkinson, *Guthrie Flagship*, 32, 80.

54 ⁶³ Cunyngham-Brown, *Traders*, 245; GA, G/MIS/9, Hay to Lady Anderson, 13 May 1925;
55 Parkinson, *Guthrie Flagship*, 75-6.

56 ⁶⁴ Orbell, ‘Hay’; Cunyngham-Brown, *Traders*, 245; White, *Business*, 40.

Table 1: Sir John Hay's chairmanships of Guthrie Group companies, c. 1945

Company Name	Year of Incorporation
Linggi Plantations Ltd	1905
Malacca Rubber Plantations Ltd	1906
Labu (FMS) Rubber Ltd	1907
Kamuning (Perak) Rubber and Tin Ltd	1909
United Sua Betong Rubber Estates Ltd	1909
Cheviot Rubber Ltd	1910
KMS (Malay States) Rubber & Coconut Plantations Ltd	1910
Renong Tin Dredging Company Ltd	1913
Rembau Jelei Rubber Ltd	1923
Lambak Rubber Ltd	1923
Elaeis Plantations Ltd	1924
Oil Palms of Malaya Ltd	1930
Ledang Bahru Ltd	1931

At the apex of these quasi-subsidiaries, Hay had become General Manger of Guthrie in 1925 and, up to 1950, was owner of one-sixth of the business.⁶⁵ Hay's companies were further cemented together by cross-shareholdings. For example, in the diversification into oil palms after 1924, USB held 20 per cent of the authorized capital of £50,000 in Elaeis Plantations, with Linggi Plantations and Malacca Rubber being the other substantial shareholders in this enterprise. From 1957, USB held 31.5 per cent of Oil Palms of Malaya following the latter's acquisition of Elaeis.⁶⁶

Hay was probably uniquely under-privileged at his entrée into the Malayan business world – even the famed 'Scots in the East' who built the great merchant houses of Asia from the early-nineteenth century onwards, though financially embarrassed, usually hailed from the gentry class of the Highlands not the petty bourgeoisie of the Lowlands.⁶⁷ Sir John's wealth accumulation, from such lowly beginnings, was impressive – on his death in 1964, he left a sizeable fortune of £530,000 (about £10.2 million at 2017 prices).⁶⁸ Compared to other rubber entrepreneurs this was a considerable sum – for example, Sir Eric Macfadyen of H&C left a mere £47,154 in 1967 (about £807,000 at current prices).⁶⁹ Sir Frank Swettenham, the legendary administrator-turned-plantation company director, left £27,000 in 1946

⁶⁵ Cunyngham-Brown, 251.

⁶⁶ Parkinson, *Flagship*, 73; McFadyean, *USB*, 130.

⁶⁷ G. Roger Knight, *Trade and Empire in Early Nineteenth Century Southeast Asia: Gillian Maclaine and his Business Network*, Woodbridge: Boydell, 2015, 21, 25, 30-4, 112-3, 114.

⁶⁸ Orbell, 'Hay'. Current values in the following section are calculated from <http://www.thisismoney.co.uk/money/bills/article-1633409/Historic-inflation-calculator-value-money-changed-1900.html> [accessed 16 November 2017].

⁶⁹ Guy Nickalls, 'Macfadyen, Sir Eric (1879–1966)', *Oxford Dictionary of National Biography*, Oxford University Press, 2004 [http://www.oxforddnb.com/view/article/34722, accessed 18 Nov 2014].

(about £1.07 million at 2017 values).⁷⁰ Ship-owners, who as service providers are usually seen as making up the ‘gentlemanly capitalist’ pantheon, did not necessarily accumulate more than Sir John either.⁷¹ Sir John Hobhouse, head of Liverpool’s Blue Funnel Line in the 1950s, which carried much of Malaya’s rubber to western markets, left £133,680 in 1961 (around £2.8 million in 2017).⁷² Even Far Eastern financiers, the archetypal ‘gentlemanly capitalists’, who underwrote Malaya’s commodity trades, did not outstrip Hay’s earning power.⁷³ Sir Arthur Morse, chief executive of the Hongkong and Shanghai Banking Corporation (HSBC), 1941-53, left £321,610 in 1967 (approximately £5.5 million today).⁷⁴

This wealth reflected both the mass of directors’ fees that Hay hoovered up through membership and chairmanships of numerous boards, plus the cashing in of his one-sixth share in Guthrie in 1950. The latter manoeuvre netted him about M\$4 million (approaching £470,000 at the time) – a massive sum which was testament to the turnaround in Guthrie’s fortunes which Hay had engineered from the mid-1920s.⁷⁵ Yet, Hay’s capacity for making money is all the more remarkable given the relatively modest returns to investors from Southeast Asian rubber. Thanks to the vicissitudes of the global economy, and the shortcomings of international restriction schemes, plantation companies did not necessarily ‘drain’ Malaya’s wealth or make excessive profits over the long run.⁷⁶ Company Secretary Gullick recalled correspondence with a butcher, who had inherited some shares from an aunt, the widow of a planter: ‘holding shares in a rubber company was rather more productive in prizes than Premium Bonds, but what you would get in dividend was no less unpredictable’.⁷⁷ Moreover, as we will see now, Hay achieved great wealth without close connections to Whitehall or the City of London.

Turbulent relations with Whitehall and The City

Hay was a member of a ‘few respectable clubs’ and ‘went every day for lunch in the Gresham Club in the Square Mile, which was rather classier than the

⁷⁰ H. S. Barlow, ‘Swettenham, Sir Frank Athelstane (1850–1946)’, *Oxford Dictionary of National Biography*, Oxford University Press, 2004; online edn, Jan 2008. [http://www.oxforddnb.com/view/article/36387, accessed 18 Nov 2014]

⁷¹ Nicholas J. White and Catherine Evans, ‘Holding Back the Tide: Liverpool shipping, gentlemanly capitalism and intra-Asian trade in the twentieth century’, in Ulbe Bosma and Anthony Webster (eds), *Commodities, Ports and Asian Maritime Trade since 1750*, Houndmills: Palgrave Macmillan, 2015, 221-2.

⁷² John Nicholson, ‘Hobhouse, Sir John Richard (1893–1961)’, rev. J. Gordon Read, *Oxford Dictionary of National Biography*, Oxford University Press, 2004; online edn, Jan 2008 [http://www.oxforddnb.com/view/article/33905, accessed 20 Nov 2014]

⁷³ Cain and Hopkins, *British Imperialism*, 369-80, 605-9.

⁷⁴ Frank H. H. King, ‘Morse, Sir Arthur (1892–1967)’, *Oxford Dictionary of National Biography*, Oxford University Press, 2004 [http://www.oxforddnb.com/view/article/50275, accessed 25 Nov 2014];

⁷⁵ GA, G/MIS/11, Anderson to Hay, 14 April 1950.

⁷⁶ Drabble and Drake, ‘Financing’, 116, 119-20.

⁷⁷ Gullick, ‘Secretary’, 49

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3 City of London club'.⁷⁸ The choice of the Gresham, however, may have
4 reflected the fact that the City of London did not admit drapers – his father's
5 profession.⁷⁹ Moreover, Hay's frequenting of gentlemen's clubs did not result
6 in affable relations with the Whitehall civil servants he sometimes dined with.
7 In 1937 Sir John Campbell of the CO and chairman of the IRRC described how
8 Hay had made him feel 'like the toad beneath the harrow who knows exactly
9 where each prick-point goes!'⁸⁰ According to Gullick, Hay had a 'contempt for
10 civil servants', who in contrast to Sir John tended to be Oxbridge educated.
11 When Gullick incurred Hay's displeasure, he would observe to the board that
12 the allegedly errant Gullick was 'not a businessman, but a civil servant'.⁸¹ The
13 dislike was reciprocated by the patrician mandarins: a Board of Trade official
14 commented in 1946 about Sir John's 'acid and generally untruthful
15 allegations'.⁸²
16
17

18
19 There was limited rapport also with fellow London-based rubber barons. The
20 long-standing feud with H&C went back to a snub by Sir Eric Miller in the
21 inter-war period: 'Hay is a young man with a lot to learn' was the reputed slap
22 down from the boss of H&C.⁸³ This patronizing attitude was very much a
23 response to Hay's arrogance, his inability to compromise and his disregard for
24 the views of others (even early in his career).⁸⁴ Hay frequently rounded on his
25 RGA colleagues in viperous prose, as in 1934 when the association's Rubber
26 Regulation Committee dared to suggest that India be given a larger IRRA
27 quota at the expense of Malaya:
28

29 ... there appears to be some real misconception regarding some
30 very material facts relating to Rubber Regulation... A reopening of
31 these complex and difficult problems would necessitate a renewal
32 of prolonged negotiations, would create a serious state of
33 unsettlement and uncertainty with its unpleasant concomitant of
34 lower prices for rubber, and, in the end, would gravely imperil the
35 very existence of any agreement for Rubber Regulation...
36

37 When your Committee was formed, I understood that its objects
38 and functions were to defend, explain and uphold the Rubber
39 Regulation scheme... To participate in any activities incompatible
40 with these purposes may, in my opinion, have consequences
41 seriously detrimental to the Rubber Industry.⁸⁵
42

43 As retiring RGA chairman in 1946, Tom Barlow lamented the failings of the
44 MREOC: the board in London 'was dominated by Hay who insisted upon his
45

47 ⁷⁸ Letter to the author from Mark Gent, 21 April 2003.

48 ⁷⁹ Graham Turner, *Business in Britain*, Harmondsworth: Pelican Books, Revised Edition,
49 1971, 310.

50 ⁸⁰ Drabble, *Malayan Rubber*, 333 n. 178.

51 ⁸¹ Letter from John Gullick to the author, 18 March 2003.

52 ⁸² TNA, BT 258/65, note by Caplan, 10 Dec 1946.

53 ⁸³ Gullick, 'Recollection', 440.

54 ⁸⁴ Tate, *RGA*, 343.

55 ⁸⁵ RGACM, 24863/40, 3 Dec 1934, Report of Rubber Regulation Committee, copy of
56 letter from Hay to convenor, 26 Nov 1934.
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3 method of doing things, which inevitably led to ill-will and
4 misunderstanding.⁸⁶
5

6 This lack of collegiality towards competitors was not entirely surprising. But a
7 hostile view of Hay also came to prevail amongst 'gentlemanly' principals in
8 the Square Mile. In dealing with upper-class 'City types', Hay did not play by
9 the rules of the old-boy network. For example, Sir John would play off the
10 Phoenix Assurance Company against Lloyds to get the lowest tender for the
11 profitable insurance of the Guthrie enterprise, and switched the contract from
12 year to year precisely for that purpose.⁸⁷ In 1957, he rowed with Howard
13 Morford, general manager of the Chartered Bank in London, as a result of
14 which a large share of Guthrie's business which formerly went through
15 Chartered was transferred to the Mercantile.⁸⁸ At the Mercantile, meanwhile,
16 he applied himself to his duties as deputy chairman (1952-4) with rather more
17 rigour than the management liked, frequently asking awkward questions at
18 board meetings.⁸⁹
19

20
21 It was poor relations with the financial community which ultimately brought
22 about Hay's downfall. In the course of 1963, Barings, the Bank of England
23 (whose Court of Directors was constituted by the leading merchant banks),
24 and other City institutions, such as the investment trusts and insurance
25 companies, intervened to force Hay's resignation. His failure to groom a
26 successor and his falling out with virtually all of the Guthrie management and
27 directorate was making the group liable to take-over by Malayan Chinese
28 interests in combination with American bankers.⁹⁰ As Hay put it to the
29 Governor of the Bank of England in typically dark humour: 'I was the
30 sacrificial lamb – perhaps sheep is the more appropriate word for one so
31 mature as myself'.⁹¹ Significantly, Hay's successor as head of Guthrie was a
32 figure much more acceptable to the City: the former deputy-governor of
33 Kenya, Sir Eric Griffith-Jones, who had also had experience in legal affairs in
34 the Malayan Civil Service (from 1946-9).
35

36
37 Hay's furious temper and legendary rudeness was perhaps reflective of a
38 'social inferiority complex' – or, a clash between the more meritocratic
39 culture of Scottish society and the snobbish, class-obsessed England, where
40 'background' and 'character' often counted for far more than ability.⁹² Errol
41 Shearn, the lawyer and legislative councillor in Malaya, who accumulated an
42 array of tin and rubber directorships on retiring to London in the 1950s,
43 experienced similar difficulties to Hay at the hands of the 'City slickers in their
44
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46

47 ⁸⁶ Barlow Papers, Centre of South Asian Studies, Cambridge (hereafter Barlow), 21/5,
48 Tom Barlow to F. H. Williams, Singapore, 24 April 1946.

49 ⁸⁷ Gullick letter 2003.

50 ⁸⁸ HSBC archives, London, Chief Manager's File: Singapore – Private Duplicates, Jan
51 1954-Dec 1961, W. H. Lydall, Singapore to Michael W. Turner, Chief Manager, Hong
52 Kong, 28 Jan 1957.

53 ⁸⁹ Gullick letter 2003.

54 ⁹⁰ Material in Bank of England Archive, London (hereafter BoE), G1/183.

55 ⁹¹ Ibid., Hay to Lord Cromer, 11 September 1963.

56 ⁹² Cunyngham-Brown, *Traders*, 222.
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3 bowlers' who made 'no secret of their view that Shearn was a country bumpkin
4 from the sticks'.⁹³
5

6 Yet, Hay's insecurities must also have derived from the searing experience of
7 growing up with his doom-laden father's Presbyterian religious obsessions,
8 and Hay Senior's failings in business.⁹⁴ Family impoverishment made it
9 impossible for Hay to pursue his childhood ambition of studying at Cambridge
10 University and then entering the clergy, and Hay's first act on becoming
11 wealthy was to settle his father's debts.⁹⁵ Indeed, class and background was
12 not necessarily a factor in Hay's inability to form close personal relationships:
13 he clashed even with fellow self-made man, Sir John Anderson, the head of
14 Guthrie during John George's early career there. According to Guthrie legend,
15 Anderson sacked Hay on his deathbed in 1924. Guthrie, however, was in
16 financial crisis and so the executors begged Hay to stay – he thus became
17 general manager in 1925, and exacted his price by becoming one-sixth owner
18 of the business.⁹⁶
19
20

21 In contemporary parlance, Hay would be dubbed a 'control freak', incapable of
22 delegating.⁹⁷ This was the key issue which precipitated Sir John's final fall
23 from grace in 1963. In 1961, nine of the Guthrie companies were reorganised
24 under the banner of Guthrie Estates Agency Ltd (GEAL), from which the
25 former purchased secretarial and agency services. Being both chair of the
26 component firms, and of GEAL, Hay exercised absolute control (despite being
27 78). A boardroom quarrel ensued in 1962, in which Gullick, supposedly Hay's
28 intended successor, fell out with Sir John in such an 'outrageous manner' that
29 most of the directorate had resigned by June 1963. Gullick's 'undoing' as he
30 recalled in 1995 was to demonstrate a 'wish to alter things'.⁹⁸
31
32

33 The only group of employees that Hay enjoyed cordial relations with were the
34 planters on the estates.⁹⁹ But, even there, relations with the men on the spot
35 started to go awry in the early-1960s. By the summer of 1963, a director in the
36 Barlow group of companies reported from Kuala Lumpur that Hay had
37 'wrecked the Guthrie spirit in the last few years'. For example, charging for
38 electric light in estate bungalows had alienated many of the planters. Staff
39 nearing retirement were often given the sack on some small pretext, and
40 generally Sir John had 'become dictatorial and impossible to approach'.¹⁰⁰
41 Nearly all the Guthrie staff in the Kuala Lumpur office cabled their support for
42 the resigned London directors in the summer of 1963.¹⁰¹
43
44
45

46 ⁹³ Gullick, 'Secretary', 46

47 ⁹⁴ Cunyngham-Brown, *Traders*, 223

48 ⁹⁵ *Ibid.*; Gullick, 'Recollection', 439, 440; Gullick letter 2003; Orbell, 'Anderson'.

49 ⁹⁶ Gullick, 'Recollection', 442.

50 ⁹⁷ Cunyngham-Brown, *Traders*, 226

51 ⁹⁸ Gullick, 'Recollection', 439, 442; Gullick letter 2003.

52 ⁹⁹ Gullick, 'Recollection', 441; TNA, CO 537/5978, Minute of conversation between Hay
53 and Sir Thomas Lloyd, 28 March 1950; CO 717/197, letter to Sir Hilton Poynton, CO, 5
54 June 1951.

55 ¹⁰⁰ Barlow, 26/1, C. E. 'Robin' Hindson to Tom Barlow, 24 June 1963.

56 ¹⁰¹ *Ibid.*, 9 July 1963.
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2
3 Gullick reflected in later life that it was 'hard to recall anyone with whom he
4 was on terms of real friendship'. Even after 40 years of working together,
5 Hay's deputy on the plantation side, Charles Mann, still called his colleague
6 'Sir John'. For Hay, 'the satisfaction of inflicting humiliation became a
7 corrosive obsession'.¹⁰² Mark Gent, who joined Guthrie's Company Secretaries
8 office in 1952 (later becoming head of the whole business in Kuala Lumpur in
9 1969, and successor to Griffith-Jones as chair in London in 1979), described
10 Hay as 'a very curious mixture, who I think would have interested
11 psychoanalysts'. Hay 'bullied' his senior staff, typically summoning them to
12 his office in the afternoon where they would be 'harangued, or reduced to jelly,
13 for up to 2 hours'.¹⁰³ Hay suffered no embarrassment in rebuking well-
14 established senior staff in 'the East' either through acid and accusatory
15 correspondence – such as in 1936 when under-performance was blamed on
16 the failings of the local management, headed by James Robertson (a
17 significant figure in Malayan expatriate society since Robertson also served as
18 a legislative councillor in Singapore).¹⁰⁴ Even in his relatively junior position
19 as head of the Companies Department in London, Hay chastised the Malayan
20 branches in caustic and sarcastic terms for their apparent shortcomings. In
21 1922, for example, he wrote to Guthrie's Kuala Lumpur branch, complaining
22 about poor information flows on potential plantation land for sale:
23
24

25 You will recollect that we are 8000 miles away and it is on you we
26 must depend for preliminary investigations. It is quite useless your
27 sending home details of properties for sale, unless you have first of
28 all made preliminary investigations and have satisfied yourselves
29 and without much expense you should be able to ascertain some
30 reliable information regarding the conditions of the properties
31 submitted, the soil, character, labour conditions, transport and past
32 history.
33

34 Unless you can give us such information without which it is
35 impossible to form any opinion at all, it is quite futile to go on with
36 this business.¹⁰⁵
37
38
39

40 To be fair to Hay, these tantrums were symptomatic of a tortured genius.
41 'Hay's ability to see the wood for the trees tended to set him apart from his
42 peers and contemporaries'.¹⁰⁶ Forecasting a world-wide conflagration, a
43 classic example was Hay's conversion to maximum production from 1938
44 (after having been the guru of restriction some four years earlier). This was a
45 departure which 'dumbfounded' other industry and City leaders, who feared
46 massive price instability.¹⁰⁷ What further charged Hay's acrimonious relations
47 with imperial and colonial public servants were his very different 'ideological'
48 visions of development and decolonisation.
49

50
51 _____
52 ¹⁰² Gullick, 'Recollection', 441, 442.

53 ¹⁰³ Gent letter.

54 ¹⁰⁴ GA, G/MIS/9, note of visit to Malaya, 1936; memorandum by Hay, 5 May 1936.

55 ¹⁰⁵ GA, G/COR/16, Hay to Kuala Lumpur, 11 May 1922.

56 ¹⁰⁶ Tate, *RGA*, 480.

57 ¹⁰⁷ *Ibid.*, 481; Cunyngham-Brown, *Traders*, 264.

A Question of Ideology: Hay and the late-colonial state

Up to a point, Hay continued to be trusted by the Whitehall mandarins. With the outbreak of World War Two in Europe, for example, Hay was asked to confidentially discuss with the RGA Council ways and means of securing adequate supplies of rubber for the UK.¹⁰⁸ By the late-1940s, however, Hay was seriously at odds with both the CO and the colonial governments in Southeast Asia concerning the role of the state in Malayan economic development. Low government-imposed commodity prices, the perceived failure of the colonial state to deal effectively with left-wing subversion in Malaya, the UK government's refusal to underwrite an insurance scheme in face of the subsequent communist insurgency, and the slow settlement of war-damage compensation alienated Guthrie's chief executive from the imperial regime.¹⁰⁹

Yet, even before the advent of Attlee's Labour Government, state meddling was not welcomed by Hay. The Stevenson Scheme of the 1920s was dubbed a 'first class disaster'.¹¹⁰ Hay was well aware even in 1922 that the Dutch would likely not sign up, and Kuala Lumpur was advised to 'prepare for the worst', marshal resources and cut costs in preparation for unremunerative prices.¹¹¹ By 1924 Hay was 'very interested' to learn of the Penang Chinese Chamber of Commerce's calls for the restriction programme to be scrapped, and the Chinese traders' advocacy of reduction in taxation as the palliative for rubber's woes.¹¹² Moreover, the restriction programme's sudden abolition was not what Hay agitated for – he pressed instead for a phased withdrawal over four years to avoid excessive competition for labour and hence a sudden upsurge in overheads. The UK Cabinet ignored these pleas, and the scheme's immediate termination led to a rubber price in December 1928 65 per cent lower than the corresponding figure for 12 months previously.¹¹³ Hay was livid.

Hay did forge a 'close personal relationship' with Sir John Campbell, becoming 'virtually an integral part of the CO' in IRRA negotiations.¹¹⁴ Yet, this was more a question of convenience rather than conviviality on the part of the mandarins since a frequently aired grievance of the officials was that the multiplicity of institutions claiming to represent the rubber growers, particularly on the spot in Malaya, made it very difficult to gauge a dominant industry view.¹¹⁵ Nor did this mean that Whitehall always did what Hay wanted. Concerned about rising NEI indigenous rubber exports, Hay became deeply frustrated by delays in the signing of the IRRA in early 1934 and even

¹⁰⁸ RGACM, Ms. 24863/51, 4 Dec 1939.

¹⁰⁹ White, *Business*, 269.

¹¹⁰ Tate, *RGA*, 366.

¹¹¹ GA, G/COR/16, Hay to Kuala Lumpur, 6 July and 31 Aug 1922.

¹¹² GA, G/COR/16, Hay to Singapore, 26 June 1924.

¹¹³ *Ibid.*, 365-6; Drabble, *Malayan Rubber*, 165.

¹¹⁴ Drabble, *Malayan Rubber*, 178, 184, 193.

¹¹⁵ Martin Thomas, *Violence and Colonial Order: Police, Workers and Protest in the European Colonial Empires, 1918-1940*, Cambridge: Cambridge University Press, 2012, 194.

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3 threatened to resign from his bargaining role.¹¹⁶ His earlier cordiality with
4 Campbell broke down.¹¹⁷ In the 1937-8 renewal negotiations, the issue of new
5 planting caused major frictions between Hay and the CO bureaucrats. Hay
6 argued for a ban on new planting, and fretted about inflationary consequences
7 on future productive capacity, while the CO insisted a ban was 'politically
8 indefensible' and that an element of rejuvenation would provide a safety
9 blanket to reassure consumers.¹¹⁸
10

11 Although having a reputation as a restrictionist, Hay much preferred laissez-
12 faire solutions to international economic problems. Hence, in 1933, Hay
13 argued that the coming together of production and consumption in the course
14 of 1932 through market forces was 'natural[ly]' solving the problem of supply
15 and demand, and was the 'sensible approach to equilibrium' in contrast to the
16 'desperate and highly speculative enterprise' which was restriction. The
17 problems of the Great Depression were largely beyond the primary-producing
18 industries per se: they were a consequence rather of political, monetary and
19 tariff obstructions to international trade.¹¹⁹ What changed Hay's mind in
20 favour of restriction (which, for him, was only ever conceived as a temporary
21 measure) was the predicted upsurge in NEI and Malayan smallholder exports,
22 threatening to overwhelm markets and crash prices.¹²⁰
23
24
25

26 Hay's consistent discourse was that state intervention in the Malayan
27 economy should be limited to providing 'law and order' while also keeping
28 taxes as low as possible. As RGA chairman in 1931, he authored a typical
29 tirade against 'big government' to the Governor of the Straits Settlements and
30 High Commissioner to the Federated Malay States, Sir Cecil Clementi.
31 Malayan rubber could best be served in the 'continued depression' by a
32 reduction in 'direct Government charges' upon producers, notably quit rent
33 which had been 'fixed at a time when profits on rubber growing were very
34 high' and which, by the 1930s, represented an 'item of cost out of all
35 proportion to other estate costs'. Meantime, 'Medical and Heath charges'
36 needed to be curbed and the 'most stringent economy... exercised... so that the
37 burden on the Industry will be still further lightened'.¹²¹
38
39

40 Under the exigencies of the Emergency and managed decolonisation, the post-
41 war colonial state increasingly intervened in the rubber industry to secure the
42 incomes of indigenous growers. This culminated in the 1955 replanting
43 scheme, where grants to replace obsolete trees were funded through an
44 additional cess on exports. Redistribution was vociferously opposed by Hay on
45 the grounds that the scheme was punishing the 'efficient' estates (notably
46 Guthrie of course) which had helped themselves by funding their own
47 extensive replanting with high-yielding strains since the Second World War.
48 For the colonial state, however, and particularly its dynamic and forceful
49

50 ¹¹⁶ Drabble, *Malayan Rubber*, 180.

51 ¹¹⁷ *Ibid.*, 333 n. 178.

52 ¹¹⁸ *Ibid.*, 300

53 ¹¹⁹ *Ibid.*, 279

54 ¹²⁰ *Ibid.*, 284

55 ¹²¹ RGACM, 24863/31, Appendix to Report of Malaya Committee. Copy of letter from
56 chairman, RGA, 27 May 1931.
57

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3 economic secretary, Oscar Spencer, supported by the CO in London, Malay
4 smallholdings and medium-sized Chinese and Indian plantations could not be
5 allowed to go under in the joint struggle with Malayan communism and
6 American synthetics.¹²²
7

8 For Hay, moreover, while the state was poking its proverbial nose too far into
9 business realms that should not concern it, mandarins and ministers were
10 doing too little in the areas where they held definite responsibility. Hay's
11 stinging rebukes against government during World War Two as head of the
12 joint committee of eastern enterprises was based on a principle that the state
13 had failed in its task of physically protecting British lives and property
14 overseas through the loss of Malaya to Japan. His Majesty's Government was
15 now reneging on that contract through the Treasury's suggestions that the
16 War Risks Insurance scheme of 1939 should only apply to the British Isles and
17 not the overseas territories.¹²³ In similar vein, Hay was frustrated by the
18 apparent lack of protection of planters and property during the Emergency
19 (euphemism for the colonial war against the Malayan Communist Party
20 [MCP]).¹²⁴ Hay's refusal to give in on the Japanese Occupation issue
21 contributed to the UK government (albeit in a drawn-out fashion) paying
22 compensation.¹²⁵ But Sir John's influence was less clear on counter-
23 insurgency policy, which continued to outrage Guthrie's boss into the self-
24 government era: Hay was still presenting a gloomy picture of estate security in
25 his chairman's addresses in 1955, given security cutbacks in the wake of falling
26 rubber and tin prices at the end of the Korean boom.¹²⁶ Irrespective of Sir
27 John's cantankerous and confrontational nature, frustration with the state
28 was part and parcel of a wider business-government antagonism which went
29 back to the beginnings of colonial administration in Malaya: 'a fitting and
30 forceful climax to the ancient and traditional battle between the business
31 community of Singapore and Malaya and the mass weight of bureaucracy'.¹²⁷
32
33

34 Hay's deepest divisions with government during the 1940s and 1950s,
35 however, concerned the actions of the US administration, and the failure of
36 British diplomacy to get a better deal for Malayan rubber in the post-war US
37 market. Sir John felt a great sense of betrayal during the Second World War
38 when, having built up the American stockpile to prosecute the war against
39 Japan, the Truman Committee alleged to the US Senate that Malayan and NEI
40 producers, via the IRRC, had 'withheld essential war material for the base
41 motive that we wanted more profit for ourselves, or that we were more
42 concerned with the future of our plantations than the war effort'.¹²⁸ Post-war,
43 he was further incensed by British government tendencies to appease
44 Washington on economic matters. This was typified by the artificially low
45 monopsony price of 10d. a pound for natural rubber imposed by the UK
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47

48 ¹²² White, *Business*, 207-9; FCO 141/7479, Note by Spencer, 21 April 1955 enclosing
49 draft letter from Spencer to Calver, RGA, April 1955.

50 ¹²³ Cunyngham-Brown, *Traders*, 282-5.

51 ¹²⁴ Alex Sutton, *The Political Economy of Imperial Relations: Britain, the Sterling Area and*
52 *Malaya, 1945-1960*, Houndmills: Palgrave Macmillan, 2015, 97.

53 ¹²⁵ Tate, *RGA*, 509-10 n. 20.

54 ¹²⁶ *Ibid.*, 550, 556, n. 13.

55 ¹²⁷ Cunyngham-Brown, *Traders*, 284

56 ¹²⁸ RGACM, 24863/53, 7 Sept 1942
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3 government in the immediate peace in the interests of maintaining good
4 financial relations with the Americans (and at a time when massive loans from
5 Washington were being negotiated to prop up the tottering British
6 economy).¹²⁹ Moreover, once in the White House, Harry S. Truman continued
7 to maintain restrictions on natural rubber usage in the interests of protecting
8 strategically important synthetic production in the Cold War. In June 1949,
9 the rubber price was at its lowest price level since the end of World War Two,
10 provoking Hay to 'advise' the US government, via USB shareholders, that 'the
11 obvious remedy' was to remove such measures or face the 'unhappy
12 alternative of counter-restrictive measures which a continuance of present
13 American policy might beget'. But, it was not until 1955 that the free market in
14 rubber in the USA was restored, and American synthetics competed on world
15 markets without subsidisation.¹³⁰
16

17
18 Hay was not a vocal opponent of political decolonisation, unlike other RGA
19 stalwarts. For example, Alan Calver and Sir Eric Miller approached the CO
20 after the sweeping UMNO-MCA-MIC victory in the elections for internal self-
21 government of 1955, alarmed that 'Alliance candidates in [the] campaign
22 pledged their Party to confiscation of European estates and their distribution
23 to smallholders'. A feared bogeyman was the left-wing Minister of Agriculture,
24 Abdul Aziz bin Ishak.¹³¹ Sir John did fret, however, about the rush to
25 independence in a situation where 'there did not exist the indigenous
26 personnel qualified to administer the Government of a modern state'.¹³² Bad
27 governance might also have economic implications in terms of ill-conceived
28 pro-indigenous policies. Hay regarded smallholder competition as a menace
29 and in the 1930s depicted 'native' growers as persons of 'limited mentality'
30 with an 'inability' to produce 'regular and adequate supplies of rubber'. As
31 such, Hay fit into a European milieu of 'conservative and often deprecatory
32 attitudes' towards indigenous business and technical capabilities. This led on
33 to production quotas in the Stevenson and IRRA schemes which under-
34 assessed Southeast Asia's smallholders.¹³³ Such were the cultural mores of
35 late-colonialism, which also served Hay's particular business interest.¹³⁴
36
37

38 Nevertheless, Sir John 'was ready to move with the times', recognising 'the
39 inevitable shift in decision-making to the East'.¹³⁵ Guthrie's estate welfare was
40 generally of a high quality, and the emphasis in the 1950s on improving
41 labourer's housing represented a private sector 'hearts and minds'
42 campaign.¹³⁶ Meantime, Guthrie was ahead of the game in introducing a cadet
43 scheme for the promotion of Malay plantation managers in 1953 (the same
44 year that General Templer, High Commissioner and Director of Operations,
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49 ¹²⁹ White, *Business*, 77-8.

50 ¹³⁰ *Ibid.*, 181; Tate, *RGA*, 564.

51 ¹³¹ TNA, FCO 141/7479, Telegram from CO to Governor Singapore, 17 Aug 1955.

52 ¹³² RGACM, 64, 15 April 1954, Report of Malaya Committee, 4.

53 ¹³³ Drabble, *Malayan Rubber*, 295, 298-9.

54 ¹³⁴ *Ibid.*, 285, 287.

55 ¹³⁵ Gullick, 'Recollection', 440-1.

56 ¹³⁶ Parkinson, *Flagship*, 117.
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announced his plan for phased self-government from district to state to federal level).¹³⁷

Yet, in practice, this localisation proved limited and did not extend to the agency in Kuala Lumpur or the boards of either Guthrie or its estate companies.¹³⁸ Moreover, Hay had a blind spot regarding the development of moderate non-communist trade unionism in Malaya, which government saw as a key element in its 'hearts and minds' strategy to undercut the Malayan Communist Party. Whitehall was infuriated by Sir John's rigid sticking to pre-war notions of paternalism as the best means of controlling labour unrest. Indeed, Guthrie (and H&C) obstructionism in recognising the government-promoted unions was regarded in 1951 by the CO as having an 'extremely damaging effect on the peaceful and effective development of the territory'.¹³⁹ As late as April 1954, Hay told his RGA council colleagues that he remained sceptical about recognising a 'primitive labour community' still vulnerable to 'a hard core of communist leadership which might seek other means of expression than through violence'. In November 1957, Hay opposed the plans of the RGA's special representative in Malaya to collaborate with the National Union of Plantation Workers (NUPW) in the campaign against takeover bids and the fragmentation of estates because 'the natural political tendency of Trade Unions would be to press for Government to take over the industry'. Hay also argued that wage negotiations with the NUPW would push up costs, impairing the ability of natural rubber to compete with its synthetic rival.¹⁴⁰

Sir John always set out to be pleasant towards Malayan ministers during his annual inspection tours of the Southeast Asian branches and plantations.¹⁴¹ But when full independence for the Federation came in 1957, Hay was quickly at loggerheads with Tan Siew Sin, Minister of Commerce and Industry, over London's (i.e. the RGA's) representation in Malayan delegations to International Rubber Study Group meetings. It was Hay's contention that direct RGA representation was needed because the City controlled the majority of capital in the rubber industry and had expertise in marketing. Tan, however, argued that the RGA was adequately represented through its existing membership of the multi-racial Rubber Producers' Council (RPC) in Kuala Lumpur. The minister was so incensed by Hay's interventions that he had to be restrained by his officials into not reconstituting the RPC to permanently exclude the RGA.¹⁴² Hay's inability to trust international rubber diplomacy to the RPC and Tan's officials demonstrated a crass insensitivity to Malayan nationalism and aspirations to economic independence. Indeed, Hay's tendency to 'send up' the 'hackles' of Malayan power-brokers, and his

¹³⁷ Cunyngham-Brown, *Traders*, 301.

¹³⁸ Shakila Jacob and Nicholas J. White, "The "unfinished business" of Malaysia's decolonisation: the origins of the Guthrie "Dawn Raid", *Modern Asian Studies*, 44, 5 (2010): 919-959, p. 927.

¹³⁹ TNA, CO 859/185/3, Minute by Watson for Higham, 20 April 1951; Minute by Higham, 27 April 1951; Higham to Gurney, 22 May 1951.

¹⁴⁰ RGACM, 24863/64, 15 April 1954, Report of Malaya Committee; RGACM, 24863/68, 4 November 1957; interview with *Straits Times*, 4 February 1958.

¹⁴¹ Gullick letter 2003.

¹⁴² RGACM, 24863/68, 6 June 1958.

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3 unilateralist tendency to air grievances in public via annual company
4 meetings (often reported in the London and Malayan press), was considered a
5 major threat to wider British interests in the delicate post-independence
6 situation (by officials and commercials alike).¹⁴³
7

8 Hay's MREOC had started the rot with Malayan Chinese business leaders,
9 notably Tan Siew Sin, son of the leading rubber entrepreneur and Malayan
10 Chinese Association (MCA) founder, Tan Cheng Lock. Tan senior, as a
11 legislative councillor and influential towkay (Chinese community-cum-
12 business leader), proved a vociferous critic of the alleged European bias in the
13 operation of the IRRA of the 1930s (which, of course, Hay was a principal
14 architect and executor).¹⁴⁴ Such individuals would become highly-influential
15 in post-colonial Malayan politics. To suspicious Asian business leaders, the
16 MREOC looked like an attempt to concentrate control of the industry in the
17 hands of the largest European-owned agency houses. As Tan Siew Sin
18 commented in exile in India there would be opposition from the Malayan
19 Chinese to 'any policy that may tend to develop any kind or form of
20 monopolistic capitalism concentrating the control of big business in the hands
21 of a very few groups belonging to any one dominant class or race'.¹⁴⁵ The
22 Overseas Chinese Association in India, what effectively became the MCA in
23 post-war Malaya, was funded clandestinely by Walter Fletcher, the rubber
24 merchant who had been tasked by HMG to economically subvert Japanese-
25 occupied Asia and pave the way for a restoration of British interests.
26 Indicative of the marginalisation of Hay and his committee of Far Eastern
27 business interests in London during World War Two, Fletcher praised the
28 dynamism of the exiled Malayan Chinese entrepreneurs in contrast to 'the
29 armchair planners who devote their time solely to schemes for working up
30 their previous properties for their own financial gain after others have done
31 the harder and more meritorious work entailed by the process of
32 reconquest'.¹⁴⁶ Hay's provocations must be seen as a major spur to Malayan
33 Chinese 'nationalism', and the acceleration of decolonisation as the towkay
34 attempted to manage both Malay economic nationalism and British neo-
35 colonialism. Tan Siew Sin would go on to play a leading role in the
36 Malaysiansation of the British agency houses in the 1970s and 1980s.¹⁴⁷
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40 Hay's stubborn insistence on London being the policy-maker for the rubber
41 industry had a long pedigree. He had limited truck with the United Plantation
42 Association of Malaya in Kuala Lumpur, despite its European leadership,
43 which he blamed for a failure to convince the colonial administration to
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47 ¹⁴³ Nicholas J. White, *British Business in Post-colonial Malaysia, 1957-70: 'Neo-colonialism'*
48 *or 'Disengagement'?*, London: RoutledgeCurzon, 2004, 212; TNA, DO 35/9901, G. W.
49 Tory, High Commissioner, Kuala Lumpur to A. W. Snelling, Commonwealth Relations
50 Office, 23 Feb 1959.

51 ¹⁴⁴ K. G. Tregonning, 'Tan Cheng Lock: A Malayan Nationalist', *Journal of Southeast Asian*
52 *Studies*, 10, 1 (March 1979); 25-76, p. 44.

53 ¹⁴⁵ Tate, *RGA*, 502.

54 ¹⁴⁶ Institute of Southeast Asian Studies Library, Singapore, Tan Cheng Lock papers,
55 TCL/III/20, Fletcher to Tan Cheng Lock, 30 January 1943.

56 ¹⁴⁷ Shakila and White, 'Dawn Raid', 952-3
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3 reduce taxes and other government exactions during 1936.¹⁴⁸ Hay was
4 opposed to the creation of a local rubber regulation committee in the renewal
5 negotiations for the IRRA in 1937-8. He was overruled, however, by the CO on
6 the grounds that 'there are considerable interests in the rubber industry which
7 are not fully represented in [London], e.g. the Chinese estates and
8 smallholders'.¹⁴⁹ The tensions with Tan Siew Sin were also consistent with
9 Hay's defence of the 'open' colonial economy or what Hay specifically called
10 'free economic cooperation' between Britain and post-independence Malaya.
11 Despite political independence, minimal changes should be made to the long-
12 established colonial export economy – capital should be allowed to flow
13 unimpeded within the Commonwealth and head offices (and the ultimate
14 control of investments) should continue to reside in the City of London.¹⁵⁰ Hay
15 was equally averse, however, to letting the merchant bankers, insurance
16 brokers and fund managers of the City of London have a say in the
17 management and organisation of his businesses.
18

19 20 **A Question of Strategy: Hay and The City**

21
22 Hay's troubles with the City arose from differences of opinion regarding how
23 to best cope with decolonisation. Up to the mid-1950s, the big City institutions
24 were not much involved with Guthrie. The merchant bank, Kleinwort Benson,
25 occasionally provided credits to finance exports alongside the eastern
26 exchange banks during the 1920s.¹⁵¹ But the merchant banks, insurance
27 companies and investment trusts of London did not play 'any significant part'
28 in Guthrie's capitalisation – shares in the individual operating companies, all
29 separately listed on the stock exchange, were held by a myriad of 'colonels'
30 widows, by parsons and business men, by artisans and country squires'.¹⁵²
31 Indeed, contrary to Stillson's analysis (which Wilkins relied upon), Drabble
32 and Drake argued that it was the agency houses, not the London merchant
33 banks or issuing houses, which played the dominant role in promoting
34 British-incorporated Malayan rubber companies in the early-twentieth
35 century.¹⁵³ Companies floated through the 'highly regarded' agency houses
36 were more likely to command a premium on their share flotations given 'the
37 extra valuation attached by investors in a free market to the shares of those
38 companies which benefited from the local knowledge of the agency houses',
39 while 'subsequent history' demonstrated that 'the companies sponsored by the
40 agency houses were, in the main, successfully launched and did survive'.¹⁵⁴
41 Guthrie, moreover, was not a public company but was owned principally by
42 the Anderson family (and was registered in Singapore not London). Guthrie's
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46 ¹⁴⁸ RGACM, Ms. 24863/44, 4 May 1936.

47 ¹⁴⁹ Drabble, 187, 191-2.

48 ¹⁵⁰ TNA, DO 35/9905, copy of chairman's address to USB AGM, 4 June 1958; *Straits*
49 *Times*, 7 Feb 1958.

50 ¹⁵¹ GA, G/COR/16, Hay to Singapore, 11 and 25 May and 13 July 1922.

51 ¹⁵² Cunyngham-Brown, *Traders*, 309.

52 ¹⁵³ Richard T. Stillson, 'The Financing of Malayan Rubber, 1905-1923', *Economic History*
53 *Review*, 24 (1971): 589-98, pp 593-4; Wilkins, 'Free-standing company, 1870-1914',
54 269; Drabble and Drake, 'Financing', 113-116

55 ¹⁵⁴ *Ibid.*, 115. This fits the experience of 'free-standing' tea companies in India where
56 longevity was correlated with agency house association. Wilkins, 'Revisited', 29.

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3 planters were generally recruited from north of the Tweed, rather than the
4 heartland of 'gentlemanly capitalism' in the Home Counties surrounding
5 London. Moreover, when 'public' capital was raised by Hay it would often be
6 in Edinburgh not London – as in the securing of finance for USB's
7 expansionary phase in the 1920s.¹⁵⁵
8

9
10 With the rise of the take-over bidder in the 1950s and 1960s, however, the City
11 started to take more interest in Guthrie, a situation not welcomed by Sir John
12 who was used to running the business solo. London's institutional investors
13 arrived late to the party of colonial capitalism in Asia. But they played an
14 increasingly influential role as the imperial system unravelled. Often
15 concerned with short-term profit maximisation in the interest of their
16 investors, fund managers and merchant banks were a far cry from the passive
17 mass of individual shareholders, the so-called 'widows and orphans', that Hay
18 was used to.¹⁵⁶ Hay's Guthrie Investment Trust Scheme of 1956 was opposed
19 by these more aggressive interests. Sir John's plan was to pool the massive
20 cash reserves of the Guthrie plantation companies (accumulated to finance
21 replanting given Hay's paranoia about a repetition of the 1930s downturn).¹⁵⁷
22 This, it was hoped, would fend off Malayan Chinese asset-strippers, who had
23 emerged as a menace for City-based rubber companies given the fall in the
24 rubber price from the heights of the Korean War boom, the rise of synthetic
25 competition, and the land hunger of the Malayan peasantry. The tendency for
26 share values not to match the price at which a company's estates could be sold
27 was exacerbated, meanwhile, by the uncertainties induced by the approach to
28 independence. Overseas Chinese financiers could control companies through
29 a mere 40 per cent shareholding since few of the smaller shareholders cast
30 their votes at general meetings. '[T]he scheme was designed to put a stop to
31 little rubber companies being taken over by raiders' who 'smelt development
32 potential'.¹⁵⁸ The Investment Trust would create a centralised fund which a
33 predator of a single company could not easily access. The City institutions,
34 however, were strongly opposed to a scheme for putting part of a listed
35 company's assets beyond the control of its dominant shareholders.
36 'Gentlemanly capitalist' opinion, reflected in the press and among
37 stockbrokers, torpedoed Hay's scheme.¹⁵⁹ The growing influence of the
38 financiers in Guthrie's affairs was revealed further in 1963 when the
39 Committee of City Investment and Insurance Interests gave their support to
40 the four dissident directors, and argued that Sir John should resign because
41 he had lost the confidence of major shareholders. This vote of no confidence in
42 Hay was described by the London *Sunday Times* as 'one of the strongest
43 criticisms ever launched in the city on the chairman of a large group'.¹⁶⁰ A
44 Guthrie manager in Kuala Lumpur subsequently proved correct in his
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50 ¹⁵⁵ Parkinson, *Flagship*.

51 ¹⁵⁶ Geoffrey Jones, 'Business Groups Exist in Developed Markets Also: Britain since 1850',
52 Harvard Business School Working Paper, 16-066 (November 2015), 17, 20-1.

53 ¹⁵⁷ Gullick letter 2003.

54 ¹⁵⁸ Gent letter.

55 ¹⁵⁹ Letters from John Gullick to the author, 21 July 2001 and 18 March 2003;
56 'Recollection', 440; 'Secretary', 49.

57 ¹⁶⁰ Cited in *Straits Times*, 24 July 1963.

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3 prediction in August 1963 that ‘the Investment Trusts would get Sir John out
4 by the end of the year’.¹⁶¹
5

6 The view of Hay as a rogue ‘lone wolf’ was compounded by a general belief in
7 the Square Mile that Sir John was over-optimistic about the future of
8 Southeast Asia. Hay’s *Times* obituary of 27 May 1964 commented that: ‘Some
9 may feel he held on too long to the belief in the supremacy of natural rubber in
10 the face of the encroaching competition of the synthetic product’. At Sir John’s
11 death, Guthrie was far less diversified than H&C or the Borneo Company Ltd.
12 (later part of the Inchcape Group). Diversification, either geographically or by
13 product, was a fashionable notion in the City of the 1950s and 1960s,
14 apparently offering a happy escape from the risks of having all one’s eggs in
15 one basket. For the Southeast Asian agency houses, it typically involved
16 investment in the ‘White’ Commonwealth of Australasia and North America or
17 in settler-dominated east and central Africa.¹⁶² If diversification succeeded, it
18 was expected that the lower risk would enhance the share values on the
19 London Stock Exchange, reducing vulnerability to a takeover at a price
20 unrelated to the realizable value of the assets. Hay, however, was dead set
21 against this policy, believing firmly that the ‘cobbler should stick to his last’.
22 An efficient plantation group with interests in one region would lose its
23 competitive advantages.¹⁶³
24
25

26 Hay had made up his mind about the ill-wisdom of redeployment in the inter-
27 war years, through opposing Eric Miller’s designs for plantation companies
28 investing in the use of natural rubber as an ingredient in the surfacing UK
29 roads. Hay’s opposition to diversification also belied Hay’s insecurity – he
30 might lose control of ventures in which he had insufficient technical
31 knowledge.¹⁶⁴ Yet, Hay’s rejection of diversification made the Bank of England
32 increasingly concerned at Guthrie’s vulnerability to take-over.¹⁶⁵ Threadneedle
33 Street lent its assistance in the formation of holding companies for Barlow
34 (Highlands & Lowlands) and the Rubber Estate Agency of London (KL-
35 Kepong) in the late-1950s and early-1960s to avoid such a nightmare
36 scenario.¹⁶⁶ But the Guthrie Group in the early-1960s was still knit together by
37 a ‘charismatic’ rather than ‘bureaucratic’ management structure, and was
38 barely moving from ‘owner-entrepreneurship’ to ‘managerial capitalism’. The
39 latter was already evident in the rise of the multinational enterprise which
40 accompanied political independence in Africa, and in the case of H&C in Asia
41 which from as early as 1916 enjoyed a team management system rather than
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46 ¹⁶¹ Barlow, 26/1, Hindson to Barlow, 16 August 1963.

47 ¹⁶² White, *Business*, ch. 6; White, *Post-colonial*, 204-5; Jones and Wale, ‘Diversification’,
48 79-81; Jones, *Merchants*, ch. 5; Nicholas J. White, ‘The diversification of colonial
49 capitalism: British agency houses in Southeast Asia during the 1950s and 1960s’ in Ian
50 Cook et al. (eds.), *Dynamic Asia: Business, Trade and Economic Development in Pacific*
51 *Asia*, Aldershot: Ashgate 1998, 12-40.

52 ¹⁶³ Gullick letter 2003; Shakila and White, ‘Dawn Raid’, 926.

53 ¹⁶⁴ Gullick letter 2003.

54 ¹⁶⁵ BoE, G1/183, note by L. P. T. Thompson-McCausland for O’Brien and the Governor, 14
55 Oct 1963.

56 ¹⁶⁶ White, *Post-colonial*, 9.
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3 domination by a single over-bearing 'heroic' personality.¹⁶⁷ As such, by 1963,
4 once 'the old man' was perceived as 'having lost his grip' at Guthrie, 'the
5 managers who used to support Sir John [had] few good words to say for
6 him'.¹⁶⁸
7

8 After Hay's downfall, a new holding company, The Guthrie Corporation
9 Limited (GCL), was formed in 1965, with Barings as financial advisers. Much
10 tighter control over the plantation companies by the Guthrie board, rather
11 than via the interlocking directorships of an individual like Hay, was now
12 possible. Moreover, this reorganization left ultimate control of all the Guthrie
13 plantation companies in the hands of the shareholders of the holding
14 company (and so did not raise the City's hackles unlike Hay's Investment
15 Trust project a decade earlier).¹⁶⁹ The upper-class Griffith-Jones, brought in
16 by the Bank of England to head up GCL, set about diversifying into UK
17 industrials, particularly 'looking at end uses of rubber, hence the carpet
18 companies etc.'¹⁷⁰
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21

22 Conclusion

23

24 Despite the alleged 'closed worlds' of the City and officialdom, and the
25 apparent ascendancy of 'gentlemanly capitalism', Hay's career points to the
26 entrepreneurial opportunities and upward mobility provided by the UK's
27 Southeast Asian empire for Britons with limited monetary means (and for
28 those lacking social capital as well). Hay became 'moneyed' but never
29 'gentlemanly'. Simultaneously, however, the uncomfortable relationship
30 prevailing between Hay and the Whitehall mandarins was indicative of a
31 disconnect between the imperial business and the imperial governance of late-
32 colonialism. Despite Hay's intimacy with CO mandarins during the IRRA
33 negotiations of the 1930s, and his being party to the 'second colonial
34 occupation' of the 1940s (through membership of the MPU, CEAC, and RCC),
35 Hay's brand of rugged individualism was increasingly out of sync with the
36 'development-and-welfare' rhetoric of the late-colonial state. At CEAC, Hay
37 sat alongside a genuine City gent, Sir William Goodenough, chairman of
38 Barclays Bank DCO (Dominion, Colonial & Overseas), a second-generation
39 banker, and product of Wellington College and Oxford. The contrast with Sir
40 John was also striking in terms of the ease with which Sir William
41 accommodated himself to Labour's new imperialism. Barclays established its
42 own development corporation in Africa and the Caribbean in 1946 which
43 acted as an exemplar, precursor and complement to the state-run Colonial
44 Development Corporation post-1948.¹⁷¹
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48 ¹⁶⁷ A. G. Hopkins, 'Imperial Business in Africa – Part II: Interpretations', *Journal of African*
49 *History*, 17, 2 (1976): 267-90, citation at 280, 281; Jones and Wale, 'Diversification', p.
50 81; idem., 'Business Groups', 400-1.

51 ¹⁶⁸ Barlow, 26/1, Hindson to Barlow, 29 July 1963.

52 ¹⁶⁹ Gullick letter 2003.

53 ¹⁷⁰ Gent letter.

54 ¹⁷¹ Billy Frank, 'The Formation of British Colonial Development Policy in the Trans-
55 World War Two Period, 1942-53: With Special Reference to Central and Southern
56 Africa', PhD thesis, University of Lancaster, 2003.
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4 Hay's vexatious personality deprived Malaya's British-owned rubber industry
5 of genuine influence over the state. Moreover, government decision-making
6 throughout Hay's long reign as rubber's 'uncrowned king' was largely
7 autonomous of big business. It was geared not to the invisible earnings of Sir
8 John and his ilk, but to wider imperial trading advantages given the crucial
9 role of Malaya in the Anglo-American balance of trade, constantly moving in
10 the latter's favour.¹⁷² Between 1937 and 1941, for example, rubber exports
11 totalled US\$590 million, not far short of exports by domestic industries from
12 Britain to the US worth \$620 million.¹⁷³ As Hay incisively appreciated in 1940,
13 the benefits of his enterprise in persuading the American authorities to build
14 up a huge rubber stockpile 'will not go to those who produce and those who
15 sell'. Given the provisions of the wartime Excess Profits Tax, 'the whole of the
16 benefit goes back to Government'. Rather, 'we are providing a commodity
17 which more than any other is the most valuable means of winning dollar
18 exchange and which is so necessary for the purchase of war equipment, the
19 adequate provision of which is vital to our whole security'.¹⁷⁴ This macro-
20 economic and geo-strategic concern, on the part of HMG, was even more
21 acute in the post-World War Two era, following the convertibility crisis of
22 1947 and the devaluation of the pound two years' later. As Sir John realised in
23 October 1949: 'In the present circumstances Government were not concerned
24 with the profitability of rubber to individual producers – they were only
25 concerned with its dollar-earning capacity'.¹⁷⁵ In the late-1950s, Malaya was
26 still contributing at least one-quarter of the total dollars accruing to the whole
27 sterling area. Protecting this vital source of hard currency and lessening the
28 international strain on sterling (rather than conserving substantial British
29 investments or invisible earnings from shipping, banking and insurance) was
30 the key financial asset that British policy-makers sought to preserve through
31 managed decolonisation.¹⁷⁶
32
33

34
35 Moreover, Hay's economic rapaciousness was always tempered by
36 government fears of peasant and labour unrest – a key consideration, for
37 example, in the rapid ending of restriction in 1928 and the production quotas
38 post-1934.¹⁷⁷ Hay's lead in repatriating Indian labour in the 1930s was not
39 appreciated by the MCS officers who had to face 'the brickbats of the mob' in
40 Madras, or the mud-slinging of India's nationalist politicians.¹⁷⁸ Despite
41 Thomas's general depiction of a government-business 'hand-in-glove' compact
42 in the running of Malaya's inter-war rubber industry, penny-pinching
43 attitudes, epitomised by the payment of 'starvation wages', infuriated the
44 colonial administration's labour officers (concerned as they were with the
45 preservation of social peace).¹⁷⁹ In 1931, Hay's rubber restriction plan, based
46 upon a combination of taxation and compensation inducements, was rejected
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49 ¹⁷² White, *Business*, 11-12, 212-3; Sutton, *Political Economy*, 55-127.

50 ¹⁷³ Drabble, *Malayan Rubber*, 300.

51 ¹⁷⁴ RGACM, 24863/52, 2 December 1940, appendix.

52 ¹⁷⁵ RGACM, 24863/61, 3 Oct 1949.

53 ¹⁷⁶ Sutton, *Political Economy*, 154.

54 ¹⁷⁷ Drabble, *Malayan Rubber*, 170, 185, 190.

55 ¹⁷⁸ Cunyngham-Brown, *Traders*, p. 256.

56 ¹⁷⁹ Thomas, *Violence*, 194-5.
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3 by the CO given the ‘fatal political objection’ that ‘the main burden of taxation
4 would fall on Asian producers whilst the bulk of the compensation would go to
5 Europeans’.¹⁸⁰ This sensitivity towards the interests of the smaller indigenous
6 growers, as well as the plantation labour force, would become an intensified
7 official priority in the battle to win ‘hearts and minds’ during the communist
8 insurgency after 1948.¹⁸¹
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11 Rather than the ‘gentlemanly capitalist’ paradigm, the Hay experience points
12 to an older historiographical tradition in the management and organisation of
13 Empire. Echoing Robinson & Gallagher on imperial expansion in the
14 nineteenth century, Stockwell has argued that the ‘official mind’ of
15 decolonisation ‘took account of economic interests but [was] neither valet to
16 “gentlemanly capitalists” or chambers of commerce’.¹⁸² ‘Gentlemanly
17 capitalism’ did eventually flex its muscles in bringing about Hay’s downfall in
18 1963 and the reorganisation of Guthrie that followed. Paradoxically, however,
19 this occurred in the post-colonial age as the big City institutions finally woke
20 up to the potentials of (and threats to) sprawling assets in Southeast Asia
21 accumulated in the colonial era. Post-Hay, the ‘gentlemanly capitalists’ of the
22 City played a major role, both wittingly and unwittingly, in the end of Guthrie
23 as a British-controlled entity. The Barings-advised Guthrie board infuriated
24 Malaysian shareholders by intensifying its geographical diversification
25 through profits earned in Malaysia. The government-linked corporation,
26 Permodalan Nasional Berhad (PNB), closely assisted by Rothschilds and the
27 stockbrokers, Rowe & Pitman, launched a successful ‘Dawn Raid’ on Guthrie
28 on the London Stock Exchange in September 1981. Crucial to this lightning
29 takeover was the decision of the M&G Investment Trust to sell its stake in
30 Guthrie to PNB at the very favourable offer price of £9.01 per share.¹⁸³ The
31 Guthrie plantations were subsequently split off from the rest of the business,
32 the latter being disposed of in London in 1988.¹⁸⁴ Kumpulan Guthrie,
33 alongside the Malaysianised H&C assets, was finally fused with Sime Darby in
34 a ‘mega merger’ of Malaysian-owned plantations in 2007 to create the world’s
35 largest listed oil palms plantation company.¹⁸⁵
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44 ¹⁸⁰ Ibid., 273-4

45 ¹⁸¹ Nicholas J. White, ‘The Frustrations of Development: British Business and the Late
46 Colonial State in Malaya, 1945-57’, *Journal of Southeast Asian Studies*, 28, 1 (March
47 1997): 103-119; idem., ‘The limits of late-colonial intervention: labour policy and the
48 development of trade unions in 1950s Malaya’, *Indonesia and the Malay World*, 36, 106
49 (November 2008): 429-450.

50 ¹⁸² Ronald Robinson and John Gallagher with Alice Denny, *Africa and the Victorians*,
51 London: Macmillan, 1961, 20-21; A. J. Stockwell, ‘Ending the British Empire: What did
52 they think they were doing?’, Royal Holloway Inaugural Lecture Series, 1999, 16.

53 ¹⁸³ Shakila and White, ‘Dawn Raid’.

54 ¹⁸⁴ *Asiaweek*, 20 May 1988, 54.

55 ¹⁸⁵ Tun Ahmad Sarji Abdul Hamid, *Given in Trust: Tun Ahmad Sarji Memoirs*, Kuala
56 Lumpur: MPH Publishing, 2011, 550-1.
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