ECONOMIC HISTORY

Only study guide for ECS2609

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LEARNING UNIT 1

How the ECS2609 course works

Learning units 2 to 26 are effectively the prescribed textbook. They are not a "guide" to the course material. You must read through everything from here on and make yourself familiar with the material. It is important that you pay particular attention to the learning units relevant to the assignment questions.

Key and **linked** issues are identified at the beginning of each learning unit. The **key issues** are the topics directly related to the content of the learning unit. The **linked issues** are the topics partially covered by the learning unit and should be kept in mind while reading other learning units with similar links. Studying economic history is like assembling a gigantic jigsaw puzzle based on a particular topic – the catch is that some pieces fit into more than one puzzle. Hence the need to be aware of the topics linked to each learning unit while you are reading it.

- The first section covers the age of pre-capitalism and early capitalism in South Africa from earliest times to 1870.
- The second section is about the dawn of modern capitalism when South Africa's developing mining-agricultural economy emerged between 1870 and 1910.
- The third section deals with the development of modern capitalism in South Africa with the emergence of its mixed mining, agricultural and manufacturing economy between 1910 and 1960.

The learning units serve another purpose apart from supplying you with the course's study material. Their other function is to show you how to analyse a topic. Take note of how facts, figures and diagrams are used to support whatever is being suggested in the text. Use a similar approach in your assignment essays and exam answers. A well-constructed argument that is thin on facts will always do better than reams and reams of facts that are left to stand on their own.

Remember that the study of economic history involves the **critical assessment**, **quantification** and **interpretation** of historical and economic facts. More is required of you than the mechanical assembly of facts and figures from the past. You must be able to put forward your own relevant hypothesis on any topic defined by a specific question, either for an assignment or in the exams. Your argument must be based on the known facts and other people's interpretations of the particular topic.

If you merely see a key word and then put down everything you know about the subject, as many students are prone to do, you clearly will not do very well. This is because you have not developed an argument based on historical fact. Never simply regurgitate a host of facts and events related to a subject. Instead use them to build up a persuasive and elucidating argument. At this stage, perhaps it would be wise to go back to Tutorial Letter 101 and read again the sections on what economic history is, interpretation and methodology, conflicting opinions and how to write an economic history essay.

It is vitally important that you read as widely as possible. It is in your own interest to get hold of as many books on each topic as possible. In this way you will not only have more facts at your disposal, but you will come across a wider cross-section of other opinions which you can use to mould your own. Use each book's bibliography and footnotes to see if there is anything that looks as if it could be useful to you.

The best way to cope with the huge volume of reading expected from you is to work through the material relevant to all four assignment topics in turn. Once you have made your own notes of the important issues, attempt to answer the assignment questions using the framework suggested in Tutorial Letter 101. You should submit both assignments because they are the only way you will ever know how you measure up to the course's required standard. Once you have had feedback on your first assignment, use the information to fine-tune your second assignment. Finally, armed with the feedback on both assignments, spend the build-up to the examination preparing a series of four-page essays based on the past exam questions you can download from the ECS2609 myUnisa webpage.

LEARNING UNIT 2

The origins of the indigenous pre-capitalist economy in South Africa

TOPICS

KEY ISSUES

- Economic activity in southern Africa before 1652.
- The origin of humans in southern Africa.
- Stone Age economic activity in southern Africa.
- The transition from hunter-gatherers to herders.
- Iron Age economic activity in southern Africa.
- The introduction of crop farming.
- The origins of mining in southern Africa
- The nature and extent of trade in southern Africa before 1497.
- The economic and social causes of the *Mfecane/Difaqane*.
- The immediate economic and social consequences of the *Mfecane/Difaqane*.

LINKED ISSUES

- The *Mfecane/Difaqane*'s long term impact on South African economic development.
- The *Mfecane/Difaqane* as a one of the contributing causes of the Great Trek.
- The backwardness of South African agriculture until the 19th century.
- South Africa advanced politically by disasters and economically by windfalls.

2.1 INTRODUCTION

The economic history of what is today South Africa started long before the Dutch settlement in 1652, the Portuguese circumnavigation in 1488, the establishment of the first Iron Age Bantu-speaking communities north of the Vaal River and in KwaZulu-Natal from the 3rd century AD and the emergence of hunter-gatherer groups in about 1000 BC. There is strong evidence to show that mankind actually originated in Africa and some scientists feel that the place could well have been southern Africa.

2.2 EARLY HUMANS

The discovery of the fossilised skulls of protohumans, starting with the Taung child in 1924 and including the famous "Mrs Ples" at the Sterkfontein caves near Krugersdorp in 1947, led scientists to believe that early humans had existed in southern Africa for three million years. In time the fossilised remains of more advanced human hominids that used crude tools were also discovered. It is thought that the earlier hominids became extinct about a million years ago because they could not adapt to the changing environment. Ultimately the hominid with the most advanced toolkit triumphed.

The earlier hominids of the Taung and Mrs Ples variety, *Australopithecus africanus* (the southern ape of Africa), walked upright and had manual dexterity. But there are few indications of their using tools, or at any rate, tools of an imperishable material which would have left some kind of trace. They probably used perishable aids like sticks, bark and leaves, as do the modern great apes like the gorilla and the chimpanzee. The gap between animal and human hominid was crossed by the advent of *Homo habilis* (handy man) about 2,3 million years ago and first identified in South Africa at Sterkfontein in 1965. *Homo habilis* looked more like modern humans and was more advanced in behaviour and culture than their predecessors. They used a variety of hard, imperishable materials to make a number of stone implements, and may even have communicated by means of a rudimentary articulate speech.

Homo erectus (erect man) appeared on the South African scene just over a million years ago and, because of a greater ability to adapt to changing circumstances, emerged as the only hominid survivor. The first evidence of *Homo erectus* was found at the Swartkrans cave, near Sterkfontein, in 1949 but was only positively identified much later. *Homo erectus* was bigger than the hominid cousins, about the size of a modern person. Their brain’s were 50% bigger than handy man’s and double the size of Mrs Ples’s. The secret of their success was the ability to use tools to their advantage. They were the first to use fire and were confirmed makers of stone tools. The main tool was the 20-centimetre-long pear-shaped hand axe which was worked until it had a fairly sharp edge. It was used for anything from cutting the skin of an animal to smashing bone and digging. *Homo erectus* had an omnivorous diet of meat and vegetables, which demonstrates the opportunism which made them an evolutionary survivor.

In time, between 700 000 and 125 000 years ago, *Homo erectus* began to show signs of transforming into *Homo sapiens* (modern man) as members of the *erectus* population began to show *sapiens* characteristics. The first example of a full *Homo sapiens* was discovered at the Broken Hill Mine in what is now Zambia in 1921 and was called *Homo sapiens rhodesiensis* (Rhodesian man). Examples have been found in the Makapansgat valley in Limpopo Province and the farm Elandsfontein near Hopefield, just east of Saldanha Bay, in the Western Cape.

Examples of the more modern *Homo sapiens afer*, the common ancestor of the Khoisan and African populations of sub-Saharan Africa, have been found near Ingawavuma on the KwaZulu-Natal/Swaziland border, Tuinplaas on the Springbok Flats in Limpopo Province, Fish Hoek on the Cape peninsula and the Matjies and Klasies Rivers in the southern Western Cape. The Ingawavuma and Klasies River finds have been dated at over 100 000 years old. If this is proved correct, South Africa gave rise to the world's oldest remains of modern-looking humans that are thousands of years older than similar finds in Europe and Asia.

Recent research shows that the Khoisan and Bantu-speaking Africans of southern Africa have the same origin as all the Negroid people of sub-Saharan Africa who are distinct from the Caucasoid and Mongoloid groups of the other regions of the world. The physical difference between the Khoisan and the Africans is explained by the 35 000-year period when the two groups developed in isolation from each other. The Khoisan were spread over southern Africa while the Africans were mainly further north in tropical and equatorial Africa. The environment in southern Africa saw the Khoisan develop into shorter, lighter-skinned people who remained hunters, following the way of life that had been pursued by all humans until about 10 000 years ago. Further north, in the more fertile tropics, the darker, taller Africans eventually adopted a more advanced way of life which saw tropical rain forests being cleared for agriculture. In the ensuing population explosion, they expanded to the north, east and south. In time the forefront of the southern group of Africans encountered a new environment and the Khoisan.

2.3 THE KHOISAN

> *There is much controversy of the words used to refer to the Stone Age people of southern Africa, who themselves had no generic term to describe their collective identity as hunter-gatherers and herders. However, when the first European travellers and settlers arrived at the Cape, the need arose for them to classify the indigenous people into generic groupings.*[1]

The term Khoisan[2] is used to denote a grouping which encompasses both the San (Bushmen) and the Khoikhoi (Hottentots) who were in fact the same race of

1. Alan Mountain, *The first people of the Cape*, Cape Town, 2003, p. 23.
2. The word was coined by a German anthropologist in 1928 as a collective noun to describe the indigenous people of the Cape.

people at different stages of socioeconomic development. Khoikhoi[3] is the name the so-called Hottentots gave themselves and means "men of men" or "true people". San, on the other hand, is a Khoi word for hunter-gatherer or forager, and is therefore as disparaging as "Bushman".[4] However, it is the term currently used for the want of a more suitable one.[5] The San were Stone Age hunter-gatherers descended from southern Africa's original human inhabitants, while the Khoikhoi were from the same roots but had progressed beyond hunting and gathering to pastoralism. Thus the difference between the two groups is not ethnic or linguistic, but socio-economic.

2.3.1 The San

The San were the indigenous population of southern Africa and were its sole inhabitants for about 8 000 years. They (1) were Stone Age hunter-gatherers who used wood, bones and stone for their weapons and implements; (2) did not domesticate animals; (3) did not cultivate crops; (4) did not make pottery; (5) hardly stored any food or other resources and (6) did not build permanent settlements because they were a migratory people who moved around in search of game and plant food. Unlike the Khoi and the Africans, the San did not form large groupings. Because of the nature of their existence, they operated in small family groups of about 20 people. This kind of society was very egalitarian and there was no formal hierarchy – some San languages do not even have a word for "chief". The exploitation of their various resources was seasonal and they tended to move around a regular, carefully planned course demarcated by water holes. The San groups lived in simple shelters of branches when they were on the open plains. At the coast or in the mountainous areas they sheltered in caves.

The San lived off a wide variety of animals, birds and plants. Where they lived at the coast, fish, shellfish and seals were added to their diet. The San men did the hunting and mainly used small bows and poisoned arrows. The arrows were ingenious devices where the shaft was designed to fall away on impact leaving the poisoned point of bone or stone in position to do its lethal work. The poison, either from the larvae of a beetle or from snake venom, was cardio-toxic and therefore did not contaminate the meat except for a small piece of flesh directly around the wound. The San's prey included a wide range of animals such as

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3. Jan van Riebeeck refered to the indigenous herders as the Quena in his diary. It is apparently an older form of the word Khoina, where the "-na" denotes the plural. In other areas, however, the Khoi was repeated to create the plural, hence Khoikhoi or Khoekhoen as a variation – Mountain, *ibid*, p. 23.
4. Van Riebeeck refered to the indigenous hunter-gathers as the Sonqua. Some historians attribute "Bushman" to be a literal translation: "son" meaning "bush" and "qua" denoting "man". It is widely accepted that the name was used by the local Khoikhoi herders to describe the bands of cattleless hunter-gatherers in the region. The word "Sonqua" is probably from "sa-" (plural "san") and means "native", "aborigine" or "established inhabitant of the land" which equates to the modern Nama word "San" which means "foragers" – *loc cit*.
5. As recently as April 2001, San delegates, at a language conference held under the auspices of the Working Group of Indigenous Minorities of Southern Africa, rejected the idea of a Khoisan people, terming it a political ploy by non-San-speaking people to continue subjugating their unique culture to that of the Nama and Griqua language groups.

dassies, tortoises, antelope and occasionally even larger and therefore more dangerous ones such as hippo, elephant and rhino which were either scavenged or trapped in pit-falls. To counter the perpetual uncertainty of killing an animal, the San shared the spoils. The owner of the arrow distributed the meat from the kill according to kinship ties.

While the men were engaged in hunting and associated tasks such as preparing arrows, the women were responsible for the gathering of other foodstuffs which included fruit, berries, leaves, stems, roots and bulbs of various plants. Underground roots and bulbs were dug out with a sharpened, fire-hardened stick which was sometimes weighted near one end with a bored stone which increased its penetrating capability. Unlike the products of hunting, plant food remained the gatherer’s property and she supplied her own family. This may have been because plant foods were more easily obtained and thus there was no need for rules of distribution.

The size of each group was fairly fluid and depended on the availability of scarce resources such as water and game. In good times a number of groups might join up, but in bad times they parted company. Under these circumstances a centralised political authority was impossible. Important decisions, such as moving camp, were made communally by both men and women.

The supernatural played an important part in the lives of the San. About half the men and a third of the women were involved in communicating with the spirits. The rock art for which the San are famous is associated with shamans communicating with the supernatural world. Some of these rock paintings have been dated to 26 000 years ago.

Originally the San roamed unchallenged over all of southern Africa. But about 2 000 years ago there began a gradual, but far-reaching, revolution in the socio-economic system of some of the San groups in the northern part of what is now Botswana. This was the acquisition and rearing of livestock and the emergence of the Khoikhoi who developed a larger physique because of the richer protein diet based on a pastoral economy. In time the Khoi pastoralists spread into what was once exclusively San domain.

2.3.2 The Khoikhoi

There are a number of theories[6] as to where the Khoikhoi came from, how they got their cattle and how they spread throughout southern Africa. The most plausible, but not necessarily proven, theory is that they were originally a San group in northern Botswana who became herders of sheep and then spread fairly quickly about 2 000 years ago in search of grazing into what is now Namibia and the

6. There is even a theory that the Khoi are the descendants of San mothers and foreign, mostly Indian fathers, who came to Africa in search of gold. Their gold mines, factories and closely related stone structures are found all over Africa. That is apparently why the Cape Khoi called themselves *Otentottu* ("Mixed People") which was corrupted by the Dutch into "Hottentot".

southern Cape. In time they began to herd cattle as well. It is not clear how the Khoi obtained their fat-tailed sheep and long-horned cattle. These animals are not indigenous to southern Africa and it is thought that they originally came from the Early Iron Age people who were gradually moving southwards from East Africa. San rock paintings do show little hunter-gatherers making off with cattle belonging to taller, darker people.

The Khoikhoi were slightly taller than the San but otherwise they were fairly similar in appearance and spoke related languages. They also hunted and gathered, and like the San used bows, arrows, spears, snares and traps. The main difference between their ways of life was pastoralism. The adoption of pastoralism brought many changes to the hunting-gathering way of life. The most obvious change was in diet. For the first time Stone Age people had full control of one of their main sources of food in the form of products from domestic animals. Sour milk formed a major part of the Khoi diet. They were, however, still heavily dependent upon plant food which still had to be gathered and game which still had to be hunted for meat. Although sheep were slaughtered occasionally for meat and their tails melted down for fat, as amongst the Africans, cattle were wealth and were only slaughtered on special occasions.

The Khoi lived in larger and more settled communities than the San. They were able to do so because their livestock provided them with a steady supply of food. But they were still obliged to move around as pastures varied from season to season. A Khoi settlement consisted of anything up to 40 dwellings which housed a clan of about 250 people and 2 000 sheep and cattle. The huts, dome-shaped frameworks covered by reed mats, were usually arranged in a circle into which the animals were herded at night. The Khoi used oxen for riding and pack-oxen were used to to carry their possessions which were far more numerous than those of the San because of their more settled existence. This meant that the Khoi used pottery which also distinguished them from the San.

The Khoikhoi ownership of livestock and other possessions meant that some of the egalitarianism of the San community was lost. Men achieved a dominant position in Khoi society because they controlled the livestock and hence the wealth of the community. The Khoi were organised politically into chiefdoms of between 1 000 and 2 000 people that encompassed family groups or clans who had a common ancestry. But a Khoi chief's power was limited because decisions were made in consultation with the clan heads. In practice the individual clans exercised a fair degree of independence. Membership of a chiefdom was fairly fluid and clans were able to break away from one leader to join another, and Khoi chiefdoms sometimes incorporated San and African communities. As the population of a chiefdom expanded, the difficulties of herding all the cattle together would lead to the community splitting into two or more groups of clans which became separate chiefdoms. Thus the size of Khoi chiefdoms varied considerably. Often there were disputes over cattle ownership and grazing rights. Cattle raids between clans and chiefdoms were a common feature of Khoi life, something the European colonists were quick to take advantage of in the 18th century.

The spread of the Khoi pastoralists in the Cape inevitably led to a clash of interests with the indigenous San hunter-gatherers. Competition for game was the major conflict between the two groups. Not only were Khoi hunting game, their sheep and cattle were competing with the game for grazing. As the herds of game dwindled, the San felt increasingly justified in stealing and killing the animals that had displaced their traditional quarry. This in turn set up a deadly cycle of raid and counter-raid which lasted for centuries. In time the Khoi formed themselves into bigger and better organised groups to counter the cattle-raiding San, who were left with three options: (1) some fled to less hospitable mountainous and desert areas; (2) others established robber bands which preyed on Khoi herds and (3) others entered Khoi society as servants, hunters, herders and warriors.

The possession of cattle meant that the Khoi had much more opportunity and incentive than the San to engage in economic relations with other groups. Although the Khoi were basically self-sufficient, they placed a high value on items that were not locally readily available. These items included metals and dagga for which they were prepared to barter their sheep and cattle. Iron was much better for arrow and spear tips than the traditional fire-hardened wood or bone tips. Copper was prized as a material from which a wide variety of ornaments could be made. Iron came from the Xhosa to the east, and copper from the Khoi of Namaqualand and the Tswana to the north. The Khoi used dagga as a euphoriant and a herbal remedy. Dagga, introduced to southern Africa via Mozambique by Arab traders, was grown by the Xhosa in the east.

Thus regular trading relations with the Africans were established fairly early, and after the Dutch settlement of the Cape, the Khoi were quickly drawn into trade with them. Once trade with the whites became established, cattle were no longer the only sign of wealth. New material goods became symbols of status and the Khoi were therefore prepared to make considerable sacrifices to obtain them. Thus they could be persuaded much more easily than the San to enter the service of white masters and alter their traditional way of life for material rewards. Soon after the coming of the Dutch, the economic order of the western Cape Khoi was shattered and as a grim finale, the Khoi population was decimated by smallpox, a disease against which they had no resistance. The only survivors were those who had moved into the interior away from the encroaching colonists.

2.4 THE AFRICANS

2.4.1 Early Iron Age, c.300–1000 AD

Archaeological evidence shows that a people different from the Khoisan had begun to settle in the northern parts of southern Africa from as early as 270 AD. The vast majority of Early Iron Age sites are to be found in the eastern lowland valleys and coastal regions of present-day Mapumalanga, Swaziland and KwaZulu-Natal. Two technical innovations were simultaneously brought into the region: iron and agriculture. The fact that the two came together enabled their rapid spread down through the subcontinent. Iron provided the tools for cutting trees, clearing land and harvesting crops as well as for more efficient hunting weapons. Agriculture itself introduced a whole new way of life which soon transformed and dominated the southern African economy.

The new farmers were able to grow much of their own food instead of being entirely dependent upon hunting and gathering. The communities no longer had to move according to seasonal requirements. They could establish quite large villages and accumulate more possessions. They baked clay pots for cooking, storage or carrying water and had new tools such as hoes and grindstones. A better, more regular diet led to an increase in population, which in turn meant more food could be produced to support even more people. Their agricultural technique was based on the principle of "slash and burn" whereby trees were felled and bushes were cut down or uprooted and laid in piles which, when dry, were set alight and, later, seeds were planted below the ash layer. The same field would be used for several years until its yield became too poor and the village moved away to repeat the process.

The evidence bears out the above scenario. The Early Iron Age communities showed a marked preference for occupying the low-lying regions which shows that they were cultivators because the lush vegetation and fertile soil there are highly suitable for shifting agriculture. This is born out by the fact that numerous grindstones, grain storage pits and impressions of millet seed have been found at Early Iron Age sites. Furthermore, these communities occupied large villages for relatively long periods which suggests that agricultural production was an important means of subsistence. The most southerly Early Iron Age site is on the Chalumna River in southern present-day Transkei, which corresponds exactly with the limits of summer rainfall adequate for growing the most common African tropical crops of the time – sorghum, cowpeas and millet. Maize was eventually introduced through contact with the Portuguese.

Although cultivation was probably a primary economic activity, there is evidence of cattle, sheep and goats being kept. Cattle remains are more abundant in the later Early Iron Age sites which suggests that herding may have become a more important branch of production as time progressed. Other evidence shows that hunting and snaring were practised, and shellfish were collected at the coastal settlements. The working and mining of iron are evident at many many sites, the most famous of which is the mining complex at Phalaborwa in eastern present-day Limpopo Province which dates back to at least the 8th century. Small circular furnaces were common in almost every village.

Although the Early Iron Age communities can be sharply distinguished from their late Stone Age counterparts, the two societies did not exist in isolation. Evidence shows that a client relationship existed and the San may have acted as hunters and herders for the Iron Age villagers in exchange for food and other items. Material traces of a client relationship on late Iron Age sites are rarely found which implies that peaceful interaction was less common later on. The characteristic "click" sounds in some southern African languages is further evidence of Khoisan absorption.

It would appear that the Early Iron Age farmers came from east Africa and there is evidence that they settled the coastal region from present-day Kenya as far as southern KwaZulu-Natal, a distance of 3 200 km, in as little as 150 years. The region would have provided rich agricultural land which would make rapid expansion possible. The fact that the earliest of the Early Iron Age sites, dated around 300 AD, are all located to the east of the Drakensberg escarpment, supports this theory. All the more westerly Early Iron Age sites have later dates. The Highveld plateau was first settled in the 5th century and eastern Botswana as late as the 8th century. On the Highveld, cultivation was less productive and the Early Iron Age farmers depended more upon their livestock. They lived in small villages of six to 10 huts which were built in a circular pattern to form a cattle kraal in the centre.

There was very little cultural difference between the various Early Iron Age groups scattered about southern Africa. The relative economic independence of each settlement meant that each also had a considerable degree of political independence. Political organisation was on a small scale and at a local level.

2.4.2 Late Iron Age, 1000–1800

After a number of centuries of gradual development, the Iron Age people began to move from the fertile valleys, riversides and coastal plains. This was as a result of a greater emphasis on raising cattle which meant more use was made of the grasslands of the Highveld and the foothills of the Drakensberg. Population increased, villages became permanent and the communities were brought under the closer political control of chiefs and kings. Technology improved and trade expanded. Although the Iron Age economies were essentially self-sufficient in character, some communities began to specialise in the crafts and industries for which their regions were best suited. Because these were scarce elsewhere, they were in demand as trade goods. The people of Phalaborwa, for example, specialised in iron smelting because of the abundant supply of iron ore and charcoal. The Letaba district of the modern province of Limpopo was a centre of salt production, and the presence of imported trade items suggests that salt was exported. In other areas communities specialised in copper smelting, gold mining and weaving. As early as the 10th century, ivory was traded between the Limpopo region and the east coast. Agriculture benefited from an improvement in farming techniques and the introduction of new crops. Trade developed between distant communities as they exchanged their goods for those they could not produce themselves. There was, undoubtedly, extensive trade at a local and regional level, involving the exchange of basic products like grain and cattle.

One of the more important trading communities of the Late Iron Age was at Bambandyanalo and nearby Mapungubwe, two hills separated by a valley close to the confluence of the Shashi and Limpopo Rivers in the Musina[7] district. They were well located for the development of long-distance trade. Elephants were plentiful in the Limpopo valley. To the north and north-west were the gold-bearing regions of Tati and the Zimbabwe plateau. To the east were trade routes down the Limpopo and Sabi/Save Rivers to the coastal settlement of Sofala[8] which was linked by sea to east Africa, Arabia, Persia, India, and even China. The main exports from Sofala were ivory, gold and copper. The main imports were glass and shell beads from all along the coast, brightly-coloured cotton cloth from India, and fine pottery from Persia and China. By establishing control over gold mining, ivory hunting and long-distance trade, the rulers of Bambandyanalo and Mapungubwe extended their authority over a wide area. Bambandyanalo was first settled during the 10th century by people with close cultural links with the people of the Zimbabwe plateau. As it prospered as a trading centre, its rulers occupied the top of nearby Mapungubwe hill. The community reached the height of its prosperity between 1100 and 1300. Thereafter its importance as a trading centre declined in favour of Great Zimbabwe which was even better situated to control long distance trade with Sofala.

According to the archaeological evidence, the Late Iron Age communities seem to have appeared quite suddenly, as if the people or ideas had come from somewhere else and had been brought in by immigrants. One of the keys to the transition was cattle, others were the development of mining and trade. Although grain crops remained the main source of food, and hunting was still important, cattle provided the Late Iron Age communities with an additional source of food. Sour milk became an important part of their regular diet. Although some communities ate more beef than game, most slaughtered cattle on special occasions only. Cattle became an important way of accumulating and storing wealth. In times of hardship, those without cattle came to depend on the cattle owners for a supply of food. They herded cattle in return for a share of the milk and meat. The wealthy used their surplus cattle to trade with other communities for more food, iron ware and luxury items such as gold and copper ornaments, beads and cloth. Cattle were much easier to trade with because they transported themselves. Surplus grain could not be economically transported over too great a distance.

As amongst the Khoikhoi, the increasing importance of cattle in Iron Age communities meant an increasing division of labour between men and women. As herds increased in size, those who owned cattle were able to control and dominate not only women but also other men. This, combined with control of trade, led to an increasing division between rich and poor. Two practices developed which gave cattle owners an advantage. The first was the lending out of cattle to poorer dependents and the second was the payment of *lobola* or a bride price, usually in cattle. In the first instance, the wealthy cattle owner controlled the activities and loyalty of large sections of the community because a loan could always be withdrawn. In the second instance, a wealthy male was able to pay for a large num-

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7. Formerly Messina.
8. Sofala was a seaport situated at the mouth of the Sofala River in present-day Mozambique. It declined rapidly in importance after 1890, when Beira was established about 30 km to the north, and its harbour, once capable of holding a hundred large ships, silted.

ber of wives who were the key to both the reproduction of the family and the production of crops. Thus those who controlled large herds of cattle also controlled many aspects of food production, marriage and the reproduction of families within a community. For this reason it is probable that control over cattle was related to the growth of chieftaincy in southern Africa during the Late Iron Age.

The Late Iron Age is also marked by a more intensified exploitation of mineral resources. Thousands of tons of different metals, primarily iron and copper, were mined in South Africa for several centuries before extensive mineral exploitation was begun by whites in the second half of the 19th century. As is the case today, the early exploitation of minerals was mainly concentrated in what was to become the Transvaal. Some 120 separate mines have been identified in the Musina area alone. Another 60 important mines have been identified north of the Vaal River, of which six were gold mines, 20 copper, three tin and 31 iron. It is believed that the number of probable Iron Age mines runs to hundreds. The most famous site of ancient mining in South Africa is at Phalaborwa where the vast copper and iron deposits have been exploited for over a thousand years. Although mining tools were simple and mining techniques rudimentary, they were sufficient for shafts to be sunk to depths of up to 25 metres. This seems to have been the limit because the Iron Age miners had no means of removing water from the shafts. In some regions shafts were narrow and stopes extremely small, which suggests that women and children did the mining.

It is clear that iron was produced for domestic consumption to produce iron tools and implements, a proportion of which would have been traded to areas where iron was scarce such as the southern Highveld. Copper and gold were produced almost entirely for export. Although copper ornaments have been found at many sites throughout southern Africa, most of the copper was exported as ingots. Historical evidence shows that both the Musina and Phalaborwa mines were supplying copper to Delagoa Bay[9] as early as the 16th century.

For almost 800 years the Late Iron Age was a period of stability. The South African Iron Age was dynamic and the people of the time interacted with their environment. Despite the exploitation of minerals and the development of trade, the Iron Age people were essentially farmers who maximised the potential of the environment. The cultivators of the Early Iron Age were concentrated in those areas where rainfall and soil were most conducive to agriculture. When cattle took on a new importance in the Late Iron Age, the grasslands of the Highveld became extensively occupied. Although Iron Age societies were unable to manipulate and control their environment, they were able to interact with it in a dynamic and productive way.

Until about the 11th century, the Iron Age people of southern Africa, both on the Highveld and on the south-eastern coastal plain, were culturally fairly similar. The Drakensberg, however, provided a natural though not insurmountable barrier between the coast and the interior. By the 15th century a number of distinct cultural

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9. Present day Maputo

and language difference had emerged between the people of the interior and the coast. The main language and culture groups were: (1) the Nguni who occupied the coastal belt to the east of the Drakensberg escarpment; (2) the Sotho-Tswana group who occupied the central plateau of South Africa; (3) the Venda who occupied the Soutpansberg area of the extreme northern Limpopo Province; and (4) the Tsonga who occupied the coastal strip between St Lucia Bay and the Save River in Mozambique.

(1) **The Nguni:** Nguni history before the 18th century is not clear because Nguni building materials were not indestructible and the ancient chieftaincies and guardians of oral tradition were destroyed or scattered by the *Mfecane* of the early 19th century. The "click" sound is a distinctive characteristic of the Nguni languages which suggests a close link with the earlier Khoisan people. Something like 20% of the southern Nguni vocabulary stems from Khoisan languages. The Nguni dwellings are closer to those of the Khoikhoi than to the Sotho-Tswana. The Nguni hut was constructed of grass and reeds woven together and secured to a central pole. A number of huts were built around a central cattle kraal to form a family homestead. Family homesteads were scattered over the countryside.

A group of related homesteads made up a chieftaincy which was ruled by the head of the senior lineage. The chief, descended from the founding ancestor, was a spiritual as well as a political leader. It was their role to keep contact with the spiritual world and to ensure adequate rainfall, good harvests and healthy cattle. Succession disputes and splits within the ruling lineages were frequent and unsuccessful claimants often moved away and set up their own lineage. The Nguni were exogamous which meant they were only allowed to marry outside the extended family. This meant that the bride price was more widely spread and it enabled a more thorough absorption of other groups.

By the 18th century most of the Nguni chieftaincies were fairly small. But there were a few larger ones ruled over by powerful lineages. They included the Xhosa, Thembu, Mpondo and Mpondomise amongst the southern Nguni and the Mthethwa, Ndwandwe and Ngwane amongst the northern Nguni which included the Zulu and Khumalo amongst its minor chieftainships. The conglomeration of Nguni chieftaincies stretched from the Usutu River in the north to the Sundays River region in the south which was occupied by the Ghona, a mixed Khoi-Xhosa group.

(2) **The Sotho-Tswana:** The Sotho-Tswana-speaking Africans of the South African Highveld have their origin in the Early Iron Age population of the region. By the 15th century, large numbers of Sotho-Tswana settlements extended both north and south of the Vaal River. Archaeologists have found the ruins of an enormous number of dry-stone-walled enclosures and the stone foundations of mud houses. The usual pattern of settlement was a large centralised town, surrounded by agricultural fields and beyond which lay extensive grazing for the cattle. The towns were ruled over by a chief and divided into wards which were made up of a group of related families. The chief was the head of the most senior ward and probably the owner of the most cattle. Unrelated groups were readily absorbed simply by being added to the settlement as an additional ward. But as some settlements expanded too rapidly, they also split and divided. The most common cause of division were succession disputes within the ruling family. The unsuccessful candidate would gather supporters and cattle and move away to found another settlement. A group of related settlements often considered themselves a nation.

As amongst the Nguni, the chief as spiritual leader, had closest contact with the ancestral spirits. The religious and political power of a chief was often judged by the ability to "make rain" at an annual rain-making ceremony. In real terms, however, much of the chief’s power came from their control over cattle. Wealthy families encouraged marriage between cousins to ensure that the cattle of the bride price remained within the extended family. By the 16th century, a number of distinct Sotho-Tswana states had emerged under powerful lineage chiefs who owed their strength to their huge herds of cattle. They used their strength to control access to local iron ore, fertile land, good grazing and hunting territory.

The development of regional language variations breaks the Sotho-Tswana lineage groups into three subdivisions: (1) the Tswana on the central and western Highveld; (2) the northern Sotho in the northeast; and (3) the southern Sotho south of the Vaal River. Amongst the western Tswana, the most powerful groups were the Rolong and the breakaway Tlhaping. By the end of the 18th century, the Tlhaping capital at Dithakong contained as many as 20 000 people. Amongst the Tswana on the central Highveld, the most powerful lineage groups were the Hurutshe, the Kwena and the Kgatla. The most senior group was the Hurutshe whose capital at Kaditshwena in the early 19th century contained 50 wards and 15 000 people.

The original northern Sotho group were the Kgatla who controlled the northeast of the central Highveld north of the Vaal. Between the 16th and 18th centuries they went through a number of splits and divisions which saw the rise of offshoots such as the Tlokwa, Pedi and Taung. The earliest Sotho-Tswana group to move south of the Vaal were the Fokeng during the 15th century, and by the late 18th century the southern Highveld had been settled by a large number of small Sotho chieftaincies, some being southern Sotho and others being of Tswana and northern Sotho origin.

(3) **The Venda:** In the north of what is now Limpopo Province, between the Soutpansberg and the Limpopo, the principal lineage group were the Venda who were not part of the Sotho-Tswana complex. Their ruling lineage had Shona origins north of the Limpopo and they may have had links with the later stages of the Mapungubwe Hill trading settlement. They arrived south of the Limpopo around the end of the 17th century and were different from their southern neighbours in that they built in stone. The Venda were heavily involved in mining copper at Musina and iron ore south of the Soutpansberg.

(4) **The Tsonga:** The Tsonga were probably the first African group to arrive in south-east Africa and were living on the coastal plain before the arrival of the Sotho-Tswana, Nguni and Venda in neighbouring regions. They were the product of many migrations of small groups spread over a long period of time. These groups came to speak a common language and by the 17th century occupied a strip of territory stretching from St Lucia Bay to the Save River in Mozambique. Unlike the Nguni to whom it was taboo, fish was a major source of food for the Tsonga.

Being coastal dwellers, they were drawn into foreign trade from early on. The Portuguese trading post at Delagoa Bay was largely dependent on the Tsonga for supplies of gold, ivory and copper from the interior. The Tsonga went as far as 500 km up the Limpopo and Komati Rivers to trade. People captured in warfare between rival Tsonga groups were also sold as as slaves. Between the 16th and 18th centuries, three successive Tsonga kingdoms – Nyaka, Tembe and Maputo – grew powerful from the profits of controlling and taxing foreign trade.

From about the middle of the 18th century overpopulation made suitable agricultural land, in terms of current methods of land use, hard to find in southern Africa. Competition for scarce resources became keener and people were more willing to subject themselves to those chiefs best able to guarantee their subsistence. These pressures were particularly acute in northern KwaZulu-Natal and ultimately led to the rise of Shaka's Zulu kingdom and the period of dispersion known as the *Mfecane* during the early 19th century.

2.4.3 The *Mfecane* east of the Drakensberg, 1818–1830s

The *Mfecane*[10] has economic roots. The northern Nguni were mixed farmers who hunted wild animals, herded cattle and cultivated crops. They lived in a region of reasonably high rainfall and took full advantage of the variety of soils and vegetation. The second half of the 18th century was a period of unusually high rainfall which meant pastures improved, livestock thrived and herds increased in

10. *Mfecane* is a Nguni word which means "the crushing" and refers to the period during the 1820s and 1830s when armies and refugees from the Zulu kingdom spread warfare and destruction over vast areas of southern Africa. The same period of destruction is called the *lifaqane* (phonetically: *difaqane*) by the Sotho-Tswana which means "the scattering" or "forced migration". In the 1980s some historians argued that the upheaval itself has been greatly exaggerated by historians wishing to legitimate the subsequent white conquest. Furthermore, it is suggested that the causes of the disruption varied from area to area and owed their rise more to the penetration of commercial capitalism than the growth of Shaka's kingdom. It is also alleged that people were rather brought into the Cape as forced labour under the guise of being refugees from Shaka to cover up what was *de facto* slave raiding. However, most historians are still sceptical of this interpretation as its key arguments are based on rather flimsy evidence. The topic will always be controversial as the existing evidence is, at best, inconclusive.

size. Crop cultivation became more widespread because of the introduction of maize, a South American crop recently brought to the region by the Portuguese during the 16th or 17th century. Provided rainfall remained fairly high, maize yielded heavier crops than the native African sorghum. As more land was brought under cultivation, there were larger food surpluses, people were better fed and the population grew. As the population grew, herds increased in size which meant that in time competition developed for the best agricultural and grazing land.

For this reason small Nguni chieftaincies began cooperating with each other to form larger political units or kingdoms to protect scarce resources. As the Nguni states grew in size, the role of the traditional age-regiments, *amabutho*, increased in importance. Apart from promoting unity within the state, they now provided the king with a large workforce or army. As the competition for land increased, the role of the army became more important.

There was also increasing competition for the trade with Delagoa Bay. The state which controlled long-distance trade would become the most powerful. The growth of larger states amongst the northern Nguni during the late 18th century can be attributed to the desire to control the Delagoa Bay trade.

Around the turn of the 19th century disaster struck when the period of high rainfall came to an end and for about a decade there was prolonged drought. Crops failed, pastures withered and there was widespread famine. Previously prosperous people were brought to the verge of starvation. Competition for scarce resources became severe as people raided each other for cattle and the meagre stores of grain. The *amabutho* were permanently in the field protecting herds, raiding cattle from neighbouring chiefdoms and hunting wild animals for meat as well as for trading purposes.

By the early 1800s the northern Nguni were dominated by three main kingdoms: the Ndwandwe, under Zwide (fl.1820), who controlled the region between the upper reaches of the Mukuze and Black Mfolozi rivers; to their north were the Ngwane around the Pongola River under Sobhuza (1815–1836) of the Dlamini clan; and the region to both their south and south-east was dominated by the Mthethwa under Dingiswayo (d.1818). There were also numerous smaller chieftaincies with varying degrees of independence, such as the Khumalo, Zulu and Hlubi.

The Ndwandwe, being inland, were particularly badly affected by the drought of the early 1800s. As a result their attacks against their neighbours were particularly severe. They destroyed chiefdoms, seized livestock and incorporated young adults into their regiments. In this way Zwide built up a powerful, centrally controlled kingdom – a system taken to its ultimate conclusion by Shaka. The Mthethwa kingdom, on the other hand, as it expanded, left old chieftaincies in place provided that they paid tribute in cattle or grain and supported Dingiswayo's regiments. Dingiswayo was the first to draft young men into *amabutho* and thereby initially make the Mthethwa stronger than their immediate neighbours and allow his kingdom to expand. The Mthethwa's great strength lay in their control of coastal hunting forests and the trade with Delagoa Bay. When Dingiswayo first became chief, one of his first actions was to organise a caravan to take ivory and cattle to trade at Delagoa Bay. He entered into an alliance with the Maputo and made all trade exclusively his own prerogative. He sought to cut the Ndwandwe off from trade with the Maputo by surrounding them with a line of subordinate chiefdoms.

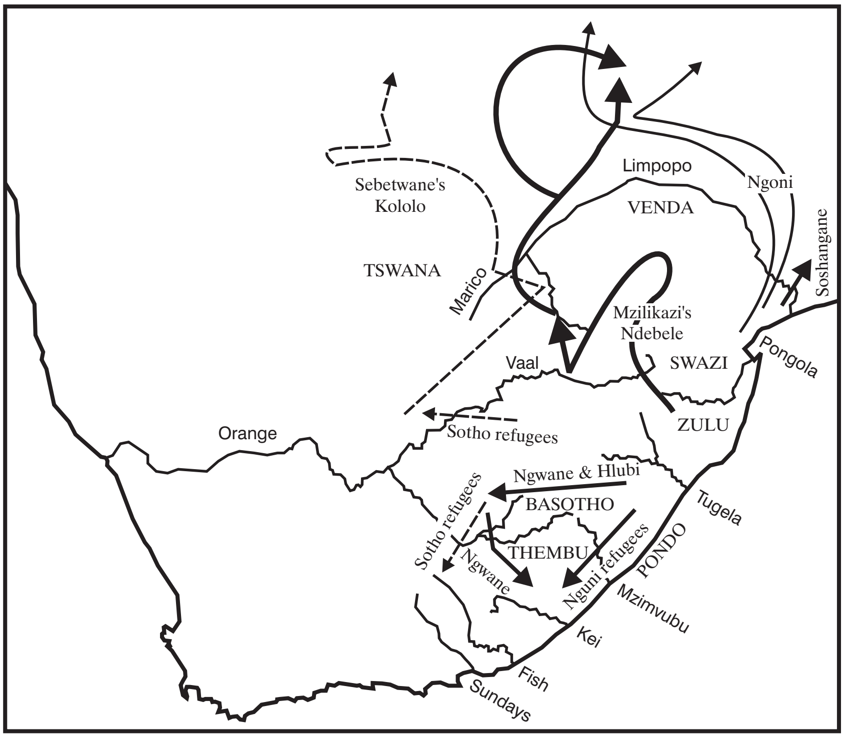
The first countermove came in 1816 when the Ndwandwe armies moved north into the agricultural valley of the Pongola River and drove the Ngwane northwards. Two years later Zwide turned his armies against the Mthethwa, probably in an effort to seize control of their hunting grounds and trade. Dingiswayo was killed, and the leaderless Mthethwa regiments were easily scattered. It is significant that Zwide immediately set about bringing the Maputo under Ndwandwe control. But almost immediately Ndwandwe dominance was challenged by an entirely new force which arose phoenix like from the ruins of the Mthethwa kingdom – the Zulu kingdom under Shaka.

Shaka (1818–1828), the illegitimate son of the Zulu chief, had joined a Mthethwa age-regiment and had quickly risen through the ranks to become one of Dingiswayo's military commanders. When his father died in 1816, Shaka seized the Zulu throne from his brother with Dingiswayo's approval because the Zulu were part of the Mthethwa kingdom by then. Shaka had completely revolutionised Nguni warfare which had previously been mostly concerned with cattle raids and a show of military strength. As a result there had been very few casualties, little destruction and people were seldom displaced. Shaka developed the emerging Ndwandwe idea of "total warfare" to its ultimate conclusion. The enemy was to be totally destroyed and never allowed to recover. Armies were defeated, homesteads were burned, women and children were killed and all the enemy livestock captured. Shaka used the age-regiments to build up a permanent army. He introduced the short-handled stabbing spear, long shields and the famous "cow-horn" formation. Shaka developed a powerful centralised military state which was organised along regimental lines, absorbed conquered people into its ranks and lived off raiding and forced tribute.

With Dingiswayo's defeat in 1818, Shaka seized the opportunity to bring the chiefdoms of the Mthethwa kingdom under his control. Zwide recognised the threat to Ndwandwe domination and attacked the new Zulu kingdom only to be ultimately defeated by Shaka in 1819. The Ndwandwe survivors fled and the *Mfecane* had begun. In the years that followed, Shaka's armies attacked chiefdom after chiefdom in the region between the Drakensberg and the sea. Thousands were killed; some survivors were incorporated into the expanding Zulu kingdom, while others became refugees fleeing northwards into Tsonga territory, southwards into southern Nguni territory, or westwards across the Drakensberg into Sotho-Tswana territory, thus spreading the impact of the *Mfecane* throughout southern Africa.

MAP 2.1

Major movements during the *Mfecane/Difaqane* in the 19th century



Captured cattle were distributed among the regiments for them to use the milk. All cattle, however, remained Shaka's property and cattle wealth became a royal monopoly which ensured that the ruler had a huge source of patronage with which he could reward loyal followers. Shaka also kept strict control over trade, and all ivory hunted in the kingdom belonged to the king. Like Zwide, and departing from his usual policy, Shaka left the Maputo intact after bringing them under his authority. Thus the trade route north to Delagoa Bay, where ivory was exchanged for beads and cloth, was kept open. In 1824 he allowed a group of British traders from the Cape to establish themselves at Port Natal and begin ivory trading.

After Shaka's assassination in 1828, his half-brother Dingane (1828–1840) tried to continue where Shaka had left off, but in time, regional chieftaincies began to break away and newly emerging kingdoms began to repulse the Zulu armies. The Zulu had lost the head start given them by Shaka. The end of supreme Zulu dominance was marked by the humiliating defeat at the hands of the *voortrekkers* in 1838 which saw Dingane ultimately overthrown in 1840 and replaced by Mpande (1840–1872), who paid tribute to the Natal Boers for helping him topple his brother. The turbulence of the *Mfecane* period gave rise to a number of new and powerful nations:

(1) **The Swazi:** Sobhuza's Ngwane, driven out of the Pongola valley in 1816, returned after Zwide's defeat in 1819 to lay the foundation of a new nation called the Swazi after Sobhuza's son Mswati (1839–1865). The two built the Swazi nation upon a careful mixture of conquest, diplomacy and marriage alliances. The Swazi kingdom rivalled that of the Zulu in power and importance by the end of Mswati's rule.

(2) **The Shangane of the Gaza state:** Also following Zwide's defeat in 1819, the bulk of the Ndwandwe refugees fled northwards into southern Mozambique where they regrouped under their chiefs and became known as the Ngoni. By the 1830s, Zwide's former general, Soshangane (d.1856), had emerged as the most powerful leader. He expelled other groups from the region and built up a strong military state which he called Gaza after his grandfather. Outsiders, however, called all the people of the state Shangane despite the fact it was organised along strict class lines with the Ngoni being the ruling class. The Shangane were the conquered people absorbed into the regiments and the lowest class were the Tsonga peasants who were never fully absorbed into the state. Shangane raids extended over a huge area from Delagoa Bay to the Zambezi valley.

(3) **The Ngoni of central Africa:** Some of the Ngoni expelled from Mozambique by Soshangane in the 1830s moved northwestwards onto the Zimbabwe plateau. They were also organised along centralised regimental lines, absorbed conquered people into their ranks, and lived off raiding and forced tribute. After ravaging the plateau during the early 1830s, they moved north of the Zambezi where they eventually settled along Lake Malawi. These new Ngoni states still raided their neighbours and used force to exact tribute, but by absorbing local people into their ranks, a more stable central African society was established.

(4) **The other Nguni refugees:** The rapid growth of Shaka's Zulu kingdom saw the destruction of the old chiefdoms and the creation of destitute refugees. One of the most devastated areas was present-day KwaZulu-Natal from where people fled southwards to seek refuge amongst the Mpondo and Thembu. One group of refugees reached as far south as the Xhosa who referred to them as Mfengu or "beggars". In time they sided with the whites against the Xhosa during the frontier wars and were rewarded with grants of land in what was once Xhosa territory.

Three significant Nguni groups fled westwards across the Drakensberg. The Hlubi, after having lost virtually all their cattle, crossed in 1821 and attacked the unsuspecting Sotho. A year later the Matiwane Ngwane, who had earlier deprived the Hlubi of their cattle, were driven across the Drakensberg by Shaka's army. The Khumalo were forced to flee across the Drakensberg in 1822 after their chief, Mzilikazi, had tried to assert his independence from the Zulu. The destruction caused by these desperate and destitute refugees to the west of the Drakensberg began a series of wars which raged like wildfire across the Highveld where it became known as the *Difaqane* or "scattering".

2.4.4 The *Difaqane* west of the Drakensberg, 1821–1830s

The Sotho were quite unprepared for the total warfare of the Nguni regiments that exploded over the Drakensberg in 1821 and 1822. The Sotho of the southern Highveld were still loosely organised in a mass of minor independent chiefdoms. Life was relatively peaceful and the object of warfare was to seize cattle, not destroy people. The vastness of the Highveld pastures, combined with the low population density, meant that rival groups could move off and found new chiefdoms. The Nguni invasion therefore had a devastating effect. It set off a chain reaction of warfare and destruction which swept right across the Highveld, both north and south of the Vaal. Chiefdoms were shattered, crops and villages burnt, cattle stolen and thousands of people died, if not in battle, then later through starvation. Some survivors hid in the hills and caves and even resorted to cannibalism. Others fled as refugees, raiding to survive and thus spreading the destruction even further afield.

Seldom had their been a greater need for strong leadership to restore order to the chaos. A number of great leaders, such as the following, did emerge and they built new states, larger and more powerful than those that had gone before:

(1) **Mzilikazi and the Ndebele:** Mzilikazi (1821–1868), chief of the Khumalo, had supported Shaka but unsuccessfully tried to establish his independence from the Zulu in 1821 by refusing to hand over some cattle he had captured. Two Zulu attacks forced him and his followers to flee across the Drakensberg in 1822. The Khumalo entered the Highveld with only about 250 fighting men because women, children and livestock had either been killed or left behind. Initially they did not settle but spent about a year raiding north among the Pedi of the Olifants River region to get food, cattle and absorb new people. The Khumalo soon adopted for themselves the Nguni version of the Sotho word for Nguni-speaking strangers from the east: "Ndebele" in Nguni or "Matabele" in Sotho[11]. During the 1820s the Ndebele were joined by further Nguni refugees fleeing from the Zulu.

Once he had built up sufficient livestock and a large following, Mzilikazi settled down to create a new kingdom on the Highveld. Over the next 15 years he established three main settlement areas north of the Vaal, ending up around the Marico River basin in the 1830s, by which time the total Ndebele population was estimated to be about 80 000, among whom the Nguni were a minority. In each region regimental villages were built around circular cattle enclosures. Sotho-Tswana people, especially women and child captives, were absorbed into the Ndebele community while some men were taken

11. Similarly, Mzilikazi is the Ndebele form of the name while Moselekatse is the Sotho form – variations are Silkaats and Moselekatze.

into the regiments. Others were allowed to remain in their small villages but were expected to tend cattle and cultivate crops for the Ndebele state. Neighbouring chiefdoms that failed to pay tribute were attacked and sometimes destroyed. Their Zulu-style fighting methods proved very effective in the Ndebele tribute raids which stretched far and wide.

Because the Ndebele themselves were frequently under attack, they kept on having to move their settlements further north and west. Dingane sent his Zulu army against them in 1832 and 1834 and there were numerous clashes with mounted bands of Griqua and Kora, armed with guns, who were attracted by the large Ndebele herds. By the late 1830s the *voortrekkers* were pouring onto the southern Highveld. The first to cross the Vaal were driven back by the Ndebele in 1836. But the following year, the Ndebele were driven northwards out of the Marico valley by the sustained attacks of the *voortrekkers* and the Rolong in January; the Zulu in June; and the Griqua, Kora and Tswana soon afterwards, culminating in November with the attacks of mounted Boers, Griqua and Rolong.

The Ndebele split into two groups for their migration north and reunited on the Zimbabwe plateau in the early 1840s. By then the local Rozvi had been sufficiently weakened by the earlier Ngoni raids. Thus Mzilikazi was able to rebuild his Ndebele kingdom by absorbing Shona subjects in the same way as he had done on the Highveld. It became the most powerful kingdom north of the Limpopo and under his successor Lobengula (1868–1893), it was recognised as a major power.

(2) **Moshoeshoe and the Basotho:** Moshoeshoe[12] (1823–1870) was the son of a minor southern Sotho chief who distinguished himself as a successful cattle-raider. "Moshoeshoe" is an onomatopoeic praise-name which means "the shaver" and commemorates the time he swept away the cattle of a neighbouring chief as thoroughly as if he had shaved him of his beard. His success attracted a small following and in 1820 he set up his own village. The following year saw the *Difaqane* being unleashed on the Highveld. Moshoeshoe was attacked several times and driven from his village twice. But he always managed to save most of the cattle by driving them into hiding. Through able leadership he held his people together and attracted a number of other Sotho to his side. In 1824 he uprooted his followers and moved to another mountain home 80 km to the south. They reached it on the evening of the second day and called it "Thaba Bosiu" or "The Mountain by Night".

Thaba Bosiu was a large flat-topped mountain rising steeply some 100 m from a valley. On top were five square kilometres of good pasture and springs for fresh water. The summit could only be reached via six narrow, easily defended passes. The valley below contained extensive ground for cultivation. From this impregnable hilltop settlement Moshoeshoe's reputa-

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12. Moshoeshoe is also spelt "Moshweshwe" or "Moshesh".

tion and following grew rapidly because people were attracted by his offer of protection and his increasing cattle wealth. Refugees from all over quickly joined him and were set up with loaned cattle. In time whole chiefdoms joined his kingdom.

Moshoeshoe's government was built on a loose confederation of semi-independent chiefdoms. There was no centralised army and chiefs were left with relative freedom of authority. Moshoeshoe strengthened his ties with his people by a system of marriage alliances and positioning royal villages throughout the kingdom. The system of loosely-controlled cooperation worked for two reasons: (1) Moshoeshoe's strong leadership and peaceful inspiration; and (2) the continual threat of external danger and a strong general desire for peace and order.

Moshoeshoe is best known for his defensive tactics. He sent regular tributes to his most powerful neighbours such as the Matiwane Ngwane. Tributes to Shaka paid off when Shaka defeated the Ngwane in 1827 which enabled Moshoeshoe to drive them southwards into Thembuland where they scattered. This left Moshoeshoe's kingdom the strongest on the southern Highveld. He was able to fight off the Ndebele in 1831 but the most serious threat to Basotho security came in the early 1830s with increasing raids from gun-toting, mounted Griqua and Kora bands. Moshoeshoe started buying horses and guns from the whites in the Cape Colony. In due course the Basotho became skilled in the use of both.

By the mid-1830s there were 25 000 people in Moshoeshoe's kingdom with about 2 000 settled on Thaba Bosiu itself. The people had begun referring to themselves as "BaSotho", which means simply, "*the* Sotho people". It was at this stage that the *voortrekkers* began to pour onto the southern Highveld and Moshoeshoe had to cope with a new threat.

(3) **Sebetwane and the Kololo:** The Nguni raids of 1821–1823 drove several southern Sotho groups north of the Vaal where they raided the northern Highveld in search of food and cattle. Soon they began to converge on the large herds of southern Tswana cattle. By this time the main leader of the Fokeng was Sebetwane (c.1823–1851). He captured a Phuthing woman of the Kololo clan who was adopted by his followers as a mother figure and thereafter they referred to themselves as the "Kololo". Sebetwane developed his Kololo into a compact and effective raiding force. Although he inflicted severe defeats on all the major Tswana chiefdoms, in 1826 the Tswana defeated the Kololo in a surprise dawn raid. They panicked and fled, abandoning their large herds of captured cattle. Over the next 14 years, they moved across much of the northern part of Botswana raiding cattle. Moving in unfamiliar territory, however, they lost most of the cattle and were reduced to the verge of starvation many times. However, they managed to recover by raiding and defeating yet another cattle-owning people.

The Kololo crossed the Zambezi in about 1840 and conquered first the Tonga and then the Lozi. Sebetwane finally settled down on the upper Zambezi flood plain and established a powerful new kingdom based upon cattle herding and agriculture. The strength and stability of the Kololo kingdom lay in Sebetwane’s strong leadership, military genius and policy of not exploiting the Lozi, the majority of whom accepted his rule. From 1826 until Sebetwane’s death in 1851, the Kololo suffered no major military defeat. Once on the Zambezi, Sebetwane adopted water-borne tactics which helped him defeat attacks from the Ngoni and the Ndebele. The Kololo kingdom declined rapidly after his death and the Lozi were able to regain their independence in 1864.

2.4.5 The effects of the *Mfecane/Difaqane*

The *Mfecane/Difaqane* began with the power struggle between two major northern Nguni kingdoms in 1818–1819. From there it spread throughout southern Africa and lasted for nearly 20 years. The Nguni and Sotho names aptly describe what the period meant to thousands of people: a "crushing" and a "scattering". De Kiewiet described it as "a singular crisis that smashed tribes, scattered others, and dashed the fragments into new combinations".[13] The widespread warfare left thousands dead – killed in battle, assaulted by bandits, or succumbed to starvation. Old chiefdoms were destroyed and thousands of individuals fled as destitute refugees. As peace gradually returned, refugees emerged to seek the protection of the new strong powers in the region.

During the *Mfecane/Difaqane*, livestock were captured and recaptured. Many thousands of cattle, sheep and goats were slaughtered for food – more than would have normally been the case. In many areas cultivation stopped altogether. Crops were only grown in areas that fell under the protection of the newly emerging states. At least two whole regions were largely depopulated. Both the Zulu and the Ndebele established protective "no-man’s-land" buffers on their southern flanks – south of the Tugela and around the middle Vaal. No one was allowed to enter these regions without permission.

The most significant effect of the *Mfecane/Difaqane* was the creation of new states and the redistribution of people. At the beginning of the 19th century both the Nguni and Sotho-Tswana were fairly evenly spread over the coastal plain east of the Drakensberg and the Highveld. The pattern was of a large number of semi-independent chiefdoms of varying sizes, the weaker paying tribute to the stronger. By the mid-1830s the population pattern had been transformed. People were now concentrated in compact areas under a new leadership. The rest of the region was underpopulated or temporarily deserted as refugees and minor chiefdoms fled to the protection of the new and more powerful states. Initially the underpopulated areas of the middle Highveld and KwaZulu-Natal provided the *voortrekkers* with new settlement opportunities in the late 1830s.

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13. C.W. de Kiewiet, *A history of South Africa: Social and economic*, Oxford, 1978, p. 50

LEARNING UNIT 3

Initial European interest in South Africa

TOPICS

KEY ISSUES

- The mechanics of the *pacte colonial*.
- Different types of colonies.

LINKED ISSUES

- Economic activity in southern Africa before 1652.
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- The *pacte colonial*'s influence on the economic development of the Cape.
- The Cape as a settlement colony.
- The Cape's economic development under the Dutch East India Company.

3.1 INTRODUCTION

From earliest recorded history, trade was the spur for the seafaring nations of the Mediterranean to set out on voyages of discovery along the coast of Africa. As long ago as 600 BC, Phoenician sailors in Egyptian service were thought to have sailed down the east coast of Africa, rounded the Cape of Good Hope and continued up the west coast on a voyage that lasted three years. Meanwhile the Carthaginians were trading by sea with the west coast of Africa as far south as the Gulf of Guinea. In time, however, this sea route fell into disuse and until the 15th century the coast of Africa opposite the Canary Islands was regarded as the point of no return. On the other hand, there was a flourishing trade down the east coast of Africa from very early on and by the beginning of the early Christian era, the coast was known as far south as Zanzibar.

From Antiquity there had always been a brisk trade between Europe and the East which produced valuable luxury items such as spices, perfume, precious stones and fine fabrics. East Africa supplied both Europe and Asia with slaves, ivory and gold. In return for these goods, the Europeans traded pelts, rare metals and slaves. The trade routes to Asia were via (1) the Black Sea; (2) Mesopotamia to the Persian Gulf; and (3) the isthmus of Suez to the Red Sea. East African trade was accessed via the Red Sea route. The overland stretches and frequent transshipments meant that transport costs were high and many middle men added to the price of an item by taking their cut. Matters were aggravated by the rise of Islam which spread across the main trading routes from the 8th century. Thus the need for the European nations to find alternative trading routes to the East became more pressing.

Improvements in navigation and ship design during the 15th century saw the Portuguese lead the way in opening up the sea route to the East via Africa. The driving force behind their success was the Infante Dom Henrique (1394–1460), who is better known as "Henry the Navigator". He was the third son of King John I of Portugal (1385–1433) and the English princess, Philippa of Lancaster. Under his guidance a series of exploratory voyages were made down the west coast of Africa to find the sea route to the East. By the time of his death, the Cape Verde Islands had been reached, only about a third of the way down the African coast. However, the quest was continued under his nephew, King John II (1481–1495). Eventually Bartolomeu Dias (c.1450–1500) led an expedition which in fact rounded the Cape without seeing it, far out to sea, and sighted land which was probably the bay to the east of the Gouritz River, which they called *Baía dos Vaqueiros* or "Bay of the Cowherds" after the Khoikhoi they saw tending large herds of cattle. They sailed further east in search of water and landed in the next bay (now Mossel Bay) early in February 1488. After pushing further east as far as the Pondoland coast, the expedition turned back and sighted the Cape for the first time. Dias called it *Cabo da Boa Esperança* – "Cape of Good Hope". A new era was at hand and the long-dreamt-of possibility of rounding the southern tip of Africa had been achieved.

3.2 THE CAPE AS AN ASSEMBLY POINT, 1497–1652

It was almost a decade later that the Portuguese equipped an expedition to India to bring Dias’s discovery to fruition. They were probably spurred on by Columbus’s potential discovery of a western route to India via the Americas for the Spanish in 1492. The commercial prospects of India and east Africa had been assessed by a Portuguese envoy who had travelled there via Egypt in 1488–1490. The Treaty of Tordesillas of 1494 had awarded the Cape sea route to Portugal when it defined the respective spheres of the commercial interests of Spain and Portugal. Vasco da Gama’s well-equipped expedition set sail in July 1497. It rounded the Cape in November and Da Gama (c.1469–1524) named the south-east coast of southern Africa "Natal" on *Dies Natalis* (Christmas Day). The expedition eventually reached the bustling commerce of Islamic east Africa, hired an Arab pilot and crossed to India, landing at Calicut on the west coast in May 1498. With a cargo of pepper and cinnamon, it returned safely to Lisbon in March 1499, thus opening the all-important sea route to India.

The regular Portuguese fleets sailing to and from the East occasionally called at the Cape for fresh water and for cattle they traded from the Khoi. However, quarrels with the Khoi often occurred when either of the two sides misunderstood the other's intentions. The Portuguese actively avoided Table Bay after the Viceroy of India, Francisco de Almeida, and over 50 other men were killed in a clash with the Khoi near the mouth of Salt River early in 1510. In addition the Portuguese considered that the area had no trading potential and Table Bay was an unsafe refuge during the storms which gave the Cape its other name – "Cape of Storms". Trade at the Cape was limited to small groups of Khoi who had only their cattle and sheep to barter. This could not compare commercially with the Congo, Angola and the east African ports where the Portuguese conducted a thriving trade. Thus the Portuguese had little reason to frequent the Cape before the unsavoury reputation it got after the de Almeida incident and simply by-passed the Cape. They usually stopped at Mozambique on the way out to the East to catch the south-west monsoon across the Indian Ocean. On the return voyage the fleets stopped over at St Helena.

During the course of the 16th century the Portuguese lost their monopoly of the Cape sea route to Asia. The rising commercial nations of Europe – Holland, England and France – began to challenge Portuguese domination by frequenting the south-east Asian spice-producing areas where the Portuguese were weakest. Thus there was an increasing south-east shift in European trade with the East. In 1611 the Dutch opened a new direct route across the Indian Ocean to Indonesia. The Cape was almost midway on this new route and by the 1620s Dutch, English, French and other East Indiamen were calling regularly at the Cape, even leaving messages for one another under "post office" stones.

Initially the local Khoi were willing to barter cattle and sheep for copper, iron and tobacco. The peninsula Khoi used the copper to make jewellery and to exchange for cattle from Khoi further inland. Iron was highly valued for making spear and arrow heads. Because the ships were just passing, the sailors were not particularly bothered about maintaining good relations with the Khoi. Thus cattle were often stolen and not traded. The Khoi retaliated by attacking the next lot of sailors who arrived, which gained them a reputation for being erratic in their relations with the Europeans. Because the Khoi had the only supply of fresh meat, they could virtually demand what they wanted in exchange for their livestock. Thus the barter price rose steadily during the first half of the 17th century.

Various nations considered establishing themselves at the Cape. In July 1620, officers of the English East India Company formally claimed possession of Table Bay in the name of their sovereign, King James I (1603–1625). However, as he showed no interest, the claim was not followed up. The French showed an interest in establishing a refreshment station at Saldanha Bay, just north of Table Bay.[14] All the trading nations realised that there was a need for a halfway house

14. Table Bay was initially called Saldanha Bay after António de Saldanha who landed there in 1503 and became the first European to climb Table Mountain. Table Bay got its name in 1601 when a Dutch fleet under Joris van Spilsbergen stopped over there. The name "Saldanha Bay" was then transferred to the anchorage further north.

for watering, victualling and a place where scurvy-ridden crews could be brought back to health.

3.3 THE POLICY OF THE DUTCH EAST INDIA COMPANY

The Dutch were the first to act. In the middle of the 17th century, the directors of the Dutch East India Company (VOC)[15] decided to set up its own supply station at Table Bay. The move had a number of advantages: (1) more regular relations with the Khoi would stop the violence and make the supply of fresh meat more reliable; (2) the VOC would control all trade with the Khoi and prevent further rises in the barter price of meat; (3) company servants would cultivate gardens and supply its ships with fresh fruit and vegetables which would improve the health of the crews who were prone to scurvy; and (4) a refreshment station would provide a hospital for the sick and facilities to repair ships. All the above advantages would give the VOC a clear advantage over its European rivals, such as the English, French and Danish East India companies, to whom it could sell produce at a profit. Their decision was based on the 1649 recommendations of the survivors of the *Haerlem* which was wrecked in Table Bay in March 1647. They stayed there for a year and discovered Table Valley to be fertile and well-watered, the climate temperate and the Khoi friendly – contrary to popular belief – thus making Table Bay a very suitable place for a refreshment station.

In 1652 the VOC established a refreshment station at Table Bay under the command of a former employee, Jan van Riebeeck (1652–1662). Because the Cape Colony fell under the jurisdiction of the VOC for almost a century and a half, it is important to understand the policy of this powerful commercial organisation. It was established in 1602 with the amalgamation of the six trading companies or *voorkompanjieë* established at the various Dutch ports after the first successful Dutch expedition to the East Indian spice islands in 1595. The VOC received a charter from the States General of the Dutch Republic which gave it a legal monopoly of Dutch trade to the east of the Cape of Good Hope and to the west of the Straits of Magellan. In addition it could equip armies and fleets, wage war, conquer land and conclude treaties in its own right. Each of the *voorkompanjieë* were converted into a chamber of the VOC and enjoyed a considerable degree of autonomy. The chambers nominated 17 members to a council which managed the VOC – the *Heeren Zeventien* or "Council of Seventeen".

In 1609 the VOC set up a permanent administration in Indonesia under a Governor-General and a Council of India whose headquarters were at Batavia on the island of Java. The Cape settlement fell under the Batavian administration and was not directly administered by the Council of Seventeen. The VOC was a state within a state. The States General exercised a nominal control over the VOC, and from 1749 the national *Stadtholder* was also chief director. The ruling elements in the VOC and in the States General were both drawn from the rich Dutch merchant class. Eventually, the States General was forced to intervene in 1791

15. *Verenigde Oost-Indische Compagnie*

when the VOC was virtually bankrupt. It attempted to reorganise and revitalise the ailing company, but after the Batavian revolution in 1795, it disbanded the VOC in 1798 and declared its territories to be colonies of the Batavian Republic.

The lengthy VOC rule over the Cape has often been condemned, on very good grounds, as being monopolistic and shortsighted. But to understand its administration, it is necessary to look at its performance in the light of the prevailing ideas of the time. The VOC was the product of early capitalism which, during the 17th and 18th centuries, had mercantilism as its theoretical base. The mercantile system was dominated by the merchant who dealt in luxury items for which the demand was comparatively inelastic. The merchant therefore limited his turnover to minimise his risks and charged high prices to maximise his profits. Monopolies were developed to prevent competition.

The governments of the emerging national states of Europe willingly gave charters to the merchants' trading companies to promote international trade in luxuries. The chartered companies strove to secure colonies to bolster their trade. These colonies had to be of service to the company and had to enhance its wealth and power. One of the basic principles of mercantilism was that the state had full control over its citizens. Likewise, the chartered company, as a state within a state, had full control over the inhabitants of its colonies. No thought was given to colonies developing diversified economies or being given political independence.

The relationship between a mother country and its colonies under mercantilism was known as the *pacte colonial*, a French term. The four basic principles of the *pacte colonial* were the following:

(1) Colonies had to supply luxury goods at low prices to the mother country's staple markets where they could be sold at a high profit. The colonies also had to supply cheap raw materials to the mother country's manufacturing industries.
(2) Colonies had to provide a market for the products of the mother country. Competitive commodities from other countries were not allowed into the colonies who were also not allowed to develop manufacturing industries to compete with those of the mother country.
(3) The merchant navy of the mother country had the exclusive right to transport goods between the colonies and the mother country. Foreign ships were not allowed to enter colonial ports to trade.
(4) The colonies had to admit as settlers undesirable persons expelled from the mother country. These included criminals, religious dissenters, paupers, rebels and political exiles from other colonies. For example, several Indonesian princes were exiled to the Cape.

In this way a colony's economy was orientated exclusively towards the interests of the mother country. The combination of strongly nationalistic governments in the emerging states of Europe and the monopolistic tendency of early capitalism led to aggression towards foreign competitors. As a result imperialism dominated colonial politics. There was naval expansion and numerous colonial and commercial wars. For example, there were 26 years of fighting in the six wars between the Netherlands and Britain from the 17th to the 19th centuries. The Second Hundred Years' War took place between Britain and France between 1688 and 1815.

3.4 FORMS OF COLONISATION

The 16th to 18th centuries were a period of early capitalistic imperialism amongst the European powers which during the 19th century gave way to a brief period of free trade and a movement away from colonisation. The era of modern capitalist neoimperialism started in the 1880s and lasted until 1920. During the two periods of imperialism, colonial settlement took the following forms:

(1) **Trading stations** were the commonest form of colonisation when foreign trade dominated national politics. The trading station was a place where commodities, purchased or bartered from the hinterland of a region, were assembled before being shipped to the staple market of the mother country. Although European traders bought slaves, they were shipped to slave-owning territories because slavery was banned in the major trading nations of Europe.

Well into the 18th century, the colonial empires of Portugal, the Netherlands, Britain and France consisted of chains of trading stations along the coasts of Africa, Asia and the West Indies. As Britain became the most powerful commercial nation in Europe from the 18th century, she was able to capture many trading stations from her rivals thanks to the power of her navy. During this period many trading stations developed into other forms of colony. In the tropics, such as India and Indonesia, many became plantation colonies while in the temperate areas, such as the Americas, many developed into settlement colonies.

(2) **Plantation colonies** were established by Europeans in regions where local production was insufficient to satisfy European demand. Labour-intensive crops such as tobacco, cotton, coffee, tea, sugar and rubber were grown by European planters using indentured labourers or slaves who could be imported from other regions if necessary. Plantations were set up in the thinly populated regions of the Americas from as early as the 16th century and in Asia and Africa during the 19th century.

(3) **Mining colonies** were established to exploit the mineral resources of remote areas. Europe provided the entrepreneurs, capital and technical skill while the labour was provided by slaves, indentured labourers or migrant workers. Examples include the Spanish silver mines in Mexico and Peru, the Portuguese gold and diamond mines in Brazil, the silver, gold and copper mines on the west coast of North America and the diamond and gold mines of southern Africa.

The mining colony was very similar to the plantation colony because all the factors of production, apart from the land and its inherent wealth, had to be imported from elsewhere. While climatic requirements limited the plantation colony to the tropics and subtropics, mining colonies were situated in all parts of the world, often at great distances from the developed regions.

(4) **Settlement colonies** were established by the Europeans on the lowland plains and highlands of the other continents where the climate was temperate or subtropical and suitable for European settlement. Although land was in abundance, all the other factors of production, usually including labour, were imported from Europe. In most cases the indigenous population was too sparse or not interested in providing labour. Most of the settlement colonies adopted and copied European institutions and developed into white administered states. Examples include the United States of America, Canada, Brazil, Uruguay, Chile, South Africa, Rhodesia, Australia and New Zealand. Some of the settlement colonies overlapped plantation colonies, for example, the southern states of the USA, northern Brazil, Natal, and Queensland in Australia. Some of the settlement colonies included mining colonies, for example, some of the western states of the USA and parts of Chile, South Africa, Canada and Australia.

(5) **Auxiliary outposts** were established by the European powers to serve as refreshment stations, assembly points, places of convalescence and military bases on the long sea routes between Europe and the other parts of the world. During the 19th century, for example, Britain established a string of substations from Britain to India and Australia. Some auxiliary outposts developed into trading stations, plantation colonies, mining colonies or settlements. The best example of a transformed auxiliary outpost is the Dutch refreshment station at the Cape which, contrary to the VOC's intentions, became first a settlement colony based on intensive crop farming, then a widespread settlement colony based on extensive stock farming which, long after the demise of the VOC, saw the rise of a plantation colony in Natal, and finally, mining colonies in the interior.

LEARNING UNIT 4

The Cape under the Dutch East India Company, 1652–1795

TOPICS

KEY ISSUES

- The Cape's transformation from a refreshment station to a far-flung colony of settlement despite the Dutch East India's policies.
- Intensive crop farming gives way to extensive stock farming
- The successive stages of the moving pioneer frontier.
- Trekboer expansion
- Land tenure under the VOC.
- Khoisan reaction to the expanding frontier.
- Slavery

LINKED ISSUES

- The *pacte colonial* and Mercantilism as official VOC policy.
- The *pacte colonial* as an example of the monopoly of Cape imports and a monopsony of exports.
- Comparison VOC and later British economic policy at the Cape.
- Backwardness of agriculture until the 19th century.

4.1 INTRODUCTION

The economic history of the Cape under the VOC can be divided into three periods:

(1) **1652–1699**: The development from a refreshment station to a settled crop farming colony. The refreshment station was started by Jan van Riebeeck and developed into an intensive crop farming settlement colony based on slave labour by the time of the governorship of Simon van der Stel (1679–1699), despite the VOC's original intentions.

(2) **1699–1779**: The expansion of the settled intensive crop farming colony into an extensive stock farming colony. The rise of stock farming resulted in a rapid expansion into the interior. Intensive farming in the western Cape had reached its limits as was shown by the periodic over-production of wheat and wine. Thus the only avenue open to aspirant farmers was stock farming which was extensive by nature because of the dryness of the interior. This new phenomenon started under W.A. van der Stel (1699–1707). The VOC adopted an ambivalent attitude to the sudden expansion of the colony. On the one hand, it wished to encourage productive stock farming and on the other it was perturbed by the increasing administrative costs.

(3) **1779–1795**: The frontier of the extensive stock farming colony reached its limits and the population became more settled. This introduced a period where the colonists became increasingly disenchanted with the VOC's administration and frontier policy. In about 1770 the rapid expansion of the colony's frontier came to an end when the stock farmers encountered the Xhosa in the region between the Sundays and Fish Rivers. In 1779, a hundred years of frontier wars began. As far as the colonists were concerned, the VOC did not take sufficiently forceful action against the Xhosa, and in 1795 two districts rebelled against the VOC. From 1779 dissatisfaction mounted rapidly in Cape Town and in the crop farming districts of the western Cape. Representations were made to the Council of Seventeen and even to the States General. Although the VOC did make some concessions, its rule of the Cape came to an end with the first British occupation in 1795.

4.2 REFRESHMENT STATION TO CROP FARMING COLONY, 1652–1699

4.2.1 Jan van Riebeeck and his successors, 1652–1679

The VOC's Council of Seventeen intended the refreshment station at Table Bay to be just that, and not a trading post or a settlement. Its sole purpose was to victual VOC ships on the voyage between the Netherlands and the East Indies and to ensure that it was able to pay its own way. Under the command of Jan van Riebeeck, some 90 men, women and children arrived at Table Bay on April 6, 1652. The Khoi population on the Cape peninsula numbered about 6 000. The refreshment station started operating remarkably quickly because of the energy and ability of Van Riebeeck who was trying to reinstate his reputation in this his first VOC post since being dismissed in 1648 for private trading. Ten years later when Van Riebeeck left, the Cape station was on its feet. Around a mud-walled fort with four bastions, were a hospital, workshops, a mill, a granary, kraals for cattle, sheep and horses and nearby were the all-important vegetable and fruit gardens. A jetty completed in 1659 allowed passengers to disembark from ships' boats and water barrels from the ships were rolled along it to be filled with fresh water.

To keep administrative costs as low as possible, the VOC told Van Riebeeck in 1657 that "the Cape establishment should be kept as confined and... small... as possible".[16] The directors of the company seriously contemplated building a canal between False Bay and Table Bay to define the station's boundary by making the peninsula an island. The canal would also separate the station from the increasingly troublesome Khoi. As it was, Van Riebeeck had a hedge planted to enclose the 2 500 hectares which were thought to be the right size for the station. The company had no intention of founding a Dutch settlement at the Cape. It was a trading organisation in pursuit of profit and was not trying to export overseas the Dutch people, religion or culture. Ironically, in the attempt to curtail the cost of the Cape station, it became a settlement colony.

Despite Van Riebeeck's best efforts, there were soon complaints that the VOC's employees were not producing enough food and the Khoi were not selling enough livestock to meet the demand of the station itself, let alone the ships calling at Table Bay. In fact rice had to be imported at great cost from the East. There was insufficient labour at the Cape to increase production and the VOC was unwilling to spend more money on extra salaries. The Khoi had no crop farming tradition and were not interested in working as farm labourers. In a move that would potentially solve the food production problem at the same time as cutting administration costs, Van Riebeeck then suggested that independent farmers would probably be better motivated to meet the demand than relatively inefficient employees. He was therefore given permission to release some employees from service because they knew local conditions. Thus in February 1657, the first nine free burghers were given land along the Liesbeek River to the south of Table Bay. This marked the beginning of a white settlement colony at the Cape. Another measure that had far-reaching consequences was the importation of slaves from 1658 to overcome the shortage of labourers (see Section 3.2.3 on p 39).

The company gave the first free burghers about 11 hectares of freehold land and rations and tools on credit at cost. They were also exempted from land tax for 12 years. But as a monopsonistic and monopolistic trading organisation, the company laid down strict conditions. The free burghers were compelled to sell their wheat, wine, fat, sheep and cattle at predetermined low prices to the company. They were not permitted to sell to foreign ships in Table Bay before they had fully satisfied the needs of company ships. The farmers had to buy all their imported

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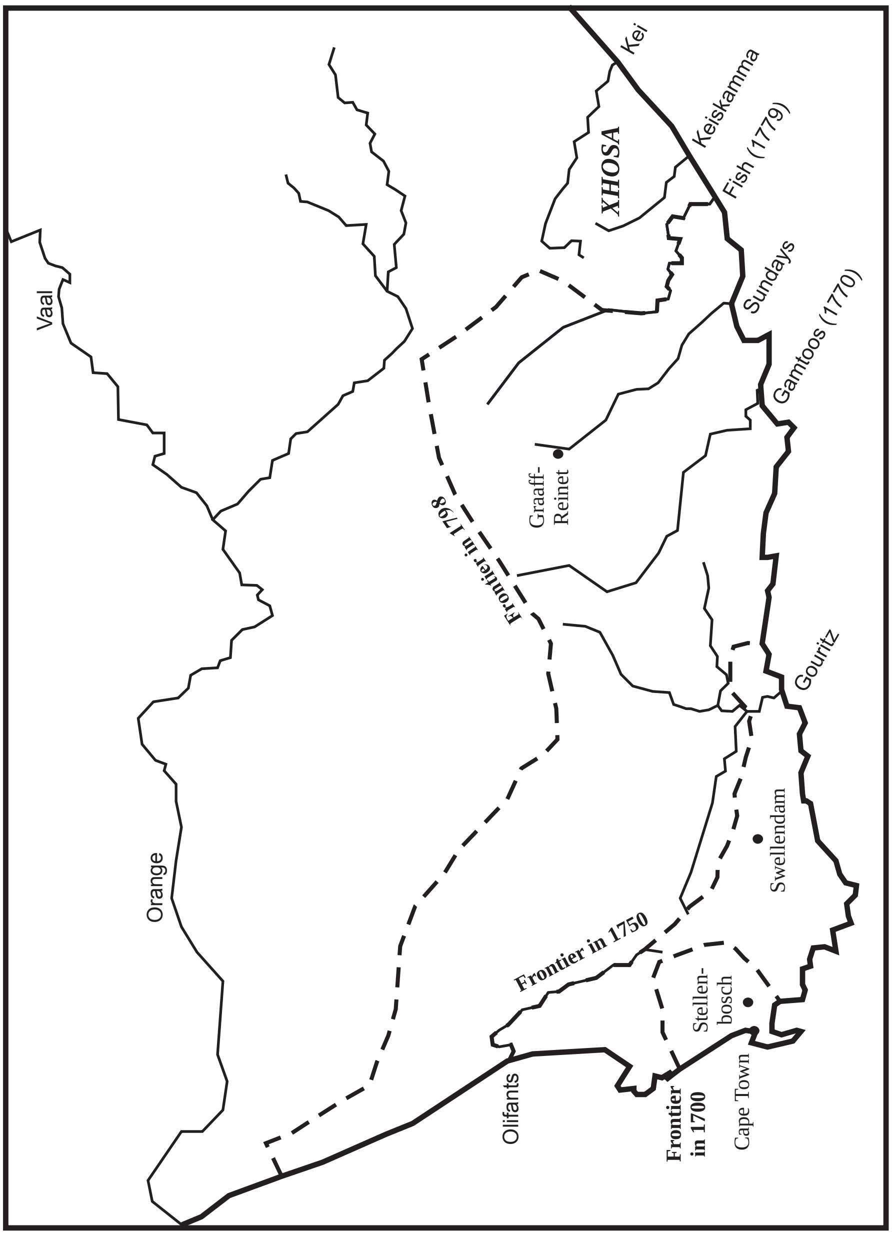
16. H.C.V. Leibbrandt (ed), *Precis of the Archives of the Cape of Good Hope*, 3, Cape Town, 1900, p 21.

MAP 4.1: The Cape Colony, 1652-1798



necessities and their slaves from the company. On the other hand, to encourage stock rearing, which the VOC regarded as an important justification for allowing free agriculture, the free burghers were allowed to barter for stock with the Khoi as long as they did not compete with the company.

It is clear in 1657 that the VOC did not envisage colonisation as an end in itself. It merely wished to substitute limited private farming for company production to reduce its expenditure. Initially private agriculture was not very attractive or particularly successful. The Liesbeek settlement was on Khoi grazing land and sparked off the First Khoi-Dutch War in 1659 which retarded progress. The free burghers returned most of the first slaves, from Guinea and Angola, to the company because they were found to be unsuitable. But most importantly, the free burghers resented the conditions imposed upon them by the VOC. In 1658 they lodged their first major complaint and some simply absconded, leaving their debts unpaid. Thus the number of free burghers increased very slowly despite the fact that the VOC wanted as many free farmers as possible to reduce the number of salaried employees it needed. Although by the time Van Riebeeck left the Cape all the land suitable for growing grain within the hedge had been allocated, only 13 of the 130 free burghers were in fact farmers. Very few of them wanted to farm, most preferred the more profitable pastimes of keeping taverns and bartering cattle.

When Van Riebeeck left the Cape in May 1662, the settlement was still very small. The white community consisted of 260 burghers, officials and families. Right from the start, Van Riebeeck had been confronted with the three persistent problems in South African history: (1) crop failures because of drought, disease and plague; (2) clashes with the indigenous people over cattle and grazing; and (3) white burghers who were vociferous about being economically exploited by the government of the day.

(1) In the early years there were crop failures and food shortages. Thirty years were to elapse before the station could harvest sufficient grain for its own requirements, let alone for VOC ships. Until then, rice had to be imported from Asia at great cost and annoyance to the company administration. Wheat was exported from the Cape for the first time in 1684 but only regularly so from 1707.
(2) The whites at the station were soon at war with the Khoi who objected to their pasture lands being taken over by crop farmers. The settlement of the first free burghers on Khoi grazing land from 1657 sparked off the First Khoi-Dutch War (1659–1660) which failed to expel the Dutch from the Cape. Meanwhile, the shortage of cattle led to cattle raiding between the two groups becoming common place. Private stock bartering with the Khoi was prohibited from 1658. The Second Khoi-Dutch War (1673–1677) resulted from a Dutch attempt to quell cattle raiding and violence against the settlers. In the process it delayed settlement beyond the Cape Flats which separated the peninsula from the interior.
(3) The crop farmers protested against the monopsonistic policy of the company and what they justifiably considered prices that were too low for their pro-

duce. Wheat prices scarcely made cultivation profitable and the early farmers abandoned crop farming.

Van Riebeeck's first successors were men of average ability who held office for short periods only. For another 20 years the attempt to establish intensive crop farming did not succeed. It was not possible to extend intensive crop farming beyond the fairly fertile Liesbeek valley because the Cape peninsula was separated from the interior by the sandy Cape Flats. During the 1670s there were moves to promote immigration and expand the settlement to the other side of the Cape Flats in an attempt to increase grain production. The lack of immigrants and the Second Khoi-Dutch War delayed things. Meanwhile, dissatisfaction at the settlement is evident from the 1675 petition signed by 64 free burghers. They asked for the removal of trading restrictions, the release of more land beyond the Cape Flats and the lowering of the price of rice which was still being imported. There was little immigration from Europe during this period because there was nothing at the Cape to attract suitable Protestants of Dutch or German descent. Thus the number of free burghers rose from 168 to only 259 between 1672 and 1679.

4.2.2 Simon van der Stel, 1679–1699

Once peace was restored after the Second Khoi-Dutch War in 1677, white settlement on the other side of the Cape Flats could proceed. Between March 1677 and the arrival of Simon van der Stel as governor in October 1679, rights to farmland or pasture had been given to eight burghers at Hout Bay, Hottentots-Holland, along the Eerste River and east of the Tygerberg. The energetic governorship of Simon van der Stel marks the completion of the transition of the Cape from a refreshment station to an intensive crop farming settlement colony. The Cape could now meet its intended commitments – it supplied the company ships, satisfied its own needs and even exported wheat and wine.

Thus the VOC's policy of promoting free farmers paid off. It did this by actively encouraging emigration to the Cape between 1685 and 1707, by giving free passage to the Cape for immigrants. Simon van der Stel successfully implemented this colonisation policy by settling the immigrants in close settlements which had the double advantage of checking illegal cattle bartering and establishing an easily mobilised militia. Simon Van der Stel promoted settlement by offering new freehold land to colonists in a new district from 1679 which was called Stellenbosch in his honour. In 1688 the company even sent out a small group of orphan girls from Rotterdam to find husbands at the Cape.

The only sizeable and cohesive group of immigrants were the 225 or so French Huguenots who arrived at the Cape between 1688 and 1700. They were Protestants who had fled to the Netherlands from France after the revocation of the Edict of Nantes. Because employment was hard to find in the Netherlands, some were attracted by the company's offer of a passage to the Cape and the chance of a new life. They were suited to conditions at the Cape because most were from a peasant background and many had been farm workers or artisans in

France. They did a lot to establish the wine industry in the Cape. To facilitate their rapid assimilation, the French speakers were interspersed among the Dutch free burghers, mostly in the Drakenstein area. Dutch was the only medium of instruction in the schools and by the middle of the 18th century very few people still spoke French. Because the Huguenots regarded the Cape as a permanent refuge and intermarried with other burghers, the free burgher population was stabilised. By the end of the 17th century, the free burghers began to distinguish themselves from the "Europeans" – company officials who were temporary residents, by calling themselves "Afrikaners" – people who regarded the Cape as their permanent home. Company sponsorship of Huguenot immigration was stopped in 1700 on the advice of the governor.

The settlement prospered and in 1691 Simon van der Stel's post of commander was permanently upgraded to governor[17]. From 1695 the company gradually left all agricultural production to the free burghers. Although the VOC had banned private livestock trading with the Khoi in 1658, the herds and flocks of the free burghers had increased rapidly despite this. In 1699 the VOC lifted the ban and envisaged abandoning keeping livestock itself because the supply of slaughter stock for its ships was adequate. As a result the company sold or leased most of its farms, and its gardens at Table Bay, Rondebosch and Newlands became botanical gardens, but continued to produce vegetables and fruit for the officials and the fleet. Van der Stel raised the price of wheat to encourage farmers to increase production. He had many trees planted to promote wood cutting because wood was scarce in the western Cape. But local supplies had to be supplemented by imports from Europe and Asia until 1787 when wood from the Knysna and Tsitsikamma forests was shipped to Cape Town. Van der Stel organised numerous expeditions to search for exploitable minerals in the interior. Although the Koperberg at Okiep was reached in 1685, the transport problem prevented the company from mining the ore.

On the negative side, Simon van der Stel started a trend amongst company officials at the Cape which culminated in his successor, his son W.A. van der Stel, being recalled in 1707. Despite the 1668 Council of Seventeen ban on company officials farming their own or rented land, Simon van der Stel farmed the estate given to him at Constantia by one of the commissioners visiting the Cape. His example was followed by senior officials who used their positions to their own advantage which ultimately led to resentment amongst the free farmers. The free burghers had never objected to official farmers like Van Riebeeck and Simon van der Stel who had benefited the Cape by initiating new crops. But matters changed in the early 18th century when the limited Cape market became oversupplied and it was rumoured that officials were farming on such a scale that they could supply the market themselves (see Section 3.3.1 on p 40).

Van der Stel wanted to develop the Cape into a densely populated agricultural region to counteract the expansion as a result of extensive stock farming, cattle

17. The title of Governor was first given to I. Goske (1672–1676) and his successor J. Bax (1676–1678) and finally superseded that of Commander during Simon van der Stel's term of office.

bartering and hunting which made the cost of administration for the company increasingly expensive. Although he succeeded in establishing intensive crop farming, he failed to stem the stock farming tide. Under W.A. van der Stel a new era dawned – that of the rapid expansion of the Cape into an extensive stock farming colony.

4.2.3 Slavery

Slaves were used throughout the Dutch Empire and as a result were soon introduced to the Cape where there was a shortage of labour. The first slaves were introduced in 1658. By the 1660s the VOC could not satisfy the Cape's demand for slaves, and by 1672 the free burghers owned only 53 slaves. Importations increased slightly in the 1670s and 1680s, but increased rapidly once intensive crop farming became well established under Simon van der Stel in the 1690s. By 1711 the burgher population of 1 756 owned 1 781 slaves and the company 450. Most of the slaves came from east Africa and Madagascar and a number came from India, Malaysia and Indonesia. Few came from west Africa because this area fell within the monopoly of the Dutch West India Company. Most of the slaves were domestic servants and farm labourers and many of those from the East became skilled artisans. This meant that there were few opportunities for wage-earning white agricultural labourers and artisans, and in time most whites came to regard manual labour as beneath their dignity because it was slave work.

After the smallpox epidemic of 1713 had killed many slaves, the company's directors rejected the idea of substituting white labourers for slaves because it would be more expensive. Thus 1717 marks a turning point in South African history because the VOC decided against encouraging white immigration in favour of importing more slaves. The company's willingness to allow more slaves to be imported to the Cape was connected to the successful development of intensive crop farming in the western Cape. The number of slaves in the Cape grew throughout the 18th century, overtaking the number of whites by 1748. The official estimate for the number of slaves was some 17 000 in 1795. All but 3% were owned by burghers, and because arable farming required a larger labour force than pastoral farming, more than 90% of the slaves were to be found in the southern part of the Cape district and the south-central regions of the Stellenbosch district. Burghers, however, were not all slave owners. In 1750 about half had none, while about 60% of the remainder had between one and five slaves. Large-scale slave owning was confined to the richest estate owners and only seven wealthy farmers possessed more than 50 slaves.

4.3 THE RISE OF STOCK FARMING AND EXPANSION INTO THE INTERIOR, 1699–1779

4.3.1 Willem Adriaan van der Stel, 1699–1707

The governorship of W.A. van der Stel marks a turning point in the economic history of the Cape. The period where the governor and senior officials dominated the Cape economy came to an end and the rapid expansion of the frontier to the north and east began. During W.A. van der Stel's rule, the free burgher farmers were faced with unfair competition from the governor, five other senior officials and the retired governor, Simon van der Stel, and his other son, Frans. Despite the 1668 VOC regulation forbidding officials to farm or trade privately, Cape officials had done so with impunity since Van Riebeeck's time, and especially since Simon van der Stel had led the way.

Matters were brought to a head at the turn of the century when the limited Cape market became oversupplied. The quality of Cape products was too low and transport costs too high to warrant exporting. The crisis occurred in 1705 when W.A. van der Stel tried to corner the market. The Cape system of distribution consisted of the governor leasing out, by means of an auction, a monopoly in each of the main articles of consumption for fixed period. The lease holder contracted to supply the company's requirements at a low fixed price. In exchange the contractor got the monopoly to purchase and retail the item after meeting the company's needs. By manipulating the leases and arranging for them to go to his agents, W.A. van der Stel put himself in a position to control the market for two of the Cape's three most important products – meat and wine.

He established the extensive Vergelegen estate in Hottentots-Holland which had numerous vineyards, plantations, cattle and sheep kraals and slave quarters. To keep the best grazing for his own herds, he established cattle-posts on the road over the Hottentots-Holland mountains to prevent the burghers from taking their cattle to the better pastures there. In 1703 he rescinded the 1699 VOC order reallowing private livestock bartering with the Khoi. But in 1705 the company reopened the trade. By this time the free burgher farmers had lodged a complaint to both the VOC administration in Batavia and the Council of Seventeen in the Netherlands. The protest had a measure of self-interest because one its leaders, Henning Hüsing,[18] had in fact lost the meat contract to one of the governor's agents. The governor and other prominent officials were recalled to the Netherlands in 1707 and their farms, including Vergelegen, were divided up and sold. Private farming and trading by officials was again prohibited and the wine and meat contracts were reallocated. To ensure that no individual or small group could ever monopolise the market again, the VOC ordered the Cape administration to see that no one free burgher had so much land that two or three could subsist on it. They intended that all colonists should be able to earn an honest living and none should rise too prominently above the others.

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18. Also spelt Huising.

The removal of W.A. van der Stel and his followers in 1707 had four important consequences for the Cape:

(1) Under the administration of both Van der Stels, vast estates with a large labour force of slaves, dominated production and it seemed as if the Cape would become a plantation colony. The dissolution of the officials' estates, the size limitation on estates and the smallness of the Cape market for agricultural produce prevented this from happening.
(2) After W.A. van der Stel's dismissal, white emigration to the Cape was no longer encouraged by subsidised transport because the VOC did not want: (a) to create a large and potentially unruly free burgher farming community, and (b) the further expansion of intensive agriculture because surpluses of the poor quality Cape wheat and wine were difficult to export.
(3) When the Cape administration drastically reduced the granting of freehold farms in the crop-growing areas from 1707, it encouraged stock farming by freely issuing grazing licences.
(4) Joint opposition to W.A. van der Stel united the Huguenots and the other free burgher farmers. They became aware of their common identity as "Afrikaners" as opposed to the VOC's Dutch officials.

After 1707, white immigration became insignificant and until 1820 the white population of the Cape grew mainly through natural increase – between 1701 and 1778 the number of free burghers at the Cape grew from 1 265 to 9 721, to reach 20 000 by 1795. The basic reason for this was that the Cape, with its scarcity of fertile soil, its limited outlet for agricultural produce and its low rainfall outside the crop farming region, offered far less attractive prospects for settlement than North America, Argentina, and – in the 19th century – Australia and New Zealand. There can be no doubt that the lack of large-scale white immigration was the reason why so few new economic and technical ideas found their way to the Cape, in contrast to the position in North America and Australia. Until 1870 therefore, development in South Africa lagged behind that in other areas of white settlement.

4.3.2 The moving frontier in the Cape Colony

The free grazing permits issued by W.A. van der Stel in 1703 mark the beginning of the rapid expansion of extensive stock farming by the free burghers at the Cape. The showdown between the free burghers and the governor proved that there was no future in intensive crop farming for the little man. The keeping of livestock involved much lower capital outlay and was much less labour intensive than crop farming. Fertile agricultural land within economic reach of Cape Town was scarce. Numerous unnavigable rivers, liable to flood, and mountain ranges with few and dangerous passes, meant that the easily dismantled but cumbersome ox wagon was the only means of transporting goods to the only market at Cape Town. High transport costs and the time involved in getting produce to market reduced the profits of distant producers. Wine was produced a maximum of three days' journey from Cape Town and wheat a little further, a maximum of about 125 km. Beyond this, only cattle and sheep – which could walk to market – their by-products and the spoils of hunting became profitable to sell. Conversely, transport difficulties helped reduce the demand for all but necessities. Settled crop farmers had far more needs than a wandering stock farmer.

The expansion of the Cape frontier was a result of the change from arable to stock farming from the beginning of the 18th century. Under the informal loan farm system which came into being, the stock farmer or *trekboer* did not find it hard to make his way. He could claim a 2 000 hectare farm, provided it was not too close to another man's homestead, and keep it indefinitely on payment of an annual fee. The Overberg and Tulbagh districts were reached by 1720, and the Little Karoo by the 1740s. By mid-century the plains of the Great Karoo below the Roggeveld and Nuweveld mountains had been reached to the northeast, and the Langkloof to the east. By the 1770s the *trekboers* were in the Camdeboo and had penetrated northwards beyond the Sneeuberg and eastwards to the upper reaches of the Fish River. To register some kind of control over the rapidly advancing frontier, the VOC set up drostdies or magistracies at Swellendam in 1743 when the Great Brak River was the eastern frontier; at Graaff-Reinet in 1785 after the governor, J. von Plettenberg (1771–1785), had proclaimed the eastern frontier to be along the upper Fish and Bushmans Rivers in 1778; and at Uitenhage in 1804 after the white occupation of the Zuurveld between the Sundays and the Fish Rivers had begun.

The theory of the pioneer frontier was first propounded in the United States of America during the 1890s[19] to explain the phenomenon that opened up of the American west. *The Encyclopaedia of the Social Sciences* gives the following definition:[20]

> *The frontier, or the pioneer belt, is the initial stage in the settlement of a new region by representatives of a stronger civilisation. It is characterised by sparsity of population, a self-sufficing economy and the crude living conditions and uncouth manner of the less complex cultures.*

A similar phenomenon was experienced in all regions where white settlement took place. The theory of the moving frontier relates to the stages that each belt of the pioneer area behind the continually advancing frontier goes through. The first pioneers were the hunters and trappers who went into the unexplored interior and returned with relatively valuable commercial items such as skins, pelts, horns and ivory. Prospectors were also amongst the first to brave an unknown region to search for precious minerals. Many missionaries were at the forefront of the frontier in their attempt to spread Christianity amongst the indigenous people.

In time, itinerant pedlars ranged the interior trading with the hunters, trappers and prospectors and the indigenous people encountered by the moving frontier. Soon

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19. See F.J. Turner, *The significance of the frontier in American history*, reprinted in F.J. Turner, *The frontier in American history*, New York, 1947, pp. 1-38.
20. *The Encyclopaedia of the Social Sciences*, 4, New York, 1948, p. 503

nomadic stock farmers with their flocks and herds moved onto the newly discovered grazing land as the original pioneers moved even further into the interior looking for their illusive Eldorado. The nomadic stock farmers moved on when the grazing became exhausted and their place was taken by ambulatory crop farmers who sowed their crops and moved on after a few years when the soil became exhausted. They were succeeded by settled crop farmers who rotated crops and fertilised the soil. Once the region became settled, small farming towns emerged with municipal administrations, schools and churches. Proper roads were built and in time railways were constructed to serve the farming community.

The mining frontier was a phenomenon totally independent of the progressive stages of the moving pioneer frontier. When a roving prospector made a significant mineral discovery at the forefront of the moving frontier, a mining community would spring up in the middle of nowhere as people flocked from all over the world to stake their claim in the new-found wealth. If the mineral deposits were found to be profitable, a stable urban settlement would develop within a short period.

The moving frontier may thus be categorised into the following successive waves:

(1) The first wave:
   (a) hunters and trappers
   (b) treasure hunters and prospectors
   (c) itinerant traders
   (d) missionaries
(2) The second wave:
   (a) migratory, nomadic or semi-nomadic livestock farmers
   (b) ambulant crop farmers
(3) The third wave consisted of settled crop farmers and livestock farmers, followed by the construction of roads and railways, of magistrate offices, schools and churches
(4) Independent of the above successive waves of the moving frontier was the mining frontier

The great plains of the frontier areas were thinly-populated by indigenous hunters or herders, namely the Indians in the Americas, the Aborigines in Australia and the Khoisan in South Africa. Their civilisation was simple compared with that of the encroaching Europeans. The white people were equipped with advanced economic and technical expertise. They had huge herds of stock, horses which enabled them to move swiftly and ox wagons to transport their material possessions, but most importantly, they had rifles to kill game and hostile indigenous people. A combination of guns and the wagon laager made the settlers invincible, especially when backed up by swift gun-toting horsemen. They also unwittingly brought infectious diseases which decimated the indigenous population – e.g. the 1713 and 1755 smallpox epidemics among the Khoi.

The migration of pioneers into the wilderness with its many perils has been romanticised. Many noneconomic motivations have been given: the thirst for adventure; the dislike of the drudgery of intensive agriculture; and discontent with a far-off, unsympathetic government. However, economic self-sufficiency, as is stressed by many writers, was never their ideal. They became pioneers because they perceived it would result in a better way of life. In the meantime they were driven by circumstances to be as self-sufficient as possible. But they were always linked to the distant market because they always needed necessities such as rifles, lead, gunpowder and metal implements, as well as luxuries such as tobacco, tea and coffee. To obtain these items they had to trade high value items that could bear the high cost of transport to the coast. Pioneers not driven by economic motives were the missionaries. They went out primarily to Christianise the indigenous people, but they also influenced economic life on the pioneer frontier by their involvement in barter, agriculture and handicrafts .

Sometimes the pioneer frontier was forced to recede, either under pressure of natural circumstances, such as droughts, plagues, livestock diseases or malaria, or by the indigenous people. In South Africa, for example, there was the temporary abandonment of (1) Tarka in the Eastern Cape in 1780 because of San resistance; (2) the Zuurveld in 1799 because of clashes with the Xhosa; (3) Ohrigstad in 1848 because of malaria; and (4) Schoemansdal in the northern Transvaal in 1867 because of malaria and resistance from the Venda.

Although South Africa was a frontier area like North America and Australia, there were important differences because of the geography of the country. It lacked good harbours and navigable rivers, and the coastal mountain ranges and the dry Karoo were difficult to negotiate. Initially, Cape Town was the only gateway to the arid interior which was only suitable for hunting and stock farming. Where crop farming was possible, east of the 380 mm isohyet, the way was blocked by the Xhosa. Anyway, the greater the distance from Cape Town, the less likely the prospect of exporting agricultural products.

As a result, intensive agriculture and large-scale settlement in South Africa followed very slowly behind the very rapid advance of the hunting and stock farming frontiers. Well into the 19th century, there was still no intensive agriculture in large tracts of the interior, and crop farming remained a negligible sideline to stock farming because of the lack of transport and markets.

Many writers believe that the *trekboer* moved away from the western Cape to escape the oppression of the monopolistic, tyrannical VOC, just as the *voortrekker* moved away from an unsympathetic British government. Both types of trekkers opted for economic self-sufficiency to be free from official interference. Thus some analysts regard the trek into the interior as a regressive economic step because settled crop farmers become nomadic stock farmers and hunters. Schumann noted[21]

21. C.G.W. Schumann, *Structural changes and business cycles in South Africa, 1806–1936*, London, 1938, p. 32

> *An increasing tendency amongst the pioneer farmers to trek deeper and deeper into the interior. In this way there was actually an 'economic retrogression' to a more primitive form of economic organisation, viz from a system of market production and money economy to one of home production (*Hauswirtschaft*).*

According to Hobart Houghton:[22]

> *particularly for those who penetrated the interior, there was economic retrogression from the highly-developed market-oriented economies of Holland and France to the semi-subsistence farming of the* trekboere.

This kind of retrogression was a passing phenomenon in every frontier area where white pioneers pressed on into a thinly-populated region rich in unexploited natural resources. For a long time communications were rudimentary and high transport costs forced the frontiersmen to attain a large degree of self-sufficiency.

Although many of the *trekboers* of the 18th century had grievances against the VOC, their prime reason for trekking was to become stock farmers because there was a more profitable market for slaughter stock, hides, skins and hunting products than for the produce of crop farming such as vegetables, fruit, wheat and wine. Neumark[23] tried to show this by correlating the application for loan farms to the increase in shipping calling at the Cape. Thus by implication he argued that the *trekboer* was motivated by market forces because he needed to sell his meat to buy necessities. More recently it has been shown that the upsurge in demand for loan farms was a full decade before the massive increase in shipping in the late 18th century. But this does not detract from the thrust of Neumark's argument. It is not easy, however, to detect more than a latent capitalist in the *trekboer*, who as a poor man, adopted a lifestyle that probably offered him more of an opportunity than was currently possible in the developed regions of the Cape. The rapid development of the wool industry in the eastern Cape, and Port Elizabeth as an export port, towards the middle of the 19th century more than adequately demonstrates the latent potential of extensive stock farming.

4.3.3 Khoisan reaction to *trekboer* expansion

The similar lifestyles of the emerging *trekboer* and the Khoi was bound to cause a conflict of interests as soon as there was competition for land, grazing, water and livestock. Many *trekboers* found that the quickest way to find the best pastures was to settle near an already established Khoi group and eventually drive them off. As the *trekboer* movement fanned out into the interior, Khoi resentment flared up. But any combined Khoi resistance to *trekboer* expansion had been dealt a mortal blow by the smallpox epidemic of 1713, and subsequent ones in

22. D. Hobart Houghton, *The South African economy*, Cape Town, 1964, p. 9
23. See S.D. Neumark, *Economic influences on the South African frontier 1652–1836*, Stanford, 1957.

1755 and 1767, against which they had no immunity. The Khoi groups nearest Cape Town were decimated and Khoi society in the south-western Cape disintegrated and many Khoi drifted into *trekboer* employment as herdsmen and shepherds. Fierce Khoi resistance continued in the frontier regions and many of those who had already lost their livestock took to the mountains to join the San in raids on *trekboer* flocks and herds. In many cases, especially in the northern frontier regions, they succeeded in driving the *trekboers* from their farms and captured their stock. The *trekboers* retaliated by forming commandos which had two major advantages: guns which gave them superior firepower, and horses which gave them greater mobility.

As a result of the commando raids, thousands of Khoi and San were killed and hundreds, mostly children, captured to serve as "apprenticed" servants. In the face of the ruthless commando attacks, many Khoi submitted and worked as farm labourers and herdsmen. Others, like the Kora who originally came from the south-west Cape, withdrew northwards to the middle Orange River in the face of white expansion. Many bands of dispossessed Khoi armed themselves with guns and lived by raiding. Others teamed up with white fugitives to form mixed groups such as the Griqua. Former Khoi servants, many Dutch-speaking, fled the colony and grouped together to become known as Oorlams. Most of the mixed Khoi refugees lived along the Orange River, adopted European clothing, were mounted, armed with guns and lived by trading, raiding and hunting. Mounted Griqua and Kora gunmen were equally feared by Mzilikazi's Ndebele and Moshoeshoe's Basotho who regularly raided their cattle during the *Mfecane* in the 19th century.

The San, whose way of life involved little contact with other people, did not engage in trade with the whites as the Khoi had initially done. They fiercely resisted intrusions into their hunting grounds and killed herdsmen and raided livestock. In retaliation the *trekboers* waged a war of extermination. Some retired to the remoter regions or went into hiding in the mountains. As late as 1780 the *trekboers* were driven out of the Tarka district by its San inhabitants.

4.3.4 Legal forms of land exploitation

It is important to understand the system of land tenure at the Cape when studying the expansion into the interior. The following legal forms of land tenure were applied between 1652 and 1795:

(1) **Freehold tenure** (*eigendomstelsel*): From 1657 to about 1700, the VOC tried to encourage free burghers to set up as independent farmers for the intensive production of vegetables, wheat and wine, by assigning them small freehold farms at a low cost and on easy terms. There were few conditions but some farmers had to pay the company a tithe on the annual output, or give right of way to others without reimbursement; others were obliged not to leave any land fallow unnecessarily, or had to plant trees or replace any that they felled. The conditions were seldom a burden and not always enforced.

By 1700 there were surpluses of wheat and wine and the Council of Seventeen decided to discourage the further expansion of crop farming. It immediately stopped Huguenot immigration. In 1717 it stopped all immigration and forbade the Cape administration to grant any more freehold farms, except in exceptional circumstances.

(2) **Loan tenure** (*leeningsplaatsstelsel*): Until 1700, stock farming in the Cape was a sideline to intensive agriculture and farmers were given grazing licences for limited periods on vaguely defined tracts of land that was to remain VOC property. The object was to encourage stock farming because the supply of slaughter stock from the Khoi was irregular and unreliable.

When the VOC put a brake on the expansion of intensive crop farming, many free burghers began to concentrate on extensive stock farming because there was still a ready market for its products. From 1703, the Cape administration issued free grazing licences to farmers who were not crop farmers, and from 1714 it was legalised by the introduction of the loan tenure or loan-lease system, under which stock farmers gained the rights to a vaguely defined piece of land in return for the payment of a low annual rent. This was 12 rixdollars between 1714 and 1732, whereafter it was doubled to 24 rixdollars. The area of the loan farm was traditionally determined by walking for 30 minutes from the *opstal* or homestead in one direction and then the same distance in the opposite direction, which resulted in a farm of roughly 2 500 hectares.

The loan tenure system suited both parties and until 1779 land was so plentiful that loan farms were hardly ever refused or withdrawn. Although the rent was low, it was an important source of revenue to the VOC. Loan farms could not be sublet, divided or bequeathed and tenure had to be renewed every year. The *trekboers* were satisfied despite the limited rights it gave them because in reality the difference between freehold and loan tenure was negligible. Many heirs usually obtained their own loan farms and it was convenient to terminate the loan when pastures were grazed down.

(3) **Quitrent tenure** (*erfpachtstelsel*): But to the Dutch, where intensive agriculture was well developed, it looked as if the loan farm system, with its short contract and limited tenure rights, discouraged stock farmers from improving their land or starting crop farming, because they were forced to carry on exhaustive, nomadic stock farming, from one loan farm to the next. What the Dutch did not realise was that there was no choice between extensive stock farming and intensive crop farming in the interior. Loan tenure was not the cause but the result of the type of farming practised by the *trekboers*.

In 1732, to eliminate what the Dutch saw as the disadvantages of the loan farm system, the VOC introduced the quitrent system which guaranteed occupation for 15 years after which the land reverted back to the company and the farmer was refunded the value of all fixed improvements such as dwelling or stables. But the *trekboers* were not very keen on this type of tenure.

(4) **Loan freehold tenure** (*leeningseigendomstelsel*): In 1743, the Governor General of the Dutch East Indies, G.W. van Imhoff, visited the Cape and was greatly concerned that the *trekboers* were able to wander beyond the colony's official borders without check. In 1734 the Great Brak River had been proclaimed as the eastern frontier but by the 1740s *trekboers* were already in the vicinity of the Gamtoos River. To end the inclination to trek, for which he held the defects of the loan farm system responsible, he changed the land laws. To tempt families to settle permanently, he introduced the loan freehold system whereby ownership was subject to the following conditions: for a maximum payment of 200 rixdollars, a farmer could obtain full ownership of 50 hectares of his loan farm which he was entitled to sell, lease or bequeath; and he had to pay only a proportion of the former rental on the remaining portion of the loan.

The *trekboer* farmers showed little interest in the perpetual loan system because it was more expensive than the loan farms which remained the most popular form of land tenure until the 1813 land tenure reforms under the British.

4.4 THE COLONISTS VERSUS THE COMPANY, 1779–1795

4.4.1 Provisional end of the expansion

From an economic point of view, the period from 1714 to 1790 at the Cape was reasonably prosperous. For most of the time Britain and France were at war and their fleets made use of the facilities at Cape Town which meant that there was an increased demand for the colony's produce. Ryk Tulbagh (1751–1771) was a popular governor largely because his term of office overlapped with this period of relative prosperity. The burgher dissatisfaction which had arisen under W.A. van der Stel resurfaced from about 1780 when a depression set in. At the same time the ideas of liberty, equality and fraternity, that had sparked off the American and French revolutions, had even permeated to a backwater like the Cape.

Added to the growing resentment of the VOC's autocratic rule, there was frustration when further eastward territorial expansion was halted by the Xhosa after 1778. Until then the VOC administration had reluctantly expanded the colony in the footsteps of the *trekboers* because it needed a good supply of stock farming produce. The Fish River was officially made the eastern boundary in 1778 after a treaty with some of, but not all, the Xhosa chiefs. Thereafter, to avert the expense of securing the border by force, the VOC tried to keep the two groups apart by prohibiting whites from bartering with or employing Africans. Without the necessary military presence, infiltration eastwards by the *trekboers* and westwards by the Xhosa, saw cattle trading and raiding escalate. The first of the nine frontier wars broke out in 1779.

4.4.2 Reforms and rebellion

The white population of the Cape was made up of the following groups: (1) badly-paid company officials who used their privileged positions to their own advantage; (2) the free burghers in and around Cape Town who engaged in business or intensive crop farming; and (3) the free burghers of the interior who engaged in extensive stock farming, hunting and barter. Although the two groups of free burghers often had conflicting interests, from the 1780s they tended to adopt a common attitude to the VOC and its officials. Their grievances were the following:

(1) Lack of legal security and self-government, and the autocracy and corruption of company officials.
(2) The VOC's monopsony of Cape export products and the low prices it paid.
(3) Competition from the company officials who, in spite of all the restrictions, farmed and traded in wheat, wine, meat and firewood.
(4) The VOC's lax attitude towards Xhosa encroachment on white-held territory in the east.

The VOC attempted to avert an expensive direct military conflict with the Xhosa by resorting to a series of peace treaties with the chiefs they thought were capable of upholding them. Meanwhile it tried to prevent the frontier *trekboers* from reacting violently. The western Cape free burghers sent several petitions to the Council of Seventeen asking for more representation in the administration, greater economic freedom, an end to corruption among the officials and a ban on their farming and trading. Although a few minor concessions were made, the burghers remained dissatisfied. With the decline in the VOC's power after the Fourth Anglo-Dutch War (1780–1784), petitions were sent directly to the States-General in the Netherlands.

The States-General, however, refused to interfere in VOC affairs until 1792 when the company's financial affairs were so bad that it sent out a commission to investigate and reorganise its overseas affairs. The once mighty VOC was crippled by inefficient administration, corrupt officials, contraband trade, war losses and increasing competition from other European trading nations. The commissioners, Cornelis Nederburgh and Simon Frykenius, spent 14 months at the Cape in 1792–1793 and found the colony in the throes of an unprecedented depression because of the recently signed peace treaty between Britain and France and the drastic VOC cutbacks in military expenditure at the Cape.

It should be borne in mind that the VOC's monopsonistic policy at the Cape did sometimes work to the colony's advantage. The VOC virtually subsidised the sale of several Cape products. Batavia had to buy Cape wheat despite the fact that better and cheaper wheat could be imported from India. Ships in Table Bay had to buy Cape wines which, with the exception of Constantia wine, could not be exported because of their poor quality.

Although the commissioners granted many of the reforms petitioned for since 1779, too little was done too late. The patchwork of reforms did not pacify the burghers. Discontent reached a climax on the eastern frontier where prosperity and security reached an all time low during the Second Frontier War (1794–1795) when the burghers suffered heavy losses. In 1795 the landdrosts of Graaff-Reinet and Swellendam were ejected, allegiance to the VOC was disavowed, and the rebels submitted their cause to the States-General in the Netherlands. But before anything could come of the issue, the Netherlands was occupied by the French army in 1795 and turned into a vassal state, the Batavian Republic. As a countermove, the Cape was occupied by Britain, and the VOC era came to an end.

4.4.3 Economic fluctuations during the 18th century

During the rule of the VOC, prosperity at the Cape was determined by the volume of agricultural output and the turnover in the limited market. Agricultural output was determined by rainfall, storms and disease about which little could be done before the advent of scientific farming. The market consisted of the company officials, military garrison and burghers at Cape Town and the merchantmen and warships calling at Table, False and Saldanha Bays. It was augmented by a small export trade with Europe and the East in Constantia wine, brandy and hunting products.

Turnover increased in times of war or possible war when Table Bay became a hive of activity. Prices were high because of the smallness and inelasticity of supply. These boom periods could not be maintained because with the restoration of peace and the resultant decline in naval activity, the market declined to its naturally small level. Depression set in and the prices of produce, land and houses fell sharply. The locals were unable to pay their debts and money flowed out of the colony because imports invariably exceeded exports.

For the first half of the 18th century, the Cape suffered a depression because the production of wheat and wine exceeded the limited demand. The smallpox epidemics of 1713 and 1755 ravaged the population which had an adverse effect on turnover. The oversupply of wheat and wine lasted until the Seven Years War (1756–1763) between Britain and France boosted demand. The continuous depression in crop farming during the first half of the 18th century drove many crop farmers to extensive stock farming. Despite the low official price of meat, there was an ample and assured market. Thus stock farming continued to expand because many of the *trekboers* had no other means of subsistence.

The period after 1770 was marked by a great expansion in world trade which saw a big increase in shipping passing the Cape. Although the fortunes of the VOC were directly affected by increasing competition, the Cape farmers profited from the growing number of foreign merchantmen calling at Table Bay and False Bay.

The Fourth Anglo-Dutch War (1780–1784) saw another period of prosperity at the Cape boosted by the presence of a French garrison, without which the colony would not have remained in Dutch hands. Realising the military vulnerability of the Cape, after the war the Dutch sent an officer of the engineers, C.J. van der Graaff (1785–1791), to the Cape as governor to expand land defences and the garrison. In the process, administrative costs rose fivefold, something which the ailing company could not afford. Van der Graaff was recalled and the garrison drastically cut. The resultant fall in demand deepened the depression after the wartime boom and led to the burgher rebellion.

LEARNING UNIT 5

The Cape under the British

TOPICS

KEY ISSUES

- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Emancipation of the slaves and Khoisan.
- Land tenure.
- Eastern frontier policy.

LINKED ISSUES

- Comparison of British and earlier VOC economic policy at the Cape.
- The successive stages of the moving pioneer frontier.
- Reasons for the revival of Western imperialism and colonialism in South Africa after 1870.
- "[T]he Great Trek was the eighteenth century fleeing before its more material, more active, and better organized successor".
- The backwardness of agriculture until the 19th century.
- The development of transport.
- The development of banking.
- South Africa advanced politically by disasters and economically by windfalls.

5.1 INTRODUCTION

British rule at the Cape before 1870 can be divided into three periods. During the first two, the Cape was occupied by British forces as a temporary measure for strategic reasons during the ongoing war with revolutionary and Napoleonic France between 1793 and 1814. Only in the general peace that followed did the Cape permanently become a British colony at the London Convention of August 13, 1814, whereby the Netherlands transferred it in return for British acceptance of the Dutch government's £6 million debt to other European powers. Thus during the First British Occupation (1795–1803) and the Second British Occupation (1806–1814), there was no incentive for the British military government at the Cape to embark upon any real change. But once the Cape formally became a British colony in 1814, substantial changes were introduced.

5.2 THE FIRST BRITISH OCCUPATION OF THE CAPE, 1795–1803

The British occupied the Cape shortly after revolutionary France invaded the Netherlands and established the Batavian Republic in 1795. It did so on behalf of the exiled House of Orange and to prevent the French establishing a base on the all-important sea route between Europe and the East.

Because British control of the Cape was seen as a temporary measure, the military administration merely tried to maintain the status quo and kept reforms to a bare minimum. Despite this, the British measures were far-reaching because the Cape was so badly in need of reform. The VOC's monopolistic system was abolished and freedom of imports and exports allowed in so far as this was possible under wartime conditions and Britain's mercantilist policy. Land rent arrears were remitted and, to combat corruption, officials were put on salaries and fees were banned. Otherwise, the right to property and Roman-Dutch law were guaranteed. The main advantage of the British occupation, however, was the fact that the increased military activity at Cape Town resulted in a brisk market for local produce, something which lasted until the British departed in 1803.

The main task confronting the British was the restoration of peace on the eastern frontier because the naval base was dependent for its meat supply on the hinterland, especially Graaff-Reinet where the colonists had established a republic in the last days of the VOC's rule. The whole issue revolved around the VOC's failure to protect the frontier *trekboers* from the Xhosa and its refusal to allow them to take matters into their own hands. The British military governor, General J.H. Craig (1795–1797) acted decisively and cut off all supplies of goods and ammunition to Graaff-Reinet and the republicans were forced to submit. Lacking the means to embark on a policy for adequate control of relations between the *trekboers* and the Xhosa, the British, like their Dutch predecessors, tried to maintain a rigid boundary between the two groups and insisted on a policy of non-fraternisation. The frontier, however, remained a centre of unrest throughout the First British Occupation, culminating in the Third Frontier War (1799–1803) when the Zuurveld Xhosa, in alliance with disenchanted Khoisan servants, tried to drive more than 8 000 white farmers from the land between the Fish and Gamtoos Rivers. The war, the longest of the frontier wars, was eventually ended by an inconclusive peace treaty which simply papered over the problems.

One positive aspect of the unrest on the eastern frontier was that it forced the British to take an interest in Algoa Bay's potential as a port. After studying the report of the 1752 Beutler expedition, the VOC had abandoned the idea of its ships even using Algoa Bay in times of distress, because of its exposed position. Thus as late as 1785, local white inhabitants reported that they had never seen ships in Algoa Bay. After renewed frontier unrest broke out in 1797, the British had Algoa Bay inspected to see if it was a suitable landing place. The best place was deemed to be the beach just north of the Baakens River. The Third Frontier War (1799–1803) erupted shortly afterwards and this time it was decided to establish a garrison at the landing place in Algoa Bay. A wooden blockhouse was built behind the sand hills on the north bank of the Baakens River and subsequently a stone redoubt was built on the steep hill overlooking the river. It was called Fort Frederick after the British commander-in-chief, the Duke of York. The fort was built as much to defend the landing place from the French, as it was to be a place from which troops could be deployed to trouble spots on the frontier. Eventually the 1820 settlers landed there and the town of Port Elizabeth was established and soon became the place of export for the burgeoning wool trade which dominated the Cape economy from the 1840s to the 1860s.

5.3 THE CAPE UNDER THE BATAVIAN REPUBLIC, 1803–1806

In 1802 a short-lived peace was concluded between Britain and France and her vassal states. Thus in 1803 Britain turned the Cape over to the Batavian Republic. The end of the war and the departure of the large British garrison plunged the Cape into a depression. Unlike the British, the Batavians expected to retain the Cape permanently. So one of the members of the Council for Asiatic Possessions, Commissioner-General Jacob Abraham Uitenhage de Mist (1803–1804), drew up a comprehensive programme for the development of the Cape as a colony in its own right. He arrived at the Cape in 1803 along with the governor, Lieutenant-General J.W. Janssens (1803–1806), to implement his reforms which were primarily aimed at imposing order upon the far-flung and loosely structured colony. His basic idea was that the Cape should no longer be regarded purely as a refreshment station and thus a financial burden without any potential for development. It should receive a large measure of self-government so that it could develop economically as a settlement.

The Batavian regime is traditionally associated with the liberalism of the 18th century Enlightenment. In the economic field, this meant the abolition of trade restrictions and in the social sphere it meant equality of all men before the law, and freedom of worship and education under the state, not the church. But De Mist and Janssens, as prudent and competent administrators, modified their liberal and humanitarian views to suit the conditions they found at the Cape. To tighten the administration, there was an increasing degree of centralisation of power and an authoritarian approach whereby the powers of the governor were extended. Central government control was further promoted by the establishment of two new *drostdies* at Uitenhage and Tulbagh in 1804. The Cape's judicial, religious and education systems were overhauled. Despite the proposal that slavery be gradually phased out by freeing slave children at birth, nothing came of it because the burghers were not prepared to lose their workforce.

On the economic front, the abolition of the VOC restrictions on internal trade and imports and exports introduced by the British, were maintained. An attempt to promote woolled merino sheep failed because local stock farmers preferred the traditional woolless, fat-tailed sheep because they produced meat and fat which were immediately profitable in terms of the Cape market. An effort was made to improve wheat and wine production and roads in the vicinity of Cape Town and its outlying districts were also improved.

Financial stringency prevented the Batavian administration from settling the frontier problem. Janssens was obliged to continue the policies of his predecessors and merely attempted to keep the fragile peace, established by the British in 1803. He did this by holding discussions with the important Xhosa chiefs on the frontier. No attempt was made to force those Xhosa who had settled in the Zuurveld west of the official boundary, the Fish River, after many *trekboers* had fled during the Third Frontier War. The frontier Khoi were moved into locations, and a mission was established for them in 1803 at Bethelsdorp near Fort Frederick. Khoi were persuaded to return from the Zuurveld to work on white farms by a regulation that stipulated that a written contract had to be drawn up and signed in front of official witnesses.

Despite the Batavian administration's good intentions, like its British predecessor, it came to realise that it dare not disturb the status quo which would have been threatened by liberal reform. In any case its resources were too limited and its three-year rule too short to achieve any permanent results.

5.4 THE SECOND BRITISH OCCUPATION OF THE CAPE, 1806–1814

The Peace of Amiens between Britain and France was short-lived and the two went to war again in 1803. This time Britain was far more conscious of the strategic value of the Cape than it had been in 1795. After Napoleon's scheme to invade Britain had been checked by Nelson's decisive naval victory at Trafalgar in 1805, a fleet was sent to the Cape. At the Battle of Blaauwbergstrand, on the north shore of Table Bay, the Batavian forces, weakened by the transfer of their best troops to Indonesia, were defeated and the Cape was surrendered to the British in January 1806. Once again it seemed as if it would be a temporary military occupation. As a result the general policy was to "do nothing". The population of the Cape consisted of some 22 000 burghers, 25 000 slaves and an indeterminate number of Khoi and San, not forgetting the several thousand unwelcome Xhosa in the Zuurveld.

Despite the fact that very little was done to implement change at the Cape during the Second British Occupation, external and internal factors did force change. In 1807 Britain abolished the slave trade throughout the empire. Thus no new slaves could be brought into the Cape. The shortage of labour was exacerbated, and the 1809 proclamation on vagrancy made it very difficult for Khoi to avoid working for whites. The proclamation was followed by one in 1812 requiring Khoi children born on a white farm to be apprenticed there for 10 years from the age of eight. The elimination of continental competition during the Napoleonic Wars and preferential duties on the British market from 1813, gave Cape exports, especially wine, a boost. The presence of a large military garrison at Cape Town saw the market for local produce boom once again. A new form of land tenure was introduced in 1813 to make the system more efficient as well as more profitable for the administration. Rents were raised and new farms had to be surveyed. The quitrent system was extended to one of perpetual quitrent which involved payment of an annual rent dependent on the quality of the land occupied. Under the new system, land could be bought and sold. The aim was to make the farmers value their land more highly because they had paid for it. The *trekboers* of the eastern Cape disliked the changes because, apart from higher rents, they feared that they would lose their loan farms and would have to buy their land in the future. The granting of loan farms had ceased in 1807. Between 1813 and 1840, 12,8 million hectares were alienated for a mere £46 000 and an annual quitrent income for the administration of £14 000 or tuppence per 10 hectares.

After the initial attempt to maintain the status quo on the eastern frontier, a revolutionary change was made in frontier policy after the outbreak of the Fourth Frontier War (1811–1812). By the time Sir John Cradock (1811–1814) took up his post as governor, conditions in the Zuurveld had deteriorated to the extent that white farmers were abandoning their loan farms in rapid succession. Early in 1812, on instructions from Cradock, Lieutenant-Colonel John Graham (1778–1821), with more than a thousand regular troops and commandos, forced 20 000 Xhosa across the Fish River with "a proper degree of terror" to persuade them not to return. Thus the Zuurveld was reopened for white settlement. To maintain the Fish River as the official boundary, 27 military posts were constructed and supported by the establishment of garrison towns at Grahamstown and Cradock. For the first time the administration at the Cape took on the thorny frontier problem because, as Cradock argued, unless the hinterland was secure, the possession of the strategic base at Cape Town could not be guaranteed. As a result, the British government accepted that an interventionist, military role was the price to be paid for maintaining the frontier and thus the colony. For the first time the balance of power on the frontier swung in favour of the white colonists.

5.5 THE CAPE AS A BRITISH COLONY FROM 1814

When the Cape was made a British colony permanently in 1814 by the London Convention, the eternal South African triangle was completed: 1) the Africans and Khoisan who resented and resisted white encroachment on their land; 2) the Afrikaners who considered themselves the lawful overlords of the region by racial and cultural superiority and by right of conquest; and 3) the British who, by right of legal acquisition, felt responsible for all the inhabitants of the region. British reforms alienated some Afrikaners who left the colony and extended the eternal triangle to encompass the whole of southern Africa. Thus the coming of permanent British rule to the Cape set in motion a chain of events which revolutionised the South African economy, drew it out of the age of pre-capitalism, and forced it onto the road to modern capitalism. The vacillating British policy in South Africa after 1814 led to: 1) the imposition of British ideas, institutions and language; 2) the coming of the 1820 Settlers with their new ideas; 3) an Afrikaner reaction which took the form of the Great Trek from 1836 and the rapid opening up of the interior for white settlement; 4) the booming wool industry from the 1850s; 5) the mining revolution from 1870; 6) the Anglo-Boer War (1899–1902); and 7) the formation of the Union of South Africa in 1910.

5.6 THE FACTORS INFLUENCING BRITISH POLICY

Even when the Cape became a permanent British possession, it remained important solely because it was a strategic base on the sea route between Britain and the East. The Cape was officially called a military post up to 1849. Gradually, however, the British government came to realise that the Cape was in fact a settlement colony comparable to Canada where there was also an established non-British, white population. Attempts to anglicise the non-British element by immigration, the introduction of British institutions and the development of a modern society, failed in both regions because of resistance from the conservative French and Dutch populations who clung to their distinct heritage which had evolved into something different from that of their countries of origin.

Official British policy in South Africa during the first half of the 19th century was affected by the following four, sometimes conflicting, motives based on philanthropy, imperialism, commerce and finance:

(1) The **philanthropic motive** originated in the 18th century Enlightenment which espoused the innate freedom, equality and brotherhood of all men. Thus it was civilised man’s duty to Christianise, civilise and protect the less fortunate people of the world. During the first half of the 19th century, British philanthropists had a great deal of influence on British policy. Their actions led to the prohibition of the slave trade in 1807, the abolition of slavery in British territories in 1834, and British diplomatic and maritime action against the slave trade and slavery in other countries. In the early 19th century, many missionaries, from Germany, the Netherlands, Britain and France came to the Cape to practise what was being preached in Europe. Immediately, however, they were faced with stiff opposition from the white settlers and found themselves in the role of defenders of "native" rights. Well over a century of slavery and conquest had left the whites with the belief that all black people were racially inferior and naturally subservient.

(2) The **imperialist motive** was the need to protect British possessions within the empire from outside interests. For example, the *voortrekker* republic of Natalia was annexed to prevent its policies from upsetting the status quo on the Cape's eastern frontier and another non-British port being established on the east coast of southern Africa. Transoranje was annexed to stabilise the Cape's northern border after numerous clashes between the *voortrekkers* and the Basotho. The region between the Keiskamma and the Kei Rivers was annexed in 1835 as the Province of Queen Adelaide and again in 1847 as British Kaffraria, in an attempt to stabilise the eastern frontier by opening up new land for white settlement.

(3) The **commercial** or **economic motive** was the desire by British manufacturers at the height of the Industrial Revolution to find overseas suppliers of raw materials and markets for their products. Although the mercantilist system was in the process of giving way to free trade, the idea that colonies were useful and desirable for the home country as suppliers of raw materials and purchasers of home products was still current. The fact that Natalia had a natural harbour which was the gateway to an interior where tropical crops such as sugar cane and cotton could be grown, acted as an inducement for annexation for economic reasons. Similarly, the Basotho wars disrupted the supply of wool from southern Transoranje. The philanthropic, imperial and commercial motives combined more than once to get the British government to annex parts of southern Africa.

(4) The **financial motive** tended to put a brake on the other three motives which largely promoted colonial expansion. It was a function of the state of the British treasury which ultimately had to finance the heavy cost of the conquest and administration of new territories. For decades after the end of the Napoleonic Wars in 1815, Britain was burdened with a large public debt. Thus colonial expenditure was kept to a minimum. Natalia was annexed in 1843 to avert unrest on the eastern frontier which would have necessitated increased military expenditure. The annexation of Transoranje in 1848 was reversed in 1854 because of the increased military expenses as a result of the ongoing conflict between the white farmers and the Basotho. The financial motive usually outweighed the other three put together.

It is not surprising that British policy in South Africa during the first half of the 19th century vacillated because it was influenced by a number of motives that often conflicted. On numerous occasions decisions taken by the governor were overturned by the British government and the policy of one governor was reversed by his successor.

British policy at the Cape during the first half of the 19th century attempted four things:

- economic reform
- the reform of the civilian administration and judicial system
- the emancipation of the slaves and Khoi
- the maintenance of peace on the eastern frontier

5.6.1 Economic reforms

Money[24]

Although there were two million rixdollars in circulation at the Cape when the Batavians left in 1806, double the number in 1795, its par value was still four shillings. Thereafter serious inflation set in because the British administration, encouraged by the success of the wine trade, issued another million rixdollars between 1810 and 1815. As a result of the post-war depression and the collapse of the St Helena trade after Napoleon's death in 1821, the value of the rixdollar dropped steadily. This might have passed largely unnoticed had the British treasury not decided to convert the foreign currencies of its annexed colonies to sterling in 1825. When this was done, the rixdollar had fallen to 1s 6d. There was such an outcry from Cape creditors, who had thought that the rixdollar had maintained its par value in relation to sterling, that the authorities felt obliged to leave the rixdollar as legal tender until 1841 in order to cushion the shock. Although the 1825 monetary reform was long overdue, it antagonised many, especially the Afrikaans majority who saw it as yet another form of discrimination.

Banking[25]

The **Discount Bank** was created by the British administration in 1808 as a subdivision of the **Loan Bank** (or **Lombard Bank**) created by the VOC in 1793. It was a deposit bank that accepted deposits from the public, discounted bills and extended short-term credit, a function not fulfilled by the **Loan Bank** which was a mortgage bank. As had happened to the **Loan Bank**, the **Discount Bank** also got into trouble because it granted injudicious and irrecoverable loans and was unable to satisfy the growing credit needs of the business community. Neither of the two banks could create money and both had to rely on capital from the administration or deposits from the public.

From 1825 there was growing agitation for the establishment of private banks that could issue bank notes and form the basis of a more flexible supply of money and credit. Eventually in 1836, following the British example, the first commercial bank, the **Cape of Good Hope Bank**, was established.[26] Within a year the **Discount Bank** was forced to advertise to attract clients. But this change in its antiquated policy was too late to save it. Local banks quickly sprang up in all the major centres and the administration closed both the **Loan Bank** and the **Discount Bank** in 1842. They were institutions typical of the early capitalistic period and did not survive much beyond the dawn of the modern capitalistic period in South African banking.

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24. See Section 6.4 for more detail.
25. See Section 6.5 for more detail.
26. The Cape of Good Hope Savings Bank was established in 1831, but this private institution could not create money and therefore did not satisfy the need for a bank of issue.

Land tenure

The British administration stopped granting loan farms in 1807 and introduced perpetual quitrent land tenure in 1813 under which system all crown land was to be alienated. The conversion of loan farms to perpetual quitrent farms proceeded very slowly, especially amongst stock farmers, because loan tenure was fairly secure and inexpensive. Under the new system, not only was the annual rent higher, farmers had to bear survey and registration costs. Although by 1821 82% of the 2 206 loan farms in the Cape had applied for conversion, by 1826 fewer than 25% of the loan farms had actually been converted to quitrent tenure. By 1838 there were still almost a thousand loan farms in the colony and in 1839 the requirement to convert was removed. Another cause for dissatisfaction among stock farmers was that the British administration refused to allocate farms beyond the official boundary – which in the north was the Orange River from 1824.

In 1832 the British government resolved that in future all crown land in its colonies would have to be auctioned and full ownership granted to the highest bidder. The object was to provide the colonial administrations with much needed income and to improve the quality of land usage through full ownership. The system was only put into practice at the Cape in 1843, but it was unsuccessful there and also in the newly acquired Natal, because the minimum price was too high. In addition most farmers were unwilling to convert from perpetual quitrent to freehold tenure. As soon as the Cape received representative government in 1854, it stopped encouraging conversion to freehold tenure and dropped the minimum price for crown land sold at auctions. But it was not before 1880, when unoccupied land became scarce, that the auction of crown land became more popular and quitrent tenure was converted to freehold on a large scale. Until then, there was much dissatisfaction amongst farmers because they resented having to bid against one another to pay for land which in the past had been freely available.

Expansion and diversification of agriculture

The British administration realised that agriculture was the Cape's main source of income. Thus it attempted to improve and expand the existing branches of agriculture and introduce new ones. The export of wine, meat, butter, hides and skins expanded considerably between 1815 and 1821 because of the British garrisons at the Cape and at St Helena, where Napoleon was kept prisoner. Preferential duties on Cape produce entering Britain from 1813 helped boost Cape exports. Wine exports boomed and soon generated more income than all the other exports put together. In the best year, 1822, more than 10% of the wine consumed in Britain was exported from the Cape. But the decline in the market after Napoleon's death in 1821 merely foreshadowed what was to come when Britain reimposed full duties on Cape produce in 1825. The wine industry – and indeed the Cape economy – tottered because the Cape winegrowers had not used the opportunity to improve the quality of their wine during the boom.

The British administration encouraged the introduction of woolled sheep to the Cape. Wool exports eclipsed wine exports for the first time in 1842 and during the 1860s at times made up over 80% of Cape colonial produce exports. Meanwhile wine exports dropped to less than 1% compared with the 60% average during the 1820s. Woolled sheep farming spread faster in the eastern Cape because the British settlers had no tradition of keeping fat-tailed sheep. Once the *voortrekkers* began to leave their farms in the 1830s with their cattle and fat-tailed sheep, their places were taken by British farmers with woolled sheep. The proportion of woolled sheep in the eastern Cape increased from 41% in 1846 to 96% by 1865 during which time the proportion in the western Cape increased from 56% to 65%. The number of non-woolled sheep actually increased by 157% in the west during this period, while in the east their numbers dropped by 80%.

Road construction

The British administration soon started developing internal communications within the Cape by improving the roads. In order to make the nearer country districts more accessible to Cape Town, hard roads and passes were built, such as the Tulbagh Pass (1807) and Sir Lowry's Pass (1830). Tolls were established at various places to finance maintenance. Hard roads had to be built to replace the deep wagon tracks which passed for roads before. Previously, when parts became very bad, that section was simply bypassed and a parallel track developed. In theory the owner of the land over which a main road ran was responsible for its maintenance. Thus ruts were occasionally filled by local farmers with available loose material. Roads were so bad in the eastern Cape in the early 1830s, that it was even suggested that camels be introduced to overcome the problems.

The increased military presence on the eastern frontier saw the road construction programme extended to the eastern Cape where wool production was set to take off. In the late 1830s a general road scheme to serve civil, military and commercial interests was proposed. The scheme was launched in 1843 by the creation of a central roads board whose main consideration was the improvement of communications between Cape Town and the eastern frontier. Between 1843 and 1853, local roads boards, under the aegis of the central roads board, built the following spectacular passes on the main road to the eastern frontier via George and Port Elizabeth: Houwhoek Pass (1846), Montagu Pass (1847), and Zuurberg Pass (1850). Passes on the road to the northern frontier were Michell's Pass (1848) and Bain's Kloof (1853). By the time the divisional councils were made responsible for maintaining government-built main roads in 1864, the Cape had a fairly well developed main road network.

5.6.2 Reform of civilian administration and judicial system

The major problem facing the British administration at the Cape was the cultural and ethnic diversity of the population. Once the Cape became a permanent British possession, the administration felt that there was a need to adjust the alien laws, customs and institutions to the reality of British rule. Anglicisation, however, was never the main objective of British policy. It was merely an attempt to make the Cape fit into the broader context of the empire. From the time of the governorship of Sir John Cradock (1811–1814), there was a determined effort to reshape Cape institutions and policies in terms of British forms.

Circuit courts were instituted in 1811 to bring the law courts to the country districts. Special care was taken to see that they were made accessible to all. The eastern Cape circuit court of 1812 became known as the "Black Circuit" because many frontier farmers resented being challenged in open court by their black servants. The sessions of all courts were thrown open to the public in 1813. Criminal process was brought into conformity with English standards with the introduction of crown trials in 1819. In 1827 trial by jury was instituted and an English magisterial system replaced the local *landdrosts* and *heemraden*. At the same time English became the sole language of the courts, a cause of hardship and resentment among the Dutch-speaking colonists. Roman-Dutch law, however, was left largely intact.

As early as 1812, plans were unveiled to establish white English-medium schools throughout the Cape. From 1822 competent English-speaking teachers were offered bonuses to move to rural areas. This led to the establishment of free public schools at Cape Town, Graaff-Reinet, Uitenhage, George, Stellenbosch, Tulbagh and Caledon over the next decade. Many Dutch-speaking parents refused to allow their children to attend the free schools because they saw them as an attempt to destroy their language. The governor, Lord Charles Somerset (1814–1827), appointed Scots clergy to vacant positions in the Dutch Reformed Church after attempts to recruit *dominees* in the Netherlands failed. The practice continued and by 1837 half the members of the DRC synod were Scots. Many of them, however, learnt Dutch and married into Afrikaner families.

A determined effort was made to anglicise the Cape civil service long before the 1820s. Cradock required all civil servants to have a knowledge of English. In 1824 English became the sole language of the government offices and high salaries were offered to attract English-speaking appointees into the administration. All proclamations and ordinances, however, were gazetted in both English and Dutch. The colonists became increasingly aware of the informal anglicisation which occurred – the transposition to the Cape of British forms of social organisation, education, architecture and leisure activities. Many Dutch-speakers resisted and resented these developments, but many, especially in the western Cape, gradually adopted the British way of life, culture and traditions.

5.6.3 The emancipation of the slaves and Khoi

Apart from the moral and religious motivations to emancipate the slaves and Khoi during the first half of the 19th century, there was also an economic one. The labour needs of Britain’s industrial economy were very different to when the empire was based on a plantation economy. It was believed that Britain’s industrial economy could be best served by free labour, compelled by moral and economic forces rather than legal ones. Thus there was a massive change in the relationship between master and servant. Industrial employers needed free labour earning cash wages because the workers could then buy more manufactured goods. It had been shown in Britain that forcing people to work against their will was less efficient than free labour.

Measures against slavery

Although the abolition of the slave trade by the British government in 1807 was aimed mainly at eliminating slavery in the Americas by cutting off the supply of slaves from Africa, the measure also applied to the Cape. A variety of laws were enacted by the British parliament between 1807 and 1833 improving the lot of slaves and paving the way for the abolition of slavery. The laws prescribing better treatment and limiting punishment annoyed many slave owners who regarded them as interference.

Eventually in 1833 the British Parliament abolished slavery in all British colonies as from December 1, 1834, and made £20 million available to compensate the slave owners of the empire for about a third of the assessed value of their slaves. The Cape slave owners' share was about £4 million. All slaves over six years of age had to spend another four years in the employment of their former owners to cushion the effect of the abolition. The compensation money had to be collected in London which meant that Cape slave owners had to employ agents who charged a commission to get the money.

In the end the compensation eventually paid to the Cape slave owners was less than £1¼ million which meant a heavy financial loss for many which in turn created resentment. But according to Piet Retief's niece, Anna Steenkamp in 1846, the resentment over the emancipation of the slaves was "not so much their freedom... as their being placed on an equal footing with Christians, contrary to the laws of God, and the natural distinction of race and colour, so that it was intolerable for any decent Christian to bow down beneath such a yoke".[27]

Measures to emancipate the Khoi

The abolition of the slave trade in 1807 intensified the labour shortage at the Cape and thus increased the demand for Khoi labour. They had been dispossessed of their land by the end of the 18th century and were subject to the arbitrary exercise of authority by their employers or colonial officials. In practice their position was less free than that of the slaves.

The 1809 Pass Ordinance was the first serious attempt to bring the Khoi within the rule of law. It required them to have a fixed place of abode. It was not merely a philanthropic measure because its primary objective was to prevent the Khoi from being vagrants by making it very difficult for them not to work for whites. It did, however, also give them legal protection by limiting service contracts to one year and requiring them to be registered at the *drostdy* if these were for longer than one month.

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27. Quoted by D. Wilson, *A history of South and Central Africa*, London, 1975, p. 96.

The 1812 Apprenticeship Ordinance compelled Khoi children to be apprenticed to their parents' employers for 10 years from the age of eight. This in turn tied the parents to the employer while their children were serving out their apprenticeship.

The iniquities of the system saw the missionaries, particularly Dr John Philip (1777–1851) of the London Missionary Society, take up the cudgels on behalf of the Khoi. Ordinance 50 of 1828 abolished the pass system and made vagrancy no longer a crime. The apprenticeship of children without their parents' consent was prohibited. On the legal side it went one step closer to the realisation of the equality of all people before the law. The ordinance undoubtedly resulted in an increase in vagrancy and rural crime which aroused great indignation among the white colonists.

Obviously not all Khoi, or the emerging Coloured people, were vagrants and thieves. Khoi soldiers formed the backbone of the famous Cape Mounted Rifles and were the only permanent troops on the eastern frontier for much of the period 1810–1870. Sir Harry Smith wrote that "no nation in the world... have such a natural turn to become soldiers as the Hottentots"[28]. Many of the Khoi of the Cape Mounted Rifles, however, mutinied in 1851 and joined the Xhosa against the British. As a result they were never fully trusted again and the regiment was gradually run down, to be disbanded in 1870.

After the freedom granted them under Ordinance 50, many Khoi wanted to farm their own land. So in 1829 the British administration provided them with 640 small plots of arable land in the Kat River region of the eastern Cape. About 4 000 people settled there during the first year. They were the remains of the Gonaqua Khoi under their headman Andries Botha, "Bastards" from Graaff-Reinet and others from the various mission stations. The Kat River Settlement also acted as a buffer between the Xhosa and the colony.

In 1841 a Master and Servant Ordinance was promulgated in response to the release of the ex-slaves who had served their apprenticeship with their ex-masters in December 1838. It brought Khoi, ex-slave and white servants under common rules without distinction of race, and laid down criminal sanctions for breach of contract as had been the case under Ordinance 50 which had only applied to "Hottentots and other free persons of colour". Masters increased their authority over their servants by an Act of the newly formed Cape parliament in 1856.

5.6.4 The maintenance of peace on the eastern frontier

Before the beginning of the 19th century a clear pattern had evolved on the eastern frontier: Xhosa resistance to the eastward expansion of white settlers resulting in sporadic murders and widespread cattle theft; and settler retaliation in the form of commando raids to retrieve stolen cattle. The major change which the

28. H.G.W. Smith (ed), *The autobiography of Lieutenant-General Sir Harry Smith*, London, 1903, p 25.

British brought to the eastern Cape frontier was the introduction of a full-time, well-equipped, regular army to maintain peace. As a result, the balance of power swung in favour of the white colonists who also benefited economically from the large military presence along the frontier.

Forced separation, 1812–1835

In 1812, during the Fourth Frontier War, the Xhosa were driven out of the Zuurveld and across the Fish River which was the official eastern boundary. The attempt to maintain the traditional policy of keeping a rigid line of separation between white and Xhosa proved to be impossible, despite a line of blockhouses and a large military presence.

Thus in 1817 the governor, Lord Charles Somerset (1814–1827), made a treaty with Ngqika (1778–1829) whereby Xhosa chiefs were rewarded for assisting in the punishment of cattle thieves. The "spoor law" entitled white farmers to claim compensation from the first Xhosa kraal to which the stolen cattle were traced. The system failed because Ngqika's paramountcy was challenged by his uncle, Ndlambe (d. 1828). In the ensuing power struggle, which precipitated the Fifth Frontier War (1818–1819), Ngqika was defeated by Ndlambe only to be restored by colonial troops. When Grahamstown was attacked by 10 000 of Ndlambe's warriors in April 1819, Somerset used the opportunity to change his frontier policy. He declared that the area between the Fish and the Keiskamma Rivers was to be kept free of whites and blacks alike. This no-man's-land was to be enforced by military posts and patrols.

Meanwhile, Somerset felt that the only way to secure the frontier was to introduce a close white settlement on the colonial side of the boundary. Thus the British government financed the settlement of 4 000 British settlers in the Zuurveld in 1820. However, both principles of Somerset's new frontier policy were doomed to fail. The close settlement he envisaged did not materialise because the Zuurveld was quite unsuitable for intensive farming and most of the British settlers moved into the villages and towns as soon as they could. The 1820 settlers gave an important boost to transfrontier trade which complicated the separation policy (see next learning unit). The availability of land in the neutral belt was too much of a temptation for both blacks and whites who were allowed to filter back. The Xhosa to the east of the Keiskamma were overcrowded: not only had they absorbed the Zuurveld Xhosa in 1812, they were beginning to feel the pressure of the masses of refugees from the *Mfecane* during the 1820s. The settlement of Khoi along the Kat River in 1829 was another attempt to establish a close settlement to bolster the border.

With the gradual breakdown of the neutral territory and close settlement on the eastern frontier during the 1820s, the new governor in 1834, Sir Benjamin D'Urban (1834–1837), as part of the Cape's general administrative shake-up, was instructed to introduce a more conciliatory frontier policy. It was to be based on treaties with the chiefs, payment of financial subsidies and the appointment of white "Residents" to advise and assist the chiefs in administration. Because

D'Urban was preoccupied with the implementation of the emancipation of the slaves, his new policy was not applied to the eastern frontier because of the growing tensions arising from stock thefts, allegations of stock thefts, and corrective action taken by military patrols. The major cause of the outbreak of the Sixth Frontier War (1834–1835) was the fact that Ngqika's son, Maqoma,[29] was three times admitted and expelled from his Kat River lands. The war erupted when under Maqoma, 12 000 Xhosa swarmed over the entire length of the frontier in small raiding parties, killing white settlers and raiding farms as far south as the Sundays River. In response, the colonial forces invaded Xhosa territory and penetrated as far east as the Kei River. They compelled the Xhosa to surrender by destroying their food supplies and driving off their cattle.

This accomplished, D'Urban annexed all the land between the Keiskamma and the Kei Rivers and established the Province of Queen Adelaide in May 1835 with the requirement that all the defeated chiefs should remove themselves with their followers to beyond the Kei. The settlement could not be enforced because the Xhosa had been forced to agree to peace by the attrition of war and not defeat. Thus in September, D'Urban imposed a new settlement under which Queen Adelaide was to remain open for white settlement and the resident Xhosa chiefdoms were allowed to remain in locations under white resident agents who were to be given responsibility for law and order. This was a radical departure from previous policies and the first attempt to administer the Xhosa directly. It was, however, never implemented because the British government did not approve of the annexation and ordered that no whites or Khoi, other than missionaries, were to be allowed to settle east of the Fish.

The treaty system, 1836–1847

The Queen Adelaide annexation was reversed and a lieutenant-governor was appointed for the eastern districts with orders to introduce a system of treaties to control the frontier rather than relying on reprisals. Andries Stockenström (1836–1839) was appointed lieutenant-governor and set about establishing treaties with the chiefs he favoured. The Xhosa were allowed back onto the land between the Fish and the Keiskamma Rivers. Stolen cattle were recovered through tribal representatives on the frontier, white diplomatic residents in Xhosa territory, and the cooperation of the chiefs. Although the treaty system was very unpopular amongst the white colonists, it did bring several short-term advantages: the number of depredations dropped to a third; stock were recovered more easily; and the wool industry would not have expanded so quickly after 1835 had there not been a fair degree of security in the frontier districts. By superficially recognising Xhosa independence, the British government evaded the responsibility and expense of administering the frontier and the real problem of establishing stability was merely postponed. The periodic outbursts of tension along the frontier continued. Too much was expected of the chiefs and too little was done by the colonial authorities to police the zone of contact. The treaty system failed in the long

29. Maqoma (1798–1873), as the son of Ngqika's "Right Hand House", had to rule on behalf of the son of Ngqika's "Great House", Sandile (1829–1878), who was under age.

run because Stockenström's successors misinterpreted its spirit – they allowed whites to cross the frontier to retrieve their stock and restored the patrols associated with the old spoor law.

Annexation, 1847–1852

The Seventh Frontier War (1846–1847), or "War of the Axe", broke out after the relation of a Xhosa chief, who had been arrested for stealing an axe, was freed by force. The colonial forces retaliated and swept into Xhosa country. Once Xhosa resistance was inevitably broken, the new governor, Sir Harry Smith (1847–1852), who had commanded the colonial forces when the Province of Queen Adelaide had been created in 1835, was determined to bring the treaty system to an end. He annexed the land between the Fish and the Keiskamma Rivers, formerly the neutral territory, as the district of Victoria East and that between the Keiskamma and the Kei Rivers as the crown colony of British Kaffraria. Using a rather novel theatrical approach, he summoned all the chiefs to King William's Town, on a given signal, a wagon loaded with gunpowder was exploded, and the chiefs were told that that was the end of all the treaties. It was the beginning of the British government's new frontier policy of annexation and direct rule by magistrates. The frontier had officially disappeared and with it the enforced separation of black and white.

The removal of the formal frontier, however, did not solve the underlying problems. The Xhosa chiefs resisted the inroads upon their authority and their people resented the encroachment upon their land. When Smith deposed Ngqika's son, Sandile, and replaced him with a white resident, Charles Brownlee, the Eighth Frontier War (1850–1853) broke out. In 1851, for the first time since the beginning of the century, sections of the Khoi population in the eastern Cape, including a third of the Kat River Settlement, joined the Xhosa in rebellion. Because the war was mostly one of guerrilla tactics, it dragged on with no decisive victory. As a result there was increasing opposition to colonial responsibilities and their escalating expense. Smith was recalled and the policy of direct rule went with him. His successor, Sir George Cathcart (1852–1854), saw the frontier as a logistic problem and reverted to the strategy of creating a defensible boundary. He settled loyal Mfengu in a crown reserve he established at the foot of the Amatola mountains, settled loyal chiefs along the east bank of the Keiskamma River and opened up to whites the land confiscated from the Kat River rebels and also that north of the Amatolas from where the Xhosa had been evicted – in the vicinity of present-day Queenstown which was laid out in 1853.

"Civilised mingling", 1854–1894

Cathcart's successor, Sir George Grey (1854–1861), tried to bring about the maximum socio-economic integration of black and white on the frontier by a process of "civilised mingling". As high commissioner for southern Africa, Grey received an annual grant of £40 000 which he used mostly for development work among the Xhosa in British Kaffraria. They were employed to build roads, water furrows and other public works. He encouraged industrial learning at Lovedale and Healdtown and established Zonnebloem College in Cape Town for the sons of chiefs.

However, the penetration of tribal territory by white-owned farms, military roads and European culture was widely resented. The result was the cattle-killing tragedy of 1857 which went hand in hand with a serious outbreak of lung sickness among Xhosa cattle. Following the prophecy of a young girl, the Xhosa slaughtered their stock and destroyed their crops in the expectation that their ancestral spirits would take revenge on the whites. In the affected chiefdoms some 200 000 cattle were killed and in the ensuing starvation the population dropped from about 105 000 to a mere 37 000. Tens of thousands of Xhosa died and an estimated 30 000 moved into the Cape in a desperate search for work. The government provided emergency relief but also went ahead with plans for future annexation by expelling the eastern Xhosa to beyond the Mbashe River in 1858. Mfengu peasants were moved into the area which created new tensions. Further north, Grey encouraged the hard-pressed east Griquas under Adam Kok III (1835–1875) to settle in what was known as "Nomansland" – the region around present-day Kokstad. To bolster British Kaffraria, between 1857 and 1862, some 6 000 German immigrants – mainly Crimean War (1854–1856) veterans and north German peasants – were settled in the vicinity of King William’s Town at Stutterheim, Berlin, Frankfort, Hamburg and Potsdam. British Kaffraria was proclaimed a crown colony in 1860.

During the lean 1860s, however, the British government was reluctant to continue spending money on the protection of an exposed crown colony. At no time did the annual high commission grant cover the cost of projects in British Kaffraria, let alone the whole of southern Africa. Although it was progressively cut, something like £294 000 had been paid out by the time it was stopped in 1864. British Kaffraria was incorporated into the Cape in 1865 and all annexations beyond the Kei were rescinded. However, over the next two decades the various regions of the Transkei were first placed under magistrates and then annexed to the Cape, with Pondoland being the last in 1894.

Overview

The unstable frontier saw the introduction of British settlers to the eastern Cape in an attempt to solve the problem. Although the frontier problem remained unsolved, the move speeded up the economic development of the region by the introduction of people with skills, entrepreneurship and new ideas (see learning unit 6). Despite the ravages of the numerous frontier wars, the white colonists in the eastern Cape benefited economically from the large military presence which provided a ready market for their produce and services. The rise and fall of Grahamstown as the commercial centre of the eastern Cape demonstrates this point. It thrived until the frontier’s military headquarters were moved to King William’s Town and the Zuurberg Pass was opened. Thus Grahamstown lost the lucrative military market, and the burgeoning wool trade from the interior bypassed it on the way to Port Elizabeth. Soon East London, established to supply the military because Port Elizabeth was too far west, siphoned off the lucrative Transkei trade and the wool from the border region. Thus Grahamstown, once a thriving commercial centre, stagnated. In the long run, the eastward movement of the frontier benefited the white colonists to the detriment of the incorporated Xhosa.

LEARNING UNIT 6

Migration in South Africa during the 19th century

TOPICS

KEY ISSUES

- The *Mfecane/Difaqane*'s long term impact on South African economic development.
- The impact of the British settlers on the South African economy.
- "[T]he Great Trek was the eighteenth century fleeing before its more material, more active, and better organized successor".
- The *Mfecane/Difaqane* as one of the contributing causes of the Great Trek.
- The immediate and long term economic consequences of the Great Trek.

LINKED ISSUES

- The successive stages of the moving pioneer frontier.
- Eastern frontier policy.
- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Reasons for the revival of Western imperialism and colonialism in South Africa after 1870.
- Why was South African agriculture so backward until the 19th century?
- South Africa advanced politically by disasters and economically by windfalls.
- Trade in southern Africa during the 19th century.

6.1 INTRODUCTION

The traditional pattern of black settlement in southern Africa was severely disrupted by the *Mfecane/Difaqane* unleashed by the rise of Shaka's Zulu kingdom during the 1820s. Meanwhile the British had acquired the Cape as a permanent colony and settled a large number of British settlers along the eastern frontier in an attempt to stabilise it. At the same time there was growing resentment of British rule at the Cape among some Afrikaners. The Great Trek during the 1830s saw the rapid spread of white settlement across the subcontinent at a time when the radical redistribution of black people as a result of the *Mfecane/Difaqane* was reaching its climax. The resulting interaction between African, Afrikaner and Briton changed the face of southern Africa forever.

The *Mfecane/Difaqane* has already been covered in an earlier learning unit, so this learning unit covers immigration to the British colonies and the Great Trek from the Cape Colony. When the first large contingent of British settlers to the Cape arrived in 1820, the white population was about 47 000 – of whom 43 000 were of Dutch extraction. However, it was the smaller English-speaking community that made the bigger economic impact. Unlike the majority of the Afrikaners, the new settlers were eager to participate in the familiar economic system which the British administration had introduced to the Cape. In time, the Afrikaners unwilling to fit into the British scheme of things, trekked from the Cape to the interior to establish their own independent republics to resurrect the familiar social and economic structures dismantled by the British administration. The *voortrekkers*, who were mainly from the less developed eastern Cape, left behind them the emerging modern capitalism of the Cape and prolonged the lifespan of pre-capitalism in the interior. The economically backward Boer republics were eventually catapulted into the age of modern capitalism by the mineral revolution and the influx of thousands of non-Afrikaner whites. The difference between the British settlers and the Cape Afrikaners was that, the one group came from a country that had given birth to the Industrial Revolution and was at the forefront of economic development, while the other, especially the *trekboers* of the eastern Cape, had been mostly cut off from the main stream of European development for well over a century. In the words of De Kiewiet:[30]

30. De Kiewiet, *op cit*, p. 58

In one sense the Great Trek was the eighteenth century fleeing before its more material, more active, and better organized successor.

6.2 AFRICAN MIGRATION

African migration in southern Africa during the first half of the 19th century has already been covered in sections 1.4.3, 1.4.4 and 1.4.5.

6.3 THE 1820 BRITISH SETTLERS

6.3.1 The scheme

There were two motivations behind the British government scheme in 1819 to settle a thousand emigrant families along the Cape's eastern boundary. Firstly, it would counter the threat of unrest in Britain which was in the grip of post-war depression; and secondly, it would provide a cheap means of bolstering the Cape's eastern frontier which had just been violated by the Fifth Frontier War (1818–1819). To show its concern for the massive unemployment in Britain, the Tory government, faced with the threat of riots and strikes, voted £50 000 to assist emigration to the Cape.

The response to the proposed scheme was overwhelming and about 90 000 applications were received. To ensure that prospective settlers would have sufficient capital and their own labour, free passage, provisions and land were offered to those who could afford to maintain at least 10 workers over the age of 18, with or without families. The organiser of each party had to deposit £10 for each worker to ensure a temporary means of subsistence once they reached the colony – the amount was to be repaid in instalments. In return the organiser would receive 40 hectares of land per worker in his party. Full title of the land, however, was only to be granted once it had been occupied and cultivated for three years.

Of the 60 or so emigrant parties eventually selected, only about a dozen were made up of masters and their indentured servants. The rest were joint-stock parties in which people had paid their own way and selected a nominal leader to satisfy the scheme's requirements. The parties ranged in size from 10 to 100 families. Because of their joint-stock nature, they were made up of people of "a higher class than had originally been intended", as well as artisans and tradesmen. As a result the Cape's labour problem was exacerbated because it increased the number of potential employers without an accompanying number of labourers.

6.3.2 Arrival and settlement

Approximately 1 000 men and 3 000 women and children arrived at the Cape on board 21 ships over a three-month period from April 1820. At Algoa Bay they were issued with rations, stores, tents and tools and then transported by ox wagon to the Zuurveld where they were left to fend for themselves. The breakdown of the largely artificial party system and the settlers' ignorance of agriculture were both factors that contributed to the failure of the plan to establish a close-knit agricultural settlement in the newly created region of Albany. In any case, the Zuurveld was not suited to intensive crop farming, the soil was poor and the rainfall erratic. Initially, the settlers needed a pass to go anywhere beyond their allotted land, something which placed them in a similar position to the Khoi who had been saddled with a pass law since 1809.

6.3.3 The failure of intensive crop farming

The first three harvests failed and the settler community protested loudly because most of them, their deposit money long since exhausted, had run short of both capital and labour. They had been forced to mortgage land, stock and buildings in order to get further government rations. On top of this, they were forced to serve in the Albany militia to protect the frontier. The flurry of petitions and protests annoyed the autocratic governor, Lord Charles Somerset (1814–1827). After three years only 438 of the 1 004 men who had made up the parties were still on their land to claim title. By now it was clear that intensive crop farming was not viable in the Zuurveld. Thus freedom of movement was restored to the settlers because it was futile keeping them on their allotments. Fortunately, many of the settlers from the joint-stock parties had trades to fall back on. So, ironically, the failure of the envisaged agricultural settlement was in the long run of incalculable benefit to the Cape because it released a variety of skills to provide services in the towns and villages, which soon became a hive of economic activity. The once wealthy settlers, who had financed parties, were hardest hit because they had no trades to fall back on. They saw that the only solution was the traditional pastoral farming practised by the local Afrikaners. It called for more land and the replacement of wasted capital to purchase stock. Meanwhile, a major drive was made to raise funds for the "distressed" settlers in Britain and India.

Another factor contributing towards the failure of intensive crop farming was the scarcity of labour. The settlers were not allowed to own slaves and attempts to recruit labourers in Britain failed. The local Khoi population willing to work were already contracted to local farmers. The labour shortage only ended in 1828 when the government, by Ordinance 49, permitted tribesmen from beyond the frontier to enter the colony to work. The result was that many of the British settlers adopted the racial differentiation between skilled and menial tasks prevalent amongst the local white farmers.

6.3.4 The rise of stock farming

Once it had become obvious that intensive crop farming in Albany had no future, Somerset, in the face of a commission of inquiry into the general running of the Cape, reversed his high-handed approach to the settlers. In 1825 he visited the Albany settlement for the first time and in an expedient reversal of policy, granted additional land to heads of parties and members of joint-stock parties with claims to "social superiority". The Albany militia was disbanded and the government-owned Somerset Farm at present-day Somerset East closed down, thus ending its monopoly of supply to the garrison forces. This lucrative market was now opened to the settlers still farming. "Respectable" settlers were put back on their feet by the distribution of the relief funds that had been raised, augmented by government loans. In addition all ration debts to the government were remitted.

Although the Albany settlement failed as a crop-farming enterprise, the settlers made a major contribution to the rise of wool farming. They brought with them the advanced ideas on stock farming that had evolved in Britain during the 18th century. While western Cape farmers were loath to switch from the fat-tailed Cape sheep to merinos, the eastern Cape settlers needed little encouragement. They formed joint-stock companies to import stud ewes and rams from Germany and Australia during the 1830s. Settlers such as Bowker, Pigot, Daniell, Griffith, White and Chase were at the forefront of the woolled sheep revolution. They not only showed the way by importing high quality stud animals, they were subsequently able to sell to others cheaper, quality sheep they had bred themselves. Many of their customers were fellow settlers who moved away from the uneconomic small farms in Albany to districts like Graaff-Reinet where large farms suited to rearing sheep became available as the Great Trek got underway during the late 1830s. Samuel and Richard Bradshaw, in partnership with a carpenter, Isaac Wiggall, built South Africa's first textile mill at Bathurst in 1821. It was, however, destroyed in 1835 during the Sixth Frontier War and not reopened.

6.3.5 The importance of trade

The arrival of 4 000 men, women and children in 1820 had an immediate effect on eastern Cape trade. In 1822 it was noted:[31]

> *The settlement of so large a number of colonists on the eastern parts, has had a powerful effect on the coasting trade... and a coasting tonnage, which in common course would have required years, has been created by the circumstance of two seasons.*

Although military supplies were regularly shipped in to the garrison at Fort Frederick from 1799, the first export of colonial produce only took place at the end of 1812. The extent of the early export trade from the eastern Cape, however, remains a mystery because Port Elizabeth only received its own collector of customs in 1828. It has been estimated that exports from Algoa Bay in 1821 amounted to £1 500 worth of goods. By 1825 exports had risen to £5 200 and imports were £13 090. By 1830, however, exports from Port Elizabeth had risen to £59 301 and imports to £99 743. During the same period the number of ships calling at Algoa Bay increased from six to 23 and then to 50. There is little doubt that this massive growth in trade can only be attributed to the growing economic impact of the 1820 settlers.

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31. W. Bird, *State of the Cape of Good Hope in 1822*, London, 1823, p. 121

With the failure of intensive crop farming, the prosperity of the British settlers depended to a large degree on the transfrontier trade with the Xhosa. In July 1824 Somerset legitimised the profitable illicit cross-frontier trade by allowing regular trade fairs at Fort Willshire in the neutral territory. The idea was not new because trade fairs had initially been introduced by the acting-governor, Sir Rufane Donkin (1820–1821), when Somerset was away on leave. They had been stopped by him on his return. At the fairs, licenced traders could barter with the Xhosa under military supervision, provided ammunition, guns and liquor were not traded. During the first seven months alone, 22 500 kg of ivory, 8 000 kg of gum and 15 000 hides were traded.

Soon Grahamstown became the commercial centre of the eastern Cape and by 1831 was second in size only to Cape Town. By then Grahamstown was annually exporting £50 000 worth of goods of which £27 000 were in hides and £3 000 in ivory. Port Elizabeth[32] became the major port because it had a better anchorage than the treacherous river port the settlers' attempted to establish at Port Frances[33] on the Kowie River. Eastern Cape imports and exports were, however, initially inhibited by the fact that all goods had to be cleared by the customs department at Cape Town. Mainly as a result of settler protests, this provision was lifted in 1826 and Port Elizabeth got its own collector of customs in 1828. In time the trade fairs disappeared in the face of "interior private trading" whereby individuals obtained licences to take wagon loads of merchandise to trade directly with the kraals, especially amongst the Thembu. Soon licences were granted to establish permanent trading stations beyond the official frontier.

The British immigrants also saw the trade potential of the isolated Afrikaner farmers who were vast distances from the nearest urban centre. They loaded up ox wagons with merchandise such as gunpowder, clothing, farm implements, household goods and luxuries like coffee and tobacco. Generally English-speakers, or other foreigners, set up as shopkeepers at the centres which the Afrikaners repaired to for their quarterly *Nagmaal*. These sites became the first towns of the interior and even after the Great Trek, the inland towns became outposts of British culture. In these towns, merchants based in the ports set up stores and thus helped establish the marketing channels whereby the wool clips of the many small and isolated producers of the interior could reach the London market without undue inconvenience. Not all the traders or merchants were British; many were from other European nationalities.

The 1820 settlers were at the forefront of the fight to establish a free press at the Cape. There were several printers among the settlers who brought a printing press with them. It was confiscated, however, and the settlement itself went without a newspaper until the *Graham's Town Journal* was established in 1831. Thomas Pringle left his party for Cape Town in 1822 and applied for permission to publish his bilingual *South African Journal* the following year. Permission was

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32. Named after Sir Rufane Donkin's dead wife in 1820.
33. Named after Lord Charles Somerset's daughter-in-law in 1825 during his visit to Albany. It was renamed Port Alfred in 1860 in honour of the second son of Queen Victoria who was visiting at the time.

grudgingly granted almost a year later and the first issue appeared on 5 March 1824. It lasted for only this one edition because Pringle would not submit to Somerset's demand that it should not be critical of the government. Pringle immediately accepted joint editorship with John Fairbairn of the *South African Commercial Advertiser* which was started shortly afterwards by the Cape Town printer George Greig. It too soon fell foul of Somerset and it was voluntarily closed down. Not satisfied with this, the governor had the press sealed and ordered Greig out of the colony. He was allowed to return the following year and the newspaper was reopened and closed down a few times until press freedom was guaranteed by an ordinance in 1829. Over the next few decades newspapers sprang up in every town and village of the Cape. The successful spread of newspapers was more a function of their being an invaluable aid to the rapidly developing economy as an advertising medium, than the need by the man-in the-street to read zealous editors' opinions on every subject under the sun.

6.4 THE GREAT TREK

Between 1834 and 1840 about 10 000 Afrikaners left the frontier region of the Cape and established their own states in the interior. They referred to themselves as "emigrants" and the trek as an "emigration". The concepts of "voortrekkers" and "Great" trek only came into vogue during the late 19th century after the inevitable process of romanticisation and mythologisation, which also occurred after the opening up of the American West, and the arrival of the 1820 settlers at the Cape. The Great Trek in many respects was simply a speeded-up continuation of the expansion which had already led to the occupation of vast areas of southern Africa by the *trekboers*. In its scale and organisation, however, the Great Trek was very different from the continuing process whereby small groups of people sought new land beyond the official frontier. Already, from the 1820s, an increasing number of *trekboers* from the northeastern Cape had been crossing the Orange to settle in what was known as Transoranje. They still retained links with the Cape and continued to pay taxes in the Cape and hoped the British authorities would at some stage extend the frontier to include their area of settlement. Unlike the continuous expansion of the *trekboer*, the Great Trek was a conscious political movement which deliberately rejected the authority of the British government at the Cape and set out to establish an independent community in the interior.

The importance of the Great Trek is that it extended the pioneer frontier to the Highveld and present-day KwaZulu-Natal, thus spreading the problems being experienced on the Cape's eastern boundary over the entire subcontinent. Broadly speaking, from an economic point of view, it can be argued that the Great Trek either, retarded economic development by perpetuating pre-capitalism longer than was necessary in the *voortrekker* republics, or that it speeded up economic development by opening up the interior to white settlement which resulted in the exploitation of minerals earlier than might have been otherwise.

The causes of the Great Trek are numerous but can be classified into the following four categories:

(1) **Political causes:** The limited form of local self-government exercised under the system of *landdrosts* and *heemraden* was replaced in 1827 by the British magisterial system administered by non-elected officials. There was in fact more protest from the British settlers about the lack of local self-government than from the Afrikaners. The vacillating eastern frontier policy was probably the most important political cause of dissatisfaction, particularly when linked to the British government's attitude to race relations (see Social causes below). The Afrikaners were used to the autocratic government of the VOC and towards the end of its rule, frontier farmers frequently resorted to rebellion to express their disapproval and gain concessions. They used similar tactics during the First British Occupation. But the British treatment of the Slagters Nek rebels had shown that by 1815 rebellion within the colony would no longer be tolerated.

(2) **Cultural causes:** The fact that English was the only language used in administrative, legal and education circles caused many difficulties for most Afrikaners and emphasised the fact that they were living under foreign domination. All proclamations and ordinances, however, were still published in both English and Dutch. In addition, no restriction was placed on the use of Dutch outside official institutions. The majority of the trekkers were farmers from the eastern districts where it was not possible for children to attend formal schools because of the distances involved. As it was, the Afrikaans language was slowly evolving out of the Dutch language anyway.

(3) **Social causes:** Probably one of the most important causes of the Great Trek was the fact the British administration made everyone equal before the law. The process started with the introduction of the circuit courts in 1811, culminating in Ordinance 50 in 1828 and the emancipation of slaves in 1834. The Afrikaners believed that their racial superiority was divinely ordained. Black equality was closely linked to many of the economic causes listed below.

(4) **Economic causes:**

(a) The 1825 monetary reform and the *de facto* depreciation of the rixdollar resulted in a large loss of capital by many colonists.

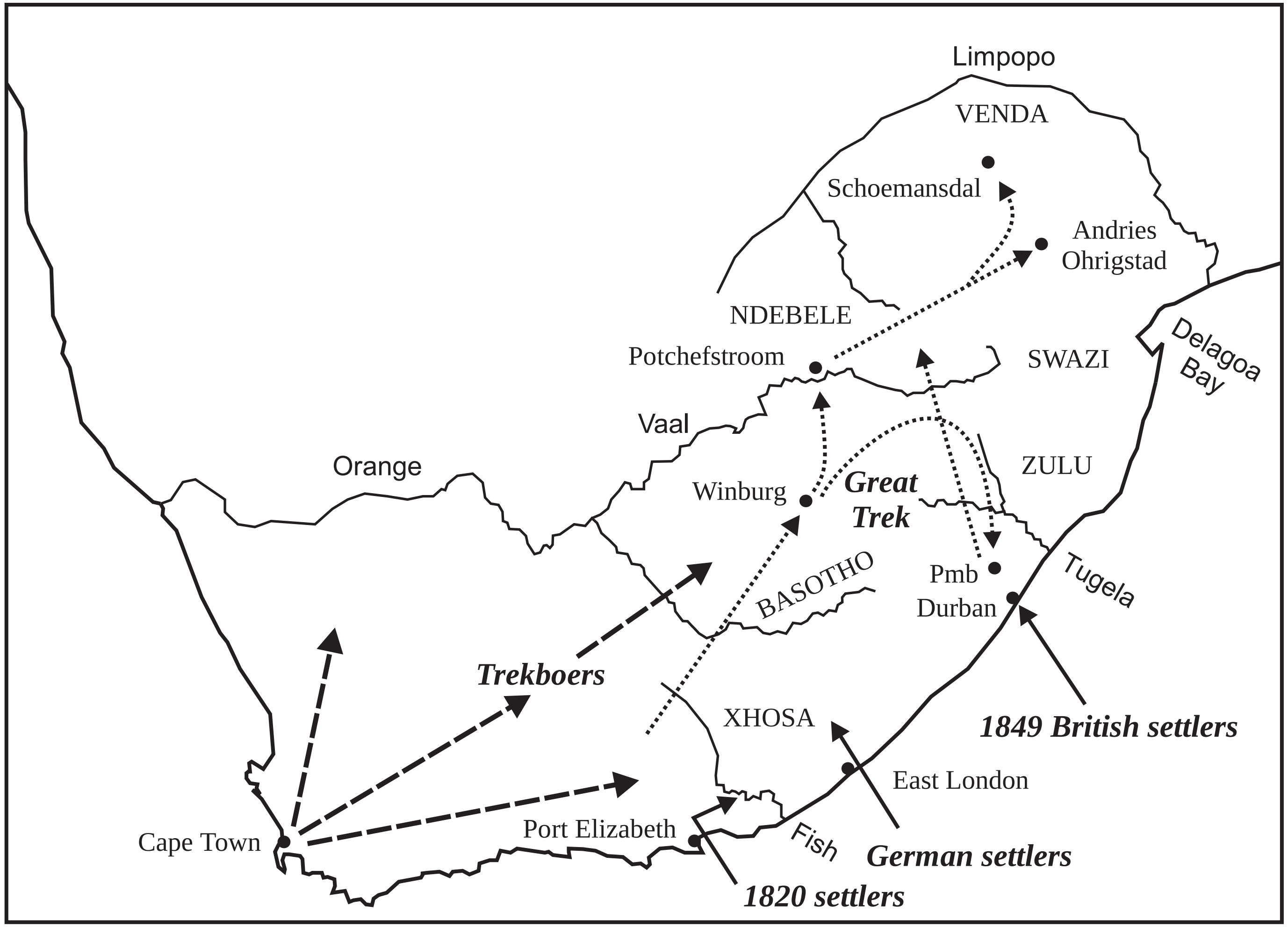
(b) The new system of perpetual quitrent land tenure introduced in 1813 meant that farmers had to pay higher rents as well as bearing the cost of surveying and registration. From 1832 farmers faced the prospect of bidding for crown land which they had previously been able to get for a very low rental.

(c) The British administration refused to allocate farms to anyone beyond the official frontier, which meant many colonists lived without security of tenure or official protection.

The differences between the *trekboers* and the *voortrekkers*

Trekboers	***Voortrekkers***
spontaneous	carefully prepared by extensive reconnaissance
unorganised	organised groups
gradual	sudden
loyal to the British government	against the British government
started during the early 18th century	started in 1836
object was to find more grazing land and barter with the locals	object was to found communities independent of the British government, thus the need to establish trade via non-British seaports
destination was Transoranje	destinations were the Transvaal and Natal
no notable leaders	notable leaders

MAP 6.1: White migration in southern Africa, 1652-1870



(d) The compensation paid out by the British government on the abolition of slavery in 1834 was felt to be inadequate. On top of this the money had to be collected in London which involved extra expense that sometimes made the effort of getting the money not worthwhile. The four-year period of apprenticeship merely delayed the impending labour shortage. The real issue was that the abolition of slavery made ex-slaves equal to whites in the eyes of the law (see Social causes above).

(e) The general labour shortage at the Cape was aggravated by Ordinance 50 of 1828 which released the Khoi from the obligation to work for whites as wage labourers. Increased vagrancy and rural theft only made matters worse.

(f) Frontier farmers had to bear the cost of repeated cattle raids and frontier wars. Losses during the Sixth Frontier War (1834–1835) were particularly heavy. On top of this they had to provide their own horses and equipment while serving with the commandos. The reversal of the annexation of the Province of Queen Adelaide slammed the door on potentially new land for settlement.

The fact that the majority of the *voortrekkers* came from the eastern Cape suggests that the underlying cause of the Great Trek was the need felt by stock farmers for more land. With the way to the east blocked by the Xhosa, the only alternative was to turn north. Since the 1820s, an increasing number of *trekboers* had crossed the Orange River. The fact that very few of them joined the Great Trek means that there was more to the movement than just the need for more land. It was a deliberate attempt to recreate in the interior the socio-economic system that the British had steadily dismantled. In reality the various grievances operated on different individuals in different ways. For some the land issue was paramount and the opportunity to find new farms the key attraction. For others the appeal of political ambition and a sense of adventure were paramount. Because the trek extended over several years, the motivations of those who went later often differed from those of the first to depart. According to Omer-Cooper:[34]

> *Taking the movement as a whole, however, it was undoubtedly a revolt against the racial policies of the British government at the Cape. In a wider sense it was a revolt against the new ideas of equal rights and opportunities and free competition between individuals which had developed with the growth of commerce and capitalism in Europe and expressed itself in different ways in the eighteenth-century enlightenment, and in the anti-slavery and humanitarian movements. ...Its key aim was the establishment of an independent political society in which the traditional pattern of frontier farmer society could be sustained by the strict maintenance of colour distinction and of "proper relations" between master and servant.*

34. J.D. Omer-Cooper, *History of southern Africa*, Claremont, 1987, p. 71

6.4.1 The *Mfecane/Difaqane*[35] and the Great Trek

The *Mfecane/Difaqane* unintentionally prepared the way for the Great Trek during the 1820s. Thus instead of a large number of small tribes spread over the Highveld and coastal plain to the east of the Drakensberg, the *voortrekkers* found large, apparently uninhabited areas surrounded by powerful African states.

The following were some of the effects of the *Mfecane/Difaqane*:

(1) It transformed the small tribes spread out across the subcontinent into a handful of powerful states such as the Zulu under Dingane, the Swazi under Sobhuza I, the Ndebele under Mzilikazi, the Basotho under Moshoeshoe, the Tlokwa under Sekonyela and the Pedi under Sekwati. Apart from the Ndebele and the Zulu, who commanded the plains, the other kingdoms were based on mountain strongholds.
(2) It caused the Zulu and Ndebele to deliberately depopulate and lay waste large areas to act as a buffer against sudden attack. These areas included present-day Natal south of the Tugela River and the region around the middle Vaal River.
(3) It decimated the African population of the Highveld and Natal directly in fighting or indirectly by starvation or a drop in the birth rate caused by prolonged military service. The devastation and carnage of the *Mfecane/Difaqane* is exaggerated with every account, the number of casualties being anywhere between a half and five million.

Thus it can be said the *Mfecane/Difaqane* stimulated the Great Trek and facilitated white advance into the interior. What the trekkers did not realise was that the empty areas were regarded as home by many Africans who had every intention of returning when circumstances permitted. The direction of the trek was determined by the notion of empty land and it could be argued that, at a socio-economic level, the Great Trek was an extension of the demographic revolution initiated by the *Mfecane/Difaqane*.

The *Mfecane/Difaqane* simplified matters for the *voortrekkers*, who, after defeating the Zulu and Ndebele, took the land south of the Tugela and around the middle Vaal by right of conquest. But soon the Africans of the region began returning. For example, in Natal the African population "increased" from 10 000 to about 100 000 between 1838 and 1843. Another factor to spoil the promised land for the *voortrekkers* was the invulnerability of the mountain kingdoms. The Pedi were only finally subjugated in the 1880s, while the Basotho and Swazi placed themselves under British protection and went on to become independent monarchies.

35. See 1.4.3, 1.4.4 and 1.4.5 for detail on the *Mfecane* and *Difaqane*.

6.4.2 The exodus

The Great Trek was carefully planned. During 1834 three *kommissie* treks were sent to reconnoitre the interior. The one to the north reported back that the region to the northwest of the Orange River was too dry for stock farming. The other two returned with more favourable reports. The one had penetrated as far north as the Soutpansberg, while the other had gone up the coast as far as Port Natal. In this way the planners of the Great Trek became aware of the apparently unpopulated regions. The first trek parties left in 1835 under Louis Trichardt (1783–1838) and Hans van Rensburg (1779–1836) who headed for the Soutpansberg and the potential trade link with Lourenço Marques.[36]

During 1836, after the end of the Sixth Frontier War, more and more parties began leaving. In the first wave about 5 000 trekkers left the Cape with an equal number of servants to look after their needs and herd their cattle and sheep. Initially the British administration hesitated to take any action against the trekkers. The lieutenant-governor of the Eastern Province, Andries Stockenström, saw it simply as a continuation of the *trekboer* movement and said that no laws could prevent them from leaving. The Cape of Good Hope Punishment Act was, however, extended in 1836 to make the trekkers fall under Cape law as far north as the 25th parallel.

The trekkers met up at Thaba Nchu in Transoranje where the first attempt to form a government was made in late 1836. Differences of opinion quickly caused tensions and the *voortrekkers* split into various factions. One faction, under Piet Retief (1780–1838), decided to cross the Drakensberg to settle in the land to the south of the Tugela. The advantage of this region was that it had access to the harbour at Port Natal. Another faction under Andries Potgieter[37] (1792–1852) remained on the Highveld and set about defeating Mzilikazi's Ndebele with the aid of Rolong auxiliaries in November 1837. Potgieter laid claim by right of conquest to the vast area vacated by the fleeing Ndebele in what was to become the Transvaal. He established Potchefstroom on the Mooi River which soon became the centre of a *voortrekker* republic.[38] The majority of the trekkers on the Highveld, however, were content to remain in northern Transoranje, between the Vet and the Vaal Rivers, where the town of Winburg became the centre of another *voortrekker* republic.[39]

6.4.3 Natalia

Meanwhile, after Retief's fateful encounter with Dingane and the ensuing battle at Blood River, the trekkers declared the short-lived republic of Natalia under Andries Pretorius (1798–1853) between the Tugela and the Umzimvubu[40] Riv-

36. Present-day Maputo.
37. Also known by his second name, Hendrik.
38. The supposedly comes from Potgieter who was 'chef' or leader and from the *stroom* (stream) on which it is situated.
39. Originally spelt *Wenburg* (town of winning).
40. Now spelt Mzimvubu.

ers. Nevertheless, it represented the efforts of inexperienced farmers to establish a democratic state structure according to their own preconceptions and their experience in the Cape. In 1840 an agreement was reached with Potgieter to place Potchefstroom and Winburg under the Natal *Volksraad*. But this unity was very fragile because the great distance between the two groups of trekkers meant that communications were poor.

The trekkers, however, now had an outlet to the sea. At first free traffic was hampered by the presence of a small British force sent to Port Natal late in 1838 by the Cape governor to prevent conflict between what he considered emigrant British subjects and the indigenous people. Its commander mediated a peace between Dingane and the republic and the troops were withdrawn at the end of 1839. Soon Dutch and American ships were calling at Durban, something which raised British fears that the port might fall into rival hands which would threaten the security of British shipping in the Indian Ocean.

Meanwhile, the defeat of the Zulu meant that the original African population of Natalia started returning. The *Volksraad* could not control the process and developed a scheme to remove them en masse and settle them to the south. This land, between the Umtamvuna[41] and the Umzimvubu Rivers, was claimed by the Mpondo chief, Faku. Although the scheme was far beyond the capacity of the republic's forces, to the Cape administration it seemed likely that it would start a chain reaction of conflict and population movement down the east coast which would endanger the Cape's already fragile eastern frontier. Coupled to this, commandos launched a punitive raid to the south which made Faku appeal to the British for protection. Thus a small British force was despatched to Pondoland. When the *Volksraad* announced its plan to remove surplus Africans, the British force in Pondoland was instructed to march on Port Natal where it was besieged. The trekker forces were repelled after Dick King's epic thousand-kilometre ride to Grahamstown to fetch reinforcements.

The *Volksraad* submitted to British sovereignty but, plagued by disagreements, it was too weak to maintain authority. Thus the republican institutions steadily disintegrated over the next few years and the majority of trekkers crossed back over the Drakensberg. One of the major causes of this exodus was the fact that the British made it a condition of land ownership that land claimed actually had to have been occupied for 12 months before the arrival of the British. Natal was finally annexed in 1845 as a detached district of the Cape with the Umzimkulu[42] as its southern boundary. The African population was estimated to be 100 000 compared to only 2 500 whites. Some trekkers sought escape from total British rule with the declaration of the Klip River Republic in 1847, under the nominal overlordship of the Zulu king, Mpande. In 1848 Sir Harry Smith personally intervened in an attempt to stop the exodus of trekkers by declaring that every man could have a farm of 2 500 hectares to settle and occupy. Despite this, the number of trekker families in Natal declined from 400 to 60 between 1845 and 1850. Much of the trekker land passed into the hands of land speculators.

41. Now spelt Mtamvuma.
42. Now spelt Mzimkulu.

6.4.4 North of the Vaal

Between 1838 and 1843 Natalia was the main focus of *voortrekker* settlement, but several groups remained on the Highveld. The *voortrekkers* north of the Vaal were generally those who most wanted complete independence from British control. Events in Natal merely proved their point. Their leader, Potgieter, realised that independence from British control could not be achieved without going north of the 25th parallel and obtaining an independent trading outlet between the Highveld and the sea. In 1844 he obtained permission from the Portuguese at Delagoa Bay to establish a settlement in the hinterland. Thus in 1845 he founded Andries-Ohrigstad on the western escarpment of the Drakensberg in what is now Mpumalanga which became the centre of a trekker republic. Although the region was good hunting country, it was infested with malaria and tsetse fly, which took a heavy toll on the trekkers and their stock. It was impossible to establish a regular trade route eastwards to the coast. The settlement had been named after the head of a Dutch trading company in vain. In any case, the trekkers had little to trade except hunting products. Disappointment led to dissension which in 1848 saw Potgieter and some of his followers leave for the Soutpansberg in what is now Limpopo Province. The trekkers that remained, eventually moved to a healthier site about 50 km south-west where they established Lydenburg in 1849.

Potgieter’s lot did not improve in the Soutpansberg because it was no healthier than the eastern Mpumalanga escarpment. The site of his settlement at Soutpansbergdorp, later renamed Schoemansdal, was particularly ill-selected. The death rate was alarmingly high and it was eventually abandoned in 1867 after it was destroyed in a war with the Venda. The Soutpansberg "republic" was little more than a hunting settlement. There was a brief period of prosperity when Venda men were armed and employed to hunt ivory. Some of it was carried to Delagoa Bay by African porters but most of it was taken by ox wagon southwards to Natal or the Cape by travelling traders.

The most successful *voortrekker* republic north of the Vaal was the one centred around Potchefstroom. The region was better suited to extensive stock farming and the trekkers were able to establish themselves before the region’s former African communities, dispersed by the Ndebele, had time to re-organise themselves. Between 1845 and 1848 the importance of Potchefstroom was eclipsed by Potgieter’s move to the Mpumalanga area to open a trade route to the sea. But once his influence had waned with his move to the Soutpansberg, Andries Pretorius was put back into a leadership position and he returned from Natal where he had lived under British rule since 1843. Thus he was on hand to lead trekker resistance against the British annexation of Transoranje. The defeat of the trekker forces at Boomplaats in 1848, however, undermined his influence.

A united front against the British still could not settle the differences between the trekker factions north of the Vaal. Thus when the British decided to recognise the Transvaal’s independence, it had to negotiate the Sand River Convention in January 1852 with Pretorius and the other three commandants representing the by now four factions,[43] rather than a united Transvaal government. In 1852 there were an estimated 100 000 Africans and 15 000 whites between the Vaal and the Limpopo Rivers. Pretorius found himself acting as de facto head of a tenuously united *voortrekker* state in the region until his death in 1853 when his place was taken by his son M.W. Pretorius (1819–1901). Although he was formally elected the first president of the South African Republic in 1857, the various factions were only eventually united in 1864 when he was elected president for the second time.

6.4.5 Transoranje

The Afrikaners in Transoranje were split into two factions, the *trekboers* in the south and the trekkers of the Winburg republic. Matters were brought to a head in 1848 when the British annexed the whole region as the Orange River Sovereignty. The reasons were very similar to those which had led to the annexation of Natal. There was a danger of the frequent clashes between the Afrikaners, Basotho and Griqua undermining the stability of the Cape's northeastern frontier. The *trekboer* faction welcomed annexation, but it was resisted by the Winburg trekkers who were supported by the Transvaal trekkers under Pretorius. The British immediately became embroiled in skirmishes with both the trekkers and Basotho.

The cost of maintaining a British presence in the sovereignty became too much on top of the Eighth Frontier War in the Cape. Thus after the Basotho repelled a British attack at Berea Mountain in December 1852, the Cape governor proposed to the British government that another independent buffer state be established. Despite strong opposition from the British traders, missionaries and *trekboers*, the Bloemfontein Convention was signed in February 1854 and the Orange Free State came into being.

6.4.6 The Boer republics

Thus, after 20 years, the Great Trek was brought to its logical conclusion and the economic stage was set for the forthcoming struggle between the coastal colonies and the Boer republics of the interior. Particularly in the early years, there were attempts to unite the Transvaal and the Orange Free State into one state. They, however, failed. The white population of the Boer republics remained meagre and thinly spread until the mineral discoveries. The combined total in 1870 was probably no more than 45 000, about 30 000 in the Transvaal and 15 000 in the Orange Free State, at a time the Cape had a white population of nearly 200 000. Lacking local markets and the vast distances from the towns of the Cape and Natal, the republican Afrikaners remained essentially *trekboers*, occupying vast areas of land without improving it, living off their herds and flocks, and producing very little in exchange.

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43. Potchefstroom (Pretorius), Soutpansberg (Potgieter), Lydenburg (W.F. Joubert) and Marico (J.A. Enslin).

Such trade that there was, was conducted by foreigners, mainly of British or Jewish origin, who worked in association with the Cape and Natal merchants. Although paper money was issued by the governments of both republics, it depreciated in value and the absence of a money economy placed serious limitations on the governments. Chronically short of funds, the republican administrations could only provide the most rudimentary infrastructure. The Orange Free State was more fortunate because it fell within the range of the Cape's expanding market economy which was based on the wool trade. Most of the Transvaal, however, remained a frontier area.

6.4.7 Consequences of the Great Trek

Unfavourable consequences

(1) Between 1836 and 1840 the Cape lost 10 000 whites. Although the loss represented only about a seventh of the Cape's white population, the proportionate loss to the eastern districts was much higher. Thus from a white point of view, the eastern frontier was substantially weakened. The poor performance of eastern Cape trade, however, was as much affected by the devastating Sixth Frontier War (1834–1835) as by the loss of the trekkers.
(2) The Great Trek led to the balkanisation of southern Africa into mutually distrustful states.
(3) Economic progress in the Boer republics was retarded because the *voortrekkers* left behind them the institutions of the civilised world, such as schools, shops, banks and a competent civil service.
(4) The problems of the eastern frontier were extended throughout the subcontinent. There were numerous wars between whites and blacks until all the tribes were subjugated to white authority by the 1880s.
(5) The British could not leave the *voortrekkers* and their republics to their own devices because:
    (a) they clashed with the tribes of the interior which threatened border stability in the Cape, and later Natal.
    (b) a non-British seaport on the east coast of southern Africa would have attracted other European powers and threatened the security of Britain's lucrative trade with the East.
    (c) the mineral discoveries attracted many British subjects from all over the world to the Boer republics where they clashed with the conservative governments.

    British interference led to friction, diplomatic wrangles and ultimately to the devastating Anglo-Boer War (1899–1902)

Favourable consequences

(1) It can be argued that in the short term the Great Trek accelerated the opening up of South Africa's interior and thus diamonds and gold were discov-

ered much earlier than they might have been. The opposite can, however, also be argued. The Great Trek retarded economic development because it prolonged pre-capitalism in the South African interior longer than was necessary.

(2) The Great Trek brought an era of death and destruction to an end when the trekkers defeated the Zulu and the Ndebele. But at the same time, clashes between white and black were extended from the Cape's eastern frontier to the whole of southern Africa. These wars, however, were not as widespread and crippling as the *Mfecane/Difaqane*.

(3) From an Afrikaner point of view, the Great Trek allowed the Afrikaans culture to develop, free from the threat of anglicisation.

6.5 OTHER MAJOR BRITISH SETTLEMENT SCHEMES

6.5.1 The Natal settlers

Between 1847 and 1851 the so-called "Great Migration" took place from Britain during which time an average of a quarter of a million people a year emigrated as a result of crop failures, the collapse of the railway boom and commercial distress. Although the main flood of British emigrants during this period went to North America, by offering incentives the British government attempted to get some to go to the colonies in the southern hemisphere. From 1847 the British government allowed purchasers of crown land in these colonies to nominate emigrants for free passage. Under this dispensation Joseph Byrne and other promoters set up emigration schemes to Natal. Between 1849 and 1851 about 5 000 men, women and children left England and Scotland for Natal, about two-thirds under Byrne's auspices. Almost every occupation and profession were represented. Unlike the Irish who flocked to North America during this period, they carried no deep grievances against the British government and no alienation from British society. Thus they developed Natal in Britain's image.

Unforeseen by the emigrants and the promoters, there were many snags in the schemes. Over 800 000 hectares of the best land in Natal, originally alienated to Afrikaners, had been bought up by Cape speculators. Another 400 000 hectares of land was being held for Africans. This meant that the crown lands which the emigration promoters had been able to acquire had poor soil or inadequate water, and were located at great distances from the existing villages and lines of communication. Thus what had happened in Albany 30 years before, repeated itself in Natal. Many settlers abandoned farming and settled in Pietermaritzburg or Durban and those that stayed faced many years of hardship. Byrne himself went bankrupt in 1850 and after 1851 the British government stopped further speculative emigration to Natal. Small numbers of immigrants, however, were still financed by the Natal government. As a result the white population of Natal increased very slowly – to about 8 000 in 1858 and 18 000 by 1870. Only in the extreme north did Afrikaners outnumber the British. Over half the population lived in Pietermaritzburg and Durban with most of them being artisans and small shopkeepers.

Agriculture in Natal was impeded by the lack of transport, the settlers' initial ignorance of local conditions and diseases of crops and stock. In the subtropical coastal region, settlers experimented hopefully with arrowroot, coffee, cotton, indigo and tobacco before they found sugar to be the best commercial crop. This development was facilitated by the British connections with both the West Indies and Mauritius. By 1870 Natal was producing 10 000 tons of sugar a year and there was a tendency for individual holdings to became amalgamated into large estates, owned and operated by companies. In the interior the settlers tried wheat, maize and potatoes, as well as cattle, pigs and sheep. Gradually wool became the main commercial product of this region, but it was a long time before disease was sufficiently eradicated to allow Natal wool to do well on the British market.

6.5.2 The German settlers of British Kaffraria

The British government's decision in 1856 to settle Germans in British Kaffraria was influenced by very much the same reasons as the introduction of the British settlers to the Zuurveld in 1820. Germans were selected because British military pensioners had not responded to the scheme and the British German Legion, recruited for the Crimean War (1854–1856), had become a burden once the war ended. The Cape governor, Grey, wanted to promote the settlement of Kaffraria, partly to protect the trade route from East London, via Queenstown, to the north, and partly to encourage the Xhosa to adopt European ways by interspersing white settlers among them.

The German soldiers were offered free passages for themselves and their families, free rations for a year, free building lots and gardens, and – if officers – the right to buy public land at a discount, in return for an undertaking to do military service over a seven-year period. Some 2 351 men, 343 women and 178 children arrived in 1857 and were settled in the vicinity of King William's Town at places like Stutterheim, Berlin, Frankfort, Hamburg and Potsdam. A shipload of Irish girls arrived in the same year to even out the ratio of men to women.

Between 1858 and 1859 another 1 600 Germans, mainly peasants, were recruited and settled in British Kaffraria. Heads of families were granted free building lots and entitled to purchase land at £2 10s a hectare at the rate of eight hectares per married couple, four for single men and one for each child. If the immigrants disliked the land allotted to them, they could buy alternative land on privileged terms at public auctions.

Like the Huguenots, the German settlers were dispersed among the other settlers and they gradually lost their cultural distinctiveness. German tended to disappear in favour of English over the next few generations.

6.5.3 The Indians

Indians were originally brought into Natal on a large scale from 1860 as indentured labourers to solve the critical shortage of labour in the emerging sugar industry. Indian labourers had solved the shortage of labour in the British West Indies and Mauritius after the emancipation of the slaves in the 1830s. By the 1850s a series of regulations had been laid down by the Indian government to control emigration of labourers from India to the tropical and subtropical colonies of Britain and France. Emigration was only allowed from Madras, Bombay and Calcutta. Indentures were for five years, standards of accommodation and provisions in ships were laid down. At least 25 women had to accompany every 100 men, and colonies more distant than Mauritius had to offer free return passage to India 10 years after arrival.

The first indentured labourers arrived in Natal in November 1860 as part of a small experiment which grew in size far beyond that originally envisaged. Between 1860 and 1866 about 6 000 indentured Indians arrived in Natal from Madras and 300 from Calcutta. Importations were stopped in 1866 because of the severe depression in South Africa and were only resumed in 1874 after complaints from the first to return in 1870 had been investigated. Up to 1870 about a third of the cost of importation was borne by the Natal government. The annual Natal government subsidy was only abolished in 1894. Eventually in 1911 the Indian government prohibited the emigration of indentured labourers.

The period of indenture was five years and employers had to provide stipulated food, wages and accommodation. After five years, the labourer had the option of returning to India at his own expense, enlisting for a further period of service or remaining in Natal as a "free" settler. After a further five years he became entitled to a free passage back to India or a grant of land equal in value to the cost of the passage. Most of the Indians chose to remain in Natal.

As the Indians completed their five years of service, some remained in service, others became semi-skilled workers in a wide range of occupations, others rented or bought land and grew fruit and vegetables for sale in Durban or Pietermaritzburg, others became shopkeepers, and a few moved to other parts of South Africa, especially the Witwatersrand after the discovery of gold. In time there were three types of Indian settlers present in Natal: 1) indentured labourers, 2) "free" Indians whose contracts had expired and, from the late 1870s, 3) "passenger" Indians, mostly Gujurati-speaking Muslims, who had paid their own way and arrived under ordinary immigration laws with the same rights as other settlers. In terms of caste, language and religion the indentured Indian immigrants were heterogeneous. While most were low-caste Hindus, there were some Hindus of higher castes; 12% were Muslims and 5% were Christians. By 1874 there were 6 787 Indians compared to 18 646 whites and 281 797 Africans.

LEARNING UNIT 7

Portents of modern capitalism

TOPICS

KEY ISSUES

- The development of banking in the 19th century.
- The development of agriculture in the 19th century.
- The business cycle in the 19th century.
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LINKED ISSUES

- The backwardness of agriculture until the 19th century.
- The development of banking 1793-1960.
- South Africa advanced politically by disasters and economically by windfalls.

7.1 OVERVIEW

Before the start of the mineral revolution in 1870, the economic development of southern Africa proceeded at vastly different rates in different areas. In the Cape it was moderate but steady; in Natal it started much later and was at a slower pace; and in the Boer republics and African chiefdoms of the interior it was very slow indeed. On the eve of the mineral revolution, although an early capitalist economy existed in the coastal colonies and pre-capitalism prevailed in the interior, a few signs of modern capitalism had already appeared in the coastal colonies. However, nothing before 1870 even hinted at the massive economic development which was about to be unleashed by the impending mining revolution.

In the late 1860s the majority of the people in the colonies, republics and kingdoms of southern Africa lived on a mixture of self-sufficient pastoralism, hunting and small-scale crop cultivation. Hunting products were the main trading items of the interior. They were used to purchase guns, ammunition, wagons, clothing and other manufactured goods. Hunting was most important in the northern, eastern and western fringes of the subcontinent where the more valuable items like ivory and ostrich feathers were still available.

Commercial capitalist farming, that is the use of wage labour on privately-owned land to produce cash crops for sale, was not yet widespread. It was restricted largely to the wine and wheat farms of the south-western Cape and the sugar plantations of Natal. The sheep farms of the eastern Cape employed a fair amount of seasonal labour during the wool shearing season. On most white-owned farms, Africans were able to keep livestock and grow their own food. They paid for the use of the land by performing low-paid or unpaid labour services. Where there were absentee landowners, as in the Transvaal and Natal, rent was paid in cash, livestock or crops. Outside Cape Town, the urban areas of southern Africa were very small. Thus there was no large urban market to stimulate commercial food production in the interior. Food for sale in the small towns was mostly locally produced by both white farmers or small-scale African peasant farmers.

The economic development of southern Africa before 1870 was undoubtedly retarded by the numerous clashes between the various groups of people. Although peace between African and white was still a long way off in the Transvaal and Natal, by 1870 the Cape and the Orange Free State had either come to terms with their African neighbours or subjugated them. There were three decades of relative peace on the eastern frontier between the Eighth Frontier War (1850–1853) and the Ninth Frontier War (1877–1878) which was the last war of Xhosa resistance. Friction between the Free State and the Basotho was brought to an end when Basutoland was made a British protectorate in 1868 and annexed to the Cape in 1871.

In the Cape, agriculture expanded successfully. Wool replaced wine as the major export and encouraged the transition from early to modern capitalism. The southern Free State followed the Cape trend because it was part of the expanding wool industry. By 1860 the British settlers in Natal had found that sugar cane was a profitable crop and a capitalistic plantation economy evolved. It was some years, however, before the Natal wool industry came into its own.

The features of modern capitalism which emerged during the 1860s as a result of the expansion of agricultural production in the coastal colonies were the following:

(1) the construction of two, albeit short, private railway lines from Cape Town and Durban to transport agricultural produce;
(2) the introduction of steam shipping line services with Europe; and
(3) the emergence of a modern commercial banking system based on a network of branches.

Economic development beyond Bloemfontein and Pietermaritzburg, on the other hand, showed little progress before 1870 because of the lack of peace and transport. The Great Trek had projected the pre-capitalist *trekboer* economy onto a vast area as far north as the Limpopo. The lack of transport meant that only high value game products could be exported profitably. Progress only came to the Free State after 1870 with the advent of diamond mining in nearby Griqualand West and in the Transvaal after 1886 with the discovery of gold on the Witwatersrand. In the Transvaal, modern capitalism was superimposed on a largely pre-capitalist economy and the early capitalism stage was skipped out completely.

The Great Trek did not have a negative effect on the Cape economy which continued to expand after 1836 without any sign of a recession. In fact, the spread of woolled sheep in the eastern districts was speeded up because the British settlers who took up the farms vacated by the trekkers had no tradition of keeping fat-tailed sheep to overcome. Largely as a result of the prosperity arising out of the burgeoning wool trade, the now predominantly English-speaking Eastern Province became more and more disillusioned with Cape politics which were dominated by the Western Province which was largely Dutch-speaking. Thus there was a strong movement to create a separate colony in the east. The separatist movement only dwindled after responsible self-government was granted to the Cape in 1872 and the Eastern Province gained more influence over the government.

7.2 THE DEVELOPMENT OF AGRICULTURE

Until the mining revolution, the South African economy was based on agriculture. Mining, manufacturing and tertiary services contributed little or nothing to the national product. The British, however, opened up the international market to South African agricultural produce.

7.2.1 The development of agriculture in the Cape

The Cape produced the following agricultural products: wheat, maize, oats, barley, rye, wine, fruit, wool, dairy products, hides and skins. A start had been made on developing the mohair industry as well as commercial ostrich farming. By the 1860s wool overshadowed everything else and the industry dominated the Cape economy. Between 1820 and 1870, Cape exports went through four phases during which combinations of three articles were dominant: wine, hides and skins, and wool. The earlier period up to 1840 was dominated by the export of food and drink, especially wine. Thereafter the export of agricultural raw materials, notably wool, rose to the fore. In 1822 food and drink made up 71% of all colonial produce exported while agricultural raw materials contributed 24%. During 1840, the last year that food and drink exceeded raw materials, their contributions were 49% and 42% respectively. Agricultural raw materials reached a peak of 92% of all colonial produce exported during 1868 while food and drink exports had declined to only 5%. Thus there was a steady transition in importance from arable to pastoral products, especially wool.

Wool

Two factors led to the massive growth of Cape wool production between 1820 and 1870. The first was the sustained expansion of the British wool textile industry which continued to absorb, without any difficulty, not only Cape production, but the infinitely larger production of Australasia as well. Wool production up to the 1860s was stimulated by the expansion of demand inherent in the mechanisation of the British wool textile industry which had lagged several decades behind the newer and more innovative cotton textile industry.

The second factor was the arrival of the 1820 settlers who, once it became known that arable farming in the Zuurveld was not viable, began looking for a profitable product. They quickly saw the potential of wool farming and acquired merino sheep from the government farms or imported them directly from Australia, Britain or Germany. In 1822 there were only 20 merino flocks in the Cape with about 8 000 sheep. By 1846 there were 1,5 million woolled sheep in the Cape. The British settlers not only showed the way by importing stud animals, they subsequently sold cheaper, quality sheep they had bred themselves. Many of their customers were fellow settlers who moved away from the uneconomic small farms in Albany to districts like Graaff-Reinet where large farms suited to rearing sheep became available as the Great Trek got under way.

The Eastern Province became the most important wool producing and exporting area in southern Africa. Port Elizabeth, as the natural entrepôt to this region, rapidly became the Cape's most important trading port and remained so for as long as the ox wagon was the dominant form of transport. Woolled sheep spread from the Cape to the southern Free State and the highlands of Natal. Cape wool exports mushroomed from a mere 9 000 kg in 1822, to 90 000 kg in 1835 to reach 11 million kg in 1862. Wool replaced wine as the Cape's major export product in 1842 and, from 1860 to 1869, the decade before the mining revolution, contributed 73% of the total value of Cape exports.

Rearing woolled sheep gave a strong stimulus to South Africa's economic development. It introduced the first signs of modern capitalism by creating a staple export product with a world market, concentrated capital in large trading houses and resulted in the emergence of a modern banking system. Sheep farming itself, however, did not attract capital or immigrants from overseas to any significant extent. Thus it was left to the mining revolution to give South African economic development its final momentum to takeoff.

7.2.2 The development of agriculture in Natal

Agricultural development in Natal was considerably different to the Cape during the same period. Once taken over by the British in the 1840s, it became in reality an enclave economy where a white corridor ran between Zululand and the Transkei from Durban to the Drakensberg. With the mass exodus of trekkers, most of the land was bought up by speculators who did little to utilise it. Commercial farming was started by those British settlers who survived the first years of hardship.

In the interior of Natal mixed farming was practised with sheep, cattle and maize. After 1845 maize cultivation expanded fairly rapidly and, thanks to the proximity of Durban, some maize was occasionally exported. Wool was also exported but it was initially of very low quality. In the semitropical coastal region, on the other hand, farmers spent years looking for a suitable crop with a good market. Coffee, tea and cotton were all tried before sugar cane won the day. At first the sugar farmers struggled because of the limited market, shortage of labour, lack of transport facilities, diseases and competition from cheaper sugar from Mauritius. These obstacles were all overcome. A market was found in the rest of southern Africa, disease-resistant sugar cane was imported from Mauritius and the sugar from Mauritius was kept out by means of an import duty of 3s 6d per 45 kg. From 1860 indentured Indian labourers were imported from India to solve the labour problem. By 1870 Natal was producing 10 000 tons of sugar annually.

7.3 ECONOMIC CONDITIONS IN THE BOER REPUBLICS

Up to 1870 the Boer republics did not keep pace with the unmistakable economic development in the Cape and Natal. They remained largely agrarian and pre-capitalist for the following reasons:

(1) Primitive agricultural techniques.
(2) The lack of export products that could justify the high cost of transport to the distant ports. For a long time game products remained the only major export. The southern Free State, however, was close enough to Port Elizabeth to participate in the wool boom.
(3) Continuing clashes between the Boer republics and neighbouring African kingdoms made the interior unstable and insecure, something which is not conducive to economic development.
(4) Import duties during this period were the major source of income for governments. The governments of the Boer republics were deprived of this source of income because the coastal colonies were not prepared to share the import duties collected at the ports on goods destined for the interior. As a result the Boer republics could not develop the infrastructure vital for economic development.

For these reasons the Boer republics did not attract capital, enterprise and labour. Thus they became caught up in the vicious circle encountered by most undeveloped countries. They were poor because they could not attract the factors of production from elsewhere, and they did not attract foreign capital and expertise because they were poor. The economies of the Boer republics were doomed to stagnation and it was not until the mineral revolution that they received the impetus to break out of this vicious circle.

In the meantime the *trekboer* economy perpetuated itself. Hunting products, hides and skins were used to barter for necessities such as guns, ammunition and implements, and luxuries like coffee, tea and sugar. Contact between the isolated stock farmers and hunters and the markets at Cape Town, Port Elizabeth and Durban was maintained by the *smous* or itinerant trader who travelled throughout the Boer republics. Most of them were non-Afrikaners and their role in the chain, connecting the isolated farms to the major markets of the world, was often resented. As the population of the Boer republics increased, towns were established where shopkeepers set up business and took over many of the functions of the *smous*.

Only the southern Free State was close enough to the booming wool trade of the Eastern Province to benefit from the infrastructure that had developed to sustain it. In 1838 there were fewer than 20 000 merinos in Transoranje compared with almost 800 000 fat-tailed sheep. But by 1855 there were over half a million woolled sheep compared to 387 000 fat-tailed sheep. In 1869 wool exports made up about 90% of the Free State's £700 000's worth of exports. The Transvaal was too far away to benefit and, in any case, most of it was better suited to cattle and not sheep. Crop farming in the predominantly stock farming Boer republics was still largely a supplementary activity to supply the farmer's personal needs.

Although the Transvaal was eventually politically united during the 1860s, it remained economically very weak because it lacked the resources to control the labour of its large African population and even defend its outlying settlements. The abandonment of Schoemansdal in 1867 is a case in point. To provide even the most limited measure of administration and defence, it had often to pay its officials in land or pledge land against loans. A lowly *landdrost*'s clerk was able, for example, to acquire 120 quitrent farms by 1866. In 1868, 1 000 farms totalling 2,5 million hectares were used to guarantee the issue of paper money. When the bubble burst and creditors started presenting their chits, vast chunks of the Transvaal passed into the hands of British absentee landlords. In this way, officials and others accumulated large land holdings and in time began buying up the farms of their poorer neighbours. A class of large landowners began to emerge and huge areas of the Transvaal fell into the hands of foreign-owned land companies. Thus a growing number of Transvaalers were unable to obtain land and had to become *bywoners* or tenants on the land of the large landowners or companies.

Although very little land was officially set aside for African occupation, vast areas of land officially owned by the state, wealthy landowners, missions and land companies were in fact occupied by Africans. Where the landowners were in a position to do so, the African tenants paid a small rent in cash, kind or labour service.

The only way many landowners could acquire labour for their own purposes, was to offer adequate land to a substantial number of labour tenants. Thus Africans in the Transvaal were able to retain their economic independence with little recourse to working for whites. This was despite the introduction of various taxes on Africans to raise revenue for the state and induce them to work for cash wages. Neither the poll tax from 1864, nor the hut tax which replaced it from 1870, were particularly successful in either of the two aims. Many Transvaalers resorted to kidnapping African children in raids because under Transvaal law, orphans could be apprenticed until the age of 25. Despite regulations to prevent abuse of the system, the Transvaal earned a bad reputation from this practice.

7.4 MONEY

Most trade conducted in southern Africa before 1870 was in the form of barter whereby some commodity served as the unit of exchange. The going rate for an ox at the Cape in 1591, for example, was two knives, with smaller stock and calves costing proportionally less. Throughout the world cattle or sheep themselves were traditionally used as units of exchange. The word pecuniary is in fact derived from the Latin word for cattle – *pecus*. By the 18th century metal goods in the form of hoes, spearheads and brass and copper rings were used as a form of currency in Zululand. The Africans were not, however, unfamiliar with money. Cowrie shells were used as a medium of exchange amongst the tribes of central Africa for thousands of years. In 1895 an earthenware pot was found in a Pondoland village containing coins struck over 2 000 years before, ranging from coins of the Egyptian pharaohs through to those of the Roman Empire.

7.4.1 The Cape

The VOC started its settlement at the Cape as a commercial enterprise and thus needed a unit of account and a medium of exchange. Because the Cape was on one of the great sea routes of the world, a wide variety of foreign coins came into circulation at the Cape. They included cruzados, guineas, doubloons, johannas, sequins, ducats, mohurs, pagodas, dollars, rupees, kobans and many more. The most important coin used at the Cape was the Spanish[44] eight-real piece or "piece of eight", which when it became increasingly scarce, was eventually minted by the VOC itself for use in its overseas empire. The unit of account first used by the VOC was also the Spanish real but in time the 20-stuiver gulden was used, but no such coin was actually circulated at first. All coins in circulation at the Cape were all expressed in terms of gulden at a rate of exchange determined by the VOC. By the time the gulden was actually minted in 1680, two units of ac-

44. The Netherlands had a long connection with Spain. The region that became the Netherlands was originally part of the duchy of Burgundy. The duke of Burgundy became king of Aragon and Castille in 1516 and was elected Charles V (1519–1557), Holy Roman Emperor, in 1519. The Netherlands remained united with Spain under Philip II (1556–1598) when Charles split up his unwieldy patchwork empire in the 1550s. Spain and Portugal were united in 1580. Spain's Dutch provinces began their long war of independence in 1567 and finally succeeded in 1648.

count had already become firmly entrenched at the Cape – the "Cape gulden" of 16 stuivers and the "rixdollar"[45] of 48 stuivers. The rixdollar was equal to one Spanish real or just over two gulden. Generally the Cape gulden was used for transactions involving fixed property and the rixdollar for other transactions. Thus despite the VOC's introduction of a medium of exchange the same as its unit of account at the end of the 17th century, at the Cape the two remained very different for another century.

Up to 1782 the only money in circulation at the Cape were coins. Because no coins were minted at the Cape, the supply depended on (1) coins imported by the VOC from the Netherlands to pay its officials and make its purchases, and (2) payments made by foreign ships for local products and services. The demand for coins depended on the level of local trade and the demand for foreign goods. Cape imports always exceeded exports and the deficit was settled by the VOC out of its stock of coins imported from the Netherlands. On top of the official deficit, there was a lot of illegal trading with passing ships. The combined result was that coins left the Cape faster than they entered and were thus always in short supply.

Matters were brought to a head by the Fourth Anglo-Dutch War (1780–1784) which saw the Cape economy go into one of its war time booms at the same time as it was cut off from its regular supply of Dutch coins. As an emergency measure, the Cape administration temporarily introduced a "parchment coin" to maintain the supply of money in circulation. The introduction of the inconvertible paper rixdollar meant that for the first time at the Cape the unit of account was the same as the money in circulation. Most of the rixdollars were exchanged for coins when peace was restored and the regular importation of coins from the Netherlands resumed. Most of the rixdollars had been recalled by 1789.

Because of the severe depression at the Cape in the early 1790s, coins were in short supply. As a result the Cape administration was once again given permission to issue paper money. Somewhat lax management resulted in the over-issue of rixdollars and heavy depreciation set in. By 1795 there were over a million paper rixdollars in circulation. During the First British Occupation (1795–1803) another half million were printed, but the British left behind an equivalent value in military stores. The premium on sterling during this period was 10%-20%. The Batavians recalled all the paper money and issued fresh. After the reoccupation of the Cape by the British in 1806, the greater demand for money, as a result of the presence of large military and naval forces, caused the rixdollar to appreciate. By a proclamation the value of the rixdollar was declared to be four shillings, its original nominal value.

45. Rixdollar is a corruption of "rijksdaalder" which means dollar of the realm. Rijksdaalder coins were minted in Dutch towns such as Zwolle, Kampen and Deventer during the early 17th and 18th centuries. The words "dollar" and "daalder" are corruptions of the Bohemian "Joachimsthaler" which was minted from silver from Joachimsthal. Shortened to "thaler" it became "dollar" in the Americas and "daalder" in Dutch.

Thereafter, however, serious inflation set in. Finding over two million rixdollars in circulation, the British authorities, encouraged by the success of the wine trade, issued another million between 1810 and 1814. During this period the value of the rixdollar dropped to 2s 3d. Aided by the post-Napoleonic wars depression and the collapse of the St Helena trade after Napoleon's death in 1821, the value of the rixdollar dropped steadily. It fluctuated between 1s 9d and 1s 10d between 1817 and 1820 but dropped to 1s 6d by 1824.

The depreciation of the rixdollar might have passed largely unnoticed but for Britain's decision to convert the foreign currencies of its annexed colonies to sterling in 1825. The way had been led by Britain's own currency reform with the formal adoption of the gold standard in May 1821 whereby all bank notes were convertible into gold coins. The rixdollar was thus converted at the current rate which was 1s 6d compared with the par value of 4s. There was a great outcry from creditors in the Cape and the administration felt obliged to leave the rixdollar as legal tender to cushion the shock. The rixdollar ceased to be legal tender in 1841. The demise of the rixdollar was not missed by the administration because they were "wretchedly printed on poor paper, which was easily defaced and outrageously counterfeited".[46]

The first coins minted especially for South Africa were the silver and copper Griqua coins struck in London for the Scottish missionary, John Campbell, and issued at Klaarwater in 1815 and 1816. The coinage had four units, two in silver and two in copper, but the denominations had no name. The copper coins carried the figures ½ and ¼, while the silver had 11111 and 10. The coins, however, only circulated for a few years before they were melted down. Money was in reality unnecessary because at the time the commerce of the entire Griqua nation of 650 adults did not amount to more than £50. The Griqua coins were in fact the only Christian missionary coinage minted anywhere in the world and the surviving ones are valuable collectors' items.

From 1825 the pound sterling was the official unit of account at the Cape. The silver and copper British coins in circulation at the Cape, supplied by the Royal Mint, were freely convertible into gold sovereigns in Britain. This meant the Cape was on a gold exchange standard. Although the coinage in circulation was sound, a problem did arise once private commercial banks began issuing banknotes. There was no restriction on these issues until 1891. Currency at the Cape was eventually put definitively on a sterling basis in 1881 by the extension of the Imperial Coinage Act of 1870 to the Cape. Thus sovereigns were supplied to the Cape and it thereby went onto the full gold standard. Sovereigns and half-sovereigns struck at the Sydney Mint, however, had been legal tender since 1867, as were British silver crowns, half-crowns, shillings, sixpences, fourpenny, threepenny and 1½-penny pieces and bronze pennies, halfpennies and farthings.

46. De Kiewiet, *op cit*, p. 36

7.4.2 Natal

The Cape monetary system was introduced to Natal when it was annexed in 1845. Developments after 1856 when Natal became a separate colony were very similar to those in the Cape. In 1867 the Natal administration also declared gold coins from the Sydney Mint to be legal tender. Because there was usually a chronic shortage of coins of the smaller denominations, many traders and other bodies issued tokens of various kinds in lieu of small change. The Imperial Coinage Act was extended to Natal in 1882.

7.4.3 The Orange Free State

Because of the period under British rule during the sovereignty and the link to the Cape economy via the wool boom, British coins circulated freely in the Orange Free State. By the mid-1860s, a continuing shortage of coins – exacerbated by the Basotho wars and the government's expulsion of the Standard Bank – led to the *Volksraad*'s sanctioning the issue of paper currency in 1865. The issue of these "bluebacks", as they became known, was secured by the mortgage of farms. The issue amounted to £30 000 in notes of £1 which were redeemable after 10 years over which period they bore interest at 6%. The president, J.H. Brand (1864–1888), was given the rather onerous task of signing all the notes personally. After signing 23 900 he asked to be relieved and suggested the rest be issued in larger denominations. The notes were issued in the form of loans made through the **Bloemfontein Bank**. A further £100 000 were issued in 1866, redeemable after five years. Almost half the amount was used to redeem the public debt which had increased alarmingly because of the war. The rest was lent to the burghers against mortgages on their farms.

The bluebacks depreciated in value relative to coins because they were not acceptable at par in the Cape with which the Free State conducted most of its trade. In accordance with Gresham's Law – whereby bad money drives out good – the Free State was drained still further of coinage. Small transactions were particularly hard hit and traders and others issued tokens or "good-fors" to overcome the shortage. For larger transactions, particularly between farmers and traders, simple barter took place.

The tide turned with the end of the Basotho wars in 1868 and the discovery of diamonds. The presence of the nearby Kimberley diamond fields created a massive demand for just about everything. A wave of economic prosperity followed in the Free State and the Volksraad was able to redeem the bluebacks from 1871, a process that was officially completed in 1883. Thus unlike many others who had issued similar paper money, the Free State was able to emerge from the experience with honour. In 1875 proposals were made to issue coinage and a German firm submitted samples ranging from silver crowns to copper farthings but they were never put into circulation. Sterling came to be accepted as legal tender in the Free State without any legislative intervention.

7.4.4 The Transvaal

In 1851 the following was written of the Transvaal *voortrekkers* by a Hollander:[47]

> *The Dutch Afrikaners reckon in Ryksdalers, Schellings and Stuivers. This coin is imaginary, for it no longer exists. ...In practice, however, there is only English coin in circulation ... Since only very little coin, even the English kind, is available, most of the commerce is conducted by exchange... Cattle, skin, wool, butter, ivory, ostrich feathers and other rarities are used to pay for goods which are imported.*

Eventually when M.W. Pretorius reassumed the presidency in 1864, the long period of political and religious conflict that had tainted the early history of the Transvaal was brought to an end. The Transvaal was on the verge of bankruptcy and as a temporary solution to the crushing financial problems, in 1865 the Volksraad authorised the issue of paper money to the sum of 140 000 rixdollars. As in the Free State, land was used as security against the new notes. They, however, were legal tender for new transactions only and could not be used to settle debts already incurred. They were to be redeemed after 18 months and bore interest at 0,5% per month.

The old story repeated itself and the notes depreciated rapidly – being accepted at a discount of up to 50%. After 18 months the government had no specie available to redeem them. Thus a further issue of paper money, this time denominated in sterling, was made to the value of £12 000. The new issue was designed to replace the rixdollar issue and did not carry interest. Traders were "encouraged" to keep the rixdollar notes under pain of having their trading licences withdrawn. Again most people resorted to barter and "good-fors" because the new notes and yet more issues – £20 000 in 1867 and £45 000 in 1868 – were equally unsuccessful. The Transvaal notes depreciated steadily against sterling and the discount was as much as 75%. In 1870 it was found that in fact £79 000 had been issued in all, of which £73 826 were still in circulation. The situation was summed up in this 1869 letter from a Pretoria resident to a relation in Britain:[48]

> *We have got no money – only what you find enclosed. I just send you a specimen of our money, a 1/- and it goes up as high as a pound note. You must also understand that our neighbouring state, the Orange Free State, objects to take our money even in exchange. ... The prices of things here, that is when they are to be had, are: raw coffee 10/- per pound, sugar 5/-, clothing, a suit £20 in these notes, but in exchange or barter it is cheaper.*

Only with the accession of T.F. Burghers (1872–1877) to the presidency was the problem taken in hand. As a result of the early Transvaal gold finds during the early 1870s, Burghers who was originally from the Cape, managed to obtain a

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47. Quoted by E. Rosenthal, *From barter to Barclays*, Johannesburg, 1968, p. 24.
48. Rosenthal, *op cit*, p. 26

loan of £60 000 from a Cape bank in 1873 which was used to redeem the outstanding notes, a process that was completed within a year. Burghers also took the important step in 1873 of declaring sterling legal tender in the Transvaal. In 1874 he had 837 sovereigns struck in Britain from 300 ounces of Transvaal gold but they were more of a collector's item than money to be circulated. Eventually in 1891, by Mint Law Nº 14, a coinage system practically identical to the British one was adopted and a Mint was established in Pretoria in 1892. The "Kruger coins" were legal tender in the Transvaal only until the Anglo-Boer War.

7.5 BANKING

The first bank in southern Africa was established in 1793 by the two VOC commissioners sent out from the Netherlands to investigate and reorganise the administration of public affairs at the Cape. The **Lombard Bank**[49] or **Loan Bank** (*Bank van Leening*) was in effect a mortgage bank designed to remedy the chronic currency shortage at the Cape by issuing rixdollar notes by way of advances to those who could furnish security. It was South Africa's first and only 100% government owned and controlled bank. It was provided with a capital of 680 000 rixdollars and authorised to make loans at 5% interest for periods of up to 18 months against land, houses, gold, silver, jewels and merchandise of a nonperishable nature. A traveller at the Cape noted:[50]

> *No sooner had this bank been opened, to which people had been looking forward for a long time, than the multitude fetched the stamped paper money with an incredible eagerness. People called it a relief, a salvation... It is certain that one cannot ridicule, censure or condemn the establishment of this bank; the people had to be helped. There was no* via media*, and how else could they have been helped than in this way?*

The **Loan Bank** quickly reached the limit of its resources and was not able to expand because too many of its outstanding loans became frozen. During the First British Occupation (1795–1803) it apparently functioned well with the appearance of prosperity and the facilities it afforded led to an expansion of trade. This was largely because the acting-governor, General F. Dundas (1798–1799, 1801–1803), increased its capital by 165 000 rixdollars in 1802.

The Batavian regime did nothing to change the system during their brief period at the Cape. On reoccupation, the British appointed a committee of inquiry in late 1807 to investigate the Cape's financial problems. Over the years the management of the **Loan Bank** had been somewhat lax, its facilities had been abused and successive issues of inconvertible notes had resulted in a heavy depreciation of the rixdollar. As a result of the committee's report, a subsidiary **Discount Bank** was created in 1808. It accepted deposits which bore interest at 5%, dis-

49. A "Lombard Bank" meant one which lent money, a practice which originated in Lombardy in northern Italy.
50. Rosenthal, *op cit*, p. 11

counted bills and made short term loans at 6%. Although the **Discount Bank** supplied the need for short-term credit, the quality of its management, and that of its parent institution, appears to have deteriorated. It was reported in 1827 that neither prudence nor discretion had been exercised in lending money and the easy credit thus obtained had fostered an undesirable type of speculation. Neither of the two banks could create money and therefore the **Loan Bank** had to rely on capital supplied by the administration and the **Discount Bank** on deposits from the public. The government used the banks as a medium for inflationary note-issuing and the value of the rixdollar steadily depreciated.

The events of 1825, when the depreciation of the rixdollar was officially recognised on its replacement by sterling, and the subsequent adverse official reports all added up for the ultimate end of the administration's role in banking. With the withdrawal of the rixdollar notes and the repayment of loans which were not renewed, the activities of the two government banks steadily decreased. After 1835 little new commercial business was done and they were wound up in 1842 once the rixdollar was officially withdrawn from circulation.

In the meantime schemes had been put forward as early as 1825 for the formation of private joint-stock banks at the Cape similar to those evolving in Britain. The British treasury favoured the idea but there was considerable opposition from the colonial office and official sanction was withheld for years. Eventually government sanction was ignored and in 1836, under trust deed, the first private South African banking institution was established with a capital of £75 000. It was the **Cape of Good Hope Bank**[51] which opened the way to a flurry of joint-stock banks being established throughout the colony in rapid succession. By 1862 there were no fewer than 29 such banks with a trading capital of £3,35m. The banks were not obliged to publish returns and all of them were entitled to issue notes without legal restrictions. The banks paid handsome dividends, ranging from 12% to 22%, which ultimately attracted the attention of British investors and the arrival of the overseas branch banks or imperial banks during the 1860s.

The rise of the modern money-creating banking system in the Cape was a consequence of the emergence of modern or financial capitalism. In the early capitalistic period, money still largely consisted of coins with full intrinsic value. Only towards the end of the period were experiments made with abstract money in the form of government issued paper money, bank notes and bank deposits. The change was an indication that the economy needed a more adaptable medium of exchange than could be provided by coins. Thus early capitalism was about to make way for the dynamic and growth orientated modern capitalism. The gradual economic awakening at the Cape between 1836 and 1870 was stimulated by increased exports which created the need for a more elastic money supply and banks.

The arrival of the imperial banks in the 1860s confirms the appearance of modern financial capitalism in the southern Africa. British capital was attracted by the

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51. Not to be confused with the **Cape of Good Hope Savings Bank** which was established in 1831. Although a private institution, it was not a bank of issue.

success of the wool industry in the Cape and sugar cane in Natal. The **London and South Africa Bank** was established under royal charter in London in 1861 with a nominal capital of £400 000 of which half was paid up. Branches were opened at Port Elizabeth, Durban, Cape Town and Grahamstown. A year later the **Standard Bank of British South Africa** was launched in London with a nominal capital of £1m, again with subscriptions invited for half the amount. Such was the public's interest in the venture that its share issue was oversubscribed eightfold. It opened its principal South African office at Port Elizabeth with branches at Durban, Grahamstown and Beaufort West. The two imperial banks embarked on a policy of amalgamation and consolidation. They were the first of a group of overseas banks that in time came to dominate banking in southern Africa by absorbing the local banks and establishing a large network of branches throughout the region. The intense activity in commercial banking reinforced the boom of 1862–1865 which overheated the economy and resulted in the heavy depression thereafter which saw many of the surviving local banks forced into liquidation or absorbed by the imperial banks.

The developments in banking after 1836 are dealt with in more detail in Part 2.

7.6 THE BUSINESS CYCLE

It can be argued that 1865 marks South Africa's first modern business crisis and thereafter the region was increasingly influenced by conditions in the international economy. Before 1865 the primary factors influencing prosperity and depression were largely natural phenomena such as disease, drought, flood and plague. The other important factor was the opening and closing of export markets. Until 1865 there was as yet no sign of the modern, cyclical movement in business activity whereby excessive capital investment during prosperity led to an overheating of the economy, crisis and depression. The reason was that capital formation was still too small to create the modern investment cycle.

The copper crisis of 1854 was a speculative financial and stock exchange crisis which was common in early capitalism. The most notorious example was the British South Sea Company "bubble" which burst in 1720 and like the 1854 crisis at the Cape, had an element which heralded the advent of modern financial capitalism. This was the launching of joint-stock companies and excessive share speculation. The presence of copper in Namaqualand had been known since 1685 but not exploited because of the transport problem and the lack of water. The first mine was opened at Springbokfontein in 1852 and a rush to Namaqualand followed shortly afterwards. In the ensuing "copper mania", mining companies were formed in all the towns of the Cape as far east as Grahamstown and just about everybody dabbled in their scrip. However, the copper deposits turned out to be less profitable than the investors had hoped and the copper boom collapsed in 1854. Share prices plummeted and most of the companies were liquidated. Apart from those directly involved, the collapse was not a full economic depression because it had very little effect on the majority of the people at the Cape.

Schumann[52] argues that the 1865 crisis was the first modern business crisis in South Africa because it was a typical overinvestment crisis on a national scale. It was started by the increased wool exports from the Cape which encouraged the extension of credit by the banks. The banking boom lasted from 1861 to 1863 and saw the establishment of the imperial banks in southern Africa. The inevitable reaction came and, combined with a drought from 1862, the agriculturally based South African economy went into a depression which lasted until 1869. It was one of the most severe ones experienced during the 19th century.

After 1865 the commercial banks played an important part in all the South African booms and depressions. From then on as well, international business conditions had a significant influence on all the sectors of the South African economy. This was because the region had become a typical exporter of primary products. Business conditions in Britain were of particular importance because she was the biggest purchaser of South African products and its major supplier of manufactured goods.

52. Schumann, *op cit*, p. 81

APPENDIX

Capitalism – early and modern

Most definitions of capitalism as an economic system agree on the following features:

(1) private ownership of most factors of production;
(2) freedom of enterprise and other economic activities such as investment, saving and consumption; and
(3) pursuit of private profit as the motive of economic activity and the criterion for the efficiency of that activity.

Other economic systems lack some or all of these characteristics.

There are at least two periods in the development of capitalism: early capitalism and modern capitalism. Writers like Werner Sombart[53] further divide modern capitalism into mature capitalism (19th century) and late capitalism (20th century).

Capitalism is NOT typified by the large-scale investment of capital for roundabout production. This also occurs in some other economic systems.

There are many essential differences between early and modern capitalism. They are as follows:

53. W. Sombart, *Der moderne Kapitalismus*, München, 1945. He breaks capitalism up into *Frühkapitalismus* (early capitalism), *Hochkapitalismus* (mature capitalism) and *Spätkapitalismus* (post-mature or late capitalism).

	EARLY CAPITALISM	MODERN CAPITALISM
Alternative name	commercial capitalism	industrial-financial capitalism
Dominating entrepreneur	merchant	industrialist, financier
Participants preference	short term investment for quick profits preferred to long term investments for late profits	long term investments for large profits preferred to short term investments for quick profits
Publicity	little publicity	much publicity
Era	from the Commercial Revolution of the 15th and 16th centuries to the Industrial Revolution of the 19th century	since the Industrial Revolution
Dominating market forms	free competition, monopoly, monopsony	monopolistic competition, oligopoly, oligopsony
Form of enterprise	family business partnership	joint-stock company with limited liability
Technology	non-scientific	scientific
Sources of energy	muscle power, water, wind	fossil fuel (coal, petroleum) electricity, nuclear energy
Raw materials	natural fibres, wood	synthetic fibres, metal
Machinery	hand tools, water mill, windmill	steam engine, electric motor, internal combustion engine
Location of production	decentralised dispersed home industry (putting-out system), limited by source of energy	centralised, concentrated in factories, energy supplied from a distant source

Part 2: The dawn of modern capitalism

South Africa as a developing mining-agricultural economy 1870–1910

LEARNING UNIT 8

Introduction

Up to 1870 South Africa was a rather poor, somewhat underdeveloped region with a fairly small population of a few million people where the market economy was dominated by the half million or so whites. Except for copper in Namaqualand and unmined coal deposits in northern Natal, the enormous mineral wealth suspected in the interior had not yet been discovered. Proof of how unattractive the region was economically before 1870 is the small number of European immigrants it drew compared to the hundreds of thousands who migrated to other newly settled regions, including the even more distant Australia and New Zealand.

Fortunately this had been partially offset by increased wool exports which brought activity to the ports, financed an increase in imports, attracted some foreign capital investments and ushered in modern commercial banking. Two short privately financed railway lines for agricultural traffic had even been constructed. Thus the first modest signs of modern capitalism were to be found at the region's ports. The economic structure of the hinterland, however, was still predominantly early capitalist. Most of the interior was largely outside the reach of the market economy. Even in the Boer republics the economy was predominantly pre-capitalist. All in all, the development of the subcontinent was slow and limited in scope when compared to other regions of white settlement.

The first phase of modern capitalism in South Africa lasted from 1870 to 1910. Important milestones during this period were the following:

(1) The rush for the Kimberley diamond fields in 1870 following the various alluvial diamond discoveries from 1867 onwards.

(2) The discovery of gold on the Witwatersrand in 1886.

(3) The Anglo-Boer War from 1899–1902. This war was largely as a result of problems arising from the discovery of gold on the Witwatersrand. The war strengthened Afrikaner nationalism by aggravating the "poor-white problem" and destroying the Boer republics. From a political point of view the war was a turning point in the history of South Africa because, by destroying the Boer republics, it laid the foundations for the unification of the part-states[54] of South Africa in 1910. Economically, however, it was less significant because in many respects the conflict between the Transvaal and the British coastal colonies continued after 1902. The economic disputes between the various part-states did not end until political union in 1910.

(4) The formation of the Union of South Africa in 1910. Although unification was primarily a political triumph, the drawing together of the part-states did have long-term economic consequences. The year 1910 is very important because it marks the end of (a) the continual friction between the two British coastal colonies as well as between the interior states and the coastal colonies, and (b) the incentive for the British government to keep on interfering in South Africa's affairs. In many countries, the formation of a united state removed important obstacles to economic development which in turn evoked a mood of business optimism. Examples include the USA, after both the War of Independence (1776–1783) and the Civil War (1861–1865), and the formation of the German Empire (1871). The establishment of the Union of South Africa in 1910 was no exception.

It can, however, also be argued that 1914 marks the end of the first phase of modern capitalism in South Africa. Every period classification in history is necessarily defective because conditions and institutions do not change overnight. They change gradually or die out over a period of time. This is also true of South African history. Modern capitalism (W. Sombart's term) or the phase preparatory to real economic development (W.W. Rostow) can easily be traced to the year 1870 when the rush for the diamond fields began. Mining, with its vast concentration of capital and labour in a primitive economy, unleashed a complete revolution. The end of the first modern capitalist era,[55] however, is less sharply demarcated. Industrialisation in South Africa was slow to gather momentum compared with other countries.

The year 1910, being the year of unification, is important because it paved the way for more rapid economic development. But 1914 is also important because World War I (1914–1918) cut South Africa off from its overseas markets and sources of supply. This forced the country to manufacture a large number of products to supply both itself and its allies. The period saw the establishment of many factories. Although many did not survive revived foreign competition after the peace of Versailles (1919), some did withstand the competition. Thus the outbreak of World War I in 1914 can be regarded as the beginning of a new phase of development in the South African economy.

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54. Part-states (German: *Teilstaate*) are political communities which are evidently destined to unite into a larger unit often called a united state. Well-known examples in the 19th century include the German and Italian part-states which, in about 1870, were united into the German Empire and the Italian Kingdom.
55. When South Africa was a mining-agricultural state without any significant secondary industries.

LEARNING UNIT 9

The immediate consequences of the mining revolution, 1870–1910[56]

TOPICS

KEY ISSUES

- The economic, social and political consequences of the mineral revolution.
- The role mining played in developing the South African economy.

LINKED ISSUES

- The role mining played in developing the South African economy up to 1960.
- Reasons for the revival of Western imperialism and colonialism in South Africa after 1870.
- South Africa advanced politically by disasters and economically by windfalls.
- The economic impact of the discovery of diamonds compared to the later discovery of gold.
- A politically divided southern Africa was the biggest stumbling block to railway development in the region until 1910.
- The long term consequences of the Great Trek.

9.1 INTRODUCTION

The year 1870 saw the dawn of a new era in South Africa. Its main features were (a) the mining of high-value minerals and (b) the return of British imperialism to South Africa. The era of pre- and early capitalism had come to an end, to be re-

56. The mining revolution should not be compared to the industrial revolution. In Europe modern industrial-financial capitalism was ushered in by the mechanisation of manufacturing, transport and mining – the so-called industrial revolution. In several undeveloped countries outside Europe during the 19th and 20th centuries modern capitalism was ushered in by the discovery and exploitation of minerals (gold, silver, copper, tin or petroleum) the so-called mining revolution. In these countries industrialisation or the development of the manufacturing industry came much later.

placed by a period of modern capitalism, a phase which is still in the process of evolving. The mining of diamonds and gold gave rise to a mining revolution that was followed by a gradual industrial revolution that started after Union in 1910. Both developments transformed this predominantly semi-arid, rather poor, slowly developing agricultural region into a mining-agricultural country with a tempestuous rate of economic and political development. In time it developed into the prosperous, strong, industrial, mining and agricultural state of today. Both developments increased white immigration from an insignificant trickle to a veritable flood.

The first milestone at the beginning of the new era was the diamond rush that followed the fortuitous discovery of diamonds in 1867 not far from the present city of Kimberley. The Cape Colony and Orange Free State profited from this as did the Transvaal and Natal, although to a lesser extent. The second milestone was the discovery of gold on the Witwatersrand in 1886. The discovery of these two high-value minerals precipitated the mining revolution and the advent of modern capitalism in South Africa. Within a few years the region became the world's largest exporter of diamonds and gold. Suddenly the remote interior of South Africa – previously unattractive to immigrants, foreign investors and entrepreneurs – became the centre of the world's economic, financial and political attention and intrigues.

Clearly the sudden transformation from an agricultural country to a mining country held considerable advantages for the original inhabitants of South Africa. At the same time, however, there were substantial disadvantages.

9.2 ADVANTAGES OF THE MINERAL REVOLUTION

The short- and long-term advantages were:

(1) The inflow and investment of large sums of foreign capital.
(2) The influx of many skilled and enterprising white immigrants, armed with initiative and technical and commercial knowledge which were all in short supply in South Africa at the time.
(3) The building of railway lines from the coastal ports to the diamond and gold fields deep in the interior. This opened up the interior and ultimately the economic and demographic centre of the country shifted from the coast (Cape Town, Port Elizabeth, Durban and East London) to the interior (Kimberley, the Witwatersrand and the Northern Free State). Here South Africa differs in an important respect from other regions of white settlement (USA, Canada, Argentina, Brazil, Australia and New Zealand) whose economic centres still are in their coastal cities.
(4) The establishment of a large inland market for agricultural produce.
(5) The establishment of repair workshops and factories to service the mines, which laid the foundation for later industrial development.
(6) The creation of employment opportunities on the mines and in their service industries for the local population which was finding it increasingly difficult to obtain land for its extensive, often primitive, form of agriculture.

(7) Inhabitants' wealth increased and new, substantial sources of revenue were created for the authorities who had previously had great difficulty in collecting revenue and taxes.

9.3 DISADVANTAGES OF THE MINERAL REVOLUTION

The disadvantages of the transformation from an agricultural country to a mining-agricultural country (i.e. from early capitalism to modern capitalism) were:

(1) Stimulation of the passion for windfall profits and speculative ways of getting rich quickly. This gave rise to repeated overstraining of the economy and to financial crises, which often spread to other sectors and caused great loss of capital. The USA, another country which suddenly switched from an agricultural to a mining-agricultural structure, has a saying that "mining is gambling". The ever-present chances of finds or the exhaustion of payable ores give mining a pronounced speculative tendency.

(2) Withdrawal of labour, entrepreneurs and capital from sectors and enterprises which did not serve the mines directly. Because these factors of production were so scarce, this probably limited expansion in the other sectors of the economy. For example, food production lagged far behind demand, which increased rapidly after the commencement of gold mining on the Rand, and large supplies had to be imported.

(3) Although many of the foreigners (*uitlanders*) who flocked to the mining centres merely wanted to get rich quickly and then leave, many were unsympathetic towards the local Afrikaners and their government and wanted to overthrow what they saw as an unjust regime.

(4) The intensification of the struggle over economic issues between the land-locked Boer republics and the coastal British-ruled colonies, and between the two coastal colonies themselves. The colonies wanted to retain as much of the growing transit trade with the mining areas as possible. The Boer republics, on the other hand, wanted to play off one coastal colony against the other in order to extract concessions from them. They also wanted their own railway line to their own port or, at least, a non-British port.

(5) Conflicting interests between white trade unions and employers in the mining industry which resulted in strikes and rebellions before a peaceful solution was devised.

(6) Renewed interference by the British Imperial Government in the domestic affairs of the Boer republics. British Imperialism reappeared in South Africa in about 1870. The government in London aimed to subject the Boer republics to its authority – by means of war and annexation if necessary. In essence this was merely a change of means, not of aims. From 1836 to 1902, that is, from the Great Trek to the peace of Vereeniging, the aim of the British government had always been to maintain British paramountcy in South Africa. The subcontinent had always been strategically important to Britain because of the Cape sea route to British possessions in Asia and Australia. It was therefore important that the coast of southern Africa should remain British to keep out other nations such as France, Germany and the USA.

The Great Trek to the north constituted a threat to British supremacy. Although the British government did not initially prevent this population migration, it did begin to annex the regions under Voortrekker control. The Republic of Natalia was annexed in 1843. One of the motives behind this annexation was to gain control over Durban, the only viable port between Port Elizabeth and Lourenço Marques. A second motive was to prevent the Natal Voortrekkers from causing unrest in the Transkei which would in turn cause friction on the eastern frontier of the Cape Colony. In 1848 Transoranje was annexed because of the continual clashes between the trekboers, the Voortrekkers, the Basuto and the Griquas. In addition the British wished to forestall the possibility that the Voortrekkers in Transoranje would unite with those in the Transvaal to form one republic and thus control the interior.

However, at the time of the annexation of Transoranje in 1848, the government in London was against the expansion of its colonial empire. Liberals in Britain regarded colonies as an expensive and unnecessary burden on the mother country. They advocated that colonisation should be confined to strategic points to serve merchant shipping and the navy. Consequently, the remaining Boer republics in the Transvaal were not annexed, because of their remoteness and poverty. At the Sand River Convention in 1852 the independence of the Transvaal was recognised and Transoranje was given its independence by the British government in 1854. The Boer republics would, it was hoped, become friendly buffer states for the British coastal colonies and would keep the African tribes in check. Although they were politically independent, they were to remain economically dependent upon Britain and would therefore have to be denied access to the sea and the route to the north (the Missionary Road) along their western borders.

From about 1870 British government thinking came round to the view that it would establish its supremacy in South Africa more effectively by annexing the Boer republics. This imperial policy was prompted by the following:

(1) The idea that the diamond and gold discoveries would strengthen the Boer republics economically and make them less dependent on the British coastal colonies, thus undermining British supremacy.
(2) The desire to protect the Africans and the many English-speaking whites in the new mining centres against exploitation and the Boer governments' poor management. A revival of the philanthropic movement to protect Africans from unscrupulous whites had brought this to the fore.
(3) The need to put an end to the clash of interests between the British coastal colonies and the Boer republics which had intensified considerably after the discovery of gold on the Witwatersrand. This would be achieved by annexing the Boer republics and bringing them into a federation with the British coastal colonies.
(4) The need to prevent the other European imperial powers (i.e. France, Portugal and, particularly, Germany) from having economic and political influence in southern Africa.

The British imperial government's proceedings in South Africa after 1870 resulted in both the First and Second Anglo-Boer Wars (1880–1881, 1899–1902) and blazed the trail for unification in 1910.

LEARNING UNIT 10

The start of the mining revolution: Diamonds at Kimberley

TOPICS

KEY ISSUES

- The discovery of diamonds.
- The development of the diamond mining industry.
- The economic, social and political impact of diamond mining.

LINKED ISSUES

- The role mining played in developing the South African economy.
- The economic impact of the discovery of diamonds compared to the later discovery of gold.
- Backwardness of agriculture until the 19th century.
- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Railway development.
- South Africa advanced politically by disasters and economically by windfalls.
- Economic consequences of the Great Trek.
- The *Mfecane/Difaqane*'s long-term impact on South African economic development.

10.1 INTRODUCTION

The copper mania in Namaqualand during the early 1850s was too short-lived to mark the start of the mining revolution in South Africa. The real beginning of large-scale mining was the 1870 diamond rush to the banks of the Vaal River. Within a decade, the Cape was the largest producer of diamonds in the world.

Although the discovery of the Eureka diamond near Hopetown in 1867 did not result in a diamond rush to the northern Cape, it did spark off an influx of speculators who made a determined effort to acquire the numerous diamonds picked up by the Griquas along the Orange and Vaal Rivers. The first organised search for diamonds occurred towards the end of 1869 when a Natal syndicate began prospecting at Hebron on the Harts River and later at Klipdrift on the Vaal. Months of fruitless digging were rewarded in January 1870 when rich diamond-bearing soil was found at Klipdrift. The news spread like wildfire and the first diamond rush was on.

The discovery of alluvial diamonds along the Vaal River brought thousands of people to the banks of the river to stake their claims. By the end of 1870 there were 10 000 diggers working along the banks of the Vaal River, from its confluence with the Orange to Klipdrift (later Barkly West) – a distance of about 160 km. The river diggings did not, however, produce the anticipated fortunes. Relatively few diamonds of mediocre quality were found. What the diggers did not realise was that the alluvial diamonds they were finding were merely secondary deposits of a primary source nearby. But soon, frustrated by their lack of success at the river diggings, they began looking for diamonds further away from the river. In quick succession, within a radius of four km, diamonds were discovered about 30 km south-east of Klipdrift at Dutoitspan (September 1870), Bultfontein (early 1871), Vooruitzigt (May 1871 – owned by the De Beer brothers) and, the biggest bonanza of all, at Colesberg Kopje or New Rush (July 1871), which today is famous as the Big Hole. During 1870 less important finds were made further east at Jagersfontein and Koffiefontein.

With these discoveries the hub of the diamond fields moved from the alluvial river diggings along the banks of the Vaal River to the richer dry diggings around what was to become Kimberley. Soon it was discovered that the dry diggings were in fact on the sites of weathered volcanic pipes of kimberlite which extended deep down into the earth's crust. This meant that the diamond finds were not a short-term windfall but the basis of a mining industry that would be profitable for decades to come.

Diamond mining between 1870 and 1910 falls into three periods:

(1) The first period (1870–1875) is typified by the small claim digger who required very little capital and the aid of a few labourers. It was also a period of intense struggle for political authority over the diamond fields – a struggle from which Britain eventually emerged the victor.

(2) During the second period (1875–1888) the small claim diggers were ousted by the mining companies in the transition from shallow diggings to deep mining and eventually to underground mining from 1883. The small claims were bought up by the companies which in turn were continually merging and forming larger and larger organisations to minimise expenses and control production and sales.

(3) The third period (1888–1910) started when Cecil Rhodes and Barney Barnato founded De Beers Consolidated Mines, which eventually monopolised diamond mining. In time a diamond sales syndicate was formed to monopolise the world sale of diamonds.

10.2 THE FIRST PERIOD: The diggers 1870–1875

Fortune seekers flocked from all over the world to try their luck on the diamond fields. Tent and shanty towns sprang up all over the region. One of these, the New Rush, situated on Colesberg Kopje, grew to become the city of Kimberley which was named after the British Colonial Secretary. For many years Kimberley was more a mining camp than a town, despite the fact that by 1877 it was the second largest urban region in South Africa, with a population of 18 000.

The English writer Anthony Trollope was unimpressed by Kimberley in the late 1870s, with its[57]

> *dust so thick that the sufferer fears to remove it lest the raising of it may aggravate the evil, and of flies so numerous that one hardly dares to slaughter them by ordinary means lest their dead bodies should be noisome... a gust of wind would bring the dust in a cloud hiding everything, a cloud so thick that it would seem that the solid surface of the earth had risen diluted into the air... In Kimberley and its surroundings there was nothing pretty... the meat was bad, the butter uneatable, vegetables a rarity... milk and potatoes were luxuries... An uglier place I do not know how to imagine.*

There was no shortage of unskilled labour because the mines attracted African migrant workers from all over southern Africa. Migrant labour was nothing new in southern Africa. More than two decades before the discovery of diamonds, Pedi from the north-eastern Transvaal used to find temporary work on farms or government works in the Cape Colony. Between 1871 and 1875 some 50 000 Africans worked annually on the diamond diggings. The main purpose in working for cash wages was to acquire firearms and basic farming implements or to pay the traditional bride-price. Rates of pay for African labourers ranged between 10 shillings and £1 10 0 a week, including a daily ration of mealie-meal and a weekly ration of meat. Wages in Kimberley were higher than anywhere else in southern Africa.

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57. Quoted by R.I. Rotberg, *The founder*, Cape Town, 1988, pp. 109–10.

10.2.1 The difficulties of early diamond mining

The diamond fields are situated on the dry Highveld far inland from the coast. The two most immediate problems facing the fledgling diamond-mining industry were therefore the scarcity of water and difficulty of transport.

Water was obtained from boreholes or the Vaal River 25 km away. At New Rush a bucket of water cost anything up to a shilling. It is not surprising that liquor took the place of drinking water and that the canteens and hotels flourished. A famous partnership supposedly stemmed from selling ice-cream to parched miners in the summer of 1873–1874:[58]

> *You are to imagine the great Cecil Rhodes standing behind a white cotton blanket, slung across a tent, turning a handle of a bucket ice-cream machine, passing the finished article to Rudd to sell from a packing-case at one of the corners of the Diamond Market. The ice-cream was retailed at sixpence a wine-glass full...*

Initially all supplies in Kimberley came by ox wagon from Cape Town (six weeks) or Port Elizabeth (four weeks). Eventually railway lines were constructed from Cape Town and Port Elizabeth. The two lines joined at De Aar, which was finally connected to Kimberley in November 1885. Until then, passengers from Cape Town or Port Elizabeth had to take the train to the end of the railway line and then proceed to Kimberley by wagon. Vital supplies from overseas had to be shipped to Port Elizabeth, then taken by rail to the railhead and from there by ox wagon to the diamond fields. Ox wagon transport was very slow, expensive and unreliable because of the difficulties involved in watering and feeding the oxen. The most dramatic effect of the arrival of the railway in Kimberley was the drop in the prices of almost everything – the £24 a ton price tag on coal, for example, fell by almost 75%. In addition, the coming of the iron horse virtually solved Kimberley's transport problem.[59]

The growing depth of the shafts in the small claims posed a third problem at the diamond diggings. As the shafts deepened, they also widened. Soon they were separated only by a narrow earth dyke topped by a gravel pathway which was supposed to provide access to the other claims. This greatly augmented the danger of flooding and of shaft walls collapsing. It became essential to merge claims in an attempt to avoid shaft sides collapsing. The end result was the creation of the Big Hole which is the biggest man-made hole in the world.

In addition, the need for capital grew with the increasing depth of the open shafts. Expensive machinery was needed to bring the diamondiferous blue soil to the surface for screening and pumps were needed to get the water out of the workings. The result was that companies were formed to buy out the diggers, merge the claims, remove the separating walls and mechanise the operation.

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58. Quoted by Rotberg, *op cit*, p. 68
59. Railway construction is covered in detail in Learning Unit 14.

There were various attempts to prevent the elimination of small claim diggers by capital-intensive mining companies. In 1874 the diggers established the Kimberley Mining Board, which was to pump water from the shafts and keep an eye on the separating walls to prevent them from collapsing. The board levied fees on the diggers and spent a £0,5m in its efforts. But by 1883 it had all been in vain and the board became defunct.

An attempt was even made by the authorities to protect the rights of the small claim owner after Griqualand West was annexed in 1871. The Lieutenant-Governor, Richard Southey (1871–1873), introduced legislation to prevent the diamond claims of a large number of small diggers from passing into the hands of a few large companies. He limited to 10 the number of claims that could be owned by an individual or company. Although this protected the diggers against the companies, the other, less popular, side of Southey's policy was his support for the right of blacks to own claims. Unfortunately Southey's economic and race policies failed because of the lack of funds and power. Many diggers ignored his ordinance and sold their claims to large companies. Moreover, the British Colonial Secretary withdrew Southey's ordinances because they impinged on the economic freedom of the individual. From the start the majority of white diggers refused to allow blacks to own any claims. Blacks were to be employed only as unskilled labourers. The last African claim-holder at Dutoitspan lost his claim in 1883. The big companies continued the policy of employing blacks as unskilled labourers only. In this way modern capitalism in South Africa followed the same racial labour lines as early capitalism.

Southey's policy of allowing the free sale of guns to Africans in order to attract as many labourers as possible was highly controversial because the governments outside Griqualand West prohibited the sale of guns and ammunition to Africans. The wars of the Bapedi (1876–1879), Zulu (1879) and Basuto (1880) against the whites were fought with guns from Kimberley.

The development of the diamond fields had important political and economic repercussions which caused problems for both the Transvaal and the Orange Free State.

10.2.2 The Transvaal diamond fields

Diggers rushed to the diamond fields at Klipdrift in 1870. On 31 August 1870, President M.W. Pretorius (1858–1860, 1863–1871) of the Transvaal, annexed the area between the Vaal and the Harts Rivers. This manoeuvre failed when the diggers expelled the Transvaal magistrate and proclaimed their own republic.

The Cape governor, Henry Barkly (1870–1877), then intervened and prevailed upon Pretorius to accept the arbitration of Lieutenant-Governor Robert Keate (1867–1872) of Natal as to who should exercise authority over the area on the western frontier of the Transvaal. British agents of the Griqua chief, Nicolaas Waterboer (1852–1878), and some of the Batlapin and Koranna chiefs appeared before Keate with their claims. Pretorius was ill-prepared and defended his case so badly that Keate had no option but to award the Klipdrift area with its diamond fields to Waterboer, and the remaining disputed area between the Vaal and Harts Rivers to the Batlapin and Koranna.

Keate’s award incurred the wrath of the Volksraad, which informed Pretorius that it had not authorised the arbitration, it would not accept Keate’s award and he was to resign as president. And so the diamond fields question brought to an end Pretorius’s political career.

Soon afterwards the British government annexed Waterboer’s territory, as well as the diamond fields claimed by the Transvaal and the Free State, and the Klipdrift republic ceased without offering any resistance.

10.2.3 The Free State diamond fields

In 1870 the president of the Orange Free State, J.H. Brand (1864–1888), laid claim to the area embracing De Beers New Rush and its surrounding diamond mines. The claim was disputed by Waterboer whose interests were astutely handled by David Arnot, a Colesberg attorney. Brand appointed Olof Truter as magistrate at Pniël for the diamond diggers who accepted the Free State claim. On Arnot’s advice, Waterboer sought the protection of the British government which immediately declared Waterboer’s territory a British protectorate, annexed the diamond fields, expelled Truter and intimidated the Free State by sending 1 000 Cape police to the disputed territory in 1871.

Brand refrained from an armed conflict but turned down Barkly’s proposal of arbitration because he wanted a non-British arbitrator. Eventually Griqualand West was declared a Crown colony in 1871 and annexed to the Cape in 1880.

Brand, well-versed in law, continued his claim by legal means. In a civil case before the Cape Supreme Court in 1876, Waterboer’s claim to the diamond fields was annulled. The British Colonial Secretary, Carnarvon, thereupon offered Brand compensation. In 1876 Brand accepted a lump sum of £90 000 from the British government as well as a further amount of £15 000 which was to be spent on railway construction within five years. The £15 000 was never paid because five years later there was still no railway line between the Free State and the Cape Colony, mainly as a result of opposition from the Free State transport riders who feared the competition of a railway line.

With the annexation of Griqualand West, the British Government openly abandoned its policy of nonintervention in the affairs of the independent Boer republics. A new phase of intervention by the British government started which was part and parcel of the British neoimperialism that reared its head in 1870.

The motives that prompted Britain’s intervention in remote, barren Griqualand West were:

(1) The Cape Colony had undergone a severe economic depression between 1865 and 1870. Cape officials and commercial interests regarded the diamond fields as a large new lucrative market and insisted on its annexation. The move was spurred on by the opening of the Suez Canal in 1869 which caused Cape merchants to fear a reduction in the trade passing the Cape.
(2) Revenue from the diamond fields would enhance the wealth and strength of the Boer republics, making them less dependent on the British coastal colonies. The solution was to prevent them from getting the diamond fields.
(3) The British government was against leaving the diamond diggers, a seething, rebellious community, under the control of either the poorly-administered Boer republics or the digger republics. It wished to have them under British control so that law, order and peace could be maintained. This same aim later gave rise to British interference in the *uitlander* problem on the Transvaal goldfields.
(4) Kimberley is situated on the route to the north (the "missionary road" or trading route to Matabeleland and Mashonaland) which passes close to the western borders of the Boer republics. The route had to remain under British control to preserve the possibility of British expansion northwards.

The discovery and mining of diamonds at Kimberley had far-reaching political and socio-economic consequences.

10.2.4 Political consequences of the discovery of diamonds

(1) The development of British neoimperialism was accelerated.
(2) The vaguely-defined western frontiers of the Boer republics were shifted eastward which meant that the republics lost land.
(3) The Free Staters became very bitter about the annexation of the diamond fields and the earlier declaration of a British protectorate over Basutoland (1869), which saved the Basuto chief, Moshoeshoe (1823–1870), from certain defeat at the hands of the Free State commandos. In retrospect, the British annexation of Basutoland and Griqualand West was in fact advantageous to the Free State because it placed the substantial burden of administration and maintaining peace and order on the shoulders of Britain and her colonies rather than on the penurious Free State.

Prior to 1871, the Free State was more closely allied to the Cape than to the Transvaal. Economically, the Free State depended on its imports and exports moving via Port Elizabeth. In 1858 it was even prepared to join a political federation with the Cape Colony. But at that time the government in London was in its non-imperialistic phase and was opposed to any kind of federation. The loss of the diamond fields caused the Free State increasingly to turn away from the Cape towards the Transvaal. The first step was the Treaty of Friendship between the Free State and Transvaal in 1875.

10.2.5 Economic consequences of the discovery of diamonds

(1) The sudden crowding of 50 000 people into Kimberley and its environs created a massive market for agricultural products such as maize, wheat, fruit, vegetables, wine, brandy, meat, dairy products, eggs and firewood. Farmers in the Cape, Transvaal and especially the Free State profited from this as the prices of their products and farms rose appreciably.

(2) A sizeable demand developed for transporting people and products from the coast to the diamond fields. Transport riding had always provided the Boers with an important source of extra revenue. They carted wheat, maize, skins and hunting products by ox wagon to Durban and Port Elizabeth. After 1870 they transported large quantities of goods between these ports and Kimberley. Many farmers who could only eke out an existence on their farms began to earn a reasonable income from transport. The never-ending demand for goods in Kimberley gave a strong impetus to railway construction from the coast. Telegraphic communication was established first because a telegraph line was far simpler and cheaper to construct than a railway line. The telegraph line from Cape Town to Kimberley was completed In 1876. A telephone line was completed in 1882 and the railway line from the Cape harbours reached Kimberley in 1885.

(3) For the first time there was a substantial inflow of foreign capital into South Africa. It was invested mainly in the diamond mines, the railways and the telegraph and telephone networks. Before 1870 the coastal colonies, and, even more so, the Boer republics had been able to negotiate loans in Europe only with considerable difficulty and at high rates of interest. After 1870 they were able, without much difficulty, to borrow large amounts on the London capital market at the current rate. Most of the capital raised overseas was used for railway construction.

(4) In 1879 diamond exports exceeded those of South Africa’s major export, wool, for the first time and went on to boost the region’s export earnings.

(5) The diamond-mining companies earned large profits which, from 1886 onwards, were partly reinvested in the Witwatersrand goldfields, other Cape and Transvaal enterprises and later in Rhodesia (via Rhodes’s chartered company).

(6) Diggers, mine owners, financiers and technicians gained considerable experience on the diamond fields, which stood them in good stead later when tackling the more formidable problems of the Witwatersrand gold mines. The gold-mining magnate, Sir George Albu (1857–1935), once said that Kimberley was really the Alma Mater and the nursery of Johannesburg.

(7) Diamond mining introduced South Africa to world capital markets as an attractive field for investment. Subsequently these markets quickly became involved in Transvaal gold mining.

(8) The revenues of the governments of the Cape and the Free State rose appreciably after 1870 and their poor financial positions improved rapidly.

(9) Ironically, the political loss of the diamond fields, which did not disturb the economic advantages they yielded, heralded a period of quiet development and prosperity for the Free State, in sharp contrast to subsequent developments in the Transvaal. Under Brand’s able leadership, the Free State de-

veloped into a model state and for the next 30 years it was untroubled by the problems that might have beset it had the diamond fields been part of its domain.

10.2.6 Social consequences of the discovery of diamonds

The social consequences of the discovery of diamonds were no less revolutionary than the economic repercussions.

(1) For the first time large-scale urbanisation made its appearance in the interior of South Africa. Before this, the hinterland had been truly agricultural. Immigrants had become farmers, artisans and traders and had been dispersed throughout the platteland and its small towns. Suddenly a large concentration of people settled on the diamond fields. Soon the mining camps developed into bustling towns which were entirely different from the peaceful rural towns. Although there were many moderate, frugal and honest miners, in general there was much liquor abuse, prostitution, gambling, theft, smuggling and even murder.

Most of the diggers were foreigners from English-speaking countries and were soon frustrated by rural conservatism and the inevitable shortcomings of the local administrative machinery which could not cope with the needs of a wholly different type of community. As in the mining regions of North America and Australia, discord arose between the new mining population and the established agricultural population. In South Africa, it revolved around the prices of agricultural products, taxes, public works and the control of the administration.

(2) For the first time African and Coloured migrant workers came from far and wide to seek employment on the mines for a few months to earn money before returning to their homes. This, then, was the start of a process which ultimately led to detribalisation.

Although many of the whites in the mining towns were highly paid skilled miners and technicians from all over the world, there were some who worked as labourers. They were usually better paid than blacks because most of them had had experience as labourers or "navvies", whereas most blacks were initially not experienced labourers. In addition, the traditional differential between white and black wages, that already existed in agriculture and the trades, was perpetuated in mining. The position was aggravated by the scarcity of skilled workers (usually white immigrants) which drove white wages up even further. The gradual emergence of skilled black workers led to the development of trade unionism among white skilled workers as a means of protecting their position.

10.3 THE SECOND PERIOD: The amalgamators 1875–1888

The first phase of diamond production ended with the first diamond crisis in 1875 when the price of diamonds collapsed. This also marked the end of the golden age of the small claim diggers who gave way to the ever-expanding mining companies. This transition was the result of technical and economic necessity.

10.3.1 Technical necessity

The diggers had to sink their shafts to ever greater depths with a consequent narrowing of the roadways between the shafts. With the increasing need to mechanise, diggers who had capital began establishing companies to buy up unworkable claims on a large scale. They would then remove the walls separating one claim from the other and dig to an even greater depth with their new machines.

10.3.2 Economic necessity

Although the demand for diamonds is universal, it is inelastic, thus if the price of the precious stones declines, the demand does not increase – in fact, it is more likely to fall. Diamonds are classified into two classes – gem diamonds for jewellery and industrial diamonds for mining and industry. During the 19th century the demand for gem diamonds constituted the bulk of the demand. When prices fell, demand often declined because diamonds were usually an investment and investors switched to other more stable items, such as land or antiques. If the price of industrial diamonds falls, demand by users is unlikely to increase. It is therefore of paramount importance for diamond producers and sellers to control the supply of diamonds so as to avoid large price fluctuations that could ruin the industry.

10.3.3 The rise of the diamond magnates

In about 1875 Kimberley woke up to the idea of obtaining a monopoly of both the mining and the sale of diamonds. At that time South African diamond exports were substantial compared with other diamond-exporting countries such as Brazil and India. In 1875 the price for diamonds fell considerably, which gave the necessary impetus to the implementation of a monopoly.

At the same time a new type of modern capitalistic entrepreneur appeared on the South African scene. With dramatic suddenness South Africa found itself in the forefront of world developments. The new entrepreneur was the company amalgamator-financier. "The most compact exposition of capitalist finance is contained in the recent history of South Africa", wrote J.A. Hobson in 1906. He and his contemporaries, Thorstein Veblen in the USA and Werner Sombart in Germany, published classic theses on the entrepreneurial types.[60]

Sombart defined three types of entrepreneur: The inventor-technician who prefers to produce or improve upon products and production methods; the trader who prefers to seek, create or expand new buying or selling markets; and the promoter-financier who establishes enterprises or unites them into stronger combinations and provides the capital for enterprises he wishes to establish or merge.[61]

The third type of entrepreneurial activity became particularly prominent with the rise of modern capitalism.[62] Its name, *Effektenkapitalismus*, is by no means fortuitous. Hobson devotes chapter 10 of the above-mentioned book to this type, and refers to examples from the USA and South Africa. Because of the appreciably increased optimum size of enterprises, the financing and organisation function became increasingly important in relation to other functions (e.g. technical/production, commercial and labour). The promoter-financier acts as liaison or mediator between the enterprise and the sources of capital. These sources were represented by the old, large banking houses (in the 19th century Rothschild, Henry Schroeder and Baring Brothers in London and Paris), or the stock exchange. By issuing stocks and shares a public company attracts both wealthy individuals and small investors. Despite the freedom of every investor to buy shares, the public company is no more democratic than a private company, where the shares remain in the hands of the people who control the company. The shareholders in a public company have virtually no influence and in most cases do not want any because they know they are not experts in that particular field. They are interested only in the dividends and yields on the shares they own. Hobson actually calls shareholders "a great capitalistic proletariat". He also gives a detailed account of the fairly common practice whereby promoter-financiers establish companies in which they claim large parcels of shares for their services. The promoter then arouses false hopes for high profits and yields, which drives the price of the share up. Then he sells his shares at a large profit before the bottom falls out of the market and the excellent results predicted are proved to have been fabricated. Hobson based his analysis on companies established in the USA and South Africa.[63]

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60. J.A. Hobson, *The evolution of modern capitalism. A study of machine production*, London, 1906, especially chapter 10: "The financier" – the quotation is from the 1919 edition, p. 265. T. Veblen, *The theory of business enterprise*, New York, 1904; W. Sombart, "Capitalism", *Encyclopaedia of the Social Sciences*, 3, New York, 1948, pp. 203–04.
61. "The financier's important activity is the creation and accumulation of capital by technical manipulations in the stock market. His appropriate milieu is the capital market and his creative powers are expressed in the promotion of new companies or mergers, holding companies and other financial aggregations. His tendency is towards monopolisation of power" – Sombart, *op cit*, p. 204.
62. "Small financiers, as usurers and moneylenders, have at all times lived upon the irregularities and misfortunes of the farming, artisan and small trading classes. But not until the development of modern industrial methods required a large, free, various flow of capital into many channels of productive employment did the financier show signs of assuming the seat of authority he now occupies in our economic system" – Hobson, *op cit*, p. 235.
63. Hobson, *op cit*, pp. 239–51.

Of course, it is true that during the mining revolution there were promoters who established bogus companies. But in general Hobson is overcritical of South African promoter-financiers. The most able of them, Alfred Beit (1853–1906), shunned all questionable promotional tactics and saw to it that his companies had a solid footing. He did not publish prospectuses to entice the public to buy shares. He himself provided the initial capital and offered shares to the public only when the companies became profit-earning and could pay out dividends. The shareholders were informed monthly about the progress of their mines and no rosy predictions were made by the directors. In short: "It was a complete revolution in mining finance".[64] Through his example, Beit forced the other mining companies to follow similar honest and open policies.

Who were the men who controlled the second period in the South African diamond exploitation? Who cooperated to establish a single company which obtained a world monopoly? Who moved to the Rand goldfields where they found a new and fertile sphere for their activities? Who withdrew from business life to enjoy another type of life?

Some of them became well known. Among these Cecil Rhodes (1853–1902), Barney Barnato (1852–1897), Sammy Marks (1843–1920) and J.B. Robinson (1840–1929) are the most famous – others were less interested in publicity and seldom if ever attracted general attention, though their contributions were no less important. The latter included Charles Rudd (1844–1916), Alfred Beit, Jules Porges (1838–1921) and Julius Wernher (1850–1912). They found one another among the thousands of diamond-miners and traders in Kimberley, amassed wealth and made history together. Most of them were young and poor. Under difficult circumstances they made careers for themselves on the South African diamond fields. Their backgrounds were quite different. Some, such as J.B. Taylor (1860–1944) and J.B. Robinson, were South Africans. But most of them came from Britain, Germany and France – a few from the USA. The British were descendants of all the classes except the nobility. Rhodes was the son of a parson, Rudd was the son of a shipbuilder and the Barnato brothers were cockneys from the East End of London. The Germans and French were invariably highly trained. The business talents of these men were exceptional and they found it easy to adjust to the South African way of life.

The second diamond period developed in the following way: The young entrepreneurs used the capital they had accumulated through their business talents to buy up miners' claims – more and more diggers were giving up hope and selling their claims. The emerging entrepreneurs established companies to control their expanding claim ownership. Subsequently they merged these companies and claims, one by one, to economise on costs and to control the mining and selling of diamonds. Rudd and Rhodes received additional financial assistance from Beit. Beit was the South African representative of the diamond firm of Jules Porges and Julius Wernher, which received monetary backing for the amalgamation of the Kimberley companies from the great Rothschild international banking

64. P.H. Emden, *Randlords*, London, 1935, p. 160.

house. The most successful negotiations for mergers were conducted by Rhodes. This is why he was often referred to as the Great Amalgamator. J.B. Robinson was too independent to join Rhodes's combinations and was forced out of the diamond business as a result. He never forgave Rhodes for this. The last person to agree to a merger was Barney Barnato. He did not join Rhodes and Beit in the De Beers Company until 1888, and when he did, it was for a very high price. Thereafter De Beers Consolidated Mines dominated the diamond industry.

Two sets of circumstances hastened the ousting of the claim diggers by the companies. The first was the diamond crisis of 1881 which was a severe blow to the South African economy. It was precipitated by the rapid rise in output and the consequent decline in the price of diamonds; the general business optimism prevailing in the country as a result of diamond mining; and excessive extension of bank credit by young and relatively inexperienced bank managers. The resulting drop in the price of diamonds caused many a digger to sell his claims to the companies in Kimberley and leave the diamond fields altogether.

The second was the conversion from open shafts (open mining) to underground mining after 1883. The small diggers could not produce the large amount of capital required to make the conversion. As a result they were forced out of the industry.

Once the production of diamonds had become a De Beers monopoly, sales had to be similarly monopolised. Thus the Diamond Syndicate was established in London to buy the precious stones from the mining companies and put them up for resale. Although the two monopolistic organisations were closely linked to each other by means of interlocking directorates, this measure failed to merge the production and selling monopolies into one organisation, because, from time to time, new diamond producers would appear on the scene. In many cases De Beers was forced to engage in lengthy negotiations before it could gain control of these competitors.

10.3.4 The compound system

Accommodation for African labourers on the diamond mines underwent a radical transformation during the diamond industry's second phase. In the early years of the diamond fields, when African labourers were still employed by individual diggers, they were free to come and go as they pleased. Without proper accommodation, they had to make do with rude shelters on the outskirts of the mining camps. In the 1880s the compound system was introduced for African workers as a means of curbing illicit diamond buying (IDB) and drunkenness. The compounds were enclosed by high walls and covered by nets to prevent diamonds being thrown out. The workers had to pass through a guarded gate which was connected to the pit-head by a fenced walkway. When returning from a day's work, they were searched for diamonds.

On the positive side, the compounds helped control IDB and provided the migrants with proper accommodation, regular food, medical treatment and the opportunity to learn to read and write in their spare time. On the negative side, the compound system severely restricted workers' movements and in a sense led to forced labour because the workers could not leave their employers at will. The practice also destroyed employment opportunities for free blacks on the diamond mines, perpetuated the migrant labour system and effectively divided unskilled from skilled labour, which lessened the likelihood of an alliance between the two groups. By 1889 the compound system had become entrenched and mining management had decided that there was no room for a free, settled African labour force in the industry. The effectiveness of the compound system led to its adoption on the gold mines of the Witwatersrand.

10.4 THE THIRD PERIOD: The monopolists 1888–1914

The third phase in the South African diamond-mining era began in 1888 with the establishment of De Beers Consolidated Mines as a monopolistic concern. By this time the centre of South Africa's economic development had definitely shifted to the Witwatersrand goldfields. Most of the talented young entrepreneurs had already moved from Kimberley to look for new riches in Johannesburg.

After 1888 De Beers struggled continually to maintain the monopoly of production by gaining control of the new producers who appeared from time to time. Most of the new competitors produced alluvial diamonds. The only new kimberlite mines were the Premier Mine (1903) near Pretoria, the Williams Mine (1940) in Tanganyika and the Finsch Mine (1958) near Postmasburg.

The first serious challenge to the De Beers diamond monopoly came in 1903 when Thomas Cullinan (1862–1936) established the Premier Mine near Pretoria as a joint undertaking with the Transvaal government. This open mine produced many diamonds and some very large ones, including the world's largest diamond, the 3 106 carat Cullinan diamond found in 1907. Within a few years of its founding, the output of the Premier Mine approached that of Kimberley, but Cullinan refused to put any limitation on sales. Not until 1914 did he come to an agreement with De Beers regarding the control of production and sales.

The second challenge came in 1908 when diamonds were discovered in the deserts of German South West Africa. This discovery provided the arid and poor territory with a rich source of revenue. Together with gold and oil, diamonds are the ideal export commodity for remote areas because of their high value per unit mass and the fact that they are easily transported. In 1914 De Beers concluded a production agreement with the German producers. In 1915 during World War I, South African forces captured German South West Africa. The government took control of diamond mining and entered into an agreement with De Beers to limit output.

The third challenge came from science. In 1906 the French swindler, Lemoine, claimed he could manufacture synthetic diamonds chemically. Wernher, Beit and their partner, Breitmeyer, paid £60 000 for his feigned secret before he was exposed – even astute businessmen are not exempt from fraud. The exposure did, however, hold the threat of synthetic diamonds at bay for a time. It was not until a quarter of a century later that synthetic diamonds were actually produced and sold.

In addition to all these assaults on the De Beers monopoly, diamond sales were adversely affected by the 1907 financial crisis in the USA, which was the world's largest buyer of diamonds. Shortly after recovery from this setback, World War I broke out in 1914 and the diamond mines were practically inactive until they resumed production in 1916.

There is a comparison of diamond and gold mining in South Africa at the end of the next learning unit.

LEARNING UNIT 11

The mining revolution comes of age: Gold on the Witwatersrand

TOPICS

KEY ISSUES

- The discovery of gold.
- The development of the gold-mining industry.
- The economic, social and political impact of gold mining.

LINKED ISSUES

- The role mining played in developing the South African economy.
- The economic impact of the discovery of gold compared to the earlier discovery of diamonds.
- Backwardness of agriculture until the 19th century.
- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Railway development.
- South Africa advanced politically by disasters and economically by windfalls.
- Economic consequences of the Great Trek.
- The *Mfecane/Difaqane*'s long term impact on South African economic development.

11.1 INTRODUCTION

In 1886 the South African economic stage was set for gold to surpass diamonds in importance. The discovery of gold on the Witwatersrand was not a stroke of luck as the discovery of diamonds had been. For centuries the Africans of the eastern Transvaal had worked and traded in gold that they had recovered from the beds of local streams and rivers. But it was only with the coming of the white man that these riches were exploited to their full potential. Prospectors searched various parts of the Transvaal for decades, with varying degrees of success, before the richest prize of all was discovered on the Witwatersrand.

11.2 THE SEARCH FOR GOLD

There was a determined search for gold in the Transvaal during the second half of the 19th century. Many of the early prospectors used the workings of ancient metal smelters to guide their search. Some finds were moderately successful while others were bitter disappointments.

(1) There was a rush to the Tati River after the German geologist Karl Mauch (1837–1875) reported gold there in 1867, but it was not found in any significant quantities. In 1868 the Transvaal government under President M.W. Pretorius reversed an earlier policy of not encouraging the exploitation of goldfields because the government felt itself more stable and better able to handle the situation. As a result foreign prospectors were welcomed and even offered rewards for any discoveries.

(2) In 1871 quartz and alluvial gold were discovered at Eersteling near Potgietersrus,[65] which sparked off renewed interest in Transvaal gold and resulted in the promulgation of the first Transvaal Gold Law (Act Nº 1 of 1871) which regulated the control and management of areas in which gold had been discovered. The Eersteling mine was never a paying proposition and yielded only about 300 oz of gold between 1872 and 1875.

(3) During 1873 alluvial gold was found at various spots in the Lydenburg district, especially at Pilgrim's Rest and Sabie. These finds caused a rush of gold-diggers, sanctioned by the Transvaal government which desperately needed the revenue it would derive from any finds. From 1873 to 1876 hoards of prospectors feverishly explored one stream after another for alluvial gold. The results were good, but the alluvial gold gradually petered out. In desperation the Transvaal government withdrew the public rights to the Lydenburg goldfields and awarded the mining rights to a few selected, well-capitalised companies or individuals to exploit the large deposits of quartz gold known to be in the district. This move forced the individual diggers to prospect for gold further south towards the Crocodile River.

(4) Quartz gold was discovered in the De Kaap Valley in 1882 and the Transvaal was established as one of the world's premier gold producers. When Graham Barber detected gold in a white quartz reef in 1884, the centre of the De Kaap goldfield moved to Barberton which sprang up virtually overnight. The most sensational discovery was made in 1885 when the fabulously rich Sheba Reef was discovered a few kilometres from Barberton.

65. Present day Mokopane.

11.2.1 Gold discoveries at Lydenburg

The prospectors who found gold at Eersteling in 1871 also discovered deposits at Pilgrim's Rest and Sabie near Lydenburg. Because it was alluvial, there was no need for large amounts of capital for mine shafts and stamping machines. In 1873, the Volksraad proclaimed the first goldfields and opened up the Pilgrim's Rest area to claim diggers, the majority of whom came from overseas.

The Lydenburg goldfields were a disappointment to the Transvaal government because:

(1) The annual gold output of about £350 000 in the initial years was too small to stimulate any significant economic development.
(2) Prior to 1877 the state derived no worthwhile net income from the goldfields. Revenue consisted of monthly diggers' licences and trading licences which brought in less than the expenditure on official salaries and items such as road maintenance.
(3) There were many malcontents among the miners who were forever complaining that their interests were being neglected and that the government's administration of the goldfields left much to be desired.

The behaviour of the rebellious digger communities at Klipdrift diamond fields in 1870 and at Pilgrim's Rest between 1873 and 1877 strongly influenced the Transvaal government's subsequent attitude towards mining. After the discovery of gold on the Witwatersrand in 1886, the government decided that the new goldfields should make a more substantial contribution to the exchequer and that the *uitlanders* of the mining towns should be denied political rights and granted the vote only after a long period of residence.

11.2.2 The discovery of gold at Barberton

The Transvaal republic had hardly been reinstated after the First Anglo-Boer War (1880–1881) when gold was discovered in the eastern Transvaal at De Kaap Valley. It seemed that this would give the Transvaal the stimulus it needed for economic development and prosperity. More quartz gold than alluvial gold was found which meant that its exploitation was more suited to mining companies than individual diggers. A large number of companies were established but most of them were purely speculative and based on superficial finds or even "salted" claims – sites where gold had been planted. A stock exchange was set up in the newly established town of Barberton and speculation in local gold shares became rife.

The truth about Barberton was only revealed when the batteries began crushing ore. Share prices plummeted, most of the mining companies were liquidated, the exchange was closed and Barberton became a ghost town. A few mines subsequently produced gold and even paid very good dividends. They included the famous Sheba mine, discovered in May 1885. But the "bubble Barberton boom" gave South Africa a bad name amongst foreign investors who, later on, were hesitant to invest in the Witwatersrand gold mines.

Despite the speculative nature of the De Kaap goldfields, in output they were second only to the Witwatersrand. Between 1885 and 1899 they produced about 900 000 oz of gold which fetched over £3m. The Transvaal government derived considerable financial benefits from the De Kaap goldfields in the form of licences and excise duty – about £50 000 in the first quarter of 1887 alone. In addition, millions of pounds of local and foreign capital were attracted to the region to develop the mines. Much experience was gained in improving mining techniques, management and financing, which all later proved invaluable on the goldfields of the Witwatersrand.

11.3 THE RISE OF THE WITWATERSRAND

The history of gold mining on the Witwatersrand can be divided into the following periods:

(1) 1886–1890, outcrop mining which ended with the first gold crisis of 1889/90.
(2) 1890–1914, deep-level mining, the establishment of mining houses and the events that led up to the Anglo-Boer War and its aftermath.
(3) 1914–1922, fall in gold output because of World War I, increasing production costs which culminated in the Rand Rebellion.
(4) 1922–1932, slowly rising output.
(5) 1932–1941, rapidly-rising output influenced by the higher gold price that followed the worldwide abandonment of the gold standard.
(6) 1941–1952, stagnant production because of the war and post-war inflation.
(7) 1952–1960, record growth in output because of the 1949 increase in the gold price, the opening up of the Free State goldfields and the demand for uranium.

The first documented gold strike on the Witwatersrand was made by P.J. Marais as early as 1853, but it was alluvial gold and proved to be unprofitable. For many years prospectors continued the search for gold on the Witwatersrand but found nothing because they were looking for alluvial gold. Despite this, they unknowingly came closer, step by step, to the gold-bearing ridge. Between 1876 and 1885, quartz gold was discovered on numerous farms just to the north of the Witwatersrand. The first gold mine began operations at Kromdraai in 1884, just north of present day Krugersdorp. Although Kromdraai failed to live up to expectations, it did put the Witwatersrand on the map.

Shortly afterwards the Struben brothers discovered a rich quartz vein in the same district and in 1885 erected the first ore crusher on the Witwatersrand. To prevent the chaos of the early diamond and goldfields, the Transvaal government passed a Gold Act in 1885 to protect the rights of landowners and ensure the orderly establishment of any new goldfields. Meanwhile prospectors on the

Witwatersrand continued looking for quartz gold – it did not occur to anyone to mine conglomerate. However, although the first results were disappointing, the stage had been set for the discovery of the Main Reef.

The Main Reef itself was discovered at Langlaagte in 1886 by an Australian digger, George Harrison. He was on his way to the Barberton goldfields but had been obliged to stay over on the Rand to earn some money as a builder's labourer. He noticed traces of gold in the stone being used for building and he staked his "zoekers claim" – the free claim given to the discoverer of a new goldfield. Harrison did not earn great wealth from his discovery and disappeared after selling his claim for £10.

11.3.1 The starting period 1886–1890

In the year following the proclamation of the Witwatersrand goldfields, the Rand mining industry was dominated by local Afrikaans prospectors and diggers. In 1887 two-thirds of the registered leaseholders were Afrikaners. But they did not exploit the gold. They preferred to hold on to the land and sell it to the speculators who streamed to the Witwatersrand from all over. The practice of merely exposing the gold reef before selling the claims led to hectic speculation in claims, with little regard to their actual gold yield potential.

It is not surprising that the Kimberley magnates soon entered the scramble for claims. As soon as Harrison's discovery became known, J.B. Robinson travelled from Kimberley to the Rand to buy up claims. He had been elbowed out of the diamond business because he had not wanted to join Rhodes in his De Beers venture. Alfred Beit had loaned him £20 000 to buy gold claims on the Rand for their joint account. Robinson's arrival on the Rand heralded the intervention of the big capitalists in the gold-mining industry. Although Robinson knew very little about gold reefs, he bought up many claims, took chances and succeeded because of his business acumen, luck, and his knowledge of Afrikaans which enabled him to negotiate with the local farmers. He acquired some of the richest claims and his Robinson Gold Mining Company became the biggest private undertaking on the Rand.

The time was ripe for the diamond magnates to invest their substantial wealth in gold because the De Beers amalgamation drive, orchestrated by Rhodes, was well under way and there was little scope for further expansion at Kimberley. Beit, for example, sent H.L. Eckstein (1847–1893) and J.B. Taylor to the mining camp at Johannesburg and in partnership with them made an enormous fortune. In 1893 they formed a mining house, Rand Mines (known as the Corner House after its headquarters building), which became the largest on the Rand.

Rhodes and Rudd, however, were more hesitant because they had been advised that the Rand gold yields were little better than those at Barberton. Once this had been proved incorrect, however, they soon caught up with Robinson and in 1887 they formed Gold Fields of South Africa Limited with a share capital of £250 000.

By 1890 virtually all the farms on the Witwatersrand were in the hands of mining capitalists. It was clear from the outset that there would be no room on the Rand for the small miner. Only heavily-capitalised companies with heavy machinery and shaft sinking equipment would be able to extract gold. The gold was undoubtedly there, but the gold content of the Rand reefs was much lower than the Eastern Transvaal reefs. This meant that enormous quantities of ore would have to be mined and crushed. The capital requirements of gold mining were therefore high and constantly rising. This created a general trend towards company amalgamation as a means of coping with these needs.

The capital for the initial working of the Rand mines was drawn from throughout South Africa, with most of it coming from Kimberley and the developing mercantile centres. Rhodes's Gold Fields of South Africa Limited was the only early concern floated in London. The close links between South African capital and the Rand are evidenced in the names of the early mining companies: Tarka Pioneer, Paarl Pretoria, Paarl Ophir, Cradock, Worcester and Grahamstown. The massive capital requirements of deep-level mining, however, prompted the mining companies to turn to overseas capital, most of which came from Britain.

Because there were few Africans living in the immediate vicinity of the Witwatersrand, the mining companies were forced to use migrant African labourers. By 1889 there were 14 000 employed on the mines. Because the compound system had proved itself for the mine owners on the Kimberley diamond fields, it was adopted on the Witwatersrand as well.

For the first few years mining on the Rand was restricted to shallow outcrop mining of the claims along the main reef simply because it was believed that gold did not occur any deeper. As long as the diggings remained at less than about 10 m, the mining companies were able to extract enough gold from the conglomerate to make a fair profit using relatively unsophisticated extraction methods. Stamp batteries were used to crush the ore, and the tried and tested, but relatively inefficient, mercury process was used to extract the gold – only about 70% of the gold was in fact recovered.

A period of wild speculation followed the initial Rand gold discoveries, following the precedents of copper in Namaqualand, diamonds in Griqualand West and gold in Barberton. Numerous fly-by-night companies were established and share prices were inflated to such a degree that confidence disappeared and a serious stock exchange and banking crisis followed. Just as there had been a copper crisis in 1854 and a diamond crisis in 1881, a gold crisis was practically unavoidable on the Rand.

In 1889/90 the outcrop mines reached the limit of the conglomerate and hit a bluish layer of pyrites. Panic broke out when it was realised that the mercury process was no good for extracting gold from the pyrites. Shares were dumped, companies went bankrupt and mine after mine closed down. The general cause of the first gold crisis was, of course, excessive speculation but it was aggravated by the Barings banking crisis in Britain, which seriously inhibited the extension of British credit to South Africa. The depression was nevertheless of short duration because the business cycle was already beginning to swing upward in 1890.

Unfortunately few people were aware at the time of the crisis that a chemical process for extracting gold from pyrites had already been patented in Britain in 1887. A very simple process had been devised by the Scots, Robert and William Forrest and John Macarthur. Gold in any type of ore can be dissolved in a solution of potassium cyanide (KCN). It is then recovered by being precipitated on zinc shavings. This process yields about 90% of the gold in the ore and it saved the Rand's gold mines. Ironically, no-one in Johannesburg knew about the Forrest-Macarthur process until a Barberton syndicate discovered that a patent for it had been taken out and tested it. By 1892 the process was being used by all the gold mines.

The second event that helped lift the Rand gold-mining industry out of the depression was the change to deep-level mining. Soon the shafts of deep-level mines were being constructed and the gold output showed a spectacular increase. Elsewhere in the world few mines had reached greater depths. With every passing year it became necessary to penetrate deeper and deeper, and it was this necessity that brought about the steady development of deep-level mining technology.

11.3.2 Deep-level mining 1890–1914

The international recession between 1875 and 1895 was one of the reasons why the Witwatersrand obtained so much capital and so many mining engineers and skilled mine workers from so many countries in such a short time. These factors of production were underutilised in Europe and North America at the time and were therefore on hand to be deployed in South Africa at a time when deep-level mining was coming into its own.

Capital in unheard of amounts was required for the deep-level mines. Because there was insufficient local capital for the transition from outcrop to deep-level mining, British bankers and investors had to step into the breach. Large amounts of German and French capital were also invested in the gold mines at Johannesburg but usually via British gold-mining houses and the London Stock Exchange.

Apart from capital, large numbers of skilled and unskilled mine workers were also required in the deep-level mines. Because South Africa's industrial development was at a rudimentary stage, skilled workers were scarce and skilled miners virtually non-existent locally. The gold mines, however, could pay such high wages that miners immigrated to the Witwatersrand from all over the world.

They formed the first large group of skilled white workers in South Africa and soon developed a group solidarity and organised trade unions. They adopted a defensive attitude to the unskilled, lower earning African miners on the one hand, and their employers, the mining companies, on the other. Trade unionism in South Africa dates from the advent of deep-level mining on the Witwatersrand

Up to World War I, the world price of gold was fixed because of the Gold Standard. For the low-grade Witwatersrand ores to remain profitable, it was therefore important to reduce mining costs. Labour was the only area where this could be done.

The deep-level gold mines were just as dependent on unskilled African labour as the diamond and outcrop mines. Initially the labour needs of the gold mines were met by a partial diversion of the flow of migrant workers to Kimberley. As it was, the Rand was more accessible to the areas that were the major suppliers of labour such as Mozambique and the northern Transvaal. However, the advent of underground mining and the upswing in the gold-mining industry after 1890 caused a shortage of African workers by 1895. The practice whereby each mine sent competing recruiting agents out to encourage men to the individual mines created more problems than it solved.

The shortage of African labour thus became the first issue on which the mines cooperated. In 1893 the Chamber of Mines established the Native Labour Department which recruited workers in the Transvaal and Portuguese East Africa for all member mines. This meant that there was a monopsony (demand monopoly) of mine labour. But the labour shortage remained acute and in 1896 the Native Labour Department was converted into an independent body called the Rand Native Labour Association which extended its sphere to the whole of southern Africa. J.B. Robinson was the only mining magnate not to join this scheme. The new arrangement achieved satisfactory results and the number of African mine workers on the Reef grew from 14 000 in 1889 to 97 000 by 1899. The mining industry's united front on labour recruitment meant that wages could be cut to boost profitability. The introduction of the 1895 pass law, requiring each African in the mining districts to carry identification, was the first step by the state to undermine the freedom of the labourer. In conjunction with the Master and Servants Act, the pass law also made desertion and labour poaching between mines more difficult.

With the outbreak of the Anglo-Boer War in 1899, the gold mines closed until 1901. When they reopened the cost of African labour was singled out for drastic reductions and reemployment was offered at 30 shillings a month compared to 50 shillings in 1897. There were few takers because the massive post-war reconstruction programme offered ample alternative employment opportunities. The mines upped their wages to 50 shillings a month by the end of 1902, but there was still insufficient labour to get production back to 1899 levels. Finally, rather than face paying competitive wages which would increase working costs, the mines appealed to the government for the importation of foreign labour. Even before the war was over, the British High Commissioner, Milner, reached an agreement with Portugal whereby 50–55% of Transvaal rail traffic would go via Delagoa Bay in return for a guaranteed amount of labour for the mines. This, too, failed to solve the labour problem.

Thus arrangements were made in 1904 to import 50 000 indentured Chinese labourers. Although the Chinese succeeded in bringing the mines back to full production, protests from white miners and the election of a Liberal Government in Britain in 1906 caused recruitment to stop, and repatriation began. The removal of the Chinese labourers led to increased competition for labour between the mines and the rest of the economy, with a corresponding rise in black wages. Thus the Native Recruiting Corporation was established in 1912 to extend the recruiting monopsony within the borders of South Africa and the High Commission territories. Between 1913 and 1924 the cost of recruiting African labour for the mines fell by 20%.

In contrast to the diamond mines, there was no need to create a central controlling body to limit the production of gold *and* arrange for its sale. There was, however, another factor which compelled the mining companies to cooperate: the need to prevent costs of production from rising excessively in relation to the fixed and seldom-changed official gold price.

In the course of time a handful of mining houses came to control the Witwatersrand gold mines. The first and largest, Rand Mines Limited, was founded in 1893. The other nine major mining houses were, in order of size: Consolidated Gold Fields (Rhodes), Johannesburg Consolidated Investment Company (Barnato brothers), the Robinson group, the Neumann group, the Albu group (later General Mining), the Goertz group (later Union Corporation), Anglo-French (Farrar group), the Lewis & Marks group and the Abe Bailey group.

A mining house owns shares in a group of gold-mining companies and acts on behalf of the mines as an issuing house for new shares to the public, both locally and through its offices overseas. It carries out administrative work for the mines, looks after the centralised purchasing of materials and provides various services and technical personnel such as consulting engineers and geologists. The group system combines a large measure of independence for the gold mines with the advantages of central control and coordination.

Over and above the mining house network, the gold mines had also been cooperating on an industry-wide basis for a long time. The Transvaal Chamber of Mines[66] was established in 1887. The Chamber performs many divergent tasks for the mines and is their representative organisation in negotiations with the government, trade unions and the public. It established a number of companies to perform special services for the mines.

The gold-mining industry has a three-tier hierarchy. On the lowest level are the companies that operate the individual mines. On the next level are the mining

66. In 1950 it was renamed the Transvaal and Free State Chamber of Mines and in 1967 it became the South African Chamber of Mines.

houses which operate a number of mining companies. On the highest level is the Chamber of Mines with its affiliated catering companies, which serves the whole gold-mining industry.

11.3.3 A comparison of gold and diamond mining in South Africa[67]

The mining revolution in Southern Africa started with the mining of diamonds at Kimberley and was continued and intensified by the rapid rise of gold mining on the Witwatersrand. Diamond and gold mining have so many features in common that they had very much the same effect on the South African economy. There were, of course, some significant differences, which, far from retarding the mineral revolution, gave it added impetus.

The most important similarities between diamond and gold mining in South Africa are the following:

(1) Diamonds and gold both have a high value to mass and were therefore ideal export commodities for remote or arid regions, such as the South African Highveld, which produced little else that could be sold on world markets.
(2) Gold and diamonds, like all other minerals, are wasting assets. But because they generally earn higher profits than other minerals, the authorities usually see to it that profits from gold and diamonds are quite heavily taxed to promote other more durable industries. In 1908 the state introduced the mining-lease system in South Africa, and in so doing effectively became a profit sharer in the gold mines. It imposed an export tax on diamonds in 1916.
(3) Both industries exported most of their production to the world's most important market in London where the USA was the biggest buyer.
(4) Within a few years of the discovery of diamonds, South Africa became the largest producer and exporter of diamonds in the world. Within 10 years of the discovery of gold on the Witwatersrand, South Africa had become the largest producer and exporter of gold in the world.
(5) Both industries attracted large sums of capital from abroad. For the first time foreign interest was made aware of the enormous development potential that was latent in South Africa. Both are among the best run and most efficient mining industries in the world.
(6) Diamonds and gold attracted many immigrants – white entrepreneurs, technical experts and skilled labourers who were previously scarce in South Africa. Both attracted unskilled African labour. This influx was a strong stimulus to urbanisation in South Africa.
(7) In the course of time both industries generated sizeable amounts of capital for investment in other industries. In this way they activated large sectors outside the field of diamond and gold exploitation.

67. See D.A. Farnie, "The mineral revolution in South Africa", *South African Journal of Economics*, 24, 1956, pp. 125–134.

The following are the two most important differences between the two industries:

(1) Diamonds were found at few and isolated places. Thus one company, De Beers, succeeded in bringing all the producers under its control. Gold was found in many more places with the result that there was never any possibility of monopolising the supply.

(2) The diamond price, when left free, was very erratic. That is why it became necessary to form a sales syndicate to keep the price stable. The gold price was much more stable because during the period under discussion it was officially pegged through the international adoption of the Gold Standard. Gold producers were unable to control the gold price. Because their market was assured, collaboration to control prices and sales was unnecessary. Collaboration was, however, useful in keeping production costs down to increase profits. Thus the gold industry did not see the rise of a single monopolistic body to market its products as was the case in the diamond industry. Despite this, there are a fairly small number of independent mining houses which cooperate closely on keeping costs to a minimum in the gold-mining industry.

LEARNING UNIT 12

The consequences of the rise of the Witwatersrand

TOPICS

KEY ISSUES

- The economic, social and political impact of gold mining.
- The role mining played in developing the South African economy.
- Neoimperialism in southern Africa
- The Anglo-Boer War and its consequences

LINKED ISSUES

- A politically divided southern Africa was the biggest stumbling block to economic development until 1910.
- The discovery of gold.
- The development of the gold-mining industry.
- The economic impact of the discovery of gold compared to the earlier discovery of diamonds.
- Backwardness of agriculture until the 19th century.

- Britain’s economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Railway development.
- South Africa advanced politically by disasters and economically by windfalls.
- Economic consequences of the Great Trek.
- The *Mfecane/Difaqane*’s long term impact on South African economic development.

12.1 SUMMARY

12.1.1 Economic consequences

(1) There was an even greater influx of skills, know-how, foreign capital and unskilled workers to the Transvaal goldfields than there had been to the Kimberley diamond fields in the 1870s.
(2) In the midst of a backward, pre-capitalistic, mainly agrarian community, there suddenly arose a modern capitalistic community of foreigners with totally divergent ideals, norms and lifestyles. Conflict between the two completely different societies was inevitable.
(3) The construction of railways to the Rand received a powerful impetus. Competition to secure goods traffic increased the friction between the South African part-states.
(4) The Rand provided a large new market for farmers all over South Africa – provided that transport was available.
(5) Although secondary industry was stimulated, development was limited to manufacturers producing foodstuffs, soap, candles, shoes and mining requirements.
(6) The Transvaal was financially and economically strengthened which encouraged its government’s nationalistic policies.

12.1.2 Social consequences

(1) Rapid urbanisation took place right in the middle of the quiet Highveld. Johannesburg was populated mainly by foreigners (or *uitlanders*) who came from all over the world, although the majority were British. They were traders, mine owners, manufacturers, professional men, artisans and skilled labourers. Johannesburg was the first large urban centre in the Transvaal.
(2) For the most part the urban population of the Rand had scant regard for the local Boers whom they saw as indolent, uncultured and whose language they could not be bothered to understand. The Boers in turn regarded the foreigners with distrust because of their earlier experiences of diggers on the diamond fields and other Transvaal goldfields. Soon the conflict between urban and rural interests led to clashes and, ultimately, the Anglo-Boer War.
(3) The compound system for African migrant workers initiated on the Kimberley diamond mines was quickly adopted on the Rand goldfields. The first

Transvaal mining law ensured that: "No coloured person may be a license holder, or in any way be connected with the working of the diggings, but shall be allowed only as a workman in the service of whites".[68] These two factors severely restricted African urbanisation on the Witwatersrand.

12.1.3 Political consequences

(1) The large *uitlander* community on the Rand stimulated great economic activity. *Uitlanders* paid most of the taxes collected, and soon wished to influence the administration of the country because they felt their interests were being neglected. The Transvaal government, however, feared political domination by the *uitlanders* and made it difficult for them to obtain the franchise. Relations between the government and the *uitlander* community became very strained and led to the unsuccessful Jameson Raid in 1896.
(2) The Jameson Raid gave the British government an excuse for greater intervention in Transvaal affairs on the *uitlanders'* behalf. The Transvaal government resisted and made overtures to Germany. The clash between the British and Transvaal governments ultimately led to the Anglo-Boer War in 1899.

12.2 CLASHES AS A RESULT OF THE MINING REVOLUTION

There were many issues that caused problems after the discovery of gold on the Witwatersrand. Customs tariff policy, railway rivalry and the position of Africans all came to the fore. But in the short term the *uitlander* problem in the Transvaal overshadowed all of them and eventually became a *casus belli*. Thus South Africa, which had been internationally insignificant before the mining revolution, suddenly became the centrepiece of world history. The mining revolution made South Africa the focal point of the European powers' struggle for overseas territories from which neoimperialism emerged.

There are a number of facets to developments in South Africa during the final quarter of the 19th century which must be understood to see why the discovery of gold on the Witwatersrand led to the Anglo-Boer War (1899–1902) and the formation of the Union of South Africa in 1910.

(1) There was a struggle for economic and political dominance between a rural society and an urban community. Similar struggles had taken place in other areas of white settlement. There had been armed clashes and the proclamation of independent, if short-lived, miners' republics in California and

68. S. Hilton Barber, *Transvaal gold law: Translation into English of law no. 15 of 1898, together with reports of cases decided under the law, and the registration of mining rights proclamation no. 35 of 1902, as amended by ordinance no. 6 of 1902 and ordinance no. 6 of 1903, and the mines, works and machinery regulations ordinance no. 54 of 1903, with separate indexes*, Cape Town, 1904, Section 133.

Australia after the miners had rebelled against being exploited by the local farmers.

(2) There was conflict between a modern capitalistic society and an early or pre-capitalistic society which was agrarian, ultraconservative and interested only in high windfall profits. Other examples include California where there was a clash between the mainly European gold diggers and local Mexican landowners. Even in the USA itself, the industrial and commercial northern states had conflicting interests with the agrarian southern states where the plantation system was dependent on slavery.[69]

(3) There was a struggle between the British coastal colonies and the land-locked Boer republics over economic issues such as markets, customs tariffs, railway construction, African labour and the need to combat plant and stock diseases.

(4) There was a struggle between British neoimperialism and Afrikaner nationalism which was fuelled by Britain's European competitors, Germany in particular.

For years the importance of these conflicts varied, but with the Jameson Raid they became epitomised as clashes between English-speakers and Afrikaners, that is between the British coastal colonies and the *uitlanders* on the Rand, supported by the British government, and the Afrikaners in the Boer republics and the Cape Colony.

12.3 NEOIMPERIALISM IN SOUTHERN AFRICA

Because the conduct of the British Imperial government was decisive in the outcome of the conflict, its motives must be examined. The British government constantly sought to maintain its supremacy in South Africa by keeping the Boer republics away from the coast and the western trading route to the north (the so-called missionaries' road). After 1870 the British government was persuaded to become more active in southern Africa by the advent of the mining revolution and the emergence of mining communities in the Boer republics. The second motivation resulted in the rise of neoimperialism.

Southern Africa was an area of competition between Portugal, Britain and Germany. Portugal was a weak, poor country with a few coastal settlements at Luanda, Lobito, Benguela and Mossámedes in Angola on the west coast and at Beira and Lourenço Marques in Mozambique on the east coast. These trading posts lost their significance when Britain clamped down on the slave trade and stopped the supply of slaves from the interior. The Portuguese government was roused from its lethargy by Britain's encroachment into what is now Zimbabwe and Zambia to the north and by Germany's encroachment into what is now Namibia to the east and Tanzania to the west. The Portuguese laid claim to the territory between Angola and Mozambique. But Britain, spurred on by Rhodes, repudiated the claim.

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69. This difference did not exist in Australia because the agricultural community was based on modern capitalism and was not much older than the mining community in Victoria.

Fear of German intervention was one of Britain's motives for the annexation of the Transvaal in 1877 although Germany still disclaimed all interest in colonies. Shortly afterwards, however, Bismarck launched Germany into large-scale colonisation. In 1883 he set his sights on south-west Africa where Britain had already proclaimed its sovereignty over the only good harbour at Walvis Bay in 1878. In 1884 the Germans unexpectedly annexed South West Africa. Britain reacted by annexing southern Bechuanaland and establishing a protectorate over the north in 1885. This prevented further German encroachment to the east to link up with the Transvaal and kept the route to the north open for Britain.

The driving force behind British imperialism in southern Africa during the 1890s was Cecil John Rhodes (1853–1902). He had come to South Africa at the age of 17 and after an attempt at cotton farming in Natal, he amassed a fortune on the Kimberley diamond fields. At the same time he managed to squeeze in a degree, albeit fourth class, from Oxford University. Skilled in negotiating, he amalgamated the diamond-mining companies which led to the formation of De Beers Consolidated Mines Limited in 1888. De Beers went on to control world diamond production. In 1887 he established Gold Fields of South Africa Limited and extended his wealth on the Witwatersrand.

Although Rhodes was a very successful businessman, unlike the other South African mining magnates he had grand political ideals and ambitions to which he made his wealth subservient. His first aim was to achieve a self-governing South Africa united under the British flag. His second ambition was to expand the British empire in Africa so that it would stretch from Cape Town to Cairo. In 1889 he obtained a charter from the British government to establish the British South Africa Company by means of which he set out to conquer and develop the territories to the north of the Transvaal. He hoped at the same time to discover the mythical mineral wealth of Monomotapa.

By conquering Matabeleland and Mashonaland, Rhodes barred the way to the Portuguese and the Transvaal governments. To open up the new country, which he called Rhodesia, he had a railway line built from Kimberley through the corridor along the western border of the Transvaal. Although the gold strikes of the Rhodesias were disappointing, significant coal, copper and chrome discoveries were eventually made.

Rhodes turned to politics while still amassing his fortune in Kimberley. In 1881 he became a member of the Cape parliament. From 1890 to 1896 he was probably one of the best prime ministers the Cape ever had. He did a great deal for the economy of the colony. He had vines imported from the USA to restore the vineyards, which had been ravaged by phylloxera. He encouraged the breeding of woolled sheep by introducing antiscab legislation, and improved citrus cultivation by introducing the ladybird from the USA. By promoting agriculture he hoped to gain the support of the Cape Afrikaners which would lead the way to a united South Africa under the British flag.

But the abortive Jameson Raid in 1896 put paid to Rhodes's political career. Before he could regain his position, his weak health brought his life to an end in 1902 at the age of only 49. In spite of his serious faults and shortcomings, he is one of the dominant men in the history of South Africa. He was a typical modern capitalist and imperialist. With his ideal of a South Africa united under the British flag, he clashed with Paul Kruger, who was a typical early capitalist and nationalist.

The career of Stefanus Johannes Paulus Kruger (1825–1904) was the exact opposite of Rhodes's. Kruger was a son of the veld, Voortrekker, churchwarden, hunter, farmer and fighter. Although he had little education, he was intelligent and dominated Transvaal politics as President from 1883 to 1902. The discovery of gold on the Witwatersrand changed the Transvaal overnight from a poor, weak state into a rich, potentially strong one. The centre of the southern African economy shifted from the diamonds at Kimberley to the gold on the Witwatersrand. Kruger's nationalistic policy of making the Transvaal as independent of Britain as possible was in direct conflict with the interests of the numerous English-speaking *uitlanders* on the Witwatersrand. For a variety of reasons, the *uitlanders* were very dissatisfied with Kruger's administration.

12.4 *UITLANDER* GRIEVANCES[70]

12.4.1 Political grievances

The *uitlanders* complained about the ineffectual, corrupt administration of the Transvaal. According to them there were too few competent government officials, the judiciary was not independent or sufficiently impartial and many members of the Volksraad and civil service were open to bribery. The administration of the Transvaal did indeed have serious faults. The reason was that a considerable urban community on the goldfields had suddenly come into being in a poor and backward agrarian country. This made new and much higher demands which could often only be gradually and partially met. In fact, as British writers sometimes concede, it is remarkable that this small band of semi-trained officials achieved so much. On the question of bribery, many members of the Volksraad and officials with small salaries were simply not impervious to the temptation of the lavish bribes which moneyed *uitlanders* offered in exchange for favours.

The Transvaal government did not want to grant the *uitlanders* any political influence. Instead it offered influence in specified economic affairs. Accordingly, in 1890 the second Volksraad was set up for which aliens could gain the franchise after four years' residence in the Transvaal. The second Volksraad could pass laws related to gold mining, roads, the post, telegraphs and sanitation. But these laws were subject to veto by the first Volksraad which was elected by the fully enfranchised citizens. The *uitlanders* were dissatisfied with the second Volksraad because it was subordinate to the first Volksraad.

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70. See G.D. Scholtz, *Die oorsake van die Tweede Vryheidsoorlog 1899–1902*, np, 1947, 1, chapter 7.

The real problem was that the Transvaal government did not, in fact, know the precise numbers of *uitlanders* and burghers. It was generally supposed that there were more *uitlanders* than burghers and that the full enfranchisement of *uitlanders* would deprive the burghers of their power and might even pave the way for annexation by Britain as had happened in 1877. The fact that an Afrikaans government came to power in the Transvaal Colony after the Anglo-Boer War suggests that this fear was unfounded.

The Transvaal government refused the fast-growing Johannesburg a completely independent municipality. It also refused to recognise the incorporation of the Chamber of Mines. Both were denied because the government feared that a foreign state would be formed within the Transvaal.

The British government seized on the franchise issue to put pressure on the Transvaal government. Although Kruger made concessions, they were not enough and the dispute about the *uitlander* franchise led to the Anglo-Boer War of 1899–1902.

12.4.2 Cultural grievances

In 1891, to improve education, Kruger appointed the Hollander Dr N. Mansvelt (1852–1933) as superintendent of education. Mansvelt saw to it that Dutch was taught as a subject in state schools. Most *uitlanders* had no interest in the official language of the country. They complained that the private schools were too small or too poor to teach Dutch and qualify for a state subsidy. They felt that the use of English was being officially suppressed and many of their children were receiving no education at all.

12.4.3 Economic grievances

The *uitlanders* complained about high import duties which increased the cost of living. Import duties were, however, a necessary source of revenue for the treasury. On some items duties were lower than in the Cape and for the most part existing duties were not lowered by the British administration after the Anglo-Boer War.[71]

The *uitlanders* complained about exorbitant taxation, but modern and even contemporary writers have described taxes as low. Taxation did not prevent many *uitlanders* from making a great deal of money.

The *uitlanders* were immovably opposed to the Transvaal government's policy of concessions. Most writers agree that this was the most controversial aspect of Kruger's economic policy. The system gave monopolies to some people to ex-

71. The high cost of living in the Transvaal can be attributed to high transport costs for imported goods and high profit margins because of the lack of competition.

ploit specified industries in return for which they paid a fee to the state. The system was wide open to corruption.

Two aspects of the Transvaal government's economic policy were of special concern to mining interests.

The dynamite concession
One of Kruger's greatest desires was to have an ammunition and explosives factory to make the Transvaal independent of imports. Britain had more than once cut off these imports to put pressure on the Transvaal. In 1888 Kruger therefore granted a concession for the manufacture of explosives to Edward Lippert (1853–1925). Lippert immediately sold the concession to a French company representing the Nobel dynamite group. The company appointed as its agent L.G. Vorstman, a businessman and director of the Netherlands Bank of South Africa. Vorstman imported dynamite under the name of its raw material *Kieselguhr*,[72] repacked it and sold it to the mines at a high profit. The Chamber of Mines complained bitterly to the government about this swindle while the British and German governments protested because of the bias towards a French company.

Opposition to the dynamite racket became so vehement that in 1893 the Volksraad withdrew Lippert's concession on the grounds that he had not actually manufactured dynamite in the Transvaal, which was a condition of the concession. The importing and manufacture of dynamite was then declared a state monopoly. Incredibly, the Volksraad appointed none other than Vorstman to set up the public company. The company was called De Zuid-Afrikaansche Fabrieken voor Ontplofbare Stoffen Beperkt. But the mines did not gain by the move and continued complaining about the excessively high price of explosives until the dynamite monopoly was abolished during the British occupation in 1900.

Native policy
The mines' complaints about the Transvaal government's native policy were based on the shortage of mine workers and workers' abuse of liquor. There was a shortage of mine labour because the mines' ever-increasing demand soon exceeded supply. The number of African labourers on the mines increased from 14 000 in 1889 to over 97 000 by 1899. The mines had to compete with the farmers for African labour. Although the mines could offer higher wages than the local farmers, the mine recruiting agents were often thwarted by local authorities who favoured the farmers. The introduction of the pass law in 1895 was the Transvaal government's first step in assisting to undermine the freedom of labourers.

The concession for the manufacture of liquor in the Transvaal belonged to a syndicate which operated a distillery called De Eerste Fabrieken, personally opened by Kruger in 1883. For a while it was the sole legal supplier of cheap liquor to the rapidly growing and conveniently centralised African market on the

72. Diatomaceous earth.

mines. But in time Portuguese and German liquor was allowed into the country via Lourenço Marques as part of a trade-off in Kruger's quest for a non-British outlet to the sea. Initially alcohol was used as an instrument to control the African workforce. But after some years the Chamber of Mines felt that the expansion of the liquor industry would ultimately disable the mines. Thus the government eventually tightened up on the sale of liquor to Africans.

12.4.4 The grouping of parties in South Africa

The Afrikaner and *uitlander* communities were by no means homogeneous. Although the *uitlanders* came from all over the world, the majority were English-speaking.[73] There were three distinct groups of *uitlanders*: the mining magnates or capitalists, the middle class (merchants, traders and professionals) and the working class. The middle class was the first to organise itself politically and soon had the support of the more prosperous workers. In 1892 the Transvaal National Union was established to agitate against the government and to demand the vote. It was an attempt to use political pressure to improve the position of the *uitlanders*.

The upper and lower strata of *uitlanders* tried a different approach. For economic reasons the capitalists sought to cooperate with the government in the interests of gold mining. Until 1895 they kept aloof from the National Union, but that year a large number did join, including their most important representative, Lionel Phillips (1855–1936), chairman of the Chamber of Mines. By then most of the magnates were dissatisfied with the government's attitude, particularly with regard to the dynamite concession. However, some mining magnates, like Sammy Marks, Barney Barnato and J.B. Robinson, stayed on the government's side. Robinson even set up his own chamber of mines, the Association of Mines, and started a daily paper to defend the government.

The *uitlander* workers were employed mainly by the mines, railways and municipalities. They were more interested in improving their conditions of service than in political action. In 1892 they set up their first trade union, the Witwatersrand Mine Employees and Mechanics Union, but it had little influence.

The Afrikaner community soon appreciated the advantages of divisions in the *uitlander* community. The Volksraad and government were responsive to the allegiance of some of the capitalists, such as Robinson, and exploited the increasing tension between capital and labour on the Rand through industrial legislation that was aimed at conciliating the workers.

In 1895 the middle class and some of the magnates conspired to overthrow the government with the help of Rhodes. But a new difference of opinion caused the uprising to fail. Some of the rebellious *uitlanders* wished to maintain the Trans-

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73. Especially among the non-British *uitlanders*, there were many who wished to have nothing to do with Britain and supported the Boer administration.

vaal republic so as to remain free from British intervention. Others wanted the Transvaal to be annexed by Britain. Jameson's invasion therefore received no active support from the Johannesburg *uitlanders* and the raiders were compelled to surrender at Krugersdorp at the beginning of January, 1896.

The abortive Jameson Raid greatly strengthened Afrikaner nationalism throughout South Africa. This alarmed the British government, who took over the cause against the Transvaal government. These developments frustrated the attempts made by the mining magnates after 1896 to reach a compromise with Kruger's government.

Even among the Afrikaners there were differences of opinion. The most ardent nationalists, led by Kruger, wished to develop the Transvaal sufficiently to make it independent of Britain and her South African colonies. Many Dutchmen who opposed the *uitlanders'* interests were appointed to important government posts. However, local Afrikaners also came to resent "Kruger's Hollanders".

After the Jameson Raid all the issues in South Africa were reduced to the simple, single issue of British imperialism versus Afrikaner nationalism.

(1) Natal initially cooperated with the Transvaal against the Cape with regard to customs and railways until 1896, but thereafter sought closer ties with the Cape and joined the Cape-Free State customs union.
(2) There had been friction between the Orange Free State and the Transvaal because the economic interests of the Free State were linked to those of the Cape Colony. The Free State had sided with the Cape against the Transvaal over the "battle of the drifts" and the whole railway construction issue. But after 1896 the Free State resolutely threw in its lot with the Transvaal.
(3) Cape Afrikaners were obviously affected by the Cape's economic struggle with the Transvaal, but after 1896 they too supported the Transvaal.
(4) In the Transvaal itself, although Afrikaner opposition to Kruger diminished, it did not cease. In the Volksraad debates during September 1899, the opposition vehemently resisted the idea of war. But when war eventually came, they served their country to the best of their ability. Some of them, like Louis Botha, Koos de la Rey, Lukas Meyer and Schalk Burger, became famous Boer leaders.

12.4.5 The Imperial government against the Transvaal

The British government intervened directly in South Africa when the Jameson Raid failed for a number of reasons.

(1) The British government was apprehensive about the strong resurgence of Afrikaner nationalism, first in the Transvaal and the Orange Free State as a result of the First Anglo-Boer War (1880–1881) and, after the Jameson

Raid, in the Cape as well. Afrikaner nationalism felt itself threatened by English cultural and political domination.

(2) The British government wanted to unite the states of South Africa into a self-governing federation under the British flag and so end the keen competition and friction about tariffs, railway rates and other issues.

(3) The British government wanted the *uitlanders* to achieve greater political influence in the Transvaal because many of them were British.

(4) The British government did not want other powers, Germany in particular, to establish spheres of influence in southern Africa, which it considered to be British.

Some writers have pointed to British economic imperialism as a motive for the destruction of the Boer republics. They believe that Britain wished to find assured markets for the sale of its manufactured goods, free from competition by other exporting countries. Above all Britain wanted to get possession of the gold mines. However, most modern historians believe it is incorrect to attribute economic motives for neoimperialism in South Africa between 1880 and 1920. They argue that the Boer republics provided only a limited market, that the capital invested in the gold mines was for the most part already in British hands, and in any case the gold from the Rand was already flowing freely to the London market. The closest to an economic motive was, at most, the fear that the Transvaal government might at a later stage tax British capital and labour on the Rand so heavily that their activity there would no longer be as profitable.

The issue that became the direct cause of the Anglo-Boer War was the *uitlander* problem. After the Jameson Raid had put Rhodes out of political action, his place was taken by the British government represented by the new Colonial Secretary, Joseph Chamberlain (1895–1903), and the new British High Commissioner in South Africa, Alfred Milner (1897–1904). Although Milner was an excellent, experienced administrator, he was an inflexible imperialist who was determined to solve the *uitlander* problem and, if necessary, destroy the independence of the Transvaal. The solution to him was either the granting of the franchise to the *uitlanders* or the military conquest and annexation of the Transvaal so that it would be forced into a federation with the British colonies. Although Kruger made a few concessions, they did not satisfy Milner who convinced Chamberlain that the only solution was the conquest of the Transvaal and its ally, the Free State. On October 11, 1899 the two Boer republics took on the might of the British Empire.

12.5 THE ANGLO-BOER WAR AND ITS CONSEQUENCES

The governments of the Boer republics undertook the impossible war with Britain hoping that (a) the British government would soon yield and make peace, as had happened in the first Anglo-Boer War (1880–1881) and (b) the other great powers, primarily Germany, would intervene on behalf of the Boer republics. For this reason they did not carry their offensive right up to coastal towns after their initial successes. They were, however, wrong on both counts.

British troops poured into South Africa. After their initial successes, the Boers soon lost the conventional war and had to fall back, abandoning their towns, railways and forts. Two years of guerrilla war followed, with long-term economic and political consequences. Eventually, on May 31, 1902 the Boer governments signed the Peace of Vereeniging.

12.5.1 Unfavourable consequences of the Anglo-Boer War

The unfavourable economic consequences of the Anglo-Boer War were:

(1) The Boer republics lost some 34 000 people, 26 000 of them women and children who died in concentration camps, which was about 10% of the Afrikaner population.
(2) The British scorched-earth policy to end the guerrilla war resulted in large-scale destruction of farms and huge crop and stock losses in the Boer republics and neighbouring parts of the Cape and Natal.
(3) The number of poor-whites among the Afrikaners increased. Many farmers were ruined. The *bywoners* – sharecroppers with wealthier farmers – were especially hard hit because the once-wealthy farmers were impoverished and could no longer help them. Many former *bywoners* became farm labourers or moved to the cities as unskilled labourers and had to compete with Africans for jobs.
(4) Inactivity of the gold and diamond mines during most of the war restricted the production of the region’s most important exports.
(5) A shortage of African mine workers occurred after the war because Africans could get more lucrative jobs reconstructing farms, railways and roads. In 1904 Milner, as Governor of the Transvaal, gave permission for the importation of indentured Chinese labourers. This led to a rapid rise in mine production but roused vehement opposition in South Africa and Britain. Repatriation of the Chinese started in 1907 and was completed by 1910.

12.5.2 Favourable consequences of the Anglo-Boer War

Fortunately there were also indisputably favourable consequences of the war:

(1) The road to the political and economic unification of South Africa was opened. The balkanisation of the subcontinent was eliminated by the disappearance of the Boer republics in 1902 and their reconstitution first as crown colonies and later as self-governing colonies.
(2) Financial aid from Britain for the repairing of war damage amounted to £35m which was quickly put to good use thanks to Milner’s competent administration.

12.5.3 The post-war boom and depression

The wave of prosperity in the coastal colonies where the British government had spent vast amounts during the war continued. However, the post-war boom was a short one and it was followed by a lengthy depression when military expenditure was drastically reduced in 1903. The depression was a reaction to excessive optimism, speculation and importing of goods into the coastal colonies. It was exacerbated and prolonged by the impoverishment of the farmers in the devastated former republics and by the drought and stock diseases which plagued farmers throughout South Africa for several years. The sombre situation was relieved by the gold-mining industry which, owing to the employment of Chinese labour, increased its annual production from 1905 onwards. Early in 1908 the economic situation began to improve.

LEARNING UNIT 13

Customs tariff policy

TOPICS

KEY ISSUES

- Customs tariff policy

LINKED ISSUES

- Neoimperialism in southern Africa
- The economic, social and political impact of gold mining.
- The role mining played in developing the South African economy.
- The Anglo-Boer War and its consequences
- A politically divided southern Africa was the biggest stumbling block to economic development until 1910.
- Railway development.
- South Africa advanced politically by disasters and economically by windfalls.

13.1 INTRODUCTION

From the time of the establishment of the Boer republics until the formation of the Union of South Africa in 1910, customs tariff policy was a bone of contention between the British coastal colonies and the Boer republics in the interior. With the discovery of gold on the Witwatersrand in 1886, the struggle took a decisive turn. Before 1886 the republics were politically and economically weak with a limited market potential. The coastal colonies were better developed and – a much more important factor – more favourably located. Because of this, they held the key to the southern African interior. The Cape Colony was a transit, production, and export territory while Natal was mainly a transit region. The two could therefore impose their demands on the Boer republics and in fact did so whenever it suited them. After 1886 the Transvaal's market potential increased very rapidly and became exceedingly attractive for goods from the two coastal colonies. The only alternative entrepôt to the Transvaal was Portuguese East Africa (Mozambique), which meant the two British colonies could no longer have everything their own way. The result was increased competition between the coastal regions to gain as much of the Witwatersrand trade as possible. The need to settle southern Africa's perpetual tariff disputes was one of the strongest arguments put forward by the advocates for unification before 1910.

13.2 THE PERIOD 1854 to 1886

13.2.1 The Cape Colony

In the early days of British rule at the Cape, Britain was still under the influence of mercantilism whereby the colonies were to supply the mother country with raw materials in return for manufactured goods. Gradually, however, the new policy of free trade gained ground during the early part of the 19th century. Although Britain did not prevent her colonies from trading with foreign countries, it did favour a system of preferential duties for the protection of British trade and shipping. Between 1821 and 1841 the *ad valorem* duty on British goods entering the Cape was fixed at 3% while that on foreign goods was 10%. The duties were increased to 5% and 12% respectively in 1842. The preferential duty remained in force until 1855, when, in accordance with the prevailing idea of free trade, the Cape was allowed to abolish the entire system of imperial preference and, in the Customs Tariff Act of 1855, a general *ad valorem* rate was fixed at a moderate 7,5%. The management of the Cape Customs Department only reverted back to the Cape government in 1853. From 1834 it had been run by the Board of Customs in London.

The *ad valorem* duty was increased to 10% in 1866 and during the 1860s customs duties collected were 12,5% of the value of total imports. Although the Cape became solely responsible for its own tariff policy when it was granted responsible self-government in 1872, it did not impose blatantly protective duties designed to promote local industrial development the way Canada had done when it was granted responsible government in 1867. This was because the Cape, an essentially agrarian region, was thought to stand little chance of developing its own industries independently of Britain. At the time import duties were purely fiscal. They were imposed for revenue purposes only and were not used as a protective device. In times of economic prosperity, when imports, along with other sources of government revenue, were on the increase, import duties were sometimes reduced. But in times of depression, when imports and other sources of revenue were on the decline, tariffs were usually raised. Coincidentally, but not by design, the heavier duties did have a moderately protective influence on local industries.

In 1884 the *ad valorem* tariff was increased to an all-time high of 15%. To compete with Natal's lower tariffs, a provision was introduced later in the year for a rebate of duty on goods destined for any territory beyond the Cape's land borders, as long as the rebate did not exceed the difference between Cape and Natal tariffs. At the same time inland customs stations were established along the Orange River. During the 1880s the rate of customs taxation on the Cape consumer averaged 19%.

In 1884 Walvis Bay was annexed to the Cape and the following year it became a duty free port to accommodate the movement of goods to German South West Africa.

13.2.2 Natal

From 1843 until 1856 Natal was part of the Cape and followed the same tariff policy. After Natal received representative self-government in 1856, tariffs were applied to woo transit trade to the Free State and Transvaal away from the Cape ports, particularly Port Elizabeth and East London. From 1867 Natal deliberately reduced its import duties to below those of the Cape in order to improve its competitiveness. Only sugar received some protection. In 1884 customs duties collected in Natal were 10,7% of the value of total imports compared to the Cape's 21,5%.

13.2.3 The Boer republics

As long as trade through Delagoa Bay remained difficult, the Boer republics were dependent on Durban and the Cape ports as transit points for goods from abroad. Because the two coastal colonies would make no tariff concessions, the republican governments were obliged to impose very low import duties – in some cases none at all – to avoid overtaxing imported goods and making them too expensive. Repeated requests for a share of the duties levied at the coast were to no avail.

The Transvaal attempted to promote imports via Lourenço Marques by concluding a Treaty of Trade and Friendship with Portugal in July 1869. The treaty provided for a virtually customs-free flow of imports and exports between the Transvaal and Mozambique. But until the completion of the railway line to Delagoa Bay, the Transvaal's imports via this harbour were still appreciably lower than its imports via the British coastal colonies. The Trade Agreement with Portugal was renewed a number of times.

Before 1881 the Transvaal government had imposed only a few import duties. For example, from 1871 there had been a modest 1,5% duty on some luxury items. But after the country became almost bankrupt after the first Anglo-Boer War (1880–1881), duties were increased and the range of liable articles expanded. The most important effects of this revision were as follows:

(1) All imported goods had to bear an *ad valorem* duty of 5%, with higher percentages on some luxuries.
(2) Agricultural and factory machines were exempted but mining equipment was subject to a 15% duty because mining contributed very little to the exchequer and long-term profitability was not expected. In 1885 a new act enabled the state to tax a larger part of the profits from mines, and import duties on mining machinery were consequently reduced to 5%. In later years the Transvaal government imposed moderately protective duties on dynamite, cement and tobacco. But in general all duties were fiscal in nature and only coincidentally protective.

Prior to 1886 the financial problems of the Transvaal were so serious and the progress of the Delagoa Bay railway line so slow, that Kruger was forced to turn to the Cape for assistance. The Transvaal, being the weaker party, offered in 1884 and again in 1886 to come to an agreement with the Cape on customs matters. It suggested that a customs conference should be convened to consider lowering duties on both sides. At about the same time the Free State also approached the Cape and Natal governments for a share of the revenue derived from imported goods.

The ardent federalists in the Cape Parliament, led by Cecil Rhodes and Jan Hofmeyr (1845–1909), demanded that the requests of the Boer republics should be accepted even if it meant a drop in revenue from import duties for the Cape. Upington's ministry, however, rejected the proposals. Thus a perfect opportunity for forming a customs union of three of the four South African part-states was lost. It was to be a long time before another opportunity presented itself.

13.3 THE TURNING POINT: 1886

The British coastal colonies were forced to pay a high price for their unaccommodating attitude towards the Boer republics. In 1886 their position changed radically because of the discovery of gold on the Witwatersrand. Suddenly roles were reversed. Now it was the turn of the coastal colonies to approach the Transvaal for concessions. Natal actively collaborated with the Boer republics against the Cape.

In 1887 the Cape government approached Kruger about a railway line and a customs union. It also proposed that all import duties between the coastal colonies and the republics should be eliminated and uniform import duties on goods from outside these areas imposed. Although Kruger was prepared to grant the exemption from import duties of certain Cape products in the Transvaal in exchange for tariff concessions from the Cape, he was not in favour of a railway link to the Cape ports or a customs union. The Transvaal also rejected a similar Free State proposal for a railway and a customs union.

The Cape government invited all the governments to a customs union conference in Cape Town in 1888. The Transvaal did not attend and a customs agreement was signed between the Cape, Natal and Free State representatives but it was not ratified by their respective governments. The following year a second conference was held between the same parties at Bloemfontein. But Natal withdrew after her counter-proposal of a uniform 9% import duty was rejected by the Cape which wanted a 12% duty. In the end, only the Free State remained to conclude a customs union agreement with the Cape. The Cape made a number of concessions to the Free State: 75% of all import duties collected on goods destined for the Free State were paid over, import duties on goods moving between the two countries were abolished and a single uniform external duty imposed. A 3% *ad valorem* transit duty was imposed on foreign goods destined for the Transvaal.

In time the other British possessions in southern Africa joined the customs union: British Bechuanaland[74] (1891), Basutoland (1891), the Bechuanaland Protectorate[75] (1893) and Pondoland[76] (1894). The *ad valorem* duty was reduced from 12% to 9% in 1897. Natal eventually joined the customs union in 1898 when Lourenço Marques's 3% duty on goods destined for the Transvaal forced the customs union to drop its tariff from 9% to 7,5%, half the Cape's 1884 tariff. The Cape continued its rebate system first introduced in 1884, which it altered from time to time to meet the varying conditions generated by competition from Natal and Delagoa Bay. The ruling rate was 5% but this was reduced by government notice to 3% in 1898.

The Transvaal followed its own course. It remained outside the customs union and levied its own import duties. Although they were on the whole moderate to low, the *uitlander* community on the Rand complained bitterly about them on the grounds that they made the cost of living unbearably high. The government ignored the complaints and even raised the general duty from 5% to 7,5% *ad valorem*. Many of the Cape's import duties exceeded those of the Transvaal. In fact, after the Anglo-Boer War, the British administration retained the Transvaal's import duties with only minimal changes.

The outbreak of the Anglo-Boer War in 1899 interrupted local trade. The Cape officially prohibited trade with the Transvaal and Free State in October 1899.

13.4 THE PERIOD 1902–1910: The difficult path to unity

After the Anglo-Boer War the customs battle entered a new phase when the British government moved to unite the now four British colonies as quickly as possible. Milner, as High Commissioner and Governor of the Transvaal and the Orange River Colony, began to work for the economic cooperation of the four colonies in a customs and railway union, which he hoped would open the way for a federation as soon as the two former Boer republics were granted responsible

74. The crown colony of British Bechuanaland was incorporated into the Cape in 1895.
75. Present day Botswana
76. Pondoland was admitted to the customs union as a separate entity in May 1894 but was annexed to the Cape in September of that year.

government. But his attempts were in vain because, as it turned out, union was dependent on broader political issues. Economic and cultural cooperation were not enough.

The Cape and Natal were confident that, after the annexation of the Transvaal, Delagoa Bay would lose its privileged position as an important route for imports to the Witwatersrand. But Milner, anxious to get the gold mines back into production as soon as possible, signed a *modus vivendi* with the Portuguese government whereby, in return for permission to recruit Mozambican labour for the mines, Lourenço Marques would retain its privileged position. By signing the agreement, Milner jeopardised his federation plans right from the start. The *modus vivendi* extended the 1875 customs agreement between the Transvaal and Portugal by providing that goods imported via Delagoa Bay were not to be taxed any more heavily than similar goods imported via the Cape or Natal.

Milner further alienated the Cape and Natal by reducing import duties on goods needed for reconstruction in the new Crown colonies after the Anglo-Boer War. At the same time, to compensate for the loss of revenue, he raised other import duties, particularly those on luxury goods.

As part of his federation plan, Milner arranged a customs union conference in Bloemfontein in 1903. The participants were the South African colonies, Rhodesia and Mozambique. A customs union agreement was signed after much negotiation. The new customs union included the Cape, Natal, the Transvaal, the Orange River Colony, Southern Rhodesia, Basutoland and the Bechuanaland Protectorate. Although Mozambique did not join the customs union, it did retain its privileged position as far as the Transvaal was concerned because of the labour it supplied to the mines. Swaziland joined the customs union in 1904.

The new customs union's tariffs reinforced the existing practice whereby import duties were more for fiscal than protective purposes. It also reintroduced imperial preference rates. A number of compromises had to be reached because of a dispute between the two biggest interest groups. The mines wanted reduced import duties in order to contain their production costs, while farmers insisted on protective tariffs because the colonies were at that time importing more agricultural products than they were exporting.

The following compromises were reached:

(1) Because import duties were still the most important source of state revenue, a large number were made higher, but not to the extent recommended by the protectionists. The higher duties would increase revenue, something high protective duties would not achieve.
(2) Farmers received moderate protection against imports of wheat, sugar, wine, tobacco, butter and cheese, especially from Australia, New Zealand, Argentina and Canada. Rail rates to the interior were lowered to compensate the mines for the increase in duties on their imports. Building materials

were made duty free in order to promote the post-war rebuilding programme.

(3) Machinery, agricultural implements and tools for agriculture, mining and the manufacturing industry were exempted from import duties.

(4) The moderately protective duties that helped local industry were retained.

(5) The transit duty of 3% on goods destined for the Transvaal from ports in Natal and the Cape was abolished and the coastal colonies increased the inland colonies' share of the duties collected on goods destined to them from 85% to 95%.

(6) There was a rebate of 25% on the *ad valorem* import duties on goods imported from Britain and her colonies which extended similar tariff concessions to the South African Customs Union. The purpose was to strengthen the economic ties between the countries within the British Empire with a view to making the empire into a more self-sufficient economic unit. The idea was that Britain should provide the industrial goods and services (shipping, banking, insurance business) while the colonies and dominions produced foodstuffs and raw materials. This project clearly reflected a resurgence of mercantilist principles.

South Africa concluded agreements for the mutual extension of preferences with Canada (1904), Australia (1906) and New Zealand (1907). At the South African customs conferences of 1906 and 1908, preference for British goods was confirmed and extended by specific duties. The Union of South Africa took over this preferential customs policy and included it in the Tariff Act of 1914.

The demand for protection is usually stronger during periods of depression. This proved to be the case in South Africa during 1903 when a severe depression set in as a result of a drought and the slump after the wartime boom. To safeguard their financial positions, farmers and industrialists insisted on higher protective import duties. Both the Cape and Natal governments called for increased import duties to maintain their incomes during the recession and in 1905 Natal withdrew from the 1903 customs agreement because tariffs were not increased. In March 1906 another customs conference was convened in Pietermaritzburg. This time commercial and mining interests were not as well represented as agricultural and industrial interests and a large number of import duties were made higher.

The 1906 customs agreement satisfied nobody. The mines were dissatisfied with the increased duties and the farmers felt that they were not receiving adequate protection from agricultural imports. As soon as the Transvaal was granted responsible self-government in 1907, she withdrew from the customs agreement and it looked as if her earlier economic struggle with the coastal colonies was about to be revived. But the leading statesmen of all the participating territories were anxious to avoid this. They met in Pretoria in May 1908, the meeting place being, in accordance with historical precedent, the seat of the strongest party. The economic issues of tariffs and railway rates were, however, overshadowed by the larger political issue of unification. After considerable negotiations, the Cape, Natal, Transvaal and the Orange River Colony joined forces to form the Union of South Africa in 1910. Meanwhile, however, the customs agreement was renewed in 1908 with only a few amendments. The Union government adopted the customs agreement and no amendments were made until the general tariff revision in 1914.

The Customs Tariff Act Nº 26 of 1914 was a decisive victory for the free traders and a bitter disappointment for the protectionists. Although it contained an appreciable number of protective duties, it had a revenue bias. In any event, World War I (1914–1918) intervened within months and the manufacturing industry blossomed despite the fact that there was little tariff protection.

LEARNING UNIT 14

Railway development in South Africa

TOPICS

KEY ISSUES

- Railway development.
- Stumbling blocks that hampered railway development before 1910.
- A politically divided southern Africa was the biggest stumbling block to railway development until 1910.
- Economic impact of the railways.

LINKED ISSUES

- Between 1910 and 1960 the South African transport network was intensified rather than expanded to any degree
- Customs tariff policy
- Neoimperialism in southern Africa
- Backwardness of agriculture until the 19th century.
- The economic, social and political impact of gold mining.
- The role mining played in developing the South African economy.
- Anglo-Boer War and its consequences
- A politically divided southern Africa was the biggest stumbling block to economic development until 1910.
- South Africa advanced politically by disasters and economically by windfalls.

14.1 INTRODUCTION

Railway construction before 1910 is closely linked to the customs tariff tug-of-war covered in the previous learning unit.

14.2 FIRST PERIOD, 1858–1870: Modest beginnings

When the rush to the Kimberley diamond fields began in 1870, only 100 km of railway line existed in South Africa. The first South African railway line to be completed was constructed by the Natal Railway Company (a private company incorporated in 1859) and opened in 1860. It connected Durban to the Point three km away. In 1874 this line was extended by six km to the Umgeni River. The goods transported were mostly agricultural produce for local consumption: the line had been built with a view to conveying sugar, maize, coffee and arrowroot.

The railway line on which work first started in South Africa was constructed by the Cape Town Railway and Dock Company (established in 1858) from Cape Town via Stellenbosch to Wellington, a distance of 90 km. It was opened to traffic in 1863. A nine-kilometre branch line from Salt River to Wynberg was opened in December 1864. Attempts to build a line inland from Port Elizabeth, which by 1854 was the Cape's premier export port, failed to get off the ground after initial surveys in the 1850s. The dilemma was whether to build it to Graaff-Reinet, the major wool-producing area, or Grahamstown, the region's political centre.

The depression in the late 1860s temporarily halted railway expansion in the Cape. Until then railway construction had been a matter for private enterprise. It was also oriented towards agriculture and its progress was slow. Railway construction was difficult and expensive in South Africa. Without the mining revolution, railway expansion in South Africa would probably have proceeded at a leisurely pace to connect the harbours along the coast with one another and their nearby inland agricultural areas. The development of inland mining centres made railway construction imperative. As soon as it became clear that the diamond fields would be a long-term source of wealth, the construction of railway lines from the coast became a matter of urgency because the ox wagon, though not expensive in terms of capital investment, was too slow and inefficient a means of transporting heavy or breakable goods. Faster vehicles such as the coach or mule wagon were economic only for conveying people and mail.

14.3 SECOND PERIOD, 1870–1886: The Kimberley connection[77]

It was immediately clear that no private company could undertake the construction of a railway line to Kimberley because it had to cross the dry Karoo which had no coal deposits and where there was no demand for a sophisticated trans-

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77. See map 14.1.

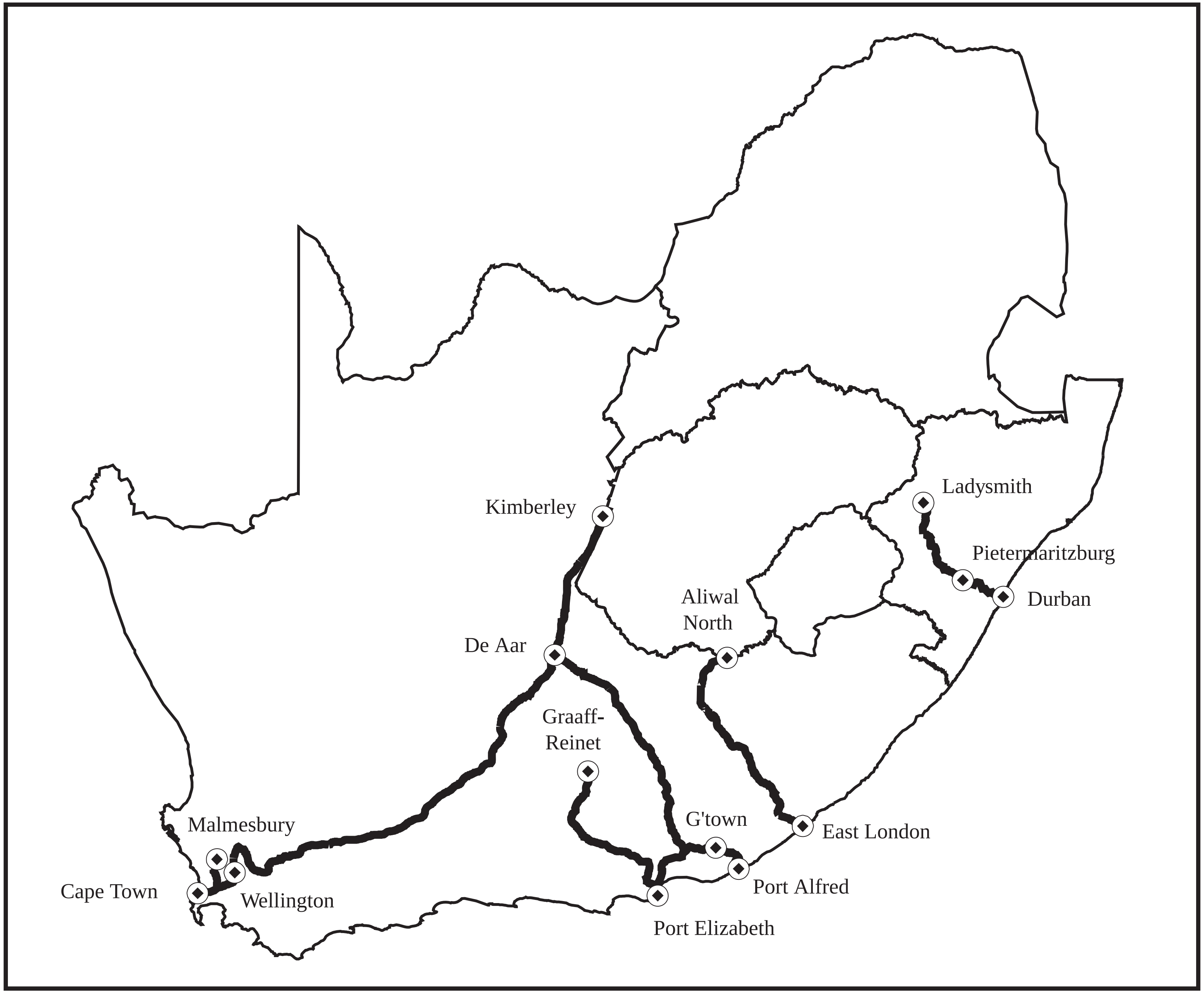
port service. Thus the Cape government bought out the Cape Town Railway and Dock Company with the object of extending its line the 900 km from Wellington to Kimberley. The government was then confronted with the diverging interests of the Western and Eastern Provinces. Each of the three major Cape ports, namely Cape Town, Port Elizabeth, and East London, put forward strong claims to have rail links with Kimberley. The government, which had only gained responsible status in 1872, could hardly favour one of the ports without intensifying the political rivalry between the colony's two provinces. From Europe's point of view Cape Town had the best location for the speedy conveyance of people, valuable goods and mail. On the other hand, Port Elizabeth and East London were closer to the diamond mines and were therefore a better option than Cape Town for the transportation of goods. Their hinterland also included the agricultural areas of the eastern Cape and the southern Free State which had for some two decades been the source of the Cape's burgeoning wool exports, which had increased from £286 000 in 1850 to £1,7m by 1870.

The Cape government therefore decided to construct three railway lines instead of one despite the fact that it would be much more difficult to operate all three on a profitable basis. As it turned out the politically expedient decision to placate all three ports created its own problems. Because each line fixed its own tariff rates, regional politics influenced the tariffs. For example, the tariffs on the East London line were lower than those on the Port Elizabeth line as compensation for the fact that East London had fewer harbour facilities and was further from Europe.

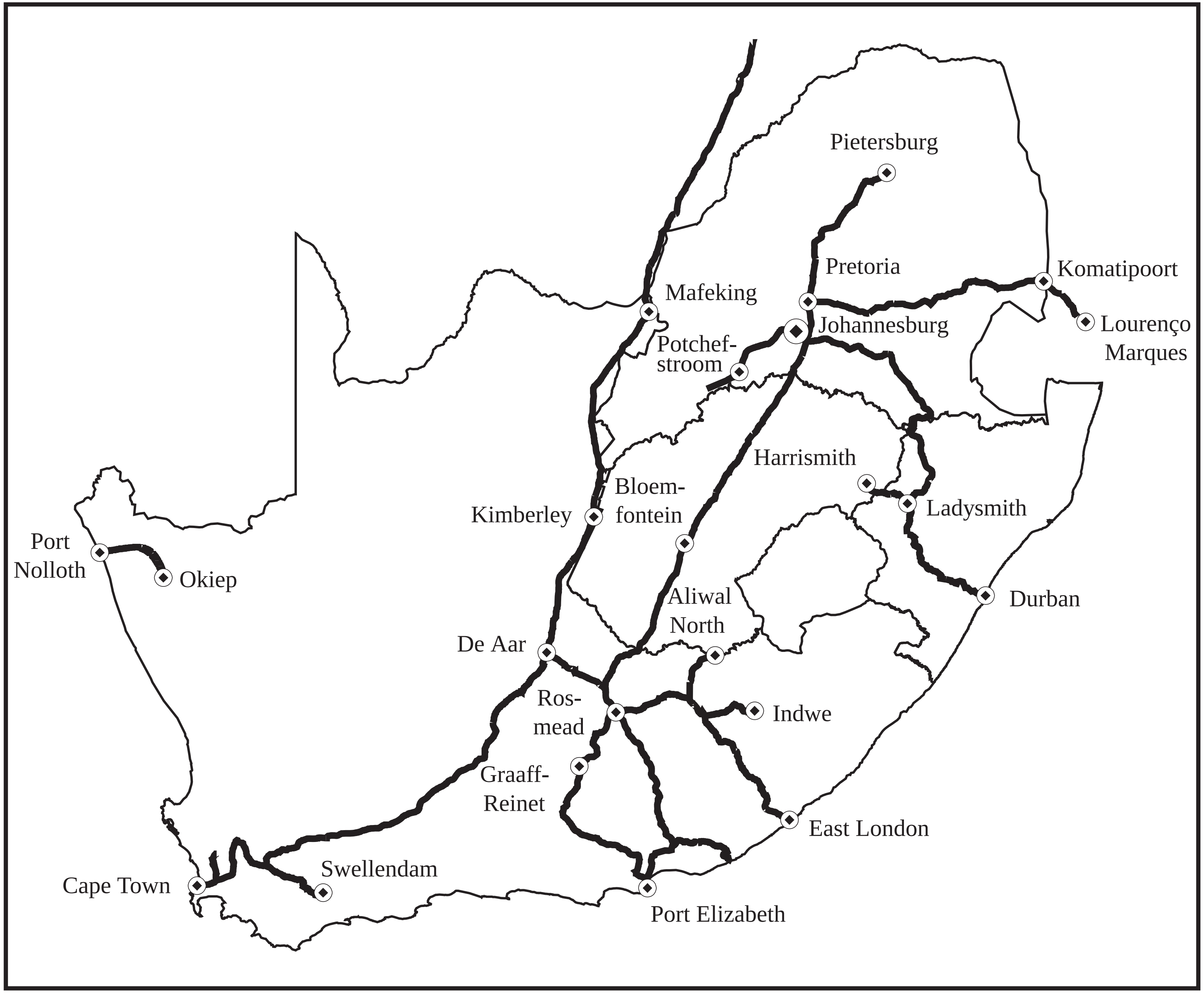
Construction of the railways from Cape Town and Port Elizabeth went ahead apace. It was decided that they should join up at De Aar and only one line should be built from there to Kimberley. The opening of the Kimberley line in 1885 saw a dramatic drop in the prices of almost everything. The price of coal, for example, fell by 75%. The rail link from East London was built at a more leisurely pace. Instead of following the more direct route through the Free State, it stopped short at the border, for political reasons, and in 1892 was joined instead to the Port Elizabeth-Kimberley line at Rosmead.

The Cape government was obliged to raise large loans on the London capital market to finance railway construction. Fortunately its credit rating had improved considerably because of the diamond fields. Although the Cape had been debt free up to 1858, by 1880 railway loans made up 65% of the colony's £11,4 million public debt.

MAP 14.1: South African railways before the discovery of gold on the Witwatersrand in 1886



MAP 14.2: South African railways in 1899



Naturally Natal also wanted to participate in the lucrative through traffic to the diamond fields. Durban was not that much further from Kimberley than Port Elizabeth. The Natal government took over the local private railway line and raised loans in London to finance a line to the interior. Construction started from Durban in 1875 but progress was slow because of the hilly nature of the coastal region. The line reached Pietermaritzburg in 1880 and had got as far as Ladysmith by 1886 when gold was discovered on the Witwatersrand.

14.3.1 Problems experienced during the first phase of railway construction[78]

The construction of railway lines to the mining centres of the interior faced tremendous technical, commercial and financial difficulties.

Technical problems
All the railway lines had to ascend, gradually or steeply, from the coast to the Highveld. In the Cape the additional problem of crossing the folded mountain ranges on the way to the Great Karoo had to be solved even before the line reached the Highveld. Many large-scale projects, such as tunnels and bridges, were necessary to overcome the steep gradients and ravines in the mountains. Once on the Highveld, construction costs were substantially lower because rivers were the only obstacles of any significance.

Water, the lifeblood of the steam engine, was scarce in the Karoo which lay to the west of the crucial 525 mm isohyet. Fuel to turn the water into steam was also in short supply. There were no vast forests in the Karoo to provide wood and the Cape had only one coal mine, at Indwe. Before the opening up of the Natal and Transvaal coalfields, coal for the railways had to be imported from Wales in Britain.

Commercial problems
Between 1870 and 1900 railway development in South Africa was limited to linking the inland mining centres with the coast and little regard was paid to the needs of the agricultural or export sectors of the economy.[79] In other words, the railways were geared to transporting goods and passengers from the coast to the mines, and passengers on the return to the coast. Because both diamonds and gold are high value items, the volume of goods traffic to the coast was insignificant. Thus for decades the problem was that goods trains left the ports fully laden to go to Johannesburg or Kimberley, but had to return virtually empty because the mining areas produced too few exportable products. Because of this, railway revenue had to come from imported goods and rail transport was therefore quite expensive.

78. Many of the problems experienced in constructing the railway lines to the Witwatersrand are also covered in this section for convenience' sake because they were similar to those faced during the Kimberley phase of railway construction.
79. An exception was the Port Elizabeth to Graaff-Reinet line completed in 1880. It served the major wool-producing areas of the eastern Cape midlands. It was only connected to the main line to the interior mines in the late 1890s – compare maps 7.1 and 7.2.

Before the mines were connected by rail with the coast, the transfer of goods from the trains to ox wagons at the current terminus neutralised much of the advantage of rail transport, which could not live up to its reputation of being fast and dependable, and therefore worth the extra expense.

The competition between the railway lines from the various harbours to the mining centres meant that none of the lines could be run optimally. Even within the Cape there was strong competition between Cape Town, Port Elizabeth and East London. The Cape administration had to arbitrate with care to ensure that each was satisfied with its share of the traffic. The fact that all three fell under one administration simplified the matter. As will be seen, at an interstate level the same issues caused much ill-feeling between the Cape, Natal, Free State and Transvaal. Ultimately the only solution was to incorporate the combatants into one state and thereby eradicate the problem.

Financial problems

The railways required large capital sums because construction and operation were very expensive. The Cape and Natal were able to borrow capital on the London capital market – before 1870 with difficulty and at high rates of interest (6% and more); after 1870 reasonably easily at 5% and sometimes even 4%. Their governments overburdened themselves with debt because the railway lines had to be built to Kimberley and the Rand regardless of the losses suffered in operating them. Because of the heavy burden of interest and redemption on their budgets, the Cape and Natal governments resolutely refused to pass on to the interior states any portion of the import duties collected. There was also bitter competition between the Cape and Natal governments. Each wished to increase the amount of goods transported on its own lines at the expense of the other's.

The Orange Free State depended on the Cape and Natal for any rail construction. The Transvaal and Portugal had to draw on European capital. This proved to be even more difficult to obtain than the capital the British colonies had managed to raise on the London market. In the end the supplementary capital required to complete the railway line from Delagoa Bay to Johannesburg had to come from Britain. Because it was the port closest to the Rand, transport via Delagoa Bay increased appreciably after the completion of the line. The amounts required to cover interest and redemption payments were earned with ease.

14.4 THIRD PERIOD, 1886–1900: The race to the Witwatersrand[80]

The third phase of the South African railway construction started as soon as it had been established that the Witwatersrand gold mines would be profitable in the long term. A race to construct railways to Johannesburg ensued.

80. See map 14.2.

There were four possible ways of reaching the Rand from the coast:

(1) By extending the line from Kimberley to Johannesburg via Klerksdorp and Potchefstroom. This proposed route was known as the south-western line. From the Cape's point of view this was the best solution.
(2) By branching off from the Port Elizabeth-De Aar line at Noupoort and building a line to Johannesburg via Bloemfontein and Vereeniging. The Free State naturally favoured this line because it would link its southern and northern borders. This option was known as the southern line.
(3) By extending the line from Ladysmith in Natal via Volksrust to Johannesburg. This was the southeastern line which was obviously supported by Natal.
(4) By building a line from Lourenço Marques via Pretoria to Johannesburg. This, the eastern line, was the shortest of the four proposed lines and would moreover link the Transvaal with a non-British port. Kruger knew that inevitably the Transvaal would have to be connected by rail to the ports in the Cape and Natal. But he was determined to hold out for as long as possible to obtain concessions to the Transvaal's advantage. He also needed to delay the other lines until the one from Delagoa Bay was completed because it was feared that otherwise the other lines would be so well established by the time the eastern line was completed, that it would not be able to compete with them. Added to Kruger's fears was the fact that the port facilities at Lourenço Marques were inadequate and the harbour authorities there were far from competent.

14.4.1 The south-western line

In 1885 Sammy Marks offered to build a railway line from Kimberley to Pretoria for the Transvaal government. However, the government was already negotiating with a Dutch firm to construct the eastern line. So Marks's offer was refused. It was raised again on several occasions by Piet Joubert and others. Nothing ever came of it because of opposition from Kruger as well as the Free State and Natal governments which each supported the lines most advantageous to themselves.

After gold was discovered on the Rand, the Cape government acted swiftly. Two representatives travelled to Pretoria in March 1887 and proposed that Kruger sign a customs agreement and authorise the construction of a rail link from Kimberley to the goldfields. Kruger rejected both proposals. Apart from wanting a non-British link to the sea, he realised that the Free State would resent his supporting any line that did not cross it.

14.4.2 The southern line

Shortly after the Cape had approached the Transvaal about the south-western line, the Free State government asked for the rail link from the Cape via the Free State to be approved. Kruger was unwilling to support this scheme until the eastern line had been completed. But as a *quid pro quo* he was prepared to prevent the construction of a line from Kimberley to the Rand. President Brand of the Free State turned down this proposal and accepted the Cape government's invitation to a conference in 1888 where the Free State agreed to permit the Cape government to extend its railway across the Free State to Vereeniging in exchange for a larger proportion of the import duties collected by the Cape on its goods.

However, Brand died during the year and his successor, F.W. Reitz (1889–1895), made renewed overtures to the Transvaal and in 1889 signed customs, railway and defence agreements. In the railway agreement, the Free State promised not to permit the construction of a railway between Bloemfontein and Vereeniging, or from Natal to Harrismith, without the Transvaal's approval.

However, Reitz continued Brand's policy of maintaining economic ties with the Cape. In 1889 he concluded a second customs agreement. This time the Cape government was given permission to construct, finance and operate a railway line to Bloemfontein. The Free State in return received the right to take over the line and eventually extend it to Vereeniging.

Naturally a line with Bloemfontein as a terminus had little chance of being profitable. Very soon the Transvaal government was put under pressure to allow the line to be extended to Johannesburg. The Cape, the Free State and the Rand mining interests all agitated for the connection to be made. In 1891 Kruger agreed because some progress had been made on the eastern line. The Nederlandsche Zuid-Afrikaansche Spoorweg-Maatschappij (NZASM), the Dutch railway company which was constructing the line, agreed to operate the Transvaal part of the extension. Thus the Cape government was given permission to extend its line from Bloemfontein to Vereeniging. It was to be allowed to operate the line until the end of 1894 and thereafter, until completion of the eastern line, to fix its own tariffs, all in exchange for a £300 000 loan to the NZASM. The latter was to use the money to build the Vereeniging-Pretoria link. The southern line was completed without delay and the first train from the Mother City steamed into the City of Gold in 1892. The Cape had won the race to the Witwatersrand. In the following year Pretoria was linked by rail with Johannesburg.

After the completion of the railway line from Lourenço Marques to Pretoria in December 1894, a new struggle began. The Transvaal government was anxious to encourage the transportation of goods via the eastern line rather than the southern or southeastern lines. Natal accepted this, but the Cape government, which was still heavily in debt as a result of the costs of its line, did not. In 1894 the Cape demanded from the NZASM that the southern line should get half the available traffic, the Natal line a third and the Delagoa Bay line only a sixth. The management of the NZASM offered the Cape a third of the traffic and promised to keep the tariffs on the eastern line only marginally below those of the Cape. The Cape rejected the offer.

In 1895 the Cape government started a railway tariff war by lowering its charges on the line to Vereeniging without consulting the other parties. The NZASM retaliated by raising the tariffs on the Vereeniging-Johannesburg line but exempted Free State goods from the additional tariff. To take traffic away from the NZASM part of the line, the Cape government began to subsidise the conveyance of goods to the Rand by ox wagon from the Free State via Viljoensdrift and Sanddrift on the Vaal River. Ox wagon transport increased appreciably in 1895. A railway conference held in Cape Town between the participating states and Portugal ended in failure. Both the NZASM and the Transvaal government suffered losses as a result of the subsidised ox wagon transport to the Rand. As a result Kruger closed the two drifts to ox wagon traffic – and the so-called drift-war had begun. The Cape, the Free State, and the mining interests on the Rand all strongly opposed the Transvaal's action. Rhodes, as Prime Minister of the Cape, then asked the British government to intervene and the resultant diplomatic pressure forced the Transvaal to reopen the drifts. Despite the fact that the British government's intervention in the drift-war was only a token gesture, it was nevertheless a serious warning to the Transvaal because it was the first in a sequence of events that ultimately led to the Anglo-Boer War.

Although the Cape had won the diplomatic battle, it lost the railway battle because traffic on the eastern line increased rapidly at the expense of transport between the Rand and the Cape ports. The Cape's share of total traffic to and from the Rand fell to one-third, and at times even lower.

In 1897 the Free State government exercised its right to expropriate its portion of the southern line. Substantial compensation was paid to the Cape government. This step was not inspired by complaints about the way in which the line was being managed by the Cape – the administration was in fact excellent – but by the nationalistic desire of the Free State government to control the railway line running across its territory, to loosen its ties with the Cape and to seek closer links with the Transvaal. The Anglo-Boer War was imminent and the Free State, under the leadership of M.T. Steyn (1895–1902), wished to throw in its lot with the Transvaal. The expropriation of the Free State portion of its railway network cost the Cape Government Railways a large portion of its annual revenue, some £300 000 a year according to one source.

14.4.3 The southeastern line

Soon after the discovery of gold in 1886, the Natal government naturally also wanted to extend its railway network to the Witwatersrand. The line to Ladysmith was extended to Charlestown near the Natal-Transvaal border. In 1887 Natal approached the Transvaal government for permission to extend the line to Johannesburg in return for the remission of a portion of the import duties it collected on goods destined for the Transvaal. Kruger rejected the proposal for the same reason that the southern and south-western lines had been turned down during the course of the same year.

In 1892 Natal resumed negotiations with the Transvaal after the Bloemfontein to Pretoria line had been agreed to. In 1894 a treaty was signed which included the following provisions:

(1) The line from Charlestown to Johannesburg was to be built as soon as possible.
(2) The line from Ladysmith in Natal to Harrismith in the Free State would not be extended to Kroonstad without the Transvaal's permission because it would link the Natal network with the Free State line which would mean serious competition for traffic on the eastern line.
(3) The differences between tariffs on the Natal and eastern lines were pegged to eliminate the possibility of a rate war.
(4) The Natal line would receive at least a third and at most a half of the total traffic to the Rand.

Portugal protested unsuccessfully against the agreement because its stipulations could work against the Portuguese part of the eastern line. Rather than start a tariff war, as the Cape had done, Natal had chosen to come to an agreement with the Transvaal with beneficial results. The Natal government constructed the line for the NZASM from Charlestown to Heidelberg at cost. The NZASM built the section from Heidelberg to Johannesburg. The line from Durban to Johannesburg was completed in 1895.

14.4.4 The eastern line

As far as the Transvaal government was concerned, the most important rail link to the coast was the one with Delagoa Bay. Even before the discovery of gold on the Witwatersrand, President T.F. Burgers (1872–1877) had attempted to get a railway built between the Transvaal and Delagoa Bay. But there had been vigorous opposition to his scheme because it entailed a government owned railway to be financed out of taxes. He had gone so far as to conclude a trade and railway agreement with Portugal who agreed to subsidise the company that built the line from Lourenço Marques to the Transvaal border. He had then raised a state loan for £300 000 in Amsterdam to finance the Transvaal portion of the line. Materials and rolling stock worth £63 000 had been sent from Belgium. But in the end it lay rusting in Lourenço Marques because only about a third of the loan raised in Europe had been subscribed. The amount raised had been insufficient to finance even the first stages of construction and the Volksraad had opposed the proposed increase in tax to finance construction. The British annexation of the Transvaal in 1877 put paid to any possibility of Burgers getting his railway built.

The scheme was revived in 1884 when Kruger set about getting the Netherlands interested in launching a railway company. He had no wish to repeat Burgers's mistake of a government financed railway. Kruger granted a concession to a group of Dutchmen to construct the line. They established the Nederlandsche Zuid-Afrikaansche Spoorweg-Maatschappij (NZASM). The granting of a concession was typical of the Transvaal's economic policy between the two Anglo-Boer Wars. The NZASM received a highly favourable concession because in 1884 the Transvaal was in a very weak financial position. But as soon as gold was discovered on the Rand in 1886, the government's position changed and it renegotiated the concession. Under the new dispensation, 85% of the NZASM's annual profit (after payment of a government guaranteed 5% interest on the company's capital) would go to the Transvaal government. As a result it was to the government's own advantage to see as much Transvaal traffic as possible go to the Delagoa Bay line.

The NZASM faced far greater financial, diplomatic and technical difficulties than any of the other companies constructing lines to the coast.

Financial problems

Before 1886 financial circles in Amsterdam had no confidence in the future of the poor, nearly bankrupt, weakly administered Transvaal. Thus the initial capital was raised only with great difficulty. When the remainder of the capital was needed in 1890, efforts to raise it were hampered by the international stock exchange and bank crises following the Barings crisis in London. Ironically, it was the Cape that came to the rescue because the completion of the Transvaal portion of the southern line by the NZASM was vitally important to the Cape. Thus the Cape government put up £300 000, and more if necessary, for the NZASM to continue construction.

In November 1892 the NZASM was once more in need of money and the Transvaal government was obliged to render assistance several times in the form of loans. To obtain finance, the Transvaal had to negotiate a loan with Rothschilds in London. This time it was the Transvaal's archenemy, Rhodes, who used his influence with Rothschilds to get the Transvaal its loan. But he did so with an ulterior motive: the Transvaal government agreed, in return for the £2,5m loan, not to accept any other loan without Rothschilds' approval. The loan completely eliminated the NZASM's shortage of capital.

Diplomatic problems

The diplomatic hurdle facing the construction of the Transvaal-Delagoa Bay railway line was the MacMurdo concession. The Portuguese government had granted the concession for the construction of the railway line from Lourenço Marques to the Transvaal border to Edward MacMurdo (1839–1889), an American living in Britain who was a real wheeler-dealer. He had unsuccessfully tried to get the concession for the Transvaal section of the line. He nonetheless had the NZASM at his mercy because the Portuguese concession allowed him to fix his own tariffs, which meant he could deflect consignors from the eastern line at will if necessary. Thus the Transvaal government forbade the NZASM to start its own line until Portugal withdrew MacMurdo's concession.

After initially struggling to find the necessary capital, MacMurdo managed to start the construction of his part of the railway in 1887. Rapid progress was made but unsound construction resulted in many washaways and the line operated at a loss. MacMurdo died in 1889 and although his widow continued the project, the Portuguese government soon withdrew the concession because the line had not been completed as far as the Transvaal border. The Portuguese then repaired the line and continued to operate it themselves. The British government objected to the Portuguese taking over a project financed by British money and demanded arbitration. A Swiss court was appointed and in 1900 gave its verdict against Portugal with the result that Portugal had to pay a large sum in compensation.

Technical problems

The technical problems that had to be overcome while constructing the eastern line were diseases, difficult terrain and obtaining supplies. When the line was eventually completed in 1894, it was claimed that there had been a death for every sleeper laid. In the seven years of construction an army of workers had to contend with diseases, especially malaria, and overcome terrible gradients and ravines. Some sections were so steep that rack rails had to be used.

While construction of the eastern line was at a halt during 1888–1889 in anticipation of the expropriation of MacMurdo's railway by the Portuguese authorities, the NZASM competed for a concession to build a light line along the Rand to carry coal from Boksburg to the gold mines. It opened the *Randtremlijn* in 1890. It was an immediate success and was soon extended to Krugersdorp. The coal traffic increased year after year and the company earned substantial profits from the line.

During its very difficult initial years, the NZASM came in for a great deal of criticism from the *uitlanders* and the many Afrikaners opposed to Kruger's policies. They disliked the self-important attitude that the company adopted under Kruger's protection. Many people complained of high tariffs and minimal services. Eventually the NZASM's services improved and in 1897 it even lowered its tariffs.

14.4.5 Other railway development before 1900

The Cape

The review given above of railway construction from 1870–1899 has shown that mining interests were undoubtedly of prime importance. It was only in the Cape that agriculture provided the impetus for the construction of additional lines. The first agricultural line was approved by the Cape parliament in 1883. Its first section from Worcester to Ashton was opened in 1887, the second to Swellendam in 1897, and the third section to Mossel Bay in 1906 – the line was eventually extended from Mossel Bay into the rich farming areas of the Little Karoo. A private line was constructed from Grahamstown to Port Alfred in 1884 but it was taken over by the Union government in 1913. A narrow gauge railway from Port Elizabeth to the fertile Langkloof was mooted in the late 1890s. Construction was started in 1900 only to be delayed by a shortage of labour because of the Anglo-Boer War. The project was restarted after the war and the line to

Joubertina was completed in 1906. A branch line to Hankey to serve the Gamtoos valley was opened in 1914.

In addition to the agricultural lines, two short mining lines were also built in the Cape. The first linked the copper mine at O'kiep to the coast 147 km away at Port Nolloth. The second connected the coal mine at Indwe (the only important source of coal in the Cape) to the East London-Rosmead line. The Cape government expropriated the line in 1900.

Natal

While the Transvaal was refusing to allow the extension of the Natal line into the Transvaal, the Natal government pinned its hopes on obtaining permission to connect Ladysmith to the southern line in the Free State. In this way it hoped to divert the traffic in maize and wool from the southern Free State away from Port Elizabeth to Durban. The Cape government naturally objected strongly. The 1887 customs and rail conference concluded with an agreement whereby the Cape would begin constructing a line through the Free State as soon as Natal began to construct a line from Ladysmith to Van Reenen's Pass. The agreement was adhered to and Natal soon extended its line to Harrismith in the eastern Free State with the intention of extending it to Kroonstad.

But once the Transvaal agreed to the building of the Charlestown to Johannesburg line, Natal lost interest in the Free State line and did not extend the line beyond Harrismith, much to the annoyance of the Free State.

The Transvaal

In 1893 the NZASM was awarded the concession to build a railway to the Klerksdorp goldfields via Potchefstroom along part of the route previously proposed for the south-western line. The NZASM accepted the project on condition that it would obtain compensation if the line ran at a loss. The line came into operation in 1897 and indeed was not profitable because of the disappointing yield of the Klerksdorp goldfields. A branch line to Barberton also caused the NZASM to incur losses. The company therefore became cautious about new branch lines and did not attempt any important railway extensions until the outbreak of the Anglo-Boer War.

In 1897 the Transvaal government decided that in future it would build and operate all railway lines. This brought the Transvaal into line with the other South African states. It is highly likely that even if the Anglo-Boer War had not intervened, the Transvaal government would have taken over the NZASM.

14.5 FOURTH PERIOD, 1900–1910: The struggle continues

At the outbreak of the Anglo-Boer War the Cape and Natal governments put their railways at the disposal of the British government while the Transvaal government placed the NZASM under military command, in accordance with its concession. Once British troops occupied the Boer republics, the British military authorities took over the NZASM and ran it along with the short-lived Orange Free State Railways. It was assumed that the railway squabbles of the Kruger era were over. But to obtain mine workers from Mozambique for the gold mines, the Governor of the Transvaal, Milner, was forced to sign an agreement with Portugal – the *modus vivendi*. In exchange for permission to recruit mine workers for a maximum period of 12 months at a fee of 23 shillings a man, the Portuguese government extracted from Milner a promise that the difference between the railway tariffs from the Witwatersrand to Lourenço Marques on the one hand, and to the British ports on the other, would remain as they had been before the war. This meant that the British ports were not permitted to undercut Lourenço Marques and its competitive position remained unimpaired.

Milner went ahead with his policy of trying to arrange a South African federation despite the additional difficulties imposed by the *modus vivendi*. His most important tools were customs tariffs and the railways. As soon as military control gave way to civilian government, the railways in the Transvaal and the Free State were united into a government-controlled company called the Central South African Railways. Under the *modus vivendi*, however, Lourenço Marques continued to retain its privileged position.

To counteract the coastal colonies' higher railway tariffs on imported goods destined for the Transvaal (a strategy intended to force the Transvaal to favour products exported from the Cape or Natal), the Central Railways reduced its tariffs by 20% in 1902. A year later, after difficult negotiations in Bloemfontein, the three South African railway companies arrived at a compromise. Still, Lourenço Marques retained its privileged position. The railway conference was followed by a customs conference, also in Bloemfontein. This too ended in a compromise because of the divergent wishes of the participants.

The post-war depression set in and for six years the laboriously negotiated compromises were put to the test. The treasuries of the coastal colonies depended mainly on revenues from import duties and railways and during the depression these revenues plummeted. The customs and railway conference in Pietermaritzburg in 1906 put together another patchwork of compromises which failed to satisfy any of the participants.

In 1905 Milner embarked on a large-scale programme of railway expansion. During May 1906 a railway line from Klerksdorp to Fourteen Streams was opened. It finally brought the south-western line into being by connecting the Rand to the Cape ports via Kimberley. Natal felt the competition keenly but her protests were to no avail. Soon afterwards the line from Harrismith to Kroonstad was opened and this time it was the Cape government's turn to protest against the low tariffs on the new line. It threatened to start a tariff war. On top of this, the Cape also had its differences with the Central Railways. A repeat of the 1895 tariff war seemed imminent. Both the Cape and Natal introduced low tariffs during 1906 to compete with Lourenço Marques.

As in the case of the drift-war in 1895, the British government had to intervene in the person of Milner's successor, Lord Selborne (1905–1910). This time, however, the weight of the British came down on the side of the Transvaal. Selborne threatened tariff increases on the Central Railways to compensate for the coastal colonies' tariff reductions. Again a hasty compromise was reached and the Transvaal's supremacy in these matters was proved once again.

By 1908 Union was in the air and the leading statesmen of South Africa – Afrikaners and English-speakers alike – were tired of the continuous tug-of-war over customs and rail tariffs. They were afraid that the quarrels would intensify now that the Transvaal and the Free State had become self-governing colonies. Meanwhile the 1908 Pretoria customs and railway conference maintained the status quo while the Union issue was being thrashed out by the National Convention, which eventually came up with the political formula for the creation of the Union of South Africa in 1910. At the convention it was decided that the assets of the three colonial railways in South Africa would go to the Union government.

The railway question was a bone of contention at the National Convention. The most important aspect was how much of the Witwatersrand's trade each of the seaports would get. Natal was the most difficult party to satisfy because it felt it had had to compromise more than the others on many other points. As a condition of joining the Union, it demanded that Durban should get at least 30% of the Transvaal's traffic.

Meanwhile the Transvaal had to finalise the revision of the 1901 *modus vivendi*. In the new agreement with Portugal, Lourenço Marques's privileged share of railway traffic to the Transvaal was pegged at 50% to 55%. In return the right to recruit miners in Mozambique was retained. When the Transvaal submitted the draft agreement to the National Convention for approval, the Cape and Natal protested vigorously and the whole conference was put in jeopardy. In the end the Cape resigned itself to accepting the 15% to 20% which would remain after Natal had received its 30%, because the Cape's share had been less than 15% since 1902 anyway. The convention approved the agreement with Portugal, which was signed in April 1909.

With the formation of the Union of South Africa in 1910, the three colonial railway systems (the Cape Government Railways, the Natal Government Railways and the Central South African Railways) were merged into a single body, the South African Railways. The Act of Union stipulated that the railways were to be run "on business principles, due regard being had to agricultural and industrial development... and the promotion, by means of cheap transport, of the settlement of an agricultural and industrial population in the inland portions... of the Union".[81] The political considerations that had overshadowed the operation of the colonial railways would no longer dominate. It would in future be possible to plan ahead without direct reference to sectional interests and the railways could be geared to purely economic factors.

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81. The Union of South Africa Act, 2 December 1909, Section 127.

LEARNING UNIT 15

Agriculture

TOPICS

KEY ISSUES

- Backwardness of agriculture.
- Progress in agriculture.

LINKED ISSUES

- Economic impact of the railways.
- The role mining played in developing the South African economy.
- A politically divided southern Africa was the biggest stumbling block to economic development until 1910.
- South Africa advanced politically by disasters and economically by windfalls.

15.1 INTRODUCTION

The preceding learning units have covered the dynamic sectors of the South African economy. The stormy development of mining and its impact on the transport sector caused so many tensions on so many planes that they contributed substantially to the outbreak of the Anglo-Boer War. In the following learning units, the sectors of the economy that showed much slower growth will be covered. Some of them lagged behind and may actually have retarded the development of the domestic economy. These sectors include agriculture, manufacturing and banking.

15.2 GENERAL CHARACTERISTICS OF AGRICULTURE 1870–1910

Compared with other areas of white settlement (not only the older ones such as the USA and Argentina, but also younger ones such as Australia and New Zealand), the development of South African agriculture during the 19th century was slow. Only towards the end of the century were there any signs of improvement. By the first decade of the 20th century new export markets had been found for new agricultural products, such as mohair, ostrich feathers and fresh fruit. But where a change in the *type* of product was needed, it was often too slow in coming, for example the change from fine wool to coarse wool in 1880. Too much effort was put into quantity and not enough into quality, and many important markets were lost to other countries which offered a better quality of agricultural product. The export trade in wine and ostrich feathers was ruined in this way. Apart from wool, hides and skins, few staple products were exported. Maize, for example, was exported only after exceptionally good harvests. Because of its poor quality, South African agricultural produce generally fetched lower prices overseas than similar products from competing countries.

Agricultural production in South Africa could not keep pace with the rapid population increase caused by the mining revolution. Much of the wheat, meat, dairy produce and timber needed by the rapidly growing urban population had to be imported. It can be sound policy for a country to import its foodstuffs if by doing so its agricultural land is released for other, more lucrative purposes. Countries like Denmark, the Netherlands and Switzerland import cereals so that they can release land to produce meat and dairy products for export. But such a situation did not exist in South Africa during the 19th century. At that time land was underutilised or not used at all.

15.2.1 Reasons for the backwardness of the agricultural sector

There are a number of natural and human reasons for the relative backwardness and slow development of South African agriculture.

Natural causes

(1) Great irregularity in rainfall, constantly recurring droughts and a very low average rainfall in the greater part of the country.
(2) Violent thunderstorms, especially on the Highveld, which result in little absorption of rain water by the soil and erosion where vegetation is sparse.
(3) Sudden cold snaps, snow and hail on the Highveld which regularly kill a great number of sheep, goats and cattle and devastate crops.
(4) An abundance of plant and animal pests because there is no natural barrier to prevent their infiltration from central Africa where most of them originate. Harmful infestations of insects, bacteria and viruses destroy countless plants, for example the notorious vine aphid (phylloxera), the boll weevil, the fruit-fly and the locust. Others cause stock diseases like scab and

geilsiekte in sheep; redwater fever (tick-bite fever), East Coast fever, bluetongue (foot-and-mouth), rinderpest, bovine parabotulism, lung-sickness (pleuro-pneumonia) and nagana (caused by the tsetse fly) in cattle, Newcastle disease amongst poultry and bilharzia in all domestic animals. A variety of noxious plants have been introduced from overseas, which include the jointed cactus and the water hyacinth which chokes up dams.

(5) The presence of predators which carry off stock – leopards, hyenas, jackals, lynxes and wild dogs.

(6) Large herds of game which compete with stock for grazing and water, denude pastures and transmit infectious diseases as was the case when rinderpest spread from east Africa in the 1890s.

Human causes

(1) Overgrazing by livestock causes the soil to be washed and blown away.

(2) Vegetation is destroyed by chopping down trees (deforestation) and deliberate or accidental burning of the veld.

(3) There is too great a concentration of livestock in kraals at night to prevent stock losses, leading to the spread of infection and to erosion caused by the trampling of the grazing around the kraal.

(4) Manure is used as fuel in regions where wood is scarce or where deforestation has taken place, instead of for enriching the soil.

(5) Monoculture, the lack of crop rotation and fallowing, leads to soil exhaustion. This is particularly common in the maize areas.

(6) There is prejudice against pest control and the use of chemical fertilisers.

(7) The lack of a good transport system. South Africa lacks rivers and in the 19th century did not have a railway network. With the mining revolution came the construction of railways, but the lines connected the seaports to the mining centres of Kimberley and Johannesburg without taking into account the needs of agriculture. This meant that it was often cheaper for Johannesburg to get dairy produce and frozen meat from overseas by ship and rail.

(8) There is no combined effort to control pests and diseases because southern Africa was divided into two self-governing British coastal colonies, two Boer republics, three British high commission territories (Basutoland, Bechuanaland and Swaziland), a Portuguese colony (Mozambique), a German colony (South West Africa) and a territory ruled by a private British company (Rhodesia). In many of these territories there was no local attempt to control pests and diseases.

(9) There were insufficient funds to finance the study and implementation of modern and scientific agricultural methods.

(10) Immigration was limited which meant that there was little incentive for local farmers to improve their outmoded methods of production. This considerably retarded the development of South African agriculture compared with all the other areas of white settlement.

(11) The pre-capitalistic forms of society and organisation of the Africans who constituted the majority of the population. They were even less equipped for

rapid development than the Boers who had reached the stage of early capitalism.

(12) Increasing contact between South Africa and other countries in Africa, Australia and the Americas which resulted in the introduction of new noxious plants (e.g. the water hyacinth and jointed cactus) and parasites. This aggravated the harmful effects of pests and diseases from about 1890 onwards.

15.2.2 Reasons for progress in the agricultural sector

After 1890 there were gradual signs of improvement in the agricultural methods used in South Africa. After the Anglo-Boer War progress accelerated even though there were still many regions and branches of agriculture which appeared to be insensitive to rationalisation and commercialisation. The following are the causes of this improvement.

(1) The mining revolution created large new markets for South African agricultural produce to which farmers of all races eventually responded with increased productivity.
(2) Railways were constructed to serve the needs of agriculture. Before 1902 most railways ran directly from the seaports to the mining centres and the advantages of rapid transport were confined to a few agricultural regions which happened to be in the right place. After 1902 lines were built to link agricultural regions to the large consumer centres. Preferential railage rates for South African agricultural products encouraged sales.
(3) Scientific discoveries made overseas in the veterinary and chemical fields made the effective control of stock and plant diseases and pests possible. The diseases and plagues that severely afflicted South Africa from 1890 onwards brought many experts, such as Dr Robert Koch and Sir Arnold Theiler, to South Africa to try and solve the problem.
(4) Wealthy entrepreneurs like Rhodes, Nellmapius and Marks invested in agriculture. They applied their modern approach to farming and appointed experts to run their operations. A good example is the fruit-farming enterprise which Harry Pickstone started for Rhodes in the Western Cape.
(5) Under Milner and his successors, the British administration of the former Boer republics adopted many measures for improving agriculture and consulted many experts from Britain.
(6) Unification ensured countrywide cooperation which was absolutely essential for the prevention and control of pests.
(7) In time many farmers adopted the new methods they saw being used all around them, although there were many who remained untouched by the new developments.

South African agriculture in the period 1870–1910 was greatly stimulated by the mining revolution. Large new urban markets for farm produce developed in the interior. The mining revolution led to large-scale railway construction. Although the first railway lines did not cater directly for farmers, many did profit from them.

They also benefited from the low rates of carriage which the Cape and Transvaal levied on agricultural produce. It is not too much of an exaggeration to say: "The introduction of railways brought about a real agricultural revolution in South Africa".[82]

The railways opened up new and considerable markets for the farmers. In the mining centres and seaports the farmers found new markets for their wine, wheat, maize, slaughter-stock, eggs, butter, fruit and vegetables. The demand, however, was very unsteady on account of the volatility introduced into the economy by the speculatory factor inherent in mining.

A negative feature of the mining revolution was that many farmers left their farms to work on the mines or become transport riders between the seaports and the mining centres. Another negative factor in this period was slow rationalisation and extension of scientific methods when compared to other countries, especially South Africa's major agricultural competitors. Farmers neglected quality for quantity and were slow to follow shifts in foreign demand. In this way markets were lost. It often took a disaster to force farmers to improve production and sales methods. Disasters such as the phylloxera infestation from 1886–1890 and the rinderpest from 1896–1897 prompted the farming community to find solutions and in the process improve their general farming methods.

15.3 POOR MARKETING METHODS

The shortcomings of the commercial agency that purchased the farmer's goods for sale to the exporter were one of the chief obstacles to the improvement of agricultural produce. This trade link was at first provided by the itinerant trader or *smous* who took the farmer's produce in exchange for whatever goods the farmer needed.

As the farming population increased and became more settled, traders tended to set up stores, making the services of the *smous* superfluous. Otherwise, trade followed the same pattern. The trader also sold a great variety of goods, offered the farmer credit from one harvest season to the next, accepted farm produce – wool, hides, horns, butter, livestock and maize – in payment, and set it off in his books against the farmer's debts without any money changing hands. Africans were just as caught up in the system as were white farmers.

Just as the farmer was indebted to the trader, so the trader was indebted to the wholesale merchant at the seaports, who in turn was indebted to the British exporter. Thus there was a chain of credit linking the most isolated South African farm or kraal with the London money market. Any credit restriction soon filtered through.

82. L.C.A. Knowles & C.M. Knowles, *The economic development of the British overseas empire*, 3, "The Union of South Africa", London, 1936, p. 264.

The first disadvantage was the farmer's dependence on the trader. Although the credit system as such was not a drawback (credit is indispensable to agriculture), the farmers were constantly in debt to the trader and were therefore obliged to take all their produce to him. They had no insight into actual market prices and were sometimes undoubtedly paid too little for their produce, even taking into account the high rate of interest imposed by the trader to cover bad debts. The local trader was often the principal mortgagee in a district, because he advanced money and goods against mortgages on farms.

The second disadvantage was the trader's inadequate knowledge of the grading and sorting of agricultural produce. This was a serious shortcoming particularly in the merchandising of South Africa's principal agricultural export, wool. Because traders paid exactly the same price for good and bad, pure and impure wool, farmers mixed the different kinds and qualities. Of course this severely depressed returns and overseas importers were not happy with the rough and ready classification of wool into "good merino" and "ordinary". Although exporters passed on the complaints, local traders lacked the time and the specialised knowledge for better sorting and grading. In this way the trader became an obstacle to the improvement of agricultural methods and marketing.[83]

The only solution was to eliminate the trader and establish direct contact between the farmer and the exporter at the seaports. For wool sales this step was taken in the opening years of the 20th century. Exporters set up buying centres in the interior while farmers started wool sales associations and, before long, cooperative wool auctions. In 1906 wool farmers founded the National Association of Wool and Mohair Growers in Port Elizabeth. By carefully classifying and packing wool and mohair for export, it hoped to improve the reputation and price of South African wool and mohair. Similar associations with the same goals were set up for other agricultural products.

15.4 THE USE OF LAND BY WHITE FARMERS

After the moving pioneer frontier was closed in South Africa towards the end of the 19th century, land became more scarce and the problem of accommodating a growing rural population arose. In Europe the problem was solved by (a) the intensification of agriculture so that less land was needed; (b) subdividing the land, whether by transfer of title to a farmer's heirs or by leasing to tenant-farmers; and (c) turning away from farming to other ways of earning a living.

In South Africa these expedients generally did not apply. The intensification of agriculture was impossible because of the shortage of markets, capital, knowledge and, to a lesser extent, labour. Subdividing farms was severely limited by the shortage of water and arable land. Leasing was not popular because with small markets tenants could not pay reasonable rents. Job opportunities outside agriculture were limited to big game hunting, trading in hunting products and

83. D.M. Goodfellow, *A modern economic history of South Africa*, London, 1931, p. 118.

livestock with Africans and transport riding. In the course of the 19th century the importance of hunting declined with the disappearance of game. Professional traders soon ousted local white farmers from trade with Africans because they had more capital and goods for barter. Transport riding, however, gradually increased, especially after the mining revolution. It held its own for decades after the construction of railways because large areas of the country were outside the ambit of the railway network.

The mining revolution tempted many farmers away from agriculture. Transport-riding and speculation in prospecting for precious metals were more attractive than farming. In fact, the subdued response of the Transvaal's Afrikaans farming community to the emergence of the huge market for its produce in the mining centres is quite remarkable. Market gardening and dairying were left largely to immigrants – especially Italians, Portuguese and Indians.

15.5 PROBLEMS FACING AFRICAN FARMERS

By 1870 the whites were in control of most of the land that subsequently became consolidated into the Union of South Africa. In the areas where the whites had had to take the land by force, they often allowed some of the original African inhabitants to remain on the land in return for some tangible benefit in the form of labour or rent. Traditional farming continued in the remoter regions and the only contact between this subsistence economy and the rapidly developing mining-agricultural economy was through the migrant labour system which drew more and more men out of traditional agriculture for longer and longer periods.

In the regions closest to the new urban markets, African agriculture took advantage of the new market opportunities just as white agriculture had done. Maize was the staple crop and it was a natural step from production for home consumption to production for sale. The extent to which African agriculture was integrated into the white-dominated economy is difficult to gauge. There is evidence to show that there was a keen interest in the production of wool in the 1860s and 1870s and in foodstuffs after the discovery of diamonds and gold. In the long term, however, a variety of obstacles, some deliberate and others fortuitous, prevented the continued development of market-oriented African agriculture.

Far from keeping up its share of the national surplus, African farming gradually ceased to be able to provide a living for those engaged in it. One reason was that it was less able to bear the costs of transport which constituted the largest liability in commercial agriculture. The railways benefited white farmers far more than Africans who were unable to take advantage of favourable freight rates and other state assistance such as loans, subsidies and technical and marketing services. In addition there was unquestionably a move to thwart the continued growth of a class of independent African land-holders, whose existence was thought to imperil the labour supply to white farms and the mines.

African agricultural entrepreneurship faltered long before white politics intervened on a grand scale in the early part of the 20th century. African production for the market was just as dependent as white production on extending cultivation and enlarging herds to expand production rather than improving productivity. By the end of the 19th century increasing competition for land made this impossible and it became necessary to adapt methods to new circumstances. African farmers were unable to do this, partly for reasons beyond their control. Traditional African society stressed the group at the expense of the individual, which made it very difficult for the would-be entrepreneur to maximise output and profit while sharing facilities with others not so committed. Customarily African men took no part in cultivation but were responsible for the care of cattle. The success of commercial beef and dairy farming was hampered by communal grazing and made virtually impossible by the rinderpest from 1896 to 1897. Only in Bechuanaland did a cattle trade of any importance develop.

Basic conservatism and a lack of capital meant that Africans were very unlikely to apply improved farming techniques on a wide scale. As the rural African population grew, the pressure on the limited available land increased and the possibility that the situation might improve diminished. More and more Africans were forced to turn to wage labour in the white economy for survival.

LEARNING UNIT 16

Secondary industry[84]

TOPICS

KEY ISSUES

- Development of the manufacturing industry before World War I.

LINKED ISSUES

- Industrialisation really only begins after 1914.
- The circumstances which affected the development of the manufacturing industry in the Union of South Africa.
- The role of government policy play in the development of manufacturing after 1910?
- The Cape's economic development under the Dutch East India Company.
- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- The impact of the British settlers on the South African economy.
- The role mining played in developing the South African economy.
- Trade in southern Africa during the 19th century.
- South Africa advanced politically by disasters and economically by windfalls.

84. Secondary industry includes the crafts and the manufacturing industry.

16.1 THE CAPE

16.1.1 Under the Dutch

During the Dutch East India Company's rule, various crafts were practised on a limited scale at the Cape to cater for local needs, for example flour-milling, sawmilling, wagon-building, tanning, baking, brewing, joining, ropemaking, smithing, etc. The company opposed any extension of this modest measure of activity because of its mercantilist principles: the manufacture of industrial products was the prerogative of the mother country.

In the course of the 18th century the mercantilist point of view became stronger because the Dutch manufacturing industry was experiencing more and more competition from other countries and therefore insisted on more protection. At the beginning of the 18th century hats, stockings and gloves were made at the Cape from local wool, but for some reason this small industry subsequently disappeared. Presumably it was discouraged by the almighty company. During the war between the Netherlands and Britain (1780–1784) the colony received no Dutch goods, and in 1782 the colonists requested the colonial administration for permission to make cloth from local wool. The Independent Fiscal, W. Boers, strenuously opposed this, claiming that it was in conflict with the interests of Dutch industry and the shortage of woollen goods would end when the war was over. The administration referred the matter to the Council of Seventeen who did not even respond to the request.

16.1.2 Under the British

In 1795 the first British occupation freed the Cape from the company's monopolistic system but the spirit of mercantilism lived on. In British colonies British products and ships enjoyed preference over foreign ones. But during the course of the 19th century free trade increasingly became the watchword of British economic policy. During the 1850s preferential import duties at the Cape were abolished and a single *ad valorem* customs duty was applied to both British and foreign imports. In practice, however, little changed in the relationship between Britain and her colonies. Just as before, the exports of the colonies consisted mainly of raw materials destined for Britain and their imports were mainly manufactured goods from Britain. There was no question of a deliberate policy of industrialisation or any other diversification of the colonial economy. Leading liberal economists believed that the European countries were naturally destined to produce and export manufactured goods and the overseas territories had to produce and export raw materials in exchange for European manufactured goods. This was regarded as the most economical division of labour in the emerging international economy.

16.1.3 Tariffs and protection

Even after Britain had formally adopted a policy of free trade in the 1850s and the Cape had received responsible government in 1872, manufacturing in the Cape remained limited to the processing of local raw materials mainly for local use. Major exceptions were wine-making, distilling and woolwashing which catered for the export market. It was commonly believed that the Cape was not suited to industrialisation and was better off importing manufactured goods from Britain, thereby keeping production costs down. The same was not the case in Canada where, immediately after responsible government was achieved in 1867, import duties were imposed to protect her infant industries.

Apart from the duty on flour,[85] the Cape's import duties were purely fiscal. Yet some of them achieved an unintended protective effect. As the financial needs of the treasury increased from 1860 onwards, import duties, as the main source of government income, were repeatedly raised. In 1866 the general *ad valorem* duty was increased from 7,5% to 10% to reach a high of 15% in 1884. A number of specific duties (per weight or volume) were from time to time also imposed on various items. But if protection played any part at all in the growth of manufacturing industry at the Cape during this period, "natural" protection – the cost of sea freight, insurance and port charges – was responsible. Even a specific duty plus the *ad valorem* duty would today be considered moderate compared to genuine protective tariffs which in the 20th century generally involve percentages of 30% to 40% or more.

16.1.4 The woolwashing industry

The first major industry to develop in the Cape apart from food processing was washing wool. This is not surprising because wool exports dominated the Cape economy from the 1850s until diamonds took the lead in the late 1870s. The second phase of the rapidly developing wool industry, was the washing of wool in factories. Initially in the Cape it was common practice to wash the sheep before shearing according to the German practice, as opposed to the French/-Spanish method of washing the wool after shearing. In reality, then, most Cape wool would have been exported unwashed because of the scarcity of water in the wool-producing areas of the Karoo and southern Free State. But reports filtered back from Britain that Cape wool did badly because it was dirty, unsorted and badly packed. It was natural for the woolwashing industry to develop near the Cape's largest wool-exporting port, which was Port Elizabeth. The Swartkops River around Uitenhage with its plentiful supply of water was eminently suitable. Uitenhage's first woolwash was established as early as 1843 and the first at Port Elizabeth was opened on the Baakens River in 1849 but the lack of water restricted the development of the industry there.

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85. The duty on flour was first imposed in 1826 when it was 2s per barrel of 182 lb (82,6 kg). In the 1860s the duty on flour was raised from 1s 6d to 2s 6d per 100 lb (45,4 kg). This later caused the Collector of Customs to remark, in his overview of customs tariffs from 1806 to 1899, "that even in these early days the milling industry was not without interest".

Initially the methods used to wash the wool were crude, to say the least, and the early woolwashes could hardly be called factories. At first the dirty wool was merely soaked in tubs of water and stirred about with forked sticks until the worst of the dirt was separated from the wool. A step forward was the introduction of square perforated zinc tanks. The wool was first soaked in hot water and then placed in the tanks where labourers kicked the wool about with their feet while clean water was run into the tanks. The dirty water drained away through the holes at the bottom. When the wool was sufficiently clean, it was taken to drying grounds where it was spread out in the sun on a floor of river stones until it was sufficiently dry and bleached. This process was known as "cold water foot-washing" and considerably raised the reputation of Uitenhage's "snow whites".

In time mechanical power was harnessed to rake the wool through running water. These steam-powered woolwashes were more akin to factories. James Niven "may be called the father of wool-washing by machinery, as he was the first to employ machinery; and all the processes now [1875] in use are more or less modifications of his inventions".[86] The industry mechanised apace. The first use of a steam engine in one of the three Uitenhage woolwashes was noted in the 1865 Cape industrial returns. By 1870 two of the three Port Elizabeth woolwashes were making use of steam power as were five of the nine Uitenhage ones. By 1875 10 of the 12 Uitenhage woolwashes were using steam power and the thriving industry there employed 800 people. It was estimated that by 1875 some £200 000 was invested in the Uitenhage woolwashes which together handled 200 000 bales a year.

Uitenhage became the woolwashing centre[87] of the Cape from the mid-1860s for much the same reasons that Port Elizabeth became the Cape's premier export port from the 1850s – pure convenience. There was an abundance of clean water which happened to be near a port exporting an increasing amount of wool to the wool industry in Europe and North America, which was mechanising apace and seemingly unquenchable.

16.1.5 The slow pace of industrialisation

The very slow development of secondary industry in and around Port Elizabeth during the midpart of the 19th century was fairly representative of what was happening at all the bigger towns in the Cape.

The 1829 Cape *Blue Book* return of "manufactories, mills, works etc" for the Port Elizabeth-Uitenhage region is very brief:

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86. J. Noble, *Descriptive handbook of the Cape Colony: Its conditions and resources*, Cape Town, 1875, p. 90. Niven established his woolwash in 1864 and was the first to design his own specialised machinery. His steam-driven Niven Rotary Washer was used by the industry for many decades.
87. Woolwashes were established in other centres as well. For example, in 1860 there were 13 woolwashes in the eastern Cape – apart from Uitenhage (2), there were also: Cradock (4), PE (3), Colesberg (2) and Victoria East (2). But by the mid-1860s Uitenhage had become the predominant woolwashing centre.

A few wind & water mills in various parts of the district -
Several tanneries exporting... leather for a large amount -
1 saw mill of 5 horse power at Cradock's Town near Port Elizabeth -
1 tile kiln near ditto -
1 whale fishery at Algoa Bay -

The 1829 list of factories in the district remained basically unchanged for the next 20 years, apart from the addition to the Uitenhage return of two hat-makers in 1831 and a saddle-maker in 1837. Only towards the end of the 1840s was there any sign of increased industrial activity. A steam mill was added to the Port Elizabeth return in 1848, followed by another the next year along with factories producing soap, candles and soda water. At the same time the number of brick and tile works in and around the town jumped to seven. The 1849 entry also records for the first time that a ship, a 10 tonner, was built in Port Elizabeth. This does not mean, however, that 1849 marked the beginning of an industrial revolution in the Port Elizabeth-Uitenhage district and, in fact, for the next decade the number of manufacturing establishments remained fairly static until the development of the woolwashing industry in the 1860s.

Developments in Cape Town, by far the Cape's largest urban centre, were similar. In 1860 it had 70 manufacturing concerns which included 15 brick-fields, nine fish-curing firms, seven steam flourmills, six soap and candle factories, six snuff mills and five iron and brass foundries. Of the Cape's total population of 496 381 in 1865, only 13 186 (or 2,6%) were employed in manufacturing.

The first industrial census in the Cape was carried out in 1891 and provides an insight into the low level of industrialisation at the Cape despite the relatively large number of factories. This was because mechanisation was limited and most of the factories were small. The average number of employees per factory was only nine to 10 and only 327 of the 2 000 odd factories used steam or oil-powered machines with a combined capacity of 3 500 kilowatts – an average of only 11 kilowatts per factory. The Cape factories added 68% to the value of £3 353 000's worth of raw materials to produce final products worth £5 639 000. Nearly a fifth of the final figure came from woolwashing, skin-dressing and tanning which involved limited processing.

The slow rate of industrial expansion at the Cape continued until its incorporation into the Union of South Africa in 1910.

16.2 NATAL

In Natal there was even less support for industrialisation and protection for factories than in the Cape. The Natal government regarded trade and transport as its most important source of income and dismissed protection as harmful. As a result Natal kept its import duties lower than the Cape's to compete for the conveyance of goods in transit to the mining centres in the interior. Nevertheless some small factories were inevitably established to supply the local market. For example, bakeries, flour mills, sawmills, wagon-builders and breweries, such as Pietermaritzburg's by now famous Castle brewery, were established. Factories were also set up to process raw materials for the export trade, for example sugar-refining and tanning. Natal only joined the South African customs union in 1898 and the somewhat higher import duties afforded its industries slightly more protection.

16.3 ORANGE FREE STATE

The Free State was the most agrarian of the South African part-states. It was as late as 1896 before calls were made for the establishment of factories to process sugar beet and wool. The Free State followed the same customs tariff policy as the Cape after the customs union was formed in 1889.

16.4 THE TRANSVAAL

After the reinstitution of a republic in the Transvaal in 1881, the Transvaal government embarked on a deliberate policy of industrialisation to make it as independent as possible of Britain and its South African colonies. Before 1881 only fiscal import duties had been imposed. Now the government encouraged the development of local industries by applying protective tariffs and awarding concessions whereby a given concern was granted a monopoly to produce a particular item. A general import duty of 5% *ad valorem* was introduced in 1881 and gradually increased. Although the protective import duties were very moderate by 20th century standards, they did give deliberate protection to the local production of dynamite, cement, biscuits, cakes, pastries, cheese, lard and tobacco. Concessions were awarded for a large number of products such as dynamite, other explosives, cement, bricks, tiles, matches, porcelain, sugar, gas, woollen goods, edible oil and liquor. To encourage the establishment of factories, imported machinery was duty free. Mine machinery, however, was taxed 5% *ad valorem*.

A variety of factories were set up in the Transvaal as a result of the government's policy. They included a cement factory (later the Pretoria Portland Cement Company), a distillery (Eerste Fabrieken) and an iron foundry (Thomas Begbie). A dynamite factory eventually went into production in 1896 at Modderfontein near Johannesburg. Initially the concession holders had tried to get away with just repacking imported dynamite.[88] Because of the massive demand from the gold mines, the factory was the biggest in the world at the time. It had a monopoly for the manufacture of explosives until the British occupation of the Transvaal in 1900.

16.5 DEVELOPMENT UP TO THE FIRST WORLD WAR

The Anglo-Boer War did little to promote industrialisation because South Africa was not cut off from her traditional source of manufactured goods as was to be

88. See section 22.7.2 in Learning Unit 23 for more detail on the dynamite concession.

the case in both the First and Second World Wars. In general importing from Britain continued to be more economical than manufacturing the item locally. From 1902 to 1914 industrialisation progressed slowly but steadily and factories were established for a large number of articles. But most of them were small service and processing concerns. Mining still attracted most of the scarce capital, skilled labour and enterprise in the country.

Eventually, however, the mines could no longer absorb all the available factors of production. At about the same time business optimism was given a fillip by the establishment of the Union of South Africa in 1910. This is clearly evident from the number of factories established in South Africa between the Anglo-Boer War and World War I:

1900–1904	900
1904–1910	1 400
1910–1914	1 600

This expansion brought with it increased pressure on the government to protect the fledgling industries by means of import duties. Despite the recommendation of the Cullinan Commission that the government should provide adequate protection for all deserving industries, the Union's first Customs Tariff Act in 1914 provided only very moderate protection to local manufacturers. Only the harsh reality of World War I and the sudden cutting off of traditional supplies of manufactured goods would change the government's attitude to developing local secondary industry.

LEARNING UNIT 17

Banking

TOPICS

KEY ISSUES

- Development of banking 1793-1910.
- Development of banking legislation up to 1910.

LINKED ISSUES

- The Cape's economic development under the Dutch East India Company.
- Britain's economic, political, philanthropic, fiscal and settlement motives in South Africa.
- Role mining played in developing the South African economy.
- A politically divided southern Africa was the biggest stumbling block to economic development in the region until 1910.

17.1 INTRODUCTION

The most important question to ask about banking in the period 1870 to 1910 is whether or not it was one of the backward sectors of the South African economy. At first glance it was apparently not because branch banking spread rapidly and the Imperial banks pursued the pioneering frontier into the remotest corners of southern Africa. There were bankers in practically the first wave of pioneers, along with the diggers and the people who opened up the region. This is vividly illustrated by the history of the **Standard Bank**.[89]

But on closer examination there is much to show that banking was one of the sectors that lagged behind. The banking sector consisted to a large extent of local or district banks which could not keep pace with the brisk development of the country and therefore disappeared between 1870 and 1891. Even the stronger Imperial branch banks were far from perfect because they were often under inexperienced and inadequate management. Consequently, between 1861 and 1902 their activities repeatedly contributed to excessive expansion of credit, financial crises and depressions. A number of them suffered heavy losses and went through difficult times. The Imperial banks' contribution to economic development became more positive only after 1902 when the South African economy entered a more stable period.

17.2 EARLY BANKING

The period of fiduciary money began in South Africa with the issue of state paper currency by the governor of the Dutch East India Company in 1782. The first banking institution, the **Lombard Bank**, was founded in 1793 and was based on the **Bank van Lening** in the Netherlands. The governor, however, kept the right to issue paper money and only occasionally issued it to the bank when it needed more capital. The bank therefore never became a proper money-creating institution. Although the **Lombard Bank** survived until 1843, it lost its monopoly in 1836 when the Governor of the Cape at last permitted the establishment of private commercial banks.

17.3 DISTRICT BANKS 1836–1860s

The first commercial bank was the **Cape of Good Hope Bank** established in 1836. Soon commercial banks were established in the larger towns throughout the colony and by 1861 there were nearly 30 doing business. They were joint stock institutions where the shareholders had unlimited liability. Limitation of liability was not extended to banks until 1879. The banks accepted deposits from the public and issued banknotes. There were very few restrictions on the issue of notes. The banks carried out every conceivable financial transaction because there was no scope for specialisation. Official surveillance of their activities was virtually nonexistent and most of the banks had only one office. From 1836 to 1865 there was gradual economic progress in the Cape despite the Great Trek, frontier wars against the Xhosa and the copper crisis. It was particularly the increasing exports of wool from Port Elizabeth that contributed to progress and business optimism.

89. J.A. Henry, *The first hundred years of the Standard Bank*, London, 1963, gives interesting examples of bankers as pioneers.

In Natal the successful cultivation of tropical crops and the breeding of woolled sheep raised high hopes. Here, too, local commercial banks were established, the first two in 1849 and 1852. The **Natal Bank**, which was established in Pietermaritzburg in 1854, was the only local Natal bank to survive beyond 1877.

Local banks were also established in the Orange Free State because of the country's burgeoning production and export of wool. Cape banks had already been operating in the Free State for two years when, in 1862, a local bank was established at Bloemfontein and another at Fauresmith.

Prior to the gold discoveries during the early 1870s, the Transvaal economy was too backward to warrant the establishment of local banks let alone to attract branches of banks from other territories.

The period 1836 to 1891 is the era of district banks based on unit banking. These banks flourished until the wool crisis in 1865. Thereafter, banking throughout South Africa had to endure the shocks of the first diamond crisis (1875), the second diamond crisis (1881) and the first gold crisis (1889/90). After 1865 the number of liquidated or absorbed district banks exceeded the number established. Their total number gradually declined until by 1891 there was only one left.[90]

The district banks disappeared basically because of unsound business methods and competition from the Imperial branch banks.

Unsound business methods

Banking is a difficult skill which can only be acquired through experience. At the time in South Africa, knowledge of banking was extremely uncommon, financial stability was rare and expectations of the general availability of credit and of the beneficial effect of banking exaggeratedly favourable. A large number of failures could therefore be expected. The following are some of the practices that led to the collapse of the district banks.

(1) Because they were usually local businessmen, bank managers were too closely connected with local farmers and traders and seldom turned down requests for credit.
(2) Bank managers discounted too many accommodation bills. These bills do not represent actual commercial transactions and have to be covered by sources of a speculative nature.
(3) Customers often obtained credit from more than one local bank because inexperienced managers were over-anxious to extend credit and had not yet come to see the necessity for undivided bank accounts (i.e. limiting customers to credit from one bank).

90. The Stellenbosch District Bank survived as an historical oddity until it became a subsidiary of Boland Bank in 1979. However, it maintained its identity as the District Bank until the government approved the merger of Boland's banking operations into one integrated bank in 1998.

(4) The Cape's Joint Stock Limited Liability Act of 1861 was not made applicable to banks until 1879. Even then bank shareholders usually neglected to limit their liability by updating their deeds of incorporation. Upon liquidation they often had to pay out large sums of money over and above their share liability. As a result, if a bank was even vaguely in trouble, the shareholders quickly opted for liquidation or being bought out by an Imperial bank before their bank had any chance of collapsing.

(5) The hard lessons of previous banking crises were too soon forgotten by bank managers in the atmosphere of business optimism generally prevalent in South Africa. This is evident from the succession of crises – copper, wool, diamonds, and gold. Bank managers rashly extended credit for speculation in diamond and gold claims and mining shares, and got into trouble time and again when the bubble inevitably burst.

(6) Most district banks could not spread debtor risks because they were too dependent on the performance of local agriculture, trade and mining. In addition, they often extended too much credit to one potentially profitable venture at the expense of others.

17.4 THE IMPERIAL BANKS 1860s-1910

Branch banks or multiple-office banks with head offices in London – the so-called Imperial banks – succeeded where district banks failed. They represented a more advanced stage of modern industrial-financial capitalism in South Africa. Although some of them were set up before the discovery of diamonds and gold, they all owed their expansion and prosperity to the mineral revolution.

Various merchants in the Cape realised that there was insufficient local capital to establish dynamic commercial banks. They bypassed the district banks and tried to persuade British interests to participate in South African banking. This they achieved during the wave of prosperity in both Britain and the Cape between 1857 and 1865. In 1861 the first Imperial bank, the **London and South African Bank**, was launched. The opening of an office in Cape Town was soon followed by the opening of branches in Port Elizabeth, Grahamstown and Durban. Because the Eastern Province was the centre of the Cape's booming wool industry, the Port Elizabeth branch quickly became the head office. The bank made the fatal mistake, however, of always establishing its own branch in a new town and never taking over an existing district bank.

The second overseas bank to establish itself in the Cape was the **Standard Bank of British South Africa**. The motivation to set it up in 1862 came from a group of merchants in Port Elizabeth led by John Paterson who became the first chairman of its board. It started business at its head office in Port Elizabeth in 1863 and soon took over a local bank. The policy of the **Standard Bank** was to take over existing district banks rather than start new branches from scratch. By 1890 it had taken over dozens of district banks all over southern Africa. In this way, the **Standard Bank** acquired established customers and managers well-versed in local conditions. The **Standard Bank** was thus better able to survive the various crises than the other overseas banks. For example, the **London and South African Bank** lost half its capital in the first diamond crisis. Although it initially declined an amalgamation proposal from the **Standard Bank**, it accepted after its attempt to reorganise itself was unsuccessful. It was taken over by the **Standard Bank** in 1877.

Other Imperial banks also opened offices in South Africa. The **Oriental Bank Corporation**, an influential bank already established in India, set up its head office at Port Elizabeth in 1873. It soon absorbed a number of local banks and built up a branch network that covered the Cape, Natal and Free State. Losses in its overseas operations saw a restructuring of the bank with its South African business being taken over by the **Bank of Africa** which was set up for this purpose in 1879. The last of the 19th century Imperial banks to start up in South Africa was the **African Banking Corporation** which was established in 1890 and began operations the following year.

Between them, the Imperial banks developed a vast network of branches in the Cape, Natal and the Free State. Prior to the gold discoveries during the early 1870s, the Transvaal economy was regarded as too backward for branches to be established there.

17.4.1 Reaction against the Imperial Banks

At first most people in South Africa approved of branch banking because it made credit cheaper and more readily available. But a reaction against what came to be seen as foreign institutions soon set in. The reaction took three forms:

(1) Agitation for the amalgamation of district banks to strengthen their position against the Imperial banks. However, nothing came of this because of local jealousies and unwillingness to sacrifice personal interests.

(2) Legal measures. In 1865 the Cape government passed two laws which affected the Imperial banks in particular. The first, rejected in 1861 and reintroduced by its major 1861 opponent in 1865, required all banks to periodically publish uniform statements and declare their cash holdings. The second law obliged banks to make their notes payable at all their branches without the deduction of bank charges.

(3) Prohibiting overseas banks. In the Orange Free State, for example, the **Standard Bank** had set up a branch in Bloemfontein in 1863 and had soon taken over the **Fauresmith Bank** which made the other local bank, the **Bloemfontein Bank**, its debtor. Interest groups persuaded the Volksraad to pass legislation in 1865 which excluded foreign banks from the country and the **Standard Bank** withdrew from the Free State in 1868 after a protracted winding-up process. The law was clearly specifically aimed at the **Standard Bank** because in 1875 the government allowed the **Oriental Bank Corporation** to set up branches in the Free State.

Agitation against the Imperial banks intensified with the severe depression from 1865 to 1870 brought about by the wool crisis. Even more so than local banks, they were held to be responsible for the rash extension of credit that caused the overexpansion of the economy, the crisis and the subsequent drastic credit restriction which resulted in numerous bankruptcies. Resentment was aggravated by the fact that they survived the depression more successfully than the district banks because of the advantages of multiple-office banking.

17.4.2 Advantages of branch banking

The advantages of branch banking were:

(1) A network of branches in regions with diverse means of livelihood meant that branch banks could spread their credit risks because different regions and sectors of the economy are generally affected differently by recessions and depressions.
(2) In times of crisis multiple-office banks could concentrate their scarce cash reserves in branches where there was a likelihood of a run on the bank.
(3) Branch managers responsible to a head office were better able to refuse credit advances than managers of district banks who could not refer to instructions from some remote head office.
(4) Through the head office in London, branches in South Africa were in touch with the London money market and were able to obtain financial assistance in times of difficulty.
(5) The largest overseas bank, the **Standard Bank**, immediately allied itself with the Kimberley diamond magnates and subsequently the Randlords on the Witwatersrand. The bank gave them its full support and in turn they supported it in prosperity and adversity.

17.5 BANKING IN THE BOER REPUBLICS

The history of banking in the two Boer republics differs from that in the British coastal colonies. Initially in the Free State, however, the pattern was similar because district banks were established, only to be absorbed by branch banks. In the Transvaal banking development came so late that district banks had no prospects because multiple-office banks had already been established. But the main difference was that the Boer republics took pains to limit the influence of the British Imperial banks. In this respect they went further than the governments of the coastal colonies by setting up semi-state banks with a national character and encouraged the establishment of non-British overseas banks.

17.5.1 The Orange Free State

The most important event in 19th century Free State banking history was the formation of the **National Bank of the Orange Free State** in 1877. At the time the only banks in the country were the local **Bloemfontein Bank** and the overseas **Oriental Bank**. In compensation for the annexation of Griqualand West and its diamond fields, the British government paid the Free State government £90 000 in 1876. A lively discussion ensued on how to use this vast sum. Many Free Staters favoured the establishment of a state bank which would extend generous and inexpensive credit. But President Brand was opposed to a state bank which he felt would operate on party-political lines instead of business principles. A compromise was achieved and the **National Bank** was established as a nominally private institution with capital of £100 000. The government provided £70 000 and private individuals £30 000. The new institution immediately took over the **Bloemfontein Bank** and therefore got off to a good start. Nevertheless, the bank was granted no special privileges over its competitors.

After the occupation of the Free State by the British army in 1900, two British Imperial banks, the **Standard Bank** and the **African Banking Corporation**, and two overseas branch banks from the occupied Transvaal, the **National Bank of South Africa** and the **Netherlands Bank**, opened branches in the Free State. Although there was talk of "overbanking", local businessmen welcomed the new banks because of the increased availability of credit.

17.5.2 The Transvaal

Before the rise of the Witwatersrand goldfields, the Transvaal was the least developed of the South African states. It was the last to achieve political unity and production, exports and imports were very limited. Hardly any money circulated because farmers and traders settled their accounts without recourse to money.

Following the gold strikes during the early 1870s, President Burgers, originally from the Cape, managed to persuade the **Cape Commercial Bank** to lend his government £66 000 in 1873 and open branches in Pretoria, Pilgrim's Rest and elsewhere. More gold strikes tempted the **Standard Bank** into opening a branch at Lydenburg. During the British annexation (1877–1881) it opened offices in Pretoria, Potchefstroom and Heidelberg. Both banks suffered losses because of overspeculation during the period of annexation, British reverses such as the Sekhukhune War, the first Anglo-Boer War and lack of confidence in the restored republic. Accordingly their operations in the Transvaal were closed down except for the **Standard Bank** branch in Pretoria. To retain its foothold in the country, the **Standard Bank** went as far as to drop the offensive "British" from its name by becoming simply the **Standard Bank of South Africa**.

After regaining its independence in 1881, the Transvaal made several attempts to encourage the institution of non-British banks. Both Dutch and German interests were approached but nothing came of these early moves. The discovery of gold on the Witwatersrand in 1886 saw a scramble by overseas interests to secure the bank concession in terms of Kruger's economic policy. This culminated in a struggle between two groups of financiers, one Dutch and the other German. The Dutch group acted first and in 1888 set up the **Nederlandsche Bank**

en Credietvereeniging voor Zuid-Afrika (now Nedbank). However, the Transvaal government did not award it the banking concession. Instead it gave it to the German group, represented by Edward Lippert, and the **Nationale Bank van de Zuid-Afrikaansche Republiek** came into being in 1890 with a 50-year concession. The government put up £100 000 of its capital and appointed two of the 11 directors. Its notes were legal tender and the government banked with it. Shares in the bank, however, soon came into the hands of British investors, much to the chagrin of the Transvaal government. By 1899 the bank had 33 branches and for all practical purposes could be regarded as a state bank.

The Rand goldfields lured all the Imperial banks to the Transvaal: the **Standard Bank**, the **Bank of Africa** and the **African Banking Corporation**. Even Natal's only successful district bank, the **Natal Bank**, opened branches in the Transvaal but ran into trouble during the 1890 crisis and had to be bailed out by the two governments.

During the Anglo-Boer War, the various bank managers in Pretoria resisted the government's attempts to requisition their cash reserves. But, shortly before the occupation of the capital in June 1900, J.C. Smuts, the State Secretary, commandeered the **National Bank**'s £500 000 gold reserves which he sent to the government in the field. The subsequent guerrilla war waged by the Boer commandos was financed with this gold and this is the origin of the legend of the Kruger millions which are supposedly buried somewhere in the eastern Transvaal.

After the war, apart from some name changes made expedient by the disappearance of the Boer republics, there was little development in the banking sector between 1902 and 1910 because of the prolonged post-war depression.

17.6 BANKING LEGISLATION

As in most other parts of the world during the 19th century, there was very little legislation in South Africa relating to banks. Only after serious credit crises had repeatedly forced banks into insolvency, did the various governments feel compelled to address the problem. Most banking legislation in the 19th century only covered the protection of shareholders and depositors. It was only in the 20th century that attempts were gradually made to bring the banks within the orbit of the monetary policy of the bank of issue or central bank.

17.6.1 The Cape

Banking legislation was first passed in the Cape because it had the most advanced economy in southern Africa at the time. It was, as in other spheres of economic activity, imitated by Natal and, to a lesser extent, by the Free State and Transvaal.

To make banks more creditworthy, they were excluded from an act in 1861 which applied the principle of the limited liability of shareholders to companies. Only in 1879 was limited liability made applicable to banks. Meanwhile, in 1861 legislation compelling banks to publish regular statements was rejected. But in 1865 it was reintroduced and passed because it was felt that the recently established overseas banks required more control. Banks were subsequently required to publish statements for all branches once every six months.

There was no further legislation until the 1889–1890 gold crisis caused the bankruptcy of many banks. The Bank Act of 1891 was passed in the Cape as a first attempt to institute efficient government supervision over the commercial, money-creating banks. Some of its stipulations were:

(1) In future the banks had to publish a balance sheet in a prescribed form and supply specified data to the government semi-annually.
(2) The government was authorised to nominate inspectors who could investigate the affairs of a bank if any complaints were received.
(3) Each bank had to deposit government securities with the treasury to the same amount as its note-issue as a guarantee. Only notes guaranteed in this way could be declared legal payment and convertible into gold coins.
(4) The note issue was restricted to the amount of the paid-up capital plus reserves.

17.6.2 Natal

In Natal there was no general banking act before unification in 1910. Separate acts obliged banks to restrict their note issue to their paid-up capital and to keep their stock of specie at a minimum of a third of their note issue (without deposits). An act in 1881 required the banks to publish semi-annual balance sheets.

17.6.3 The Orange Free State

The Orange Free State passed bank acts in 1865 and 1875. No restriction on the amount of note issues per bank was fixed. The stock of specie had to be at least a third of the note issue (without deposits). The banks had to publish a monthly balance sheet and the government had the right of inspection.

17.6.4 The Transvaal

There was no banking legislation in the Transvaal before 1893. The 1893 bank act was similar to the 1891 Cape act. The following stipulations were important:

(1) The banks had to submit a monthly balance sheet to the government which would publish an annual report on each bank.
(2) The government had the right to inspect banks.

(3) The note issue was restricted to the amount of the paid-up capital (without reserves).
(4) The stock of specie had to be at least a third of the note issue (without deposits), as was the case in Natal and the Free State.

Banking legislation in South Africa during the 19th century was, by modern standards, very sketchy. Even after unification, banking legislation was extended very slowly: in 1917 and 1944.

LEARNING UNIT 18

Economic fluctuations, 1870–1914

KEY ISSUES

- Business cycles up to World War I.

LINKED ISSUES

- Banking in the 19th century.
- Rise of wool exports during the 19th century.
- Role mining played in developing the South African economy.
- South Africa advanced politically by disasters and economically by windfalls.

The so-called wool crisis of 1865 was South Africa's first business cycle crisis of a modern capitalistic nature because it followed a period of general prosperity with credit expansion by money-creating banks, over-investment, over-optimism and over-speculation. The major cause of the boom was the massive increase in wool exports. Prof C.G.W. Schumann wrote of the ensuing crisis: "The elasticity of the credit system had become an even more important element in the business cycle than during previous cycles. It may be said that the introduction of a more modern credit economy had begun to give the business cycle in South Africa the typical attributes of those in a modern capitalistic community".[91]

The depression, which lasted until 1869, was a serious one. The business cycle recovered largely as a result of the discovery of diamonds at Kimberley. A period of prosperity followed, from 1870 to 1881, with expansion in a variety of fields, especially railway construction. The first diamond crisis of 1875 was of only limited significance and did not affect the general upward trend. In fact the upward trend in South Africa was the exact opposite of the downturn in the business cycle in Europe and North America, where the 1873 crisis had ended a boom and a lengthy and severe depression set in.

Expansion in the production of wool and diamonds brought about the upward trend in South Africa. But production did falter in 1873 as a result of a poor wool season and in 1875 as a result of a drop in the price of diamonds – which meant that the depression in Europe and North America did have some effect on South

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91. C.G.W. Schumann, *Structural changes and business cycles in South Africa 1806–1936*, London, 1938, p. 81.

Africa. In the meantime, the British annexation of the Transvaal in 1877 stimulated business optimism and sparked off a spate of investment in that country. Although the years 1870–1881 were generally good ones, the ninth Frontier War (1877 -78), the Zulu War (1879), the Basuto War (1880–1881) and the first Anglo-Boer War (1880–1881) caused increasing uncertainty among businessmen. But the main cause of the severe crisis in 1881 was over-speculation in the production of diamonds, which is why it is known as the diamond crisis. Many business firms and banks went bankrupt. The unsound credit policy of young, inexperienced bank managers came in for particular criticism. Droughts from 1883–1886 also contributed to the depression.

The 1881–1886 depression in South Africa was all the more severe because it coincided with a Juglar or medium-wave depression as well as an international Kondratieff or long-wave depression. The international boom from 1879–1882 was followed by a Juglar depression from 1882–1886 while from about 1880 to 1895 there was a long-wave depression as a result of low international agricultural prices and a scarcity of gold. This brought about international deflation because the gold standard operated by the main trading countries linked the national price level with the size of the national stock of gold.

The end of the depression in South Africa coincided with the discovery of gold on the Witwatersrand in 1886. The wave of prosperity that followed outshone the boom after the discovery of the diamond fields in 1870. Reaction to the speculative establishment of gold-mining companies was inevitable. It began with the Johannesburg stock market crisis in 1889 and spread to the other sectors of the economy by mid-1890. The Transvaal and Natal, whose economy depended on conveying goods to the Rand, were hardest hit. State revenue and bank deposits fell sharply. Cape banks also experienced difficulties because of excessive credit expansion during the preceding boom. Thus there was a final weeding out of the remaining eight district banks – three were closed, four taken over by Imperial banks and only one survived.

The gold crisis from 1889–1890 was intensified by the Barings crisis in Britain which was a financial crisis precipitated by the bankruptcy of the large Barings Bank which had also speculated wildly in gold shares. Unlike the gold crisis, the Barings crisis caused serious disturbance outside the banking and stock market sector. The resultant depression in Europe lasted until 1895. In South Africa, however, there was an upward trend again from 1892 thanks to the revival of gold mining as a result of the application of the Forrest-Macarthur method of extracting gold. During 1895 there was a new stock market boom which was followed by a crisis in September, the causes of which are still not clear.

The 1895 stock exchange crisis caused many British and European shareholders to be dissatisfied with the Transvaal government despite the fact it could have done very little about the crisis. The mining magnates accused the government of exploiting the gold mines by means of the dynamite monopoly, railway rates and taxes. This negative response to the Johannesburg stock exchange crisis came to a head with the Jameson Raid and brought the Anglo-Boer War one step closer.

Although the 1895 stock exchange crisis was shorter than that of 1889, it was followed by a more severe depression. The basic cause of the depression was a natural reaction to the over-expansion of 1892–1895, but other coinciding causes intensified it. The rinderpest from 1896 caused farmers throughout South Africa great hardship and disrupted transport by ox wagon. At the same time the increasing political tension between Britain and the Transvaal government found expression in the battle of the drifts, the Jameson Raid and numerous clashes between *uitlanders* and the police in Johannesburg.

Although the business cycle had improved by 1899, the Anglo-Boer War broke out in October. Production of gold and diamonds virtually ceased and normal traffic from the coastal towns to Kimberley and Johannesburg was replaced by military supplies. From 1900 to 1902 the Boer republics were ravaged by war although the towns and railways received only light damage. On the other hand, most of the Cape and Natal, which were not directly involved in the war, experienced a wave of prosperity on account of high military expenditure.

The boom of 1902–1903 was typical of post-war prosperity. There was an excess of business optimism, credit expansion, imports and consumption, with an inevitable reaction once it became clear that the funds made available by the British government for post-war reconstruction were not inexhaustible. The populations of the former Boer republics were tremendously impoverished and the shortage of African mine labour seriously hampered the contribution gold mining could make to economic recovery.

Unheralded by the usual crisis, the business cycle turned in 1903. Despite the fact that there was no banking or stock exchange crisis, despite the remarkable recovery of gold production as a result of the introduction of Chinese labour from 1904 onwards, and despite prosperity overseas, the depression of 1903–1908 was one of the longest and deepest in the history of South Africa. This was because of (a) the extent of impoverishment in the Transvaal and Free State, (b) the severe droughts and stock diseases of the immediate post-war period, (c) the limited inflow of capital because foreign investors saw better chances of profit outside impoverished South Africa, and (d) the depression in the USA and subsequently Europe following the 1907 American bank and stock exchange crisis which seriously affected South African exports, especially diamonds.

The international depression from 1907–1908 was fortunately a short one and by 1908 there were at least signs of economic recovery in South Africa. As the international depression receded, business optimism within South Africa improved in the steady advance to unification. This optimism was characteristic of the creation of a united state and was experienced by the USA in 1782 and 1865, and Germany in 1871. From 1910 to 1914 moderate prosperity prevailed despite the strikes in the Transvaal during 1913 and 1914. With the outbreak of World War I, the business cycle entered its wartime phase.

LEARNING UNIT 19

The Union of South Africa

KEY ISSUES

- A politically divided southern Africa was the biggest stumbling block to economic development.

LINKED ISSUES

- South Africa advanced politically by disasters and economically by windfalls.
- Railway policy.
- Customs tariff policy.
- The land issue.
- Entrenchment of segregation.
- Activities of economic interest groups.

After the Anglo-Boer War and the annexation of the Boer republics it seemed as if no problems had been solved in South Africa. Although Afrikaner nationalism had been removed as an obstacle to closer cooperation between the constituent states of South Africa and their ultimate unification, the war had had little impact on the other obstacles that hampered unification. The clash of interests between the Cape and Natal continued, as did the clash of interests between the two coastal colonies and the Transvaal. The conflict between the South African states over customs tariffs, railway rates, racial policy and other matters continued unabated. As had happened before the war, conference succeeded conference. But the occasional concessions and compromises did not really solve the differences. Each state at some time or another announced that it was going to withdraw from the customs and railway agreements and was restrained from doing so with difficulty. As the time approached for the former Boer republics to achieve self-government, the danger of renewed separation increased.

The British government, which had waged the war for the sake of unification, was again forced to intervene in an attempt to reconcile the squabbling states and end the balkanisation of the subcontinent. Milner, as High Commissioner and Governor of the former republics, worked hard to achieve this end, and, among other things, carried through the customs and railway agreements of 1903. In 1905 Milner was succeeded by Selborne. Although not as talented as Milner, he had had no part in the events leading to the outbreak of the war which had alienated Milner from many South Africans.

In 1907 Selborne, supported by Milner's Kindergarten, began a serious bid for political federation or union. The time was ripe because many people were dispirited by the long depression and endless squabbling between the South African states. There was a need for closer cooperation and unity to solve the many persistent problems. It was realised that economic rapprochement by means of conferences and conventions was progressing too slowly and that only political association, imposed from above, could compel cooperation. The idea was given further impetus when self-government was achieved by the Transvaal in 1907 and the Orange River Colony in 1908.

The political leaders of English-speaking and Afrikaans groups realised that their supporters were tired of the activities of economic interest groups – such as farmers, mining magnates, manufacturers, traders and treasury officials – who could see no further than their own limited interests. After Selborne's preparatory propaganda campaign, the political leaders of the day took the initiative. In 1908 they summoned the National Convention and began negotiations which eventually led to the Union of South Africa between the four self-governing constituent states.

The following urgent problems gave rise to the belief that union was necessary:

(1) The clashes over railway rates and goods traffic from the various ports to the interior.
(2) The clashes over customs tariffs between farmers and manufacturers, who wanted protective tariffs, and mine owners and merchants, who favoured free trade.
(3) The divergence over racial policy which caused more and more difficulties. The 1906 Bambatha rebellion in Natal could only be suppressed with the help of soldiers and volunteers from the other South African colonies. Mahatma Ghandi had started a great agitation for more rights for Indians.
(4) The need for closer cooperation to combat pests and diseases in agriculture. Diverse regulations and attitudes in the constituent states and protectorates greatly hampered effective control.
(5) The increasing threat which Germany posed to Britain and her colonies. It was believed that in the event of war between Germany and Britain, South Africa would be exposed to invasion from the German colonies in south and east Africa.

Union in 1910 and the outbreak of World War I (1914–1918) marked the end of an important period in the history of South Africa and the beginning of an even more important one. In the period that came to an end, the road to economic development had been opened by the mining revolution. Modern capitalism had taken root and the clashes of interests between British and Afrikaners, and between coastal states and interior states, were greatly intensified. The clash between British and Afrikaners culminated in the *uitlander* problem on the Transvaal goldfields which developed into the Anglo-Boer War. The annexation of the Boer republics put an end to the separatism of the republics but strengthened rather than weakened Afrikaner nationalism. The clash of interests between the coastal states and the states of the interior was resolved only by Union. Thus the balkanisation of South Africa which followed the Great Trek virtually came to an end with unification, while political impediments to the country's further progress were removed.

However, between 1902 and 1910, some new problems came to the fore – the "poor-white problem" and the racial issue. The former overshadowed the latter for several decades because political power was vested in the whites. Poor-whiteism was eventually solved by industrialisation and political developments after World War II. The racial issue subsequently became the country's most pressing problem.

The race issue made the South African situation more complex than any in other areas of white settlement which shared many of South Africa's other economic problems. As was the case in Canada, South Africa had the problem of two rival white groups which differ in language and culture, one of which remained economically backward for centuries. As was the case in the United States, South Africa had a "poor-white problem" because some of the whites were unable to compete against unskilled black labour. As was the case in Australia, South Africa had to contend with the lack of navigable rivers and drought over the larger part of its territory. But in none of these countries was there a third-world African majority linked to the highly-developed white first world sector of the domestic economy. In this respect South Africa is unique.[92]

South Africa shows similarities not only with the British white settlement colonies, but also with white settlements in Latin America. Similarities with Latin America are the tropical and subtropical climate, mineral wealth, the white minority which dominates economic, social and cultural life, and the moderate or low average productivity which renders the continuous supply of expertise, capital and entrepreneurs from the northern hemisphere necessary to prevent the slowing-down of economic development.

The creation of the Union of South Africa in 1910 paved the way to economic development on a scale impossible before. But, at the same time, it created a political environment that subsequently perverted normal market forces and distorted economic growth.

92. See C.W. de Kiewiet, *A history of South Africa: social and economic*, London, 1941, p. 178.

Part 3: Modern capitalism

South Africa as a mining, agricultural and manufacturing economy 1910–1960

LEARNING UNIT 20

Introduction

TOPICS

KEY ISSUES

- Structural changes in the South African economy.

LINKED ISSUES

- Development of agriculture 1910-60.
- Progress in agriculture.
- Development of the gold-mining industry.
- Role mining played in developing the South African economy.
- Economic, social and political consequences of the mineral revolution.
- Development of the manufacturing industry before World War I.
- Role of government policy in the development of manufacturing after 1910.
- Railway development.
- Railway policy.
- Development of banking 1910–1960.
- Entrenchment of segregation.
- Impact of the World Wars on the South African economy.
- South Africa advanced politically by disasters and economically by windfalls.

20.1 OVERVIEW

The first two sections of the study guide covered South Africa's economic history during the agricultural era up to 1870 and the agricultural-mining era between 1870 and 1910. This third section looks at South Africa during her agricultural-mining-manufacturing era as she gradually industrialised during the twentieth century. The first phase of modern capitalism in South Africa was based on mining between 1870 and 1910 and this was followed by a second phase based on secondary industry which began in earnest from World War I onwards. Werner Sombart called this phase late capitalism or post-mature capitalism (*Spätkapitalismus*).[93] During this phase unbridled free competition gave way to a more orderly system in which organisations of entrepreneurs formed cartels and trusts to limit competition. In addition, the state was forced by circumstances, such as war and depression, to intervene more and more in the market place. In other words, a laissez-faire system gave way to an ever more controlled system.

To use W.W. Rostow's terminology, the South African economy took off after 1910 in self-sustained development. A number of important events occurred, and institutions were created to prepare the way for increased and more intensive development.

The following events and institutions characterised this period of take-off:

(1) World War I (1914–1918) and World War II (1939–1945) both isolated South Africa from her traditional suppliers and forced her to cater for her own needs as well as those of her allies. Many of the factories established out of necessity during the wars survived renewed international competition when peace returned.

(2) The establishment of a central bank in 1920 made a big contribution in the long run to the development of South Africa's financial sector and to the formulation of a purposeful monetary policy. It did, however, take the South African Reserve Bank (SARB) a decade or two before it was able to exercise any influence on the country's economy.

(3) The establishment of the Electricity Supply Commission (Escom – now Eskom) in 1922 contributed greatly to the development of mining, industry, agriculture, transport and the service sector of the economy by providing low-cost electricity throughout the country.

(4) The Customs Tariff and Excise Duties Amendment Act of 1925 ensured reasonable protection for infant industries and laid the foundation for a deliberate policy of industrialisation.

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93. See the appendix on p 104 at the end of Part 1.

TABLE 20.1

Sectorial share of gross domestic product at factor cost
(%)

Year	Agriculture, forestry & fishing	Gold & uranium	Other mining	Total mining	Manufacturing, gas, water & electricity	Services
1911	21,4	19,3	7,0	26,3	5,6	46,7
1912	21,6	18,9	7,4	26,3	6,0	46,1
1913	19,3	18,4	8,8	27,2	6,7	46,8
1914	17,6	17,7	6,4	24,1	7,4	50,9
1915	18,8	18,4	2,5	20,9	7,9	52,4
1916	18,9	16,8	6,0	22,8	8,2	50,1
1917	20,6	14,5	5,8	20,3	9,0	50,1
1918	23,8	12,0	5,0	17,0	9,5	49,7
1919	26,7	9,8	6,5	16,3	9,7	47,3
1920	22,4	12,0	5,4	17,4	10,0	50,2
1921	17,9	12,7	5,0	17,7	10,6	53,8
1922	19,2	10,0	4,9	14,9	11,4	54,5
1923	19,9	12,2	4,7	16,9	11,0	52,2
1924	20,7	12,4	4,0	16,4	10,8	52,1
1925	20,3	11,1	4,4	15,5	10,9	53,3
1926	19,0	11,0	5,2	16,2	11,4	53,4
1927	18,9	10,7	5,3	16,0	11,8	53,3
1928	18,7	10,5	4,9	15,4	12,3	53,6
1929	16,2	10,6	5,5	16,1	12,9	54,8
1930	14,4	11,8	3,3	15,1	13,4	57,1
1931	13,3	13,1	2,5	15,6	13,0	58,1
1932	12,9	14,9	1,8	16,7	13,8	56,6
1933	13,1	19,6	1,8	21,4	13,8	51,7
1934	12,0	19,0	2,0	21,0	14,4	52,6
1935	13,7	17,7	2,0	19,7	15,1	51,5
1936	14,2	16,5	2,3	18,8	15,6	51,4
1937	12,5	16,1	2,4	18,5	16,3	52,7
1938	12,5	16,2	1,9	18,1	16,8	52,6
1939	13,0	16,5	1,9	18,4	16,8	51,8
1940	12,3	16,9	2,0	18,9	16,8	52,0
1941	11,6	16,0	2,1	18,1	17,0	53,3
1942	13,4	14,2	2,1	16,3	17,1	53,2
1943	14,3	12,2	2,2	14,4	17,5	53,8
1944	13,3	11,0	2,2	13,2	18,5	55,0
1945	12,0	10,3	2,7	13,0	19,2	55,8
1946	12,7	9,2	2,8	12,0	19,9	55,4
1947	15,6	7,7	2,8	10,5	20,4	53,5
1948	16,6	7,4	2,6	10,0	21,3	52,1
1949	14,1	8,3	3,3	11,6	22,4	51,9
1950	17,3	9,4	3,7	13,1	21,6	48,0

Year	Agriculture, forestry & fishing	Gold & uranium	Other mining	Total mining	Manufacturing, gas, water & electricity	Services
1951	19,1	18,6	4,0	12,6	21,4	46,9
1952	15,7	7,9	3,9	11,8	23,2	49,3
1953	17,0	7,0	3,4	10,4	24,0	48,6
1954	16,6	7,3	3,3	10,6	23,8	49,0
1955	15,2	8,2	3,5	11,7	23,8	49,3
1956	15,0	8,6	3,6	12,2	23,9	48,9
1957	14,6	9,1	3,6	12,7	23,6	49,1
1958	12,6	9,4	3,3	12,7	24,4	50,3
1959	12,7	9,9	3,3	13,2	24,0	50,1
1960	12,2	10,1	3,5	13,6	24,1	50,1

Sources: Bureau of Statistics, *Statistical Bulletin*, 11 October 1967, 3 April 1968. The breakdown between gold mines and other mines was made on the basis of other data obtained from the Bureau of Statistics.

(5) The abandonment of the gold standard in 1932 gave the floundering gold-mining industry a new lease of life and contributed to the return to prosperity and the expansion of the industrial and service sectors in the country. The devaluation of the South African currency in 1949 had a similarly stimulating effect.

(6) The establishment the South African Iron & Steel Corporation (Iscor) in 1928 to guide the infant iron and steel industry to maturity marked the genesis of South African industrialisation: the iron and steel industry is the foundation on which true industrial development rests.

(7) The establishment of the Industrial Development Corporation (IDC) in 1940 promoted the establishment and growth of important local industries such as Sasol and the textile industry.

(8) Even the lagging farming sector underwent an "agricultural revolution" after World War II as commercialisation, mechanisation, rationalisation, agricultural cooperatives and improved farming techniques were introduced.

20.2 STRUCTURAL CHANGES IN THE SOUTH AFRICAN ECONOMY

For the sake of convenience, changes during the period between 1910 and 1960 can be broken down into three types:

(1) structural changes in the South African economy influenced by a variety of internal and external factors
(2) business cycle fluctuations
(3) government intervention in reaction to the above two types of change or to other, non-economic factors

20.2.1 Economic changes

(1) There was a relative decline in the importance of agriculture to the South African economy between 1910 and 1960. The contribution of agriculture, forestry, hunting and fishing declined from 21,4% of gross domestic product (GDP) at factor cost in 1911 to 12,2% by 1960. The percentage in 1911 was appreciably lower than in most pre-industrial economies because of the extraordinary importance of mining in South Africa. In most pre-industrial countries, agriculture's contribution to GDP is as high as 60% or more. In South Africa, agriculture's contribution to GDP fluctuated widely because of natural causes (droughts, floods, pests, diseases and bumper crops) and to international market factors (booms and depressions). High world prices increased agriculture's contribution to GDP in 1919, 1942–1944 and 1950–1951. The general tendency, however, was a steady decline between 1910 and 1960 (see Table 20.1).

(2) There was a relative decline in the importance of mining to the South African economy between 1910 and 1960. Although there were wide fluctuations, mining's contribution to GDP declined from 26,3% in 1911 to 13,6% by 1960. External factors saw temporary increases in 1933 and 1934, for example, because of the abandonment of the gold standard in December 1932 and the devaluation of the South African currency. Gold mining's contribution to GDP declined from 19,3% in 1911 to 10,1% by 1960.

(3) There was a steady relative increase in the importance of secondary industry to the South African economy between 1910 and 1960. This sector was very small in 1911 and only contributed 5,6% of GDP, but it steadily grew throughout the period and reached 24,1% of GDP by 1960, surpassing agriculture in 1932 and gold mining in 1937. Its steady increase without violent fluctuations clearly demonstrates that secondary industry is much more stable than agriculture or mining.

(4) The services sector of the economy (commerce, transport, finance, government and education) retained its share of GDP throughout the period between 1910 and 1960. This is, however, a characteristic of a developing economy.

(5) The mining industry broadened its mineral base after 1920 to include iron ore, copper, platinum, chrome, asbestos and uranium. Despite this, the gold-mining industry still remains of utmost importance to the South African economy as an important buyer of local products and supplier of the country's most important single export.

(6) South Africa's communications network expanded and intensified between 1910 and 1960. Apart from rail traffic, road transport and air traffic grew by leaps and bounds.

TABLE 20.2

South Africa's urban population
(%)

Year	1911	1921	1936	1946	1951	1960
All races	25,9	26,2	33,6	39,3	43,4	46,7
Whites	53,0	59,7	68,2	75,6	79,1	83,6
Coloureds	50,4	52,4	58,0	62,5	66,2	68,3
Asians	52,8	60,4	69,5	72,8	77,6	83,2
Africans	13,0	14,0	19,0	24,3	27,9	31,8

Source: Bureau of Statistics, *South African Statistics 1968*, Table A-24.

20.2.2 Social changes

(1) **The rapid urbanisation of the population:** South Africa's urban population increased from 25,9% of the total population in 1911 to 46,7% by 1960. The details for each of the race groups are given in Table 20.2. Twin forces were at work – one pushing people off the land, the other drawing them to better jobs in the towns. As industrialisation took off, so too did urbanisation.

Many whites found jobs in the tertiary sector, particularly in government service, transport (especially the South African Railways and Harbours – SAR & H) and the retail trades. Urbanisation meant a drastically changed life style. Soon, amongst whites, the newly urbanised Afrikaners in particular, fears were being expressed about the depopulation of the platteland, the ageing of white rural residents, the lower white birth rate in the towns and the increasing number of urban Africans. Despite white fears, the relative size of the different race groups did not change significantly in the half century between 1910 and 1960.

TABLE 20.3

Racial composition of the South African population
(%)

Year	Whites	Coloureds	Asians	Africans
1911	21,4	8,8	2,6	67,3
1921	22,0	7,9	2,4	67,8
1936	20,9	8,0	2,3	68,8
1946	20,8	8,1	2,5	68,6
1951	20,9	8,7	2,9	67,6
1960	19,3	9,4	3,0	68,3

Source: Bureau of Statistics, *South African Statistics 1968*.

TABLE 20.4

Average annual rate of increase from previous census
(%)

Year	Total	Whites	Coloureds	Asians	Africans
1911	2,07	1,93	2,39	3,12	2,03
1921	1,49	1,76	0,37	0,73	1,57
1936	2,19	1,86	2,32	1,90	2,29
1946	1,76	1,70	1,89	2,65	1,73
1951	2,10	2,18	3,51	5,15	1,79
1960	2,53	1,65	3,43	2,87	2,65
1936–1960	2,13	1,78	2,81	2,34	2,10
1921–1960	2,15	1,81	2,62	2,76	2,17
1911–1960	2,02	1,81	2,16	2,35	2,07

Source: Bureau of Statistics, *South African Statistics 1968*.

There was no significant change in the *rates* of population growth between 1910 and 1960 either. The African population increased by 171% from 4,0 million in 1911 to 10,9 million by 1960, while the white population grew by 142% from 1,3 million to 3,1 million, the number of Coloureds increased by 187% from 525 000 to 1,5 million and the number of Asians grew by 213% from 152 000 to 477 000.

(2) The eradication of the "poor-white problem": Prior to World War II the government went to great lengths to assist the poor-whites, who were mainly Afrikaners. However, it was only thanks to the massive expansion of secondary industry and the service sector at the outset of World War II that this problems was finally solved.

20.2.3 The business cycle

Because South Africa was an open economy between 1910 and 1960, its business cycle was determined by events affecting the international economy: external factors such as the two World Wars, international depressions and recoveries and currency devaluations all impacted on the South African economy. Changes in the gold price were of particular importance to South Africa because of the dominant position gold held in her exports.

This externally shaped business cycle was further influenced by internal factors such as agricultural fluctuations caused by droughts, pests and the application of new techniques, and mining fluctuations occurring as a result of new mineral discoveries and the introduction of new mining techniques. These agricultural and mining fluctuations introduced an additional element of instability into an already vulnerable economy.

Fortunately, secondary industry rose to importance, particularly after World War II. It brought greater stability to a more diversified economy and provided the country with a more stable market. As domestic markets grew in size, the country's almost complete dependence on foreign trade diminished which meant that there were smaller cyclical fluctuations. Nevertheless, because by 1960 South Africa was still a relatively small and open economy, it could still be strongly affected by business cycle movements in the economically important countries of North America, Europe and the Far East.

20.2.4 Government intervention

Between 31 May 1910 and 31 May 1961, the Union of South Africa was a self-governing country within the British Commonwealth of Nations. During this period British influence on South African government policy diminished step by step, culminating in the country becoming an independent republic outside the Commonwealth. Union in 1910 had paved the way for future economic development in South Africa because it had put an end to the continual strife between the component colonies.

One of the major characteristics of the post-1910 era was the worldwide move towards state intervention in things economic. Only four years after Union, World War I broke out and brought an end to international economic liberalism. Thereafter the belief took root that the state should play an active role in economics. This idea was soon reinforced by the unprecedented Great Depression (1929–1932) and World War II. In under developed regions, an upsurge in nationalism and subsequent independence forced fledgling governments to take an active role in their struggling economies in order to speed up development and hasten future prosperity.

In South Africa the following are some of the important steps taken by government after 1910:

(1) The new Union parliament passed a series of acts to consolidate the various colonial laws, and initiated a number of new laws to attempt to solve perceived problems:

   (a) The Mines and Works Act of 1911 introduced the principle of legal job reservation as a supplement to traditional job reservation.
   (b) The Land Bank Act of 1912 established a government credit institution for agriculture in order to revive this lagging sector of the economy.
   (c) The Natives Land Act of 1913 set aside specific areas for Africans and formally introduced the principle of territorial separation.
   (d) The Customs Tariff Act of 1914 introduced the first protective import duties, albeit very moderate ones. This set in motion, very gently, the slow break away from the liberal customs duties policy followed up to then.

(2) World War I forced intervention on the government. Although the Banks Act of 1917 was in reality a partial consolidation of previous legislation, it represented the modest beginnings of banking supervision.

(3) After World War I government intervention proliferated because of the post-war depression (1920–1923), labour conflicts in the mines (1922), the spiralling "poor-white problem", and the growing perceived need to become economically independent of Britain. The coming to power of the Nationalist-Labour coalition government in 1924 speeded up rather than initiated this process. The following are some of the important acts of parliament passed during the 1920s:

(a) The Currency and Banking Act of 1920 resulted in the establishment the South African Reserve Bank, although it took a decade or two before the bank was strong enough to influence the economy.
(b) The Co-operative Societies Act of 1922 gave agricultural cooperatives legal status.
(c) The act that resulted in the establishment of the Electricity Supply Commission (Escom) in 1922 laid the foundation for South African industrialisation by setting in motion the drive to provide cheap electrical power.
(d) The Industrial Conciliation Act of 1924, introduced by the Smuts government, largely defused the serious labour problem that had resulted in the Rand Revolt of 1922.
(e) The Customs Tariff and Excise Duties Amendment Act of 1925 introduced a definite policy of protection for infant industries which was linked to the employment of "civilised" labour.
(f) The act which saw the incorporation of the Iron and Steel Industrial Corporation (Iscor) in 1928, laid the basis for subsequent industrialisation because the iron and steel industry is a benchmark of a country's economic development.

(4) The Great Depression (1929–1932) saw government intervention expand even further. Government control of agriculture culminated in the Marketing Act of 1937. The Native Trust and Land Act of 1936 reinforced territorial separation between Africans and whites and finally laid the foundation for the ultimate government interference in economic matters – apartheid – which came to fruition under Verwoerd in the 1960s, only to be dismantled in the 1990s when economic reality showed that politics is *not* all powerful. Influx control was exerted in the towns, especially after 1937, in an attempt to stem the growing tide of Africans moving away from the economically backward homelands.

(5) Although World War II once again saw increased government intervention in the economy, the "civilised" labour policy and the African influx control regulations developed during the 1930s largely fell into abeyance because of the shortage of all types of labour in the hard-pressed manufacturing sector. Legislation made possible the establishment of the Industrial Development Corporation (IDC) in 1940 which became one of the first development banks in

the world. It did much to sponsor the expansion of the manufacturing industry in South Africa after World War II.

(6) The National Party came to power in 1948 and developed its policy of apartheid which eventually affected every sector of the economy. A host of laws systematically implemented resettlement, job reservation, stricter influx control, employment preference areas, border industries and all the other trappings of separate development. At the same time import substitution was promoted, especially after 1960, to make the country economically more self-sufficient in the face of the "wind of change... blowing through the continent"[94] of Africa and actions abroad to boycott South African exports and imports and apply sanctions against the country. The African struggle for political rights culminated in the Sharpeville shootings of March 1960 which precipitated a massive flight of capital from the country. In the six years from 1959, an average of £48 million a year left the country peaking at £76 million in 1960. By the time the Union became a republic at the end of May 1961, the government for the first time imposed stringent exchange control regulations to staunch the outflow of capital. Aided by the mining industry, it undertook a vigorous development programme to force the pace of industrialisation. The resultant boom lasted until the 1970s when the economic wheels slowly began to fall off the apartheid bandwagon. It took another 20 years, however, for economic reality to see apartheid rejected as official government policy.

94. The "Wind of Change" speech was a historically significant address made by British Prime Minister Harold Macmillan to the South African Parliament in Cape Town, 3 February 1960.

LEARNING UNIT 21

Agriculture

TOPICS

KEY ISSUES

- Development of agriculture.
- Progress in agriculture.
- Cooperative movement.
- Controlled marketing.

LINKED ISSUES

- Backwardness of agriculture.
- Land issue.
- Development of banking.
- Government policy.
- Role mining played in developing the South African economy.
- Railway development.
- South Africa advanced politically by disasters and economically by windfalls.

21.1 TRENDS IN SOUTH AFRICAN AGRICULTURE

Gradually during the first half of the twentieth century, South Africa's predominantly self-sufficient agricultural economy of the nineteenth century gave way to one based on money and credit. The end of the Anglo-Boer War (1899–1902) marks the beginning of a significant change in the economic development of South Africa. Agricultural development, particularly in the Transvaal and the Orange Free State, had been seriously retarded by the war. Over large areas farms had been completely laid waste. This, coupled with a country-wide depression from 1903 to 1908, led to the impoverishment of many farmers. It has been estimated that as many as 10 000 people were torn from the land by the Anglo-Boer War. Simultaneously, the process of urbanisation, initially stimulated by the discovery of minerals, was well under-way. Thus twin forces were at work in the South African economy – one pushing people off the land, the other attracting them to the towns.

The relatively crude farming methods of the nineteenth century were still widely used during the first two decades of the twentieth century. However, after mining, farming was still the second biggest contributor to the national income between 1910 and 1929. In spite of the phenomenal increase in the value of production of secondary industry between 1910 and 1960, agriculture still provided a large contribution to the national income. While agriculture's share of national income dropped from 16,1% in 1911/12 to 14,3% in 1956/57, its contribution rose from £29,5 million to a massive £270 million, an increase of over 900%. In fact, agriculture's contribution to the national income generally exceeded that of mining after 1947.

In most countries it is customary to divide agriculture into two main categories: animal husbandry and arable farming. In South Africa, however, there is a more fundamental line of cleavage which cuts across this traditional division. It is of such importance that there may be said to be two different types of rural economy existing side by side in the same country. One is the essentially market-orientated farming practised by white farmers, and the other is the largely subsistence-orientated farming of Africans in the designated homelands. The difference between the two is so deep-seated that they cannot conveniently be treated together. The market-orientated sector is by far the most important one because it produces over 90% of the country's total agricultural output. Furthermore, apart from a very small quantity consumed on the farms, all of this sector's production is destined for the market. Table 21.1, for example, shows the relatively small proportion of maize output African farmers were responsible for between 1937 and 1960. It has been estimated that in the subsistence sector on the reserves, some 95% of arable farming production and 60% of livestock production are consumed by the producers. It is therefore convenient to concentrate in this learning unit on white farming.

TABLE 21.1

Production and consumption of maize in South Africa
1937–1960
(*thousands of 200lb bags*)

	PRODUCTION			CONSUMPTION		
Year	**Whites**	**Africans**	**Total**	**Human**	**Feed & Seed**	**Total**
1937	22 911	5 267	28 178	12 000	1 744	12 744
1938	14 863	4 384	19 247	13 000	1 738	14 738
1939	23 661	5 359	29 020	12 500	2 547	15 047
1940	16 893	3 808	20 701	12 000	2 710	15 710
1941	19 935	4 388	24 323	13 500	4 701	18 201
1942	12 445	3 896	16 341	14 000	5 998	1 998
1943	19 627	4 709	24 336	14 000	6 112	20 112
1944	14 100	4 271	18 371	14 300	6 786	21 086
1945	14 912	3 513	18 425	14 000	5 891	19 891
1946	13 597	4 201	17 798	14 000	6 494	20 494
1947	18 921	5 632	24 553	14 300	6 147	20 447
1948	25 508	6 611	32 119	14 500	6 763	21 263
1949	16 909	4 100	21 009	15 000	9 101	24 101
1950	24 202	5 607	29 809	15 500	10 832	26 332
1951	25 422	4 662	30 084	15 500	9 589	25 089
1952	17 505	4 006	21 511	16 000	11 665	27 665
1953	27 688	6 072	33 760	16 200	11 303	27 503
1954	32 814	6 196	39 010	16 300	7 747	24 047
1955	31 653	5 789	37 442	16 300	9 024	25 324
1956	32 445	4 934	37 379	16 400	10 968	27 346
1957	43 551	3 530	47 081	16 400	9 659	26 060
1958	38 163	2 522	40 685	16 500	11 006	27 506
1959	40 619	3 197	43 816	22 600	10 500	33 110
1960	44 283	2 983	47 266	22 200	10 790	32 990

Source: *Abstract of Agricultural Statistics*, 1936/37–1958; *Supplement to Abstract of Agricultural Statistics*, 1965.

Within the market-orientated agricultural sector then, each of the two traditional branches – animal husbandry and arable farming – accounts for roughly half the gross income from farming. There was, however, a slight bias towards livestock up to 1930, with one in the other direction between 1930 and 1950. The high wool price reversed this trend between 1951 and 1955, but thereafter the proportion from livestock declined sharply.

TABLE 21.2

Proportion of total value of agricultural output 1911–1960

Years	Arable	Livestock
1911–1915	46%	54%
1916–1920	45%	55%
1921–1925	48%	52%
1926–1930	46%	54%
1931–1935	53%	47%
1936–1940	52%	48%
1941–1945	52%	48%
1946–1950	53%	47%
1951–1955	49%	51%
1956–1960	51%	49%

Source: D. Hobart Houghton, *The South African economy*, Cape Town, 1973, p. 49.

Maize is the most important single crop, both because of its size and because it is the staple food of the majority of the population. Although maize production increased from 8,6 million bags in 1911 to 47,3 million in 1960, the crop had a very chequered growth pattern. Climatic conditions have led to a great variation in output and at certain times prices have fluctuated widely. In fact, maize production illustrates the extreme instability of such products and attempts to stabilise production were tried as early as the 1920s. These schemes were important forerunners of the controlled marketing scheme for South African agriculture that emerged in the 1930s.

Between 1910 and 1960, South African agriculture went through the following clearly discernible phases:

(1) **Before World War I**, South Africa was on balance an importer of food stuffs. Considerable quantities of wheat, sugar, tea, coffee, as well as meat and dairy products were amongst the goods imported. The main agricultural exports were wool, ostrich feathers, hides and skins, mohair and wattle.

(2) **World War I** restricted South African imports. Thus growing local needs – and the inevitable rise in agricultural prices – encouraged an expansion in the production of staple foods.

(3) **Between World War I and the Great Depression (1929–1932)** the local production of staple foods was sufficient to supply the local market. Only wheat production had to be supplemented. Agricultural prices, while fluctuating widely from year to year, remained relatively high, and many branches of agriculture continued to expand. Wool, sugar, citrus and deciduous fruit were exported in increasing quantities. Maize illustrates the extreme instability of

primary agricultural products in South Africa during the first third of the twentieth century. Not only were prices erratic, but production was also subject to extreme climatic conditions. The 1925 crop was 24 million bags but dropped to only 11 million the following year. Similarly the value of the wool clip fluctuated in response to price and climatic variations. In 1920 the value of the clip was £22,5 million, while the next year it was only a quarter of that.

(4) The Great Depression resulted in a marked drop in the level of agricultural prices. In many branches of the industry there was increased production as farmers endeavoured to meet their obligations by increasing gross income. This in turn, led to the increasing abuse of the soil. In the wool industry, for example, between 1925 and 1933, while the wool price fell by 75%, production doubled.

The Great Depression was one of the watersheds in South African farming history because: (a) there was a world-wide depression which forced the prices of agricultural products down to abysmally low levels; naturally the government's response was to try and isolate local prices from the depressing effects of non-remunerative exports by implementing protective tariffs; (b) there was the great drought of 1932–1933 which resulted in, for example, the loss of 9,8 million small stock in South Africa.

Fortunately for the South African economy as a whole, as soon as the country went off the Gold Standard in December 1933, the gold price rose by 50%. This in turn sparked off enormous expansion in the *non*-agricultural sectors of the economy. Thus the forces pushing people off the land and pulling them to the towns were greatly intensified. It is by no accident that, despite the state's sustained efforts to maintain the incomes of white farmers by price support, the absolute number of whites on rural land reached its peak in 1931 and from that date started to fall.

(5) Recovery from the Great Depression in agriculture was slow and the prices of farm products and farming incomes lagged behind the other sectors of the economy for many years. As a result steps were taken to influence farm prices and incomes. In the early 1930s increased tariffs and import controls were employed to assist those branches of agriculture with appreciable local markets. These efforts culminated in the Marketing Act of 1937. But before any positive results became evident, World War II broke out.

(6) World War II brought about a sudden change in the South African economy. Agriculture was severely dislocated and by the end of the war, its role in the economy had changed completely. In some cases it could not even meet the demands of the domestic market. During the war years, foodstuffs had to be produced under very difficult circumstances. Crop farming, in particular, was affected because the necessary fertilisers and implements were very difficult to obtain. During the war, crop production dropped by 13% while the population increased by 10%. Stock farming production increased by 15%; but the

TABLE 21.3

South African farms
1918–1960

Year	**Number of farms**	**Area of farms** (000 morgen)	**Area under culti-vation** (000 morgen)	**% area under culti-vation**	**Average size of farms** (morgen)
1918	76 148	90 550	4 176	4,6	1 189
1919	77 094	89 349			1 159
1920	81 014	91 560			1 130
1921	81 432	93 738	4 592	4,9	1 151
1922	85 242				
1923	85 923				
1924	88 340	95 557			1 082
1925	90 658	97 070			1 071
1926	92 867	97 457			1 049
1927	93 187	94 455			1 014
1928	93 972	96 484			1 027
1929	94 908	97 738			1 030
1930	96 940	96 674	6 199	6,4	997
1934	98 930	97 153			984
1935	101 277	99 129			979
1936	104 249	98 391			944
1937	104 554	99 912	7 082	7,1	956
1938	105 700	100 483			951
1939	107 536	100 722			937
1946	112 453	103 488	8 632	8,3	920
1947	113 990	100 853			885
1948	115 723	102 621			887
1949	117 242	101 787			868
1950	116 848	101 480	8 945	8,8	869
1951	118 186	101 293			857
1952	119 556	101 871			852
1953	119 198	102 741			862
1954	115 416	102 184			885
1955	111 586	102 123	9 536	9,3	915
1956	108 883	102 705			943
1957	103 059	102 634			996
1958		103 729			
1959		108 412			
1960	105 859	107 165	11 615	10,8	1 012

Source: *Union statistics for fifty years*; *Supplement to abstract of agricultural statistics*, 1969; *Standard encyclopaedia of South Africa*, 1.

TABLE 21.4

Production, consumption, imports and exports of maize
1924–1961
(*200lb bags*)

	Area (*000 Ha*)	**Production**	**Consumption**	**Imports**	**Exports**
1924–1925	1 564	11 239	10 119		1 820
1925–1926	2 238	24 296	12 771	100	9 925
1926–1927	1 715	10 920	12 090	200	530
1927–1928	2 010	18 257	11 827	100	6 530
1928–1929	1 915	19 186	12 556	1 000	7 130
1929–1930	2 172	18 691	13 061		5 630
1930–1931	2 587	22 386	15 456		6 430
1931–1932	2 172	16 008	13 568		3 040
1932–1933	2 437	19 033	13 994		4 940
1933–1934	2 457	8 340	12 041	3 000	100
1934–1935	2 392	24 119	15 679	200	7 340
1935–1936	2 403	18 561	15 621	100	4 140
1936–1937	2 089	14 984	13 744		1 140
1937–1938	2 529	28 178	14 738		10 940
1938–1939	2 244	19 247	15 047		4 840
1939–1940	2 513	29 020	15 760		9 066
1940–1941	2 579	20 701	18 251		5 767
1941–1942	2 585	24 323	20 048		2 476
1942–1943	2 358	16 341	20 162		150
1943–1944	2 790	24 336	21 136		200
1944–1945	2 761	18 371	19 941	8	218
1945–1946	2 969	18 425	20 544	1 878	302
1946–1947	2 573	18 115	20 814	3 982	297
1947–1948	2 940	26 417	23 227	216	1 309
1948–1949	2 960	34 322	26 522		3 952
1949–1950	2 799	22 549	27 928		1 125
1950–1951	3 150	33 250	28 014		431
1951–1952	3 012	32 308	30 481		2 615
1952–1953	2 753	22 456	28 582	2 546	300
1953–1954	3 134	37 858	27 269		2 785
1954–1955	3 374	43 641	30 284		7 903
1955–1956	3 474	41 634	31 288		11 336
1956–1957	3 394	41 713	30 826		11 455
1957–1958	3 465	47 081	32 391		15 994
1958–1959	3 397	40 685	34 376		12 132
1959–1960	3 637	43 816	34 108		6 840
1960–1961	3 802	47 266	36 213		10 499

Source: D. Hobart Houghton, *The South African economy*, Cape Town, 1973, p. 265.

TABLE 21.5

The mechanisation of South African agriculture 1918–1960

Year	Motor lorries	Tractors	Wagons	Stationary engines
1918		231		
1921		515		
1926		1 302	84 915	4 492
1930		3 684	87 820	
1937	8 568	6 019	99 302	10 573
1946	21 256	20 292	102 892	17 008
1950	31 308	48 422	72 132	45 830
1955	52 077	87 451	43 770	53 674
1960	69 376	119 196		83 816

Source: *Union Statistics for Fifty Years*; *Statistical Year Book*, 1965.

overall increase in the physical volume of agricultural produce was only 5%. The prices of agricultural products practically doubled during the war.

(7) **After World War II** the domestic market became more and more important as a result of the growth in population, the increased buying power of the consumer, marketing control, and the increasing interest shown in better national nutrition. As a result of better methods of cultivation, the production of crops became more stable and production increased steadily. From 1946 to 1960 the area used for crop farming increased by 50% (see Table 21.3). Table 21.4 demonstrates the position for maize. As can be seen, the quantity consumed increased only slightly, however, mainly as a result of the increased use of maize as an animal feed. The surplus maize was as a result of the price determination policy that meant the maize producer was guaranteed his production costs plus a reasonable entrepreneur's wage. The maize surplus was exported at a loss. As the surplus increased, so did the loss.

During the 1950s crop farming tended to specialise more and more until one crop only was being produced. As a result of the continual ploughing of the land and the inadequate system of crop rotation, there was a general decrease in the fertility of the soil: by the 1960s no maize could be produced without large quantities of fertiliser added to the soil.

While the number of sheep and cattle did not change much after World War II, the production of stock-farming products increased substantially. For example, the production of wool per sheep increased by almost 15% between 1939 and 1958, while beef production increased by 25% in the two decades after 1940 at a time the number of cattle remained more or less constant at about 12 million.

TABLE 21.6

Percentage of South African population urban
1911–1961

Year	Total	White	African	Coloured	Asian
1911	25,9	53,0	13,0	50,4	52,8
1921	28,2	59,7	14,0	52,4	60,4
1936	28,2	68,2	19,0	58,0	69,5
1946	39,3	75,6	24,3	62,5	72,8
1951	43,4	49,1	27,9	66,2	77,6
1961	46,7	83,6	31,8	68,3	83,2

Source: D. Hobart Houghton, *The South African Economy*, Cape Town, 1973, p. 255.

TABLE 21.7

Labour movements on white farms
1911–1960

	OUT MIGRATION			IN MIGRATION	
Period	**Asian**	**African**	**Coloured**	**White**	**African**
1911/1921	-	-	-	-	70 000
1921/1936	11 000	-	18 000	40 000	140 000
1936/1951	13 000	-	38 000	88 000	80 000
1951/1960	5 000	-	-	53 000	45 000

Source: J. Nattrass, *The South African economy, its growth and change*, Cape Town, 1984, p. 106.

After World War II white agriculture changed rapidly from being a way of life to being a business undertaking. Mechanisation and more intensive production after the war led to a considerable increase in costs and a closer integration of agriculture with the other sectors of the economy. Considerably higher cash and working expenditure was required and land prices rose progressively after the war. As a result there was a considerable increase in demand from the agricultural sector for all forms of credit.

One of the most important socio-economic changes in the years after World War II was the increased rate at which the rural population moved from the land to the towns (see Tables 21.6 and 21.7).

While the white rural population decreased by 20% between 1936 and 1960, the number of Africans who settled on white-owned farms increased by 90% between 1921 and 1951 – from 1,8 million to 3,4 million, something which increasingly alarmed white politicians.

21.2 THE COOPERATIVE MOVEMENT

Cooperatives have really taken off in the agricultural sector in South Africa. Cooperatives are usually the result of people joining forces during a depression. In Europe the agricultural cooperative movement only got under-way during the agricultural depression of the 1880s, while in South Africa it started during the post-Anglo-Boer War depression of 1903–1908. The cooperative movement was introduced into this post-war South Africa by British officials who were impressed by what had happened in Europe and saw the benefits it would hold for local farmers. In this pre-protection era it was felt that farmers should learn to help themselves.

The history of agricultural cooperatives can be divided into three periods:

- the experimental period from 1904 to 1922
- the period of reorganisation from 1922 to 1939
- the period of growth from 1939

Between 1922 and 1960 the number of agricultural cooperatives increased from 81 to 319 while membership jumped from 14 282 to 285 000. At the same time turnover soared from £2 474 500 to £589 681 000.

21.2.1 The experimental period, 1904–1922

The first cooperatives were not, as in Europe, initiated by the farmers themselves. The colonial governments of post-Anglo-Boer War southern Africa led the way because the majority of the people in the region were themselves supported by agriculture. The Natal and Cape governments passed legislation in 1904 and 1905 which made money available for the establishment of cooperatives. In addition, the Cape and Transvaal governments brought experts out from Europe to spread the concept of cooperatives among farmers. The Cape appointed an Irishman, P.J. Hannon, as superintendent of agricultural cooperative societies in 1905 and at the same time made £150 000 available to cooperatives at a 4% interest rate. Unfortunately, loans were all too generously furnished to usually incompetent cooperative managements and by 1907 a parliamentary committee was appointed to investigate the large number of abortive cooperatives and irrecoverable loans. The Transvaal government appointed a Dane, J.M.B. Stilling-Anderson, as its superintendent of cooperatives in 1907. The Transvaal Land Bank was also established and provided aid and advice to agricultural cooperatives.

In 1908 and 1910 the governments of the Transvaal and the Orange River Colony (Orange Free State) passed legislation which set up the legal structure of agricultural cooperatives. The Transvaal act recognised the principle of unlimited liability and provided the basis of the Orange River Colony's act. Although the Natal government had pioneered the official recognition of the cooperative movement in South Africa in 1904, it left the initiative to the farmers themselves, so that by 1910 far fewer cooperative societies had been established there than in the other colonies. After Union in 1910, the need for a general cooperative societies act was recognised, because in neither the Cape nor Natal, did agricultural cooperatives have any legal status. However, nothing was done until 1922 for various reasons – which included World War I.

Many of the large number of early cooperatives that were established, failed, some merely faded away, while others were liquidated. The reasons for this high failure rate were:

(1) Many members mistrusted the unlimited liability of cooperatives before 1922. Most farmers only joined to avail themselves of the cheap credit facilities and continued to sell their products outside the cooperatives.
(2) There was poor management as a result of the lack of experienced managers with skills in commerce and administration.
(3) There was a lack of capital. The cooperatives could only pay low dividends on shares and had to restrict the transferability of those shares.

On the brighter side, the cooperatives received definite support in the form of credit from the Land and Agricultural Bank after its establishment in 1912. Despite this, the spread of the movement was slow. During World War I the number of members decreased. Prices were rising and many farmers felt they could do better on their own.

21.2.2 The period of reorganisation, 1922–1939

The major drawbacks of the early cooperatives were the principle of unlimited liability and the lack of uniform country-wide legislation. These matters were only addressed after World War I, with the passing of the Co-operative Societies Act in 1922.

(1) The new law permitted both unlimited and limited liability incorporation.
(2) It recognised properly constituted cooperatives as legal entities in all four provinces.
(3) It allowed for the establishment of consumer associations with limited liability too.

For the rest, the 1922 legislation adopted many principles from the Transvaal act of 1908. The new legislation sparked off renewed interest in cooperatives and membership grew quickly. One of cooperatives' main problems was that they could not obtain control of the markets because farmers (even members of a cooperative) insisted on selling produce direct to traders, instead of through their cooperative. In 1925 the law was amended so that if, in any area, 75% of all producers of a product were members of a cooperative and supplied 75% of the total produce, the Minister of Agriculture would be empowered to order that all producers of that product must market their produce through the cooperative concerned. The first product to fall under this arrangement was tobacco in the Transvaal and the second was brandy in the Cape.

Although the Great Depression and the simultaneous drought affected the farmers particularly badly, they strengthened the cooperative movement because the government appointed a commission of inquiry into cooperatives and agricultural credit to advise it on how to improve the position of the farmer. The commission presented its report in 1934. It contributed much to both the subsequent Marketing Act of 1937 and the revised Co-operative Societies Act of 1939 which made a number of important additions to the 1922 act.

(1) A new type of cooperative with limited liability was allowed. This was a special kind of agricultural cooperative company which included central cooperatives (a cooperative of cooperatives) and federal or national cooperatives (a cooperative of central cooperatives). These cooperatives were allowed to trade with non-members and could, with ministerial approval, accept individuals other than farmers as members. As cooperatives became bigger and more influential, more and more non-farmers found it attractive to trade with these institutions and there developed a need to "open up" what were once purely agricultural institutions.

(2) Cooperatives were able to mortgage movable property. This meant that credit could be obtained more easily than in the past.

(3) The minister was given the right to control the establishment of branches by cooperatives to prevent friction between different cooperatives. This stipulation was made stricter in an amendment to the act in 1960. By virtue of these amendments the minister could veto the establishment of a new cooperative if it duplicated or clashed with the interests of an existing cooperative.

21.2.3 The period of growth after 1939

Membership and the turnovers of agricultural cooperatives grew rapidly after the passing of the 1939 act which boosted *consumer* cooperatives – which until then had been less important than the purely agricultural cooperatives. The Marketing Act of 1937 also made membership of a cooperative more appealing because cooperatives were usually appointed as the various control boards' agents for a number of tasks. These included collecting and storing of produce, and the payment of advances ("voorskotte") and final settlement amounts ("agterskotte").

Government intervention in agriculture after the Great Depression, consolidated as it was by the Marketing Act of 1937, practically deprived agricultural cooperatives altogether of their *marketing* function. This meant that the cooperatives could concentrate on the collection of produce, storage, accounting, information, services, and the purchasing of agricultural equipment. Most cooperatives are of a mixed nature which means that they trade in more than one product and also purchase agricultural equipment and requirements. There are, however, service cooperatives which provide, for example, insurance or the packing of a product.

By 1960 the overwhelming majority of farmers belonged to cooperatives, with many belonging to two or three different ones.

21.3 CONTROLLED MARKETING

The instability of agricultural prices in the 1920s, and the low levels to which they fell during the Great Depression, together with the imperfect knowledge of sound husbandry for South African conditions, all combined to present South African farming with a really critical situation.

The first aspect of the problem to receive attention was the low level of prices. This was because assistance to the white farming community became a political necessity during the 1920s. The Nationalists, who came to power in 1924 in a pact government with Labour, was largely supported by rural Afrikaans farmers – the very people most affected by the problem. As a result there was an attempt to establish a polity-price for agricultural products as opposed to the usual market-price. Protective policies in the 1920s were a world-wide phenomena. Until 1925 protection was mainly given to manufactured articles, but after that, it was increasingly applied to agricultural goods by virtually every country in the world.

In South Africa various experiments in ad hoc schemes for raising domestic agricultural prices were tried. But sporadic attempts by individual control boards to regulate the prices of their particular products proved to be largely ineffective. The culmination of these uncoordinated experiments was the Marketing Act of 1937 which completely eliminated market-demand prices and replaced them with a polity-fixed price system. The main purpose of the Marketing Act was twofold:

- the greater stability of prices for farm products
- the narrowing of the price margin between producers and consumers

The act was the direct outcome of the slow recovery of agriculture after the Great Depression and the imperfect short-term adjustment between demand and supply typical of agricultural produce. The consequently excessive price fluctuations had given rise to separate control acts for individual products from time to time.

1930	processed dairy products
1930	maize (again in 1935)
1932	tobacco (again in 1935)
1932	livestock (again in 1934)
1934	wheat

These various isolated measures proved to be unsatisfactory because the products that they singled out were favoured one-sidedly, and this tended to disrupt the allocation of productive resources within the agricultural sector. Attempts to tackle the price problem by cooperative action were equally unsuccessful because the membership of cooperatives was voluntary. As a result, it was decided to regulate the marketing of farm products by bodies, independent of the state and the producers, on which all interested groups would be represented. At the same time, these bodies would be under strict state supervision.

The Marketing Act therefore provided for representation on the different control boards of the relevant interest groups – producers, consumers, commerce and industry. There was, however, a producers' majority. The control boards were to be supervised by the Minister of Agriculture (from 1958, the Minister of Agricultural Economics and Marketing) assisted by a National Marketing Council, an entirely *consultative* body. A Consumers' Advisory Committee was also set up. But this organisation was fairly ineffectual, and in 1946 legislation was passed in an attempt to increase its influence. By and large, the most influential group in the various control boards – numbering 17 by 1960 – were the producers.

A control board, with the minister's approval, had absolute monopoly powers over the disposal of its products. At the time, and ever since, the major criticism of the Marketing Act has been that power was given to persons who might benefit from creating artificial scarcities of foodstuffs. By 1960 a system of control boards controlled nearly 90% of the total value of all arable and livestock produce by subjecting them to physical control or some form of regulation of their marketing or distribution. The only important food products *not* subject to direct marketing were: vegetables, fruit in general and milk in general. The control schemes may be classified as follows:

1) **ONE-CHANNEL SCHEMES**

a) **Fixed-price schemes**:
- Winter cereals (Wheat Industry Control Board – 1938)
- Maize (Maize Industry Control Board – 1938)
- Tobacco (Tobacco Industry Control Board – 1939)

b) **Pool schemes**:
- Dried fruit (Dried Fruit Board – 1938)
- Citrus (Citrus Board – 1939)
- Chicory (Chicory Control Board – 1939)
- Deciduous fruit (Deciduous Fruit Board – 1939)
- Oil-seeds (Oilseeds Control Board – 1952)
- Lucerne seeds (Lucerne Seed Control Board – 1952)
- Rooibos tea (Rooibos Tea Control Board – 1954)
- Drinking milk (in certain areas – Milk Board – 1956)
- Bananas (Banana Control Board – 1957)

c) **A combination of (a) and (b)**:
- Milk products for industrial use (Dairy Industry Control Board – 1938)

2) **SURPLUS-REMOVAL SCHEMES**

a) **Floor-price schemes**:
- Meat and livestock (Livestock and Meat Industries Control Board – 1945)
- Dried beans (Dried Bean Control Board – 1955)
- Eggs (Egg Control Board – 1953)
- Grain sorghum (administered by the Maize Board – 1957)

b) **Purchase on the open market**:
- Potatoes (Potato Board – 1951)

The characteristic of the one-channel fixed-price schemes (1(a)) is that producers are compelled to market their products through the board concerned. This means that the purchase and selling prices are both fixed. Under the one-channel pool schemes (1(b)), farmers are also compelled to sell to the board only – but not at a *fixed* price. The combination of the two schemes (1(c)) means that the relevant board determines the price to be paid by factories to producers, whereafter the board undertakes to sell products not for sale for industrial purposes itself. In the surplus-removal schemes (2(a)), which operate on the basis of a floor price, the ordinary marketing channels are left undisturbed; but when a consignment of the product does not fetch the floor price announced for the season, the relevant board buys it at that price. The Potato Board (2(b)) sometimes enters the market as a buyer if the prices are too low, but there is no predetermined floor price.

State interference in the marketing of agricultural products, together with price determination, became a permanent feature of the South African agricultural market. Supply and demand had very little to do with the situation. During World War II, the whole structure changed briefly. Instead of having to prop up producers' prices, the boards continually had to put a damper on the rapidly *increasing* prices, in order to play their part in the larger national programme of combating wartime inflation. The problem in the 1950s was the supply of agricultural products exceeding domestic consumption, particularly maize, which resulted in the surplus having to be exported at a loss by the boards concerned.

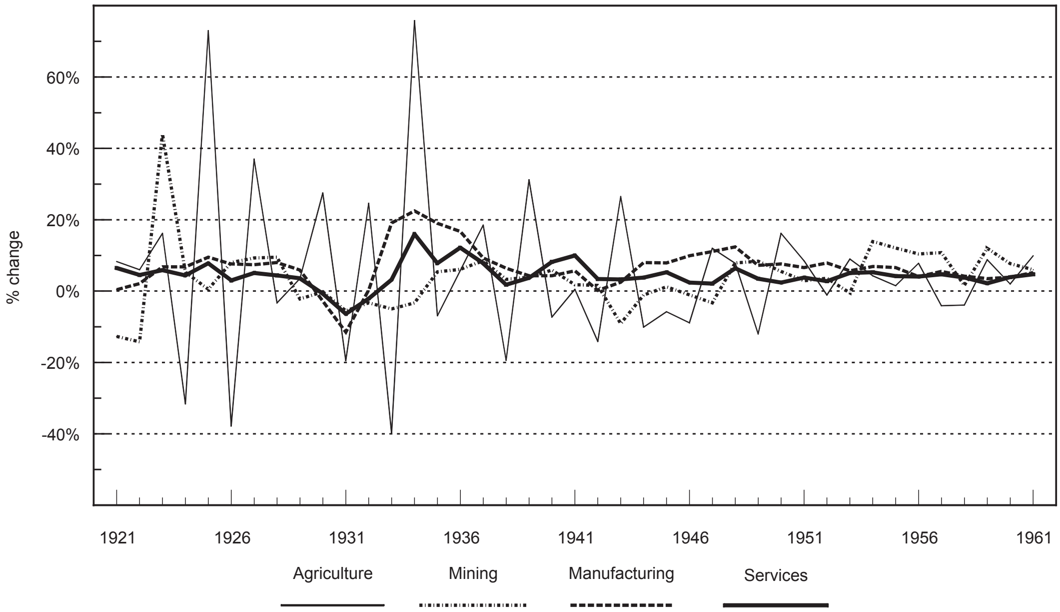
While assistance to agriculture was necessary in the 1930s in the short term, there was a long-term detrimental effect as a result of the system becoming permanent. Increasingly, marginal land was brought under cultivation; and this intensified the soil erosion problem which had always been critical.

The role of government in agriculture changed during the twentieth century. Initially, the independence of the farmer was recognised: the Department of Agriculture at first was merely an advisory body giving advice and assistance where requested. As a result of the increasing impoverishment of the soil and extensive soil erosion, droughts became more severe. As early as 1916 the government attempted to assist the farmers who had suffered most. The severity of the problem was only revealed, however, with the report of the Du Toit Drought Commission in 1923. The basic problem was unscientific farming. From this period on, it has been the rare exception for there to be no serious drought in some part of the country or other. The older sheep-farming districts have regularly been the hardest hit.

It therefore became imperative for the government to interfere in agriculture. The crunch came with the Great Depression, which coincided with one of the worst droughts the country had ever experienced. Virtually overnight the attitude of the government changed. Although the government itself was not directly involved in the control board system, it was in the end the final authority. The added advantage was that government supporters were benefiting most from the new control system.

DIAGRAM 21.1

Growth rates of the real contribution to GDP of the major sectors of the economy 1921–1961



Source: L.W.A. Nel, "The importance of the contribution of the agricultural sector to the rate of growth of the South African economy, *Agrekon*, 7(4), 1968, p. 16.

World War II, however, intervened; and after the war, the Marketing Act, the Soil Conservation Act (1946) and the Water Act (1956) formed the basis of the government's "organisation" of agriculture. Diagram 21.1 clearly shows the greater stability of agriculture after the implementation of controlled agriculture, particularly after World War II, although at the same time, the real contribution of agriculture to the GDP declined. The phenomenal increase in agricultural production in the post-World War II period can largely be ascribed to the stability of prices maintained by the control system. The unfortunate result, however, was the production of surpluses which had to be exported at a loss. The entire problem intensified the controversy over the movement of labour out of agriculture into other sectors of the economy. This was traditionally contrary to government policy, especially as far as whites were concerned.

The unfortunate thing about South African agriculture during the twentieth century was that politics, rather than the usual economic forces, influenced its development. The agricultural self-sufficiency syndrome, born during World War I and brought to fruition during World War II, became of growing importance during the apartheid era in the light of political developments in the world at large.

21.4 AGRICULTURAL CREDIT

There are no cooperative agricultural credit institutions in South Africa similar to those in other countries. One of the probable reasons for the lack of specialised private farmers' loan banks is that South Africa, from the second half of the nineteenth century, has had a well-established commercial banking system . The only organisation in South Africa that specialises in agricultural credit is the Land and Agricultural Bank which is a government institution.

21.4.1 The Land and Agricultural Bank

The need for specialist banks for agriculture arose after the Anglo-Boer War (1899–1902) when there was a need for reconstruction after large areas of the country had been laid waste. Many farmers needed money to buy new livestock, implements and seed. The Transvaal government led the way in 1907 by founding an agricultural bank, and later in the same year one was established in Natal. The Orange River Colony set up one in 1909. All three official institutions provided mainly short-term credit to farmers on reasonable terms, thus making them less dependent on the expensive credit available from traders and the commercial banks.

After Union in 1910, the three colonial agricultural banks were merged to form the Land and Agricultural Bank of South Africa by the Land Bank Act of 1912 which was amended several times and eventually consolidated in 1944. Initially, the bank was not unlike a building society, because it was authorised to make loans to farmers by mortgages on land. Only later was this function extended to include loans to agricultural cooperatives.

The fledgling Land Bank got capital of £2 735 000 from the three old colonial land banks and was thereafter dependent on parliament for further increases in its capital. This awkward way of having to raise finance was streamlined in 1921 when the bank was given the power to issue bills and operate overdrafts at the commercial banks. Between 1922 and 1932 the bank's capital rose from £6 293 271 to £15 006 116, while reserve funds increased from £482 859 to £911 980 compared to only £88 161 in 1912. By 1957 the bank's capital stood at

£25 million and its reserve fund at £5 million. Its head office was in Pretoria and by 1945 there were 17 branches – regarded by many farmers as too few.

The Land Bank mainly used its own funds for long-term credits to farmers and agricultural cooperatives. Short-term credit requirements were generally financed by Land Bank overdrafts through commercial banks, by the discounting of bills at commercial banks and the Reserve Bank, and by accepting deposits from farmers, cooperatives and others. Because of its constitution, the Land Bank's possibilities for expansion were limited; as a result it grew at a slower pace than the commercial banks which were all able to borrow on the capital market. The Land Bank was thus unable to replace the commercial banks as a provider of credit to farmers.

Despite its limitations, the Land Bank did a lot to assist the South African agricultural cooperative movement. One of the bank's legislative prescriptions was that it could not charge more than 5% interest and could not advance more than £10 000 to any one cooperative. Furthermore, Cape and Natal cooperatives were unable to obtain Land Bank credit before 1916 because they fell outside the existing laws on cooperatives. An amendment to the Land Bank Act in 1916 made it possible for the bank to assist cooperatives with credit in those provinces where they had unlimited liability but not an officially recognised constitution.

The Land Bank not only provided credit to the cooperatives but it also supervised their financial administration during the difficult early years of their existence. Their lack of experience and knowledge often meant that many cooperatives were badly run. The bank's credit to cooperatives was extended in 1924 when it was allowed to finance the export of produce against the security of the products concerned. By the late 1920s the Land Bank had superseded the commercial banks in the provision of agricultural credit in many parts of the country, even though, as in the case of the Standard Bank, advances to farmers constituted the bulk of the bank's business.

Many farmers complained about the Land Bank's strict terms of credit to the agricultural commission which sat after the Great Depression and the simultaneous drought. These complaints were made despite the bank's lower rate of interest and greater indulgence of outstanding redemption payments compared with those offered by the commercial banks. The bank responded by raising the maximum amount allocated for seasonal crop loans. Throughout the 1930s the bank's overwhelming problem was the large volume of arrears in repayments arising from the poverty of farmers and their resultant need for assistance. However, the problem diminished in the prosperous 1940s and 1950s and had ceased to exist by 1960.

The Land Bank Act of 1944 merely consolidated the various amendments to the 1912 act; there was no radical departure from the status quo. The bank rendered a wide variety of assistance to agriculture under the farmer-dominated government of the post-1948 era. There were advances on land by mortgages, and advances for constructing fencing, dipping tanks, silos, reservoirs, soil erosion works and for overcoming seasonal fluctuations in income.

Possibly, despite the admittedly tough times of the 1930s, white South African farmers were pampered by government policy. Between 1910 and 1936 it has been estimated that the government spent £112 million on white agriculture and only £625 000 on black agriculture, a ratio of 179:1. Although the ratio improved after 1936, to reach an average of 14:1 by the 1950s, virtually all African farmers were excluded from Land Bank mortgage bonds because they were not allowed to own land by law or custom and excluded from raising short-term loans because they did not have sufficient wealth in the form of movable property.

As far as white farmers are concerned:

> *The significance of the Land Bank Act lay not only in the fact that credit was made specially available to assist farmers, but even more important, that henceforth farmers were to look increasingly to the State to solve their problems.*[95]

21.5 CROP FARMING

21.5.1 Maize

Maize is the most important cereal grown in South Africa. In 1958 it alone made up 28% of the total value of crops produced in the country and 14% of the total value of South African agricultural products. By the 1960s some 43% of the total area tilled in South Africa was under maize and it was regularly second only to wool as the country's most important agricultural export. By then about 75% of the total crop was produced by white farmers, while Africans on white-owned farms produced 10% and those in the homelands the remaining 15%. Production by white farmers expanded phenomenally between the end of the Anglo-Boer War and 1960. Although maize had been grown in the region since the eighteenth century, it was not until 1905 that it became a mass-produced product for sale rather than for home consumption. This change came about because of increasing demand and high and rising prices. Prior to 1910 crop surpluses were exported and exports in 1908/09 totalled 1,5 million bags. But from Union until 1925, production was only sufficient to meet domestic demand.

From 1924 onwards favourable world prices stimulated production and the South African Railways established grain elevators in the maize areas and at the ports of Cape Town and Durban to facilitate exports and internal distribution. Production outstripped local consumption, and about a third of the crop was annually exported. The onset of the Great Depression in 1929 brought about such a collapse in world prices that South African maize producers were faced with ruin. Government intervention became necessary to save the industry which had

95. M. Wilson & L. Thompson, *The Oxford history of South Africa*, 2, 1974, p. 136.

become dependent on overseas markets, and this was done by raising prices on the domestic market by exporting surpluses which normally would have forced the local price down. The Mealie Control Act of 1931 compelled traders to export a percentage of the crop. The Maize Control Board was established in 1935 (continuing to function under the 1937 Marketing Act) in order to stabilise prices, control marketing, and fix producers' prices on a grade basis.

TABLE 21.8

Maize exports
1956–1960

Season	**Quantity** (000 bags)	**Loss** (£000)
1956	10 868	2 038
1957	11 200	694
1958	15 702	2 870
1959	11 743	2 637
1960	6 159	1 090

Source: A.P. Scholtz, "The maize industry in South Africa – Danger signals for the future", *Agrekon*, 1(1) 1962.

These measures stimulated maize production and by 1938/39 over 23,5 million bags were produced, almost double the country's local needs. Increased demand during World War II and adverse weather conditions resulted in a substantial rise in local prices and negligible exports. The shortage of maize reached its peak in 1946/47 and 4,5 million bags were imported from Argentina at a high price. A bumper crop the following year saw supply once again outstrip demand and 3,4 million bags of maize were exported. With the mechanisation of agriculture in the 1950s, together with the importation of hybrid strains of maize from the USA and the increased use of fertiliser, production soared to reach a record 40 million bags in 1956/57. But the bigger the surplus, the bigger the export loss. Between 1956–1960 an average of 11,1 million bags of maize products were exported annually at an average annual loss of £1,9 million.

The white-farmed area under maize almost doubled between 1918 and 1957; it increased from 2 088 756 to 4 048 458 morgen and the yield per morgen tripled.

21.5.2 Wheat

After maize, wheat is the most important cereal grown in South Africa. However, the area suitable for wheat cultivation is very much smaller than that for maize. Some 13,7% of the total area tilled in South Africa is sown with wheat. Between 1918 and 1957 the area under wheat cultivation rose from 466 152 morgen to

1 528 634 morgen. Although production generally increased over that period, it has always fluctuated widely and in many years wheat had to be imported. Urbanisation and increasing purchasing power has increased the demand for wheat, the most popular bread grain.

The area under wheat cultivation expanded until the end of World War I but then stabilised during the 1920s when production averaged two million bags per annum. Although there had been tariff protection for about a century, this did not hamper imports of wheat and flour at times when international prices were low.

In 1930 the bottom fell out of the market and wheat imports were officially restricted and the import duties on wheat and flour were raised. The Wheat Industry Control Board was established in 1935. It maintained price control by paying compensation for the storage of wheat by maize traders. In this way a minimum price was maintained. But the system did not prevent large price increases when there were shortages. The Marketing Act of 1937 introduced the one-channel system for wheat, similar to that for maize. The overall effect was to raise producer prices, eliminate price fluctuations, and abolish the competition that had led to a lot of uncertainty in the industry.

However, output fluctuated considerably because of bad harvests. And despite record harvests in some years, wheat is still regularly imported. Imports were as high as 2,4 million bags in 1952. Increased production has resulted more from an increase in the area sown than a general increase in yield per morgen. The yield per morgen in 1918 was 6,3 bags compared to 4,5 in 1946 and 6,4 in 1956.

Any expansion of the area under wheat in the Cape winter-rainfall areas was limited and the biggest growth in area was in the Orange Free State which took over as the most extensive wheat region in 1953. The area under wheat tripled there between 1930 and 1937 and then more than doubled between 1946 and 1953. However, planting was extended into marginal areas with uncertain rainfall and output per morgen was lower than in the Cape or in the Transvaal where wheat is grown under irrigation on the Highveld.

21.5.3 Sugar

The first sugar cane was imported to Natal from Reunion and planted just north of Durban. The first crop was reaped and processed into sugar in 1852. From this early start, the sugar growing area spread rapidly and with increasing intensity along the coast, first south and then north of Durban. After 1905 it spread beyond the Tugela into Zululand. Many problems were overcome. They included poor transport, a shortage of labour, disease and floods. The introduction of indentured labour from India solved the labour problem from the 1860s onwards but it was another import from India that really got the struggling industry on to its feet. In 1883 the Uba variety of cane was introduced. Although it had a lower sugar content, it was disease resistant. By 1930, it in turn was almost completely replaced by other varieties of disease resistant strains, notably by N:CO.310 which produces more sugar.

Sugar production from South African mills increased from 11 000 tons in 1891 to 358 738 tons in 1934/35 and to 1 043 300 tons by 1959/60 when about 70% of it was consumed locally. This resulted from an increase in the area under sugar cane, more intensive sugar growing and an improvement in milling efficiency.

21.6 ANIMAL HUSBANDRY

21.6.1 Sheep

By the end of the Anglo-Boer War (1899–1902) the number of sheep in the Transvaal and Orange Free State had declined to about half the pre-war total. However, by the time of Union in 1910, numbers were back to their pre-war level. Between the end of the war and the Great Depression (1929–1932), the number of sheep in South Africa increased more rapidly than in any other country in the world. By 1930 South Africa was the second biggest producer of fine wool in the world and one of the four biggest wool producers. Apart from gold, wool became the country’s most important export.

The farmers of the arid Karoo specialised in small-stock farming and it was the most important woolled sheep region in the country. In the western Cape, Free State and Transvaal, woolled sheep were raised on mixed farms where other farming activities were just as, or more, important. In the Boland, farmers also produced wheat; and in the Free State and Transvaal, maize and cattle were farmed in addition to sheep.

During the Great Depression wool prices and sales were very unstable. The domestic market was very limited and there was strong competition from other wool exporting countries such as Australia, New Zealand, Argentina and Uruguay. In addition artificial fibres were beginning to put in an appearance although they only really became a serious competitor after World War II.

During the nineteenth century South African wool had suffered on foreign markets through bad grading, poor cleaning, and baling defects, but by the 1920s this was something of the past. Income from the country’s wool clip was influenced a great deal by changes in fashion – for example, shifts in preference from fine wool cloth to coarser wool cloth and vice versa, or from wools to synthetic fibres and vice versa. Then there are other factors that influenced the situation, for example, fluctuations in wool exports from other countries and local droughts and stock diseases. South Africa was originally a producer of fine wools, and when there was a swing towards coarser wools, farmers found themselves at a disadvantage because it takes years to convert a flock from one wool type to another.

The following table shows the the heavy fluctuations in the price of wool:

1911	7,3d per pound[96]
1919–1920	32,9d (post-war boom)
1922	9,5d (post-war depression)
1924/25	21,6d (cycle recovery)
1931–1932	4,5d (nadir of the Great Depression)
1936/37	13d (recovery)
1939	8,5d (recession)
1940–1946	10d to 13,1d (at the time, the price of wool was fixed by contracts between Britain on the one hand and South Africa, Australia and New Zealand on the other)
1947	16,7d (freeing of wool price)
1950–1951	95,8d (Korean War boom)
1952–1959	32,9d to 57,5d (relatively high prices)

An unstable wool market has two main disadvantages.

(1) Many sheep farmers, particularly those in the Karoo, had no income other than from wool. In an attempt to maintain their incomes, they increased their wool output. Therefore, when there were extremely low wool prices, wool sales reached new highs: 123,5 million kg in 1929, 134,0 in 1930, 124,7 in 1931, 132,1 in 1932, and as many as 148,2 million kg in 1933. Overgrazing and soil erosion probably resulted, particularly in the weaker ecology of the Karoo, and this in turn intensified the drought of 1932–1933. After 1933 wool sales slumped to 106,7 million kg as a result of large sheep losses and the prevailing drought.

(2) Very few farmers put away some of the money they made in good years for the inevitable bad years. Many indulged in speculation, and often spent money on luxury homes or cars and more land instead of improving what they already had. Ostrich farmers indulged themselves in this way at the turn of this century, and many sheep farmers did the same thing during the Korean War boom in 1950–1951.

The number of woolled sheep fluctuated as widely as did wool prices. In 1910 whites possessed about 20 million woolled sheep, 70% to 80% of these being merinos. By 1930 there were 39 million. Because of the terrible drought of 1932–1933 and the extremely low wool price, the number of woolled sheep declined to about 27 million in 1934. A small increase to 32,5 million was registered by 1937, but the numbers began to drop again because of low prices and later because of World War II. During the war wool prices were fixed; but the price of mutton rose sharply, so many wool farmers sent their sheep to the abattoirs. In 1942 a record amount of 129,3 million kg of mutton was supplied to the South African market. Thus by 1947 the number of woolled sheep had dropped to a low of 21,2 million. The Korean War wool boom saw the number of woolled sheep climb to 31 million by 1957.

96. 1 lb = 0,4536 kg and 240d = £1.

In 1911 some 8,8 million of the 30,6 million sheep in South Africa were non-woolled (or slaughter) sheep. Most were in the dry northwestern Cape which was the traditional homeland of the indigenous fat-tailed Cape sheep. The tremendous expansion of the country's woolled sheep flocks between 1910 and 1933 reduced the interest in slaughter sheep; their numbers dwindled to a low point of 3,6 million by 1926, only 10% of the total number of sheep compared to 29% in 1911. The reason for this drop was that woolled sheep held an economic advantage over non-woolled sheep: they produced both wool *and* a reasonable quality of mutton – whereas slaughter sheep only produced mutton. Prospects for slaughter sheep improved somewhat during the Great Depression when mutton prices declined less than did wool prices. Later, because of the high price of mutton during World War II, the number of non-woolled sheep rose to a peak of 6,8 million in 1948, but decreased thereafter when wool prices soared during the early 1950s falling to 3,8 million by 1957 – still about 10% of the total number of sheep in the country.

Most farmers have adapted to the instability of sheep farming by increasing their wool and mutton output and improving their marketing methods.

(1) Improvement in wool and mutton output: There has been an appreciable improvement in the average quantity and quality of wool clipped per sheep since 1920. This has been achieved mainly by crossbreeding and by the improvement in methods of clipping and washing wool. In 1911 an average of 2,5 kg of wool was clipped from a sheep; in 1931 it was 2,8 kg; in 1939 3,4 kg; and, after 1950, about 3,9 kg. Large cooperatives were established and assisted farmers to improve their flocks, acquire new equipment and market their wool. The three biggest cooperatives were founded in 1919, 1920 and 1927, and in 1931 the Wool Growers' Association was established as the the official mouthpiece of South African wool farmers.

In 1930 the South African Agriculture Union established the South African Wool Board to organise research into wool and its marketing and advertising. In 1937 the National Ram Breeders' Association was founded to promote the breeding of high quality stud rams which were to be sold to local farmers, particularly the smaller sheep farmers who could not afford to import expensive stud rams.

In 1913 the government did its share by setting up a division for sheep and wool in the newly established Department of Agriculture. It promoted research and provided guidance by sending officials abroad to learn about the latest developments and techniques. It also established the Textile Research Institute at Grahamstown which later moved to Port Elizabeth.

The Drought Investigation Commission in 1923 warned against poor sheep farming methods such as overgrazing and the kraal system whereby animals were herded into kraals overnight and trampled the veld. These methods inevitably led to the deterioration of the veld and erosion and promoted the spread of disease. The result was the disastrous drought of 1932–1933. After the drought, a concerted effort was made to improve matters. The number of sheep was drastically curtailed, veld camps were fenced in, camp rotation was practised and the kraal system abandoned.

(2) Improvement in wool marketing: Before the twentieth century, wool farmers sold their products to local traders or travelling agents to whom they were usually in debt. The farmers had little inducement to improve the quality of their wool because the buyers were not skilled enough tell the difference.

Complaints about the poor quality of South African wool overseas gradually saw some wool merchants differentiating their buying prices by paying more for good clean clips than for bad or dirty wool. Unfortunately not much came of this. South African wool only began to gain a good reputation on the export market after 1920 when wool farmers established cooperatives to buy, wash, grade, pack and market their wool properly. South Africa immediately joined the International Wool Secretariat when it was established in London in 1937 to promote the marketing of wool worldwide.

Prior to World War II South African wool was exported mainly to Britain. Thereafter, France, Germany and Italy became important buyers on the same scale as Britain, and after 1960 Japan became one of the biggest buyers. In 1956/57 Britain took 18,2% of South Africa's wool exports, France 15,4%, Germany 15,1% and Italy 7,6%.

Many farmers diversified their sheep-farming activities in order to minimise the risks in the marketing of wool by developing sheep breeds which would produce good quality mutton as well as wool. If the price dropped for one product, then there would be something else to fall back on. The Dormer and the Dorper are two of the best known such breeds. The latter was developed from the black-headed Persian (a real slaughter sheep) and the Dorset Horn.

21.6.2 Cattle

Cattle farming has always been the second most important branch of stock breeding in South Africa. Cattle are important because they produce milk, meat and hides. In addition, until the introduction and spread of mechanised transport, they provided the traction for ploughing and transport. In traditional African society cattle provide a visible form of wealth and prestige. After 1910 cattle farming in South Africa went through a radical structural change.

(1) Draught oxen had almost totally disappeared from the South African scene with the advent of the railways, the lorry and the tractor. Gone are the days of market squares crowded with dozens of ox wagons on market day. Fortunately for the cattle farmer, as the demand for draught oxen dropped there was a simultaneous growth in the urban population which meant a rapidly growing demand for meat, milk and dairy products.

(2) Extensive cattle farming gave way in many places to intensive dairy farming and beef production. As a result, such farmers relied more on supplemental feeding than on natural grazing. The number of creameries, cheese and tinned milk factories expanded tremendously. The improvement in road transport after 1930 resulted in the decentralisation of milk production and processing away from the urban areas and into the northern and eastern Cape, the eastern Transvaal Highveld and other areas. After about 1950 sheep farming, which had been dominant in the eastern Cape, made way to a considerable extent for mixed farming which provided, apart from wool and slaughter sheep, cash revenue from dairy and beef production.

(3) Changes in cattle farming also gave rise to extensive slaughter cattle production in peripheral agricultural areas such as the northern Transvaal Bushveld, the eastern Transvaal Lowveld and Zululand. Until about 1930 these areas were closed to cattle ranchers because of the *ngana* disease (caused by the tsetse fly) and the bush tick. Later, because of the veterinary services available, these fatal pests vanished. The problem of breeding a type of animal that could withstand the heat of the Lowveld without becoming sterile was overcome by the breeding of the Bonsmara type for the Bushveld and of the Nguni, a local breed from Zululand, for the north-eastern coastal areas.

Other cattle types, bred mainly for beef production but also for milk, include the Drakensberger in the higher mountainous areas and the Afrikaner in the more arid areas of the Cape. During the early years of the century the demand for Afrikaner cattle fell because of the limited demand for draught oxen and the increasing demand for high milk producers. However, the Afrikaner was an excellent beef producer well suited to the more arid areas of the country and the Afrikaner Cattle Breeders' Association, founded in 1912, once again popularised the breed. By the 1960s about 75% of all cattle slaughtered at abattoirs throughout the country were Afrikaners.

After the mining revolution (1870–1886) the demand for meat outstripped the supply. Until World War II large quantities of frozen and tinned meats (mostly beef from Australia and South America) were imported. Exports were minimal and were mainly intended for ships' stores at South African harbours.

In 1956 Africans owned about 40% of South Africa's cattle; but the number of cattle they owned had dropped from 5 316 000 in 1939 to 4 933 000. In contrast the number of white-owned cattle had increased from 6 537 000 to 6 867 000. Annual figures show that the number of cattle slaughtered increased from 600 000 to 1 300 000 head between 1939 and 1954, and that milk production went up from 582 million litres to 1 541 million between 1930 and 1955.

21.7 SUBSISTENCE AGRICULTURE IN THE AFRICAN RESERVES

Land was set aside for the African population in different parts of South Africa during the nineteenth century. The Native Land Act of 1913 extended the system to the whole of South Africa and this became the cornerstone of what eventually became the homelands or reserves. From the outset these regions were overcrowded and their contribution to total agricultural output was relatively small. The combined population of the reserves was about 30% of the country's total. The closing of the frontier at the end of the nineteenth century and the imposition of the 1913 Land Act severely curtailed the traditional economy of the people in the reserves who were originally semi-nomadic pastoralists who practised some cultivation. In the past, if yields declined, they had simply moved on to another piece of ground. As the population increased during the twentieth century, however, the problem intensified. Communal land ownership and grazing meant that little could be done to improve the situation. Cattle were seen as a form of wealth. As a result the reserves were overstocked, and this exacerbated the spreading soil erosion problem.

A destructive cycle was slowly emerging: impoverishment in the reserves forced the able-bodied out to work elsewhere, so further reducing the productive potential of the traditional subsistence household. A kind of rural working class emerged from the formerly self-sufficient reserve communities. Despite the encouragement of individual land tenure in the reserves by the Cape's Glen Grey Act of 1894, the government of the Union of South Africa increasingly opted for the entrenchment of communal tenure. This was a natural consequence of the need to establish the chiefs' authority and so make them the pillars of local administration and control. By 1955 the Tomlinson Commission urgently recommended that freehold tenure was essential in the reserves along with capital investment by white entrepreneurs. This was rejected out of hand by the government as it clashed with the grand design of apartheid which was by then moving from the drawing boards into practice. All attempts at betterment schemes, in any event, met with strong resistance from Africans who saw cattle-culling, in particular, as a direct threat to their meagre resource base.

Outside the reserves the extent of this problem paled into insignificance as the "poor-white problem" began to dominate white South African politics.

Meanwhile back on the reserves, productivity continued to decline. Agriculture remained under-capitalised and the farmers under-educated. As early as 1936 over half the able-bodied male population were migrant workers and so away from the reserves. Thus the latter increasingly became places for the old, the young and the women. To make matters worse, the reserves suffered the added disadvantage of being far away from the markets, making the transport of bulky or perishable goods difficult and unrewarding. Not surprisingly, output stagnated. In a society which measured its wealth in livestock, it is almost unbelievable to note that the number of cattle was marginally lower in 1960 than it had been in 1930, while the number of sheep was down by 20%. Maize, the staple crop, showed a similar trend, even making allowance for the considerable annual fluctuations consistent with South African conditions.

Not only did agriculture in the reserves not respond to signals coming from the wider South African market, but it seemed to be increasingly insulated from market forces because it was being ever more subsidised by the migrant workers whose remittances supported an increasing proportion of the inhabitants. All too often, this money was used to purchase more animals instead of being put into improving the productivity of the land. The lack of increasing output from the reserves in itself was not the major problem, but the burgeoning population growth was. Between 1936 and 1960 the population of the reserves rose from 2,98 million to 4,13 million, meaning that the traditional subsistence economy was even less likely to provide sufficiently in the future. The only long-term solution seemed to be to remove people from the land and place them in more productive occupations in the other sectors of the economy. Thus the scene was being set for the ultimate collapse of apartheid some 30 years later.

LEARNING UNIT 22

Mining

TOPICS

KEY ISSUES

- Development of mining 1910–1960.
- Mining legislation.

LINKED ISSUES

- The economic impact of the discovery of gold compared to the earlier discovery of diamonds.
- The role mining played in developing the South African economy.
- Railway development.
- Industrialisation really only begins after 1914.
- Government policy.
- South Africa advanced politically by disasters and economically by windfalls.

22.1 INTRODUCTION

Between 1910 and 1960 South Africa's economy gradually evolved from one based on agriculture and mining to one based on agriculture, mining and industry. During this period mining's share of gross national product at factor cost declined from 26,3% in 1911 to 13,6% in 1960 – see Table 20.1 in Learning

Unit 20. Prior to the 1930s gold dominated the mining sector and only diamonds and coal made any real contribution to total output. Up to the end of 1936, gold accounted for 75,6% of the value of South African mineral production, diamonds for 16,3% and coal for 5,4%, the remaining 2,7% coming from copper, tin, silver, asbestos and other minerals. From the 1930s, however, other minerals became more and more important. In time it was acknowledged that South Africa had, in addition to gold, diamonds and coal, the largest deposits of, or ranked among the world's leading producers of, platinum, uranium, iron ore, chromite, manganese, asbestos, antimony and corundum. Apart from oil, South Africa is one of the richest mineral countries in the world. One of the greatest advantages the country has, is that the minerals to be used in combination in various production processes are often found close to one another. For example, iron, manganese, lime and coal, all used to produce iron and steel, are all found in close proximity to one another.

22.2 GOLD MINING

As discussed in the previous section, the history of gold mining can be subdivided into the following periods which are clearly illustrated in Diagram 22.1

1886–1890	the take-off period: outcrop mining – brought to an end by the first gold crisis of 1889–1890
1890–1914	deep-level mining, establishment of mining houses, interrupted by the Anglo-Boer War of 1899–1902
1914–1922	decline in gold production because of World War I and strikes
1922–1932	slowly increasing output
1932–1941	increasing production stimulated by the increase in the gold price
1941–1952	stagnation because of World War II and post-war inflation
1952–1960	steady growth after the opening of the Free State gold-fields and the introduction of new technology

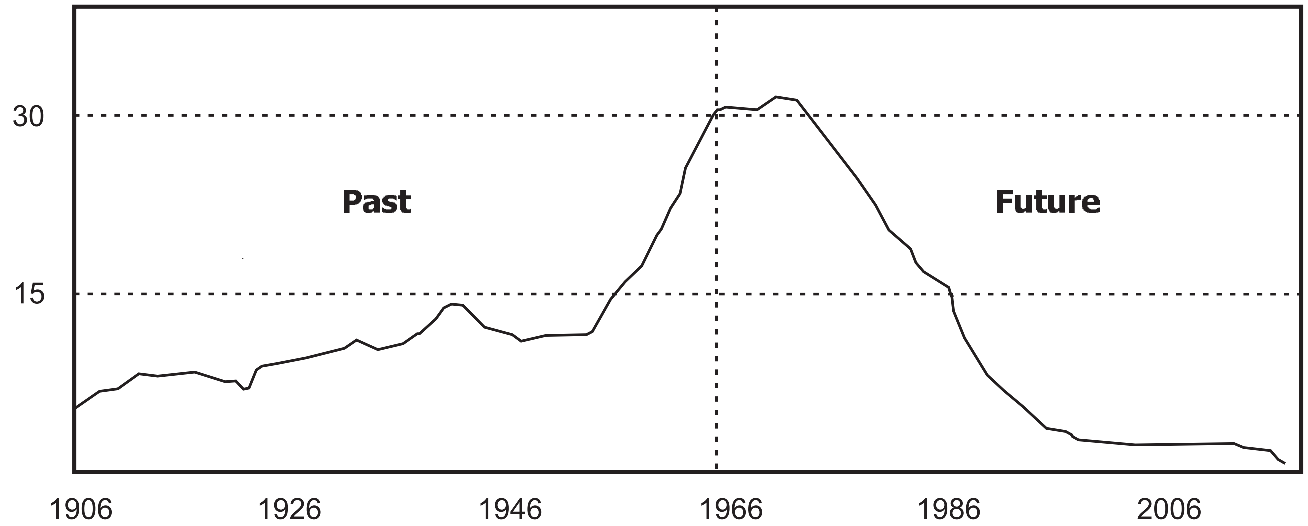
The following are some of the important developments in the gold-mining industry after the end of the Anglo-Boer War.

(1) New techniques to detect gold-bearing (and other) ores were developed: the magnetometric analysis of the earth's crust since 1930 and aerial surveys since 1945, for example. In addition, new ways of processing the ore were developed. For example, the tube mill quickly replaced the older stamp mill after 1904.

(2) Geologists have established that the outcrop Witwatersrand gold reef is in fact part of a vast saucer-like basin, which follows a 500 km arc stretching from Evander on the far east Rand, dipping down deep into the Orange Free State.

DIAGRAM 22.1

Gold Production, past and future for existing mines in 1966
(millions of ounces)



Source: Chamber of Mines, 1967

(3) New technology and techniques have seen mining made possible to depths below 4 000 m which was essential on the Free State gold-fields. The introduction of electricity was the key to the new technology. Air conditioning and electrically-driven hoists have both played their part.
(4) The mining houses have diversified their operations into other sectors of the economy in order to broaden their profit base.

Because the gold price was fixed between 1910 and 1960, gold production was always constrained by rising costs and narrowing profit margins. Therefore gold output increased because of the discovery of new deposits, an increase in the gold price or the devaluation of the South African currency. Output declined when no new mines were opened, when labour problems flared up or when wars cut off necessary supplies. Gold is very important to the South African balance of payments. In addition, the gold mines are important investors of capital and purchasers of raw materials and equipment. In 1920 the gold mines' purchases of raw materials and equipment amounted to 4,6% of gross domestic expenditure and fluctuated between 7,0% during periods of heavy capital investment, in 1935 for example, to 3,5% in 1947/48. It should be remembered, that in addition to this, many other sectors of the economy were heavily dependent on gold mine business – for example, the metal industry (cables, steel construction, machines) and the explosives industry.

Mining has always been regarded as a "wasting" industry because there is only a finite amount of exploitable ore available in any one given place. Fears were regularly expressed that the South African gold-mining industry was nearing its peak and that its demise was imminent unless new gold deposits were discovered. Matters were brought to a head in 1930 when no less a person than the government mining engineer, Hans Pirow, predicted that the existing gold mines would reach peak production in 1932 and that by 1944 relatively little gold would be produced. The government appointed the Low Grade Ore Commission which submitted its report in 1932. It agreed with Pirow that at the current gold price, large quantities of low-grade ore were unpayable and therefore everything possible had to be done to cut costs. Fortunately for South Africa, devaluation at the end of 1932 extended the life of the current mines and in due course the Free State gold-fields were opened up.

22.2.1 The period 1910–1922

The opening up of the central Rand saw South African gold production rise rapidly from 8 171 fine ounces in 1886 to 3,8 million by 1898. Production ceased almost entirely between 1899 and 1902 because of the Anglo-Boer War. Thereafter output rose quickly from 3,0 million ounces in 1903 to 9,1 million in 1912. Thereafter, from 1912 to 1921 annual output fluctuated between eight and nine million ounces, only to decline to 7,0 million in 1922 because of the Rand Revolt. Output stagnated during this period because of the shortage of the factors of production during and immediately after World War I. Until 1919 the official

TABLE 22.1

Gold output of the Transvaal and Orange Free State since the start of operations[97]

Year	Tons milled[98] (m)	Fine ounces (m)	Realised value (£m)	Value per ounce (shillings)
1884	?	0,002376	0,01	84,9546
1885	?	0,001414	0,01	"
1886	?	0,008171	0,03	"
1887	?	0,039880	0,17	"
1888	?	0,227749	0,97	"
1889	?	0,350909	1,5	"
1890	?	0,440152	1,9	"
1891	?	0,688439	2,9	"
1892	?	1,1	4,6	"
1893	2,2	1,3	5,5	"
1894	2,8	1,8	7,7	"
1895	3,5	2,0	8,6	"
1897	5,3	2,7	11,7	"
1898	7,3	3,8	16,3	"
1899	6,6	3,6	15,5	"
1900	0,0	0,3	1,5	"
1901	0,4	0,3	1,1	"
1902	3,4	1,7	7,3	"
1903	6,1	3,0	12,7	"
1904	8,1	3,8	16,1	"
1905	11,2	4,9	20,9	"
1906	13,6	5,8	24,6	"
1907	15,5	6,5	27,4	"
1908	18,2	7,1	30,0	"
1909	20,5	7,3	31,0	"
1910	21,7	7,5	32,0	"
1911	24,9	8,2	35,1	"
1912	26,6	9,1	38,7	"
1913	26,7	8,8	37,4	"
1914	26,7	8,4	35,7	"
1915	29,3	9,1	38,7	"
1916	29,5	9,3	39,5	"
1917	28,2	9,0	38,3	"
1918	25,5	8,4	35,8	"
1919	24,6	8,3	39,3	94,2900
1920	24,7	8,2	45,6	111,8000
1921	23,9	8,1	43,4	106,8334
1922	20,1	7,0	32,7	92,2800
1923	27,4	9,1	41,6	90,8834
1924	29,2	9,6	44,8	93,4500

97. Including non-members of the *Chamber of Mines*.
98. Up to 1893 there is no available information and before 1910 it is for the Witwatersrand only.

Year	**Tons milled** (m)	**Fine ounces** (m)	**Realised value** (£m)	**Value per ounce** (shillings)
1925	29,4	9,6	40,8	84,9546
1926	30,5	10,0	42,3	"
1927	30,2	10,1	43,0	"
1928	31,1	10,4	44,0	"
1929	31,6	10,4	44,3	"
1930	32,2	10,7	45,5	"
1931	33,2	10,9	46,2	"
1932	35,7	11,6	49,8	86,1282
1933	37,8	11,0	68,7	124,7292
1934	40,9	10,5	72,3	138,0142
1935	45,8	10,8	76,6	142,0696
1936	50,0	11,3	79,5	140,2692
1937	53,1	11,7	82,6	140,7066
1938	56,6	12,2	86,7	142,5324
1939	61,2	12,8	99,6	155,2988
1940	67,6	14,0	118,0	168,0000
1941	70,4	14,4	121,0	"
1942	70,1	14,1	118,7	"
1943	62,8	12,8	107,6	"
1944	61,0	12,3	101,7	"
1945	61,3	12,2	105,3	172,2500
1946	59,3	11,9	102,9	172,5000
1947	56,3	11,2	96,6	"
1948	57,8	11,6	99,9	"
1949	59,4	11,7	114,9	194,2433
1950	62,2	11,7	144,8	248,2500
1951	61,6	11,5	142,9	"
1952	62,7	11,8	147,1	248,9800
1953	61,3	11,9	147,6	247,1648
1954	65,3	13,2	164,7	248,8084
1955	68,7	14,6	182,7	250,3122
1956	70,2	15,9	198,5	249,7370
1957	68,9	17,0	212,6	249,6485
1958	68,7	17,7	220,0	249,2287
1959	73,0	20,1	250,1	249,3194
1960	73,8	21,4	268,0	250,6749

Source: Gold Producers' Committee of the Transvaal and Orange Free State Chamber of Mines, *The outlook for gold mining*, Johannesburg, 1967, p. 49.

gold price was pegged at £4,24773 an ounce. In that year, however, sterling was freed and the price of gold in terms of sterling rose to a new high of £5,5900 in 1920 but declined thereafter, eventually, when Britain and South Africa went back on to the gold standard in April 1925, it returned at the pre-war parity of £4,24773.

Gold mine profitability was seriously affected by the rise in production costs as a result of war and post-war inflation which reached a peak in 1921. Mines were therefore forced to cut costs. The Status Quo Agreement of 1918, which pegged the ratio of white to African miners, was terminated in 1921 and a general strike was called in January 1921. The strike degenerated into the Rand Rebellion which was crushed when the Smuts government called in the army. As a direct result of this the white-controlled mining unions were severely weakened.

22.2.2 The period 1922–1932

Wage cuts and the replacement of expensive white labour by cheaper African labour enabled the mines to continue production. Although some of the older mines were closed down, new mines were opened on the East Rand and Far West Rand. As a result, gold output rose slightly from 9,1 million ounces in 1923 to 11,6 million by 1932, the predicted zenith of South African gold production. Meanwhile, the mining houses continued prospecting for new deposits and better techniques. The François process, which involved cementing the shaft sides to prevent surplus dolomitic water from seeping in, was first introduced in 1916 and became indispensable to the working of the Far West Rand mines at Carletonville. Magnometrical detection techniques became very important after being introduced by the German, Rudolf Krahmann, in 1930. The Rand Refinery was opened at Germiston in 1921 to refine raw gold into standard bars for sale on the London gold market. Prior to 1921 refining had been done in London.

The gold mines were not as badly affected by the Great Depression (1929–1932) as the other sectors of the economy because their costs declined while the gold price remained fixed at £4,24173 an ounce. The gold-mining industry therefore had an anti-cyclical effect on the economy. The government, however, prolonged the depression for the rest of the national economy by remaining on the gold standard for 15 months after Britain had abandoned it.

22.2.3 The period 1932–1941

When South Africa eventually abandoned the gold standard on 29 December 1932, the gold price jumped to £6,2 per ounce by early 1933 and reached £7,7 an ounce by 1939. The gold mines were therefore able to embark on a vigorous expansion programme which substantially stimulated the South African economy and regained its position as the leading sector of the economy. Because of the increased gold price, gold output only increased slightly – from 11,6 million ounces in 1932 to 14,4 million in 1941.

22.2.4 The period 1941–1949

World War II was a difficult period for the gold mines. Factors of production became scarce and the cost of production rose steeply at a time when the official gold price was fixed at £8,4 per fine ounce for the duration of the war. In addition, the rate of taxation was increased substantially and the government ordered the mines to manufacture various types of equipment for the war effort.

Although reasonably rich gold-bearing ore was discovered in the Orange Free State in 1939, exploitation was not possible until after World War II. Despite new discoveries, and an increase of the gold price to £8,6 an ounce, the gold-mining industry was in severe difficulties by the mid-1940s – mainly because the margin between working costs and revenue was closing rapidly and profits were being eroded by inflationary pressures. As a result, gold output declined from a peak of 14,4 million ounces in 1941 to only 11,2 million by 1947, around which low level it fluctuated for several years. Even the new Free State mines were endangered by the increased cost of bringing a new mine into production. Fortunately, the gold-mining industry was put back into the pound seats by the devaluation of the South African currency in September 1949 which saw the gold price rise by 44% to £12,4 a fine ounce.

22.2.5 The period 1949–1960

The substantially higher gold price immediately made the Free State gold-fields a viable proposition and by the late 1950s new mines were also being developed in the Winkelhaak-Evander area. New technology enabled mining to even greater depths in the older mines, too. As a result, gold output increased every year during the 1950s, almost doubling from 11,5 million ounces in 1951 to 21,4 million by 1960. Furthermore, profits were increased by the discovery that many gold mines could produce uranium oxide as a by-product. In 1958 uranium earned the gold mines an additional £37,75 million.

However, by 1960 the mining industry and indeed the whole South African economy faced a crucial situation when the African struggle for political rights precipitated a confidence crisis which saw the exodus of about £100 million in private capital from the country in 1960. In these circumstances the mines were forced to place greater reliance on internal funds and in 1960 almost 25% of working profits were appropriated to finance capital expenditure. But by June 1961 the government imposed stringent exchange control regulations which staunched the outflow of capital. With the assistance of the mining industry it undertook a vigorous development programme to force the pace of industrialisation.

22.2.6 Legislation affecting gold mining

The gold-mining industry from its inception was regarded as a valuable source of government revenue. Initially, the government taxed the gold mining industry more heavily than the other sectors of the economy because:

(1) Gold was regarded as a wasting asset which had to provide the country with the short-term means to build up the other sectors of the economy in order to compensate for the dwindling income from worked-out mines.
(2) At the time, some of the other sectors of the economy were in difficulties and had to receive government assistance. These included the manufacturing sector, the railways and, most importantly, agriculture, which prior to World War II provided a subsistence existence for the greater part of the population.

The gold mines' contribution to the total tax receipts of the exchequer fluctuated considerably – from an average of about 9% between 1911 and 1915 to 10% from 1921–1930, rising to 33% in 1933, dropping to an average of 25,5% between 1936 and 1940, to 23% from 1941–1945, and averaging only 9% again by the late 1950s.

Mining's tax contributions consisted of a tax on their profits and mining-lease payments.

(1) Profit tax: The gold-mining companies complained about their heavy tax burden from the outset, despite the fact the tax levied on their profits was only 2,5% in the days of President Kruger. Lord Milner upped the rate to 10% and when mine managements protested warned them that the government might tax them even more heavily in future.

The Transvaal's mining tax legislation was adopted by the Union government in 1910. The Mining Taxation Act of 1910, was one of the first acts passed by the Union parliament. It fixed the profit tax on gold and diamond mines at 10%, but the rate was continually reviewed and amended. Until 1917 the mining industry was taxed more heavily than the other sectors of the economy. In that year the rate was set at one shilling in the pound, and a dividend tax was also imposed until it was abolished in 1925. The mining companies, however, were still required to pay a higher rate of tax than other companies.

The rapid rise in gold-mining profits after the 1932 devaluation of the South African currency saw the government impose an excess profit tax in 1933 and a further surtax on the gold mines in 1935. Mine managements made representations to the government about the burden of taxation, and this resulted in the appointment of an official commission to investigate their taxation. The commission suggested a uniform tax on profits, and in addition a tax which would vary according to the ratio between profits and total revenue from output. The purpose of this progressive profit tax was to prevent low-profit mines from being heavily taxed and not discourage companies from mining marginal ore. The government accepted these proposals and in 1936 introduced a basic tax of three shillings per pound and a profit tax which varied according to the ratio of profits to gross revenue.

During World War II, as had happened during World War I, extra levies were imposed on the gold-mining industry. In 1940 it amounted to 11% of profit before depreciation; but the rate was increased repeatedly until a peak of 22,5% was reached between 1943 and 1945.

(2) **The mining lease:** This form of tax on the gold mines was introduced by the Transvaal government in 1908 by the Precious and Base Metals Act, generally known as the "Gold Law". It had a dual purpose – to encourage gold mining but at the same time to give the state a share of profits:

(a) The state could grant a mining lease on crown land to a mining company on condition that it received a share of the profits over and above any tax that was paid.
(b) The owner of a mining lease property too small to support a gold mine could apply for a mining lease on adjoining property.

Initially the mining companies were not keen on leasing land in terms of the act so it was amended in 1918. Thereafter leasing became more popular and the act was not amended between 1934 and 1960, which means that both parties must have found the arrangement fairly satisfactory.

22.3 DIAMOND MINING

South African diamond mining between 1910 and 1960 experienced even more ups and downs than gold mining. This was because the demand for diamonds fluctuated constantly, whereas there was an unlimited demand for gold which was in addition stabilised by a fixed gold price.

There are two kinds of diamond: gem diamonds and industrial diamonds. The demand for gem diamonds depends on fashion and available wealth which in turn are linked to the state of the business cycle. Industrial diamonds, because of their hardness, are used in drills and for cutting and polishing. Therefore the demand for them, while sensitive to the business cycle, is not as fickle as that for gem diamonds. A drop in price would not noticeably increase demand for industrial diamonds. South Africa produces a higher proportion of gem diamonds than do producers elsewhere which means that her diamond production is very sensitive to demand.

Between the end of the Anglo-Boer War and 1960 South African diamond production went through a number of clearly discernible phases:

1902–1914	expansion, with a contraction in 1907 because of the recession in the USA
1914–1916	mines closed down because of World War I
1916–1920	output recovers with post-war prosperity
1920–1922	big contraction because of the post-war depression
1922–1929	recovery and expansion with the discovery of alluvial diamonds in the western Transvaal
1929–1936	all mines close down because of the Great Depression.

1936–1939	partial but brief recovery
1939–1944	most mines closed down during World War II and a switch to mining industrial diamonds
1944–1960	nearly continual expansion

There was a sharp decline in diamond output several times between 1902 and 1960 for two reasons: on the production side when the various wars saw the sudden withdrawal of labour and equipment from the diamond mines, and on the demand side when world-wide recessions saw a dramatic move away from luxury goods. Production recovered quickly after each dramatic drop in output because diamond mining is, technically speaking, relatively simple. Added to these problems, the discovery of new diamond deposits both inside and outside South Africa gave rise to sudden large increases in supply which threatened the oversensitive diamond market with overloading and consequent price collapse. Profits, as a result, fluctuated just as violently as did sales.

South African diamond sales were carefully controlled by the Diamond Syndicate after its creation as a monopolistic selling organisation in 1893 once Cecil Rhodes had finally consolidated the Kimberley diamond mines. Its monopoly, however, was threatened several times. Fortunately, most of the new diamond discoveries after 1910 were fairly small. In South Africa, finds were made in the Boshoff district along the Vaal River and proclaimed in 1910 and 1912. Small but important diamond finds outside South Africa were in the Belgian Congo (1910), Angola (1916), the Gold Coast (1919), Sierra Leone (1930) and Tanganyika (1940).

The biggest setback for the Diamond Syndicate was the 1910 discovery of diamonds in neighbouring German South West Africa. In 1914 Ernest Oppenheimer concluded an agreement with the German diamond producers, but the outbreak of World War I shortly afterwards negated the deal. South West Africa was occupied, however, by South African troops in 1915 and after the war the territory became a South African protectorate. Oppenheimer acquired the diamond rights and founded the Consolidated Diamond Mines of South West Africa which soon became one of the largest producers in Africa.

The next challenge came from the discovery of large and rich alluvial diamond fields in the western Transvaal at Lichtenburg and Ventersdorp. Alluvial diamonds had been found regularly for years along the banks of the Vaal River, but their sales were negligible and were only of nuisance value to the large diamond producers. The diamond rush to the western Transvaal, however, saw some 140 000 people employed on the diamond fields by 1927. These alluvial diggers earned £4,9 million in 1927 and £2,6 million in 1928 but thereafter output declined rapidly.

The next threat to the controlled diamond market arose in 1927 when the South African geologist, Dr Hans Merensky, discovered the rich diamond fields at Alexander Bay at the mouth of the Orange River in Namaqualand. The diamonds found there were more plentiful and of a better quality than anywhere else in

South Africa. De Beers underestimated the importance of this alluvial discovery and made no effort to take it over. The rush to the new coastal diamond fields started immediately. Subsequently the coastal diamond fields were declared government property and a prohibited area, only the government itself being permitted to mine there.

The Precious Stones Act of 1927 granted to government the right to mine and sell precious stones. Henceforth, it periodically reported the quantities that domestic producers were permitted to sell. This act replaced the conflicting acts in force in South Africa's different provinces. It was intended to prevent the South African diamond market from being flooded.

The threat from the coastal diamond fields had scarcely been warded off when the Great Depression started in 1929. It hit the diamond mines particularly hard. Producers held back large quantities of diamonds to maintain declining prices. The Diamond Syndicate bought so many temporarily unsaleable diamonds from its members that its funds were completely exhausted. Soon all mines stopped production. Ernest Oppenheimer took advantage of the situation and began to buy up as many of the struggling producers as he could. He bought fields at Lichtenburg, Namaqualand and Alexander Bay. In addition, he persuaded the government and mine managements in South Africa, South West Africa, the Belgian Congo and West Africa to join a central selling organisation which would control future diamond sales. The result was the Diamond Trading Company, formed in 1933. In this way the diamond market was stabilised and prices maintained by controlled selling.

The opening up of the Williamson mine in Tanganyika in 1940 – the only volcanic diamond pipe discovered outside South Africa – did not affect the market for diamonds because World War II had already forced other mines to close down and there was a large demand for industrial diamonds. Most of the South African diamond mines closed down during World War II because they produced mainly gem diamonds. Dutoitspan and Bultfontein were reopened in 1943 and 1944, but Jagersfontein and the Premier Mine did not open again until 1949 and 1950, respectively. The market for gem diamonds recovered during the 1950s and the demand for industrial diamonds increased substantially. Gem diamonds also increasingly became to be seen as a hedge against the depreciation of currencies and subsequently, inflation.

22.3.1 Diamond processing

Until World War II most South African diamonds were exported uncut to Europe where they were graded, cut and polished in centres such as Amsterdam, Antwerp, London and Paris. The local cutting and polishing industry developed very slowly despite a 10% export duty on uncut diamonds introduced in 1919 to give local diamond cutters a competitive edge. A number of diamond cutters came to South Africa after the discovery of alluvial diamonds in the 1920s. In 1928 the government made an agreement with a number of Belgian concerns to train

South Africans and establish a large cutting and polishing works in South Africa. By 1929 there were 25 cutting works in South Africa compared to only two in 1909. The biggest expansion in the industry, however, came during and after World War II, when qualified Jewish and other refugees from the Netherlands and Belgium settled in South Africa.

22.4 COAL MINING

Although coal is a low value mineral compared to gold and diamonds, it is very important to the South African economy as a source of energy. South Africa does not have any commercially viable oil reserves and the possibility of hydro-electric energy is very limited. Coal, therefore, is the country's most important source of heat and energy. In addition, synthetic oil, rubber and many other chemical products use coal as basic raw material. It is also essential as a fuel to the iron and steel industry and in the generation of electricity.

Coal deposits were known to exist in Natal from as early as 1840 and in the the eastern Cape from 1864. But the lack of demand meant that these deposits were only mined for local consumption. The onset of the mineral revolution saw a mad scramble to discover South Africa's true mineral wealth. Coal was discovered just south of the Vaal River in the northern Orange Free State in 1878, but the high cost of transport to Kimberley, the only viable market, prevented any immediate development of the discovery. Sammy Marks started mining coal in the same coalfield, but on the northern side of the Vaal River, in the following year. He was therefore able to supply coal to the newly discovered Witwatersrand gold-fields in 1886. A year later, however, coal was discovered at Boksburg right next to the gold-fields in Boksburg. The proximity of coal to gold was of vital importance because steam-powered machinery was the basis of the gold-mining industry. Soon afterwards in 1896, large, easily accessible coal deposits were found at Witbank in the eastern Transvaal. Coal mining had been started in Natal at Newcastle in 1885. The extension of the railways from the Cape and Natal to the Witwatersrand made South Africa's major market for coal accessible to most local coal producers. The Cape-Witwatersrand line passed through the Vereeniging coalfields and the Natal-Witwatersrand line passed nearby the Natal coalfields at Klip River; the Vryheid coalfields secured a railway connection in 1906.

South African coal generally has a low thermal quality but is available in huge quantities and represents about 80% of Africa's known coal deposits. Initially, although a small quantity of South African coal was exported as ships' bunkers, the vast majority of local production was consumed by the gold mines and the railways. In 1910 more than half the country's 8,1 million tons of coal was produced in the Transvaal, about a third in Natal, and most of the rest in the Orange Free State. A minute proportion, 80 000 tons, was mined in the Cape where production had virtually ceased because of the coal's low quality.

As South Africa began to industrialise there was a huge increase in the demand for coal as power stations, industries, mines and households quickly appreciated the advantages of using electric power. The establishment of Escom in 1922 and its development of a national electricity grid saw a change in the pattern of coal distribution. Instead of coal being messily transported all over the country for local consumption, huge power stations were built nearby the coalfields and electric power was efficiently distributed right across the country.

However, although South Africa has vast coal deposits, they have the disadvantage of a relatively high ash content, almost twice as high as British or American coal of the same calorific value. But from the start the local coal industry had many advantages. Labour was cheap, and the coal seams were horizontal and not far below the surface – seldom more than 200 m. Because of these advantages mechanisation was slow in South Africa's coal mines despite some early attempts. The first electric drill was used at Elandslaagte in Natal as early as 1889 and the first conveyor belt to transport coal was commissioned in 1906. Coal washing to reduce the ash content was first introduced in Natal, and by 1910 10 Natal mines had such installations. Mechanisation only really took off in the coal-mining industry after 1950.

An important non-technical development was the concentration of the control of the coal mines by a number of large companies in much the same way that the gold mines were owned by a few mining houses. This was in contrast to the large number of small independent coal mines in Britain and the USA. The advantage to the local industry was that a number of mines could pool their resources. The Fuel Research Institute was established by the government in Pretoria in 1930 to improve the quality of South African coal.

The coal crisis of 1951, which resulted from the SAR & H's inability to transport enough coal to the country's power stations, saw the introduction of price control and an embargo placed on coal exports. By 1960 the coal mines' output was worth £27,5 million and they employed 66 000 people representing 10,7% of the mining industry's total labour force.

22.5 PLATINUM MINING

South Africa has the largest known reserves of platinum in the world. The name of this silver-coloured precious metal comes from the diminutive of the Spanish word, *plata*, which means "silver". Prior to World War II most of the demand for platinum came from the jewellery industry. Subsequently, industrial demand, especially from the chemical and electronics industries, has expanded appreciably. As early as 1892 it was found that platinum was a by-product of the gold-mining industry. But it was not until 1920 that the first commercial production of platinum as a by-product of gold production took place. Only after 1923, when corduroy concentration replaced plate amalgamation in the reduction works of the gold mines, did the scale of platinum production increase appreciably.

Platinum mining in its own right dates back to the discovery of platinum in the Lydenburg district in 1924. This was quickly followed by a series of discoveries by Dr Hans Merensky which revealed the Bushveld Igneous Complex, stretching from Lydenburg via Potgietersrus[99] to Rustenburg, which contains the world's greatest known reserves of platinum ore. In the complex, platinum occurs in both metallic form in dunite pipes and, more importantly, as platiniferous sulphides in a sheet within norite. Mining is relatively easy by incline or vertical shafts to shallow depths. Initially production was confined to the dunite pipes near Lydenburg because there was only a small demand for the metal, mainly from the jewellery industry. It was not until 1927 that a satisfactory process was discovered to liberate the platinum from the complex sulphides. As a result the richer and more accessible Rustenburg section was opened and production increased rapidly to reach 55 000 fine ounces in 1930. But the Great Depression saw the price plummet from £30 a fine ounce to £7 and many mines were closed down or taken over, until by the end of 1932 only one remained. This was Rustenburg Platinum Mines. At the same time, the leading producer countries – the Soviet Union, Canada, Colombia and South Africa – agreed to restrict their sales on a quota basis which stabilised the price.

By the late 1930s new uses for platinum emerged in the electrical industry, in the manufacture of precision instruments, as a catalyst in the chemical industry, in crucibles and laboratory ware, and in aircraft engines during this period of rearmament. By 1938 South African production was back to its 1930 level. During World War II new uses and new demands for platinum emerged, particularly with the development of atomic energy. In 1953 South African production reached 300 000 fine ounces, making her the largest producer in the world at a time when platinum was fetching £33,5 per ounce on the open market and up to £55 on the black market. Because of this huge increase in output, work was started on a refinery at Rustenburg in 1953. Until then the platinum concentrate had been sent to Britain for refining.

99. Present day Mokopane.

LEARNING UNIT 23

Secondary industry

TOPICS

KEY ISSUES

- Development of the manufacturing industry 1910–1960.
- Industrialisation really only begins after 1914.
- Geographical distribution of secondary industry.
- The role of government policy in the development of manufacturing after 1910.
- Developments in some important secondary industries.

LINKED ISSUES

- Economic, social and political impact of industrialisation.
- The role manufacturing played in developing the South African economy.
- The role mining played in developing the South African economy.

- Railway development.
- Economic impact of the railways.
- Government policy.
- South Africa advanced politically by disasters and economically by windfalls.
- Customs tariff policy.
- Segregation.

23.1 INTRODUCTION

The term "secondary industry" covers a wide range of activities which include manufacturing, handicrafts, construction, the generation and distribution of energy and the supply of water. It basically involves the assembly or processing of products derived from mining, agriculture, forestry or fishing. At Union in 1910, by far the greater part of South Africa's manufactured goods was imported from abroad. By and large this situation lasted down to the outbreak of World War I when the country was cut off from its customary sources of manufactured goods. Up until then South Africa had imported such elementary requirements as cheese, butter, bacon, dried fruit and tobacco products. During the war the shortages of different manufactured goods forced prices up, and this stimulated the expansion of local industry to meet demand. World War I therefore seriously set in motion the process of industrialisation in South Africa. It was given further momentum in the 1920s when government adopted a deliberate policy of industrialisation. But the process only really came into its own with the outbreak of World War II.

23.2 FACTORS THAT PROMOTED INDUSTRIALISATION

The following factors were the main contributors to South Africa's industrialisation:

(1) The availability of abundant and cheap raw materials from South Africa's expanding agricultural, mining, forestry and fishing sectors. Initially, South Africa's secondary industry was almost exclusively based on the processing of agricultural products. This included the milling of grain, baking, washing wool, tanning hides, processing leather, drying and canning fruit and manufacturing alcoholic beverages from grapes and grains. But as industrialisation took off, the plentiful supply of local iron ore formed the basis of a thriving iron and steel industry. After World War II the processing of wood into paper and furniture became important, as did the processing of fish into fish oil and fish meal.

(2) The availability of entrepreneurial skills combined with a plentiful supply of cheap unskilled labour.

(3) The presence of the mining industry as a leading sector which attracted entrepreneurs, capital and skilled labour from overseas. The mines, in addition, created a large demand for foodstuffs, services, materials and equipment which stimulated the establishment of local factories. Secondary industry was

one of the sectors of the economy that benefited most from South Africa's mining revolution.

23.3 FACTORS THAT HAMPERED INDUSTRIALISATION

There were several factors that hindered South African industrialisation and she was a relative latecomer when compared to other regions of white settlement. Some of these were:

(1) The domestic market for industrial goods was relatively small because of the limited number of affluent people, fragmented into a variety of national groups each with its own likes and dislikes. This hampered the manufacturing industry which thrives on large-scale production. For a long time it was cheaper to import many manufactured products than to produce them locally. In the long-run, however, westernisation narrowed taste differences.

(2) South Africa was a vast country with a sparse population, and, because there were no means of cheap water transport, the country was dependent on very much more expensive rail and road transport. Furthermore, the general shortage of water in most parts of the country severely limited the choice of sites for factories.

(3) South Africa was isolated, separated by tremendous distances from the advanced industrial countries of Europe, North America and the Far East. This severely limited the export potential for manufactured goods and restricted the importation of raw materials and equipment. On the other hand, this also tended to limit the importation of competitive products and acted as a natural protection for infant local industries.

(4) The mining industry, along with its dependent manufacturers and services, dominated the South African economy. This meant that many factors of production, such as entrepreneurial skills, capital, labour – and even land – were drawn away from the other sectors of the economy. In addition the discovery of precious minerals promoted speculation and a dependence on windfall profits, both prejudicial to the economic stability required before industrialisation can really take off.

(5) South Africa's traditionally close political affiliation with a highly industrialised country such as Britain could only retard local industrialisation. Influential businessmen, politicians and political parties were often openly opposed to local industrialisation because they thought it was better for Britain to export cheap products to South Africa.

The above factors help explain why industrialisation in South Africa occurred at such a late stage. Industrialisation was also hampered by the fact that there were no government measures to promote import substitution and protect infant industries. Hobart Houghton noted:

> *South African experience has been that in the early stages of the economic development of a predominantly rural society, manufacturing is unlikely to expand rapidly or to become the leading sector of the economy. As long as population is widely dispersed and transport facilities meagre and expensive, large-scale factory production is impossible owing to lack of markets.*[100]

In 1910 the whites, who were the wealthiest section of the population, were only about one million strong. Half of them lived in the rural areas where most of them had a very low standard of living. There was therefore only a very narrow base for industrial development.

23.4 INDUSTRY IN THE AGRICULTURAL-MINING-MANUFACTURING ERA: The take-off period, 1910–1960

23.4.1 The period 1910–1925

World War I provided the greatest stimulus to South African manufacturing it had ever experienced up until then. This was because the country was cut off by world-wide hostilities from its traditional sources of manufactured goods. As a result of shortages, prices rose and local industries were tempted to step into the breach. Further encouragement was provided by the natural protection which the local market enjoyed during this and the early post-war period. With the cessation of hostilities in 1918, the factors which had been instrumental in developing secondary industry were suddenly withdrawn. The post-war boom, however, cushioned the impact of renewed international competition and prosperity lasted until 1920. The number of factories mushroomed from 2 743 in 1911 to 7 005 in 1921, and secondary industry's share of GNP increased from 5,6% in 1911 to 10,6% in 1921 (see 20.1 in Learning Unit 20). Nevertheless, this could not be called vigorous industrial development on a broad base.

The export of locally manufactured goods was of little significance during this period because:

(1) Only the food, beverage and tobacco industries obtained their raw materials locally. Other manufacturers had to process *imported* raw materials and, as a result, only refined or assembled products.
(2) Most of the growth in the industrial sector during this period took place in industries supplying domestic mining and agriculture.
(3) The scarcity of commodities during World War I was only a temporary stimulant to local industry. The return of foreign competition, combined with the depression that followed the post-war replacement boom, saw a decline in industrial output in the early 1920s. The lack of tariff protection also played a role.

100. D. Hobart Houghton, *The South African economy*, Cape Town, 1973, p. 116.

The Board of Trade and Industries was established in 1921 with the express function of investigating ways and means of ensuring the continued survival and future expansion of local secondary industry. However, the Smuts government still shied away from openly adopting a policy of protection because the struggling mining industry relied on cheap imports to remain economically viable. In addition, the powerful mining lobby had much more political influence than its much smaller manufacturing counterpart. In the middle of 1924 the political situation changed as the Smuts government was voted out of power and the Nationalist-Labour pact government took over. Like Kruger, Hertzog was determined to gain a greater degree of economic independence for his country. The development of the manufacturing sector was thus linked to the rising tide of nationalism in South Africa. A more important motive for the development of the manufacturing sector, however, was the close link between expanding manufacturing and the search for a solution to the growing "poor-white problem". This was something the Smuts government had failed to solve, although it had passed legislation in 1922 to establish Escom which would in due course provide cheap electricity to most parts of the country.

23.4.2 The period 1925–1939

The 1924 pact government ushered in an era of avowed protectionism for local industry. A new and permanent Board of Trade and Industries was set up with an all-embracing function. It recommended that a large number of import duties be increased for protective purposes. The imposition of such protection, however, was conditional – it depended on the increased employment of "civilised" labour. The encouragement of secondary industry was therefore more a politically motivated move than an economic one. The basic reasons for encouraging it were:

- to provide more jobs for whites to relieve the "poor-white problem"
- to lessen the country's dependence on imported manufactured goods
- to establish a replacement for mining which was regarded as a wasting industry

The major thrust to encourage secondary industry came from the Labour side of the pact government. The urbanisation process was totally repugnant to Nationalist norms which still saw farming as the basis of the Afrikaner way of life. So throughout this period the protection of agriculture from foreign competition was the government's major concern. The passing of the Customs Tariff and Excise Amendment Act of 1925 did not, therefore, imply that organised industry had suddenly acquired a major influence in politics. Such influence as there was, was rather a necessary administrative by-product of the new government's basic social objective – increased employment opportunities for whites in what was thought of as a secondary field of economic activity.

Manufacturing, indeed, remained secondary to the primary industries of agriculture and mining – in political influence even more than in economic significance

– until after World War II. It might even be argued that, until 1939, the tariff protection given to manufacturing was not so much the promotion of industrialisation as the consequence of a virtual import prohibition to safeguard primary agriculture against foreign competition. It should be borne in mind that South Africa's industrialisation cannot be explained in economic terms alone because the process touched on social and political considerations as well. However, from 1925 until World War II, the government did adopt a policy of giving an assurance in advance that customs tariff protection, under clearly defined conditions, would be granted to specified essential industries such as those concerned with agricultural implements, electric motors, spinning and weaving, pulp and paper, and certain chemicals. Before 1925, any benefit secondary industry might have derived from high duties was incidental rather than deliberate. The main objective behind customs tariffs until then was for *revenue* rather than to protect young and developing secondary industries.

Although customs tariffs during this period played some part in stimulating industrial development, the main cause was undoubtedly the expansion of the South African market. After 1925, riding the crest of a world boom, local secondary industry expanded rapidly until the Great Depression. The major limitation on this expansion was the limited size of the domestic market. This phase was also labour intensive rather than capital intensive. The pact government's protectionist policy contributed materially to the development of industries which had already existed in 1925 – such as those providing blankets, clothing, footwear, canned goods, confectionery, soap and tobacco. Right up to 1939 the country's protectionist policy failed to stimulate capital intensive industries.

The development of Iscor in the late 1920s demonstrates a lot about government policy and the motives behind industrialisation. Briefly, the iron and steel industry was not created by the government after private enterprise had failed. The state took over existing enterprises from private entrepreneurs when they would not put up the necessary capital for expansion because of the world-wide excess capacity in iron and steel production. It was the Labour ministers in the pact government who pressed for a state-run iron and steel industry. Iscor gave Creswell his long-sought opportunity to prove his all-white labour policy, and, more particularly, his belief that the white man's productivity at manual labour was so superior to that of African's that "civilised rates of pay" would not involve increased costs. Parliamentary assurances were also given that Iscor would not need protection or subsidisation. In the final analysis all three points were proved wrong. Iscor needed heavy protection and subsidies while its all-white policy had to be modified. But on the positive side, Iscor's creation did convince entrepreneurs that there would be no reversal of government policy because it henceforth had a direct stake in industry.

Secondary industry expanded systematically until the Great Depression as a result of the government's protectionist policy and the growing market. Although production did drop during the Great Depression, this was not to the same extent as it did in Europe and America. The impetus given to the gold-mining industry by the drop in prices during the depression helped cushion its effects on the local economy. By the middle of 1933, the manufacturing industry was back in full production; and production continued to expand rapidly up to the outbreak of World War II.

Secondary industry's share of GDP increased throughout the period but still remained relatively small. It increased from 10,9% in 1925 to 13,4% in 1930 and reached 16,8% by 1940. There was a definite increase in the proportion of white employees in secondary industry after 1925, rising from 37,1% of the 191 598 employees in 1925 to a peak of 45,3% of the 192 483 employees in 1933. Thereafter the proportion steadily declined as it was discovered that "civilised" labour was in fact more expensive than African labour. However, until World War II, the ratio of white to black in secondary industry was high when compared with that in mining and agriculture.

During the 1930s the South African economy may be described as an "adolescent" one because it had features of both developed and undeveloped economies. The engineering industry, for example, was nothing more than a service-and-repair industry for mining. Between the end of the Great Depression and the outbreak of World War II, the rapid increase in industrial output was concomitant with the expansion of the gold-mining industry and the bulk of the country's manufacturing structure was not self-supporting – it depended on protection estimated to be £10 million a year. During this period, however, important foundations were laid on which subsequent industrialisation was based. These included the urbanisation of a large part of the population and the expansion of infrastructure in the form of urban facilities, railways, roads, power stations and a power distribution network.

23.4.3 The period 1939–1945

World War II played a dual role in transforming secondary industry in South Africa. Virtually overnight it forced manufacturers to employ relatively more Africans, Coloureds and Indians to replace the whites who had been mobilised. It also forced the exclusion of imported competition, and this in turn led to the rapid build-up of South African industrial production after 1940. The war mobilised resources and by sheer necessity broke down entrenched positions in factories. By the end of the war the percentage of white employees had dropped from 41,1% in 1939 to 33,9% by 1945.

The war unquestionably acted as highly stimulating protection for the South African manufacturing industry that was far more effective than any protective tariff. It unleashed the latent productivity in the local economy that had hitherto been institutionalised into immobility. The establishment of the Industrial Development Corporation (IDC) in 1940 marked a change in the *type* of industrial development taking place in the country. Capital was now available for capital-intensive development – noticeable by its absence until then. Indeed, the general rule could be formulated that: from 1940 onwards, the greater the risk and the larger the scale of capital investment in an industrial undertaking, the more complete would be advance assurances by the government of the required minimum domestic market-share secured by an appropriate measure of protection.

23.4.4 The period 1946–1960

From the end of the war until 1948 manufacturing was further stimulated by capital escaping from socialist Britain. But the advent of the Nationalist government in 1948 caused a reverse flow of capital and this resulted in stringent foreign exchange controls. All this in effect meant that the control of foreign imports had become a politico-economic necessity. The partial or total exclusion of competitive imports by post-war shipping and supply bottlenecks and post-1948 exchange and import controls, resulted in a massive increase in local manufacturing output. For example, the iron and steel industry, which had proved itself to be of major strategic importance during the war, became the key supplier to a growing engineering industry which bore fruit in the massive development of the Orange Free State gold-fields.

The year 1948 was, if anything, an even more critical date in the history of forced industrialisation in South Africa. Not only was "made in South Africa" identified in the Nationalist government's credo as sound nationalism, but the balance of payments crisis after it came to power made it a new imperative. Import-substitution showed itself to be of vital economic importance for *political* reasons as Afro-Asian hostility increasingly threatened South Africa's import-export trade.

Secondary industry in South Africa really came into its own during the 1950s after the impetus given to it by World War II. Its importance was emphasised in 1958 by the Viljoen Commission for Policy Relating to the Protection of Industries which found that, since neither mining nor agriculture promised significantly increased employment, secondary industry would have to expand to accommodate the country's fast-growing population. There is no doubt that secondary industry was encouraged for a variety of political reasons which changed down the years. From the 1950s the reason was increasingly economic self-sufficiency because of increasing opposition to the government's social norms.

23.5 THE GEOGRAPHICAL DISTRIBUTION OF SECONDARY INDUSTRY

By 1960, 80% of South Africa's urban population was mainly employed in mining, secondary industry and transport. They were concentrated in the following four regions:

Western Cape (around Cape Town)	810 000
Durban and Pinetown	750 000
Port Elizabeth and Uitenhage	320 000
Southern Transvaal	2 620 000

Quite naturally, secondary industries were also concentrated in these four regions – which accounted for 60% of the privately-owned factories, employed 73% of all factory workers, and produced two-thirds of the value of gross domestic industrial output.

The explanation for this noticeable concentration of secondary industry and population is fairly simple. Once South Africa's economy opened up to the international economy during the nineteenth century and an increasing volume of goods were imported and exported, the major ports became important centres of the country's economic activity. The mining revolution from 1870, however, moved the focal point of economic activity away from the coast, first to Kimberley and then to the Witwatersrand. As a result, the Transvaal became the most industrialised province in the Union and Johannesburg the country's economic, communications and financial capital.

The industrial census of 1911 gives the gross value of manufacturing output in the Cape as £7,4 million, the Transvaal £4,6 million, Natal £4,4 million and the Free State £740 000. But by the 1918/19 census, the Transvaal had just overtaken the Cape to became the country's most important industrial producer:

Transvaal	£26,3 m
Cape Province	£25,5 m
Natal	£15,7 m
Orange Free State	£3,2 m

Until 1933, industrial output in the Cape kept pace with that in the Transvaal, but thereafter the upsurge in mining saw the Witwatersrand outstrip the Cape and the other provinces – see Table 23.1

Manufacturers tend to establish themselves near their biggest market which are the areas with the highest concentration of population. Such regions tend to offer other advantages: such as a large supply of labour, availability of machinery, spares, tools and equipment, and services such as the repair and maintenance of machinery as well as cheap water and power. In turn, the presence of already established industries attracts others to take advantage of the economies of scale as far as the supply of labour, transport, power and water are concerned. The gold mines on the Witwatersrand were a universal and irresistible focal point for South Africa's secondary industry.

Industrial growth also feeds on itself. The expansion of industry creates a greater demand for labour, and more and higher wages are paid to more people. This in turn attracts people from other regions. And this increased population means an increased demand for a variety of goods – which results in ever more factories being established.

The freight rates of the South African Railways greatly contributed to the concentration of industry in South Africa. By following a policy of "charging what the traffic will bear", the SAR & H transported most raw materials at low rail tariffs while manufactured goods, with a higher unit value, were charged much higher rates. This meant that it was more economic than ever for manufacturers to establish themselves nearest their biggest market and transport their raw materials in from other regions.

TABLE 23.1

Output and employment of industrial regions as percentages of the South African total

	1916–1917	1928–1929	1938–1939	1945–1946	1953–1954
Southern Transvaal					
Value of net output	37,4	34,7	44,0	47,1	48,0
Total employment	28,2	34,1	43,9	44,9	45,2
Western Cape					
Value of net output	22,1	22,4	18,6	17,4	15,3
Total employment	20,9	19,6	16,5	16,2	14,3
Durban & Pinetown					
Value of net output	11,7	11,6	12,2	12,5	11,4
Total employment	11,1	11,5	10,9	11,2	10,8
PE & Uitenhage					
Value of net output	3,1	5,8	5,9	5,4	7,0
Total employment	3,4	5,0	4,6	4,6	5,8
The rest of the Union					
Value of net output	25,7	25,6	19,5	17,6	18,3
Total employment	36,4	30,0	24,7	23,1	23,9

Source: D. Hobart Houghton, *The South African economy*, Cape Town, 1973, p. 138.

23.5.1 Western Cape

Favourable conditions affecting the industrialisation of the Western Cape include the following:

(1) the existence of a large population in the oldest and, prior to 1910, biggest city in South Africa
(2) the existence of a large harbour for imports and exports
(3) fishing along the western and southern coasts, though this only developed during the twentieth century

(4) the rich agrarian hinterland (wine, wheat, fruit)
(5) the large supply of Coloured labour
(6) the availability of abundant water; a shortage of a local source of energy, but coal and oil imported relatively cheaply

The Cape Town region was near important fruit-growing areas and large fishing grounds along the coast. Consequently a large canning industry developed alongside wine-making and distilling which together provided valuable products for export. The busy harbour traffic justified the establishment of ship repair yards as well as other engineering establishments. The large population meant a concentration of people, both employees and consumers, which resulted in the establishment of numerous factories for producing foodstuffs, textiles, clothing, footwear, glassware, cement and tobacco, and for motor assembly.

23.5.2 Port Elizabeth and Uitenhage

The Port Elizabeth and Uitenhage region became the second largest manufacturing region in the Cape for the following reasons:

(1) It was the centre of South Africa's wool trade. During the nineteenth century when wool, hides and skins dominated South African exports, Port Elizabeth was the natural entrepôt for South Africa's productive agrarian hinterland which encompassed the Karoo, north-eastern Cape and southern Free State. The wool trade spawned the woolwashing and combing industry which is based in Uitenhage and the tanning and footwear factories in Port Elizabeth.
(2) Port Elizabeth dominated South Africa's foreign trade in the era before the establishment of railways, and as the Cape's most active port became the mercantile centre of South Africa. Although it lost its lead with the coming of the railways, its head start meant it retained some of its importance.
(3) There was a large supply of Coloured and African labour.

Because of its favourable position, Port Elizabeth became the cradle of the South African motor assembly industry – motor cars were not manufactured but only assembled in South Africa before the 1960s. It was therefore cheaper to assemble the imported components at the coast and then transport the completed vehicle to the main market on the Witwatersrand. Ford established the first motor assembly plant, in an old wool store, in 1924 and General Motors followed two years later in 1926. Volkswagens were first assembled in Uitenhage in 1946 by South African Motor Assemblers and Distributors (SAMAD). In time motor vehicle related industries established themselves in the region – these included factories to provide tyres, safety glass and a variety of components. Other important industries, based on local raw materials, were tanning, footwear, leather goods, wool processing and textiles. During the 1920s, apart from the southern Transvaal, the Port Elizabeth-Uitenhage region was the fastest growing industrial region in South Africa.

23.5.3 Durban and Pinetown

The region around Durban attracted industries at a later stage than the two major Cape ports because Durban's rise as an important port was mainly as a result of the development of the Witwatersrand after 1886. The Durban-Pinetown region enjoyed the following favourable conditions:

(1) The abundant availability of local raw material such as sugar cane from the coastal areas and hides, maize, meat, milk, wood and coal from the interior. There was a plentiful supply of water because Natal receives the best rainfall in South Africa.
(2) The availability of an excellent harbour after large construction works, started in 1890, were completed in 1900. The high volume of shipping passing through the port saw the rise of a ship-repair and shipbuilding industry. Industries related to processing imported raw materials also became important. These included fertilisers, chemicals, textiles, oil and margarine.
(3) Durban was the closest South African port to the country's biggest market, that of the Witwatersrand.
(4) There was an abundant supply of African and Indian labour.

In time the Durban industrial area extended along the railway line to Johannesburg and Pinetown became part of the industrial complex. Industries developed in other parts of Natal as well. A blast furnace was constructed by V.K. Eaton in Newcastle in 1919 to melt down scrap iron using local coal. Amcor was established nearby to produce steel. Several factories opened in Pietermaritzburg, while Mooi River and Estcourt became important centres of the food industry, especially producing bacon, hams and sausages. Other industrial points in Natal are Ladysmith, Dundee and Vryheid. Along the coast, sugar refineries were established and there was a large wood pulp factory at the mouth of the Tugela.

23.5.4 Southern Transvaal

The Pretoria, Witwatersrand and Vereeniging (PWV) industrial complex was the biggest and fastest expanding one in the country between 1910 and 1960. It stretched from Rosslyn in northern Pretoria to the Free State border in the south, and from Krugersdorp in the west to Springs in the east. The following favourable factors attracted industry to this region on a large scale:

(1) The presence of the gold-mining industry. The mines attracted skilled and unskilled labour and capital to the region. In addition they required vast quantities of consumer goods (clothing, mine boots, mine lamps), materials (timber, cement, metal ware) and capital goods (building materials, machines, skips).
(2) The availability of cheap coal, iron ore, lime and building stone deposits on or close to the Rand. This was particularly favourable for the establishment of Iscor.
(3) There was an abundant supply of African labour.

(4) The presence of a large and relatively affluent white population with substantial purchasing power offered a large market for manufactured products.
(5) Because of the importance of mining to the country's economy, the railway network converged on Johannesburg (at Germiston). This meant that the region was the centre of the South African transport network.

23.6 THE GOVERNMENT'S INDUSTRIAL POLICY

During the 1920s the South African government embarked on a deliberate policy of industrial promotion based on the following considerations:

(1) Gold was a wasting asset: Although gold mining dominated the South African economy, it was known that the supply of gold would eventually run out. Therefore another sector of the economy would have to be developed to provide employment, make productive use of materials and equipment and contribute foreign exchange. It was believed by some that secondary industry was the sector most suited to replace the dying gold mines.

(2) Employment for poor-whites: The "poor-white problem", particularly amongst Afrikaners, was a very serious problem right up to the outbreak of World War II. Because they had political rights, the problem of job creation carried political importance. From 1924 therefore, the Nationalist-Labour government introduced its "civilised" labour policy whereby the degree of tariff protection provided to secondary industry was dependent on the number of whites employed. After World War II, the rationalisation of agriculture made many whites redundant and they were able to find alternative work in secondary industry which was in the process of taking off thanks to active government promotion.

(3) Rapidly growing African population: The rapidly growing African population could not be supported in the long term by their traditional economy, white agriculture and mining.

South Africa remained a dualistic economy throughout the period from 1910 to 1960, the rapid progress of the developed sector widening the gulf between it and the undeveloped sector. This spotlighted the difference between the haves and the have-nots, because the developed sector was predominantly white and the undeveloped sector overwhelmingly African. However, even the most developed countries have backward areas. For example, the Midwestern states of the USA, areas in northern England and Scotland, northern Sweden, northern Norway, south-western France and southern Italy. The difference is that in South Africa the majority of the people are on the wrong side of the divide, whereas in the developed countries the backward and poor form a very small minority. It took another 30 years for the government to realise that its apartheid policy was distorting the economy and widening the gap between the developed and undeveloped parts of it.

23.6.1 Protection of secondary industry

Most colonies adopt a policy of protecting their industries once they achieve independence. This is done by imposing high import duties and quotas. Former British colonies such as Canada, Australia and India protected their secondary industries long before South Africa did. South Africa was the exception for the following reasons:

(1) South African civil servants and politicians were strongly influenced by economic liberalism until the 1920s.
(2) The powerful influence of mining interests. The mines were heavily dependent on exports and cheap imports for profitability. They rejected the protection of secondary industries because it would mean the price of most goods would go up – this included prices not only for such things as machinery, explosives and equipment, but also food, clothing and many other items that determined mine wages. An increase in working costs and wages would affect their profitability.
(3) The opinion that the South African market was too small to start local manufacturing. It was felt that there was no opportunity for large-scale production in South Africa.
(4) Before Hertzog came to power in 1924 most civil servants were of British descent. Consciously or unconsciously these civil servants were against the promotion of local industries because they would be competing locally with Britain and so weakening the strong economic ties between the two countries.

Until 1910 import duties in the South African colonies and states were designed to raise revenue for the various government treasuries and as a result were relatively low. Any protection provided to secondary industry was largely coincidental. During the post-Anglo-Boer War depression, in 1906 the Cape imposed a modest protective increase in import duties on shoes, boots, saddles, harnesses, varicoloured blankets, confectionery, soap, sugar and a number of other articles. In the Transvaal, because the mining industry was expanding, rates were reduced.

Union in 1910 saw the reawakening of Afrikaner nationalism: the wish to break economic ties with Britain and solve the mainly Afrikaner "poor-white problem". Both would require industrialisation. The Botha government appointed the Cullinan Commission in 1910 to investigate the possibilities for industrial development. In 1912 the commission recommended the protection of secondary industry by means of import duties, on condition that the protected industry would be able to survive for a reasonable time, even after the protective duties had been lowered or removed.

The Customs Tariff Act of 1914 embodied the Cullinan Commission's proposals. However, the primary purpose of customs tariffs remained earning revenue for the government. Nevertheless, the act also imposed moderate protective duties on a number of local products, which included not only manufactured articles but also certain crops. The general *ad valorem* import duty was retained at 15% as was the 3% rebate on British and dominion goods.

It is generally believed that a deliberate policy of promoting South African industrialisation did not start until 1925. But it should be noted that:

(1) The Department of Industries was established in 1919 with F.S. Malan as its first minister. He was also Minister of Mines and Education.
(2) The Board of Trade and Industries was established in 1921 specifically to look into protection by means of customs duties. Its duty was to report anomalies in the customs duties and advise the government on assistance to industries.
(3) In 1922 the government passed the Electricity Act providing for the establishment of the Electricity Supply Commission (Escom) which was to be a public utility which would generate and distribute electricity. Escom started operating in 1923 and in time constructed a network of power stations and transmission lines across the country to provide cheap power even to the remotest corners of the country. In the long run this provided the basis for South African industrialisation.
(4) The Iron and Steel Industry Encouragement Act was promulgated in 1922. It provided for the payment of premiums whenever domestic ore was used in the manufacturing of pig iron and steel on condition that production capacity was likely to be at least 50 000 tons per annum. However, between 1928 and 1933 only the Newcastle Steel Works qualified for payments.

Despite these developments, it is true that the governments before 1924 did not pursue a vigorous protective policy. Thus it was the Hertzog government that took the first specific steps in this direction when its Customs Tariff and Excise Amendment Act was passed in 1925. The immediate reasons for the move were as follows:

(1) a need to protect factories that had been established during World War I and were being threatened by renewed international competition
(2) a desire to diversify industry and make South Africa less dependent on Britain as a supplier of manufactures and purchaser of South African primary products – Hertzog's motto was: "South Africa first"
(3) the need to provide employment opportunities for the rapidly increasing number of poor-whites amongst Afrikaners

There was, however, no general protective policy. Protective tariffs were imposed selectively, and a series of checks and balances were introduced to prevent excessive protection. These included the following:

(1) The reinstituted Board of Trade and Industries studied applications for protection (excluding dumping cases) and discussed them with both the applicants and their opponents.
(2) The board's reports on protective tariff applications were to be published to keep parliament and the public informed.

(3) Parliament had to approve the recommended increase in tariffs for protective purposes. But parliament only met during the first half of the year and this severely limited the speed at which protective tariffs could be implemented. As a result of this unsatisfactory state of affairs, legislation was introduced after World War II to levy "special" import duties which could be ratified *ex post* by parliament.

(4) The Board of Trade and Industries set specific conditions before it agreed to recommend a protective import duty. These included the provision that the protected industry should have sufficient factors of production available and that there should be no excessive increase in the burden on other concerns and the consumer. Generally speaking, a protection of not more than 30% *ad valorem* was recommended, and the protected industry was required to be able to provide at least 50% of the country's requirements for the protected item.

South Africa followed a sensible, controlled and selective policy of tariff protection which definitely gave a boost to industrialisation without harming the economy. In South American countries, for example, tariffs as high as 50% were set. This pampered industries in a hothouse industrial atmosphere which resulted in high-cost and low-quality products which raised the cost of living. But it should be noted that until 1939, the government's protectionist policy failed to stimulate private capital-intensive industries. The protective customs tariffs merely contributed to the development of industries that had already existed before 1925 – industries producing blankets, clothing, footwear, canning, confectionery, soap and tobacco. The major limitation was the small size of the domestic market.

An important political motive behind the government's attempt to develop the manufacturing sector was the provision of jobs to solve the "poor-white problem". The provision of tariff protection was made dependent on the increased employment of "civilised" labour, which in reality meant whites. By 1933 over 45% of the people employed in secondary industry were white. Although the proportion of whites dropped to 41% by the outbreak of World War II, the ratio of whites to blacks in manufacturing remained high in relation to the ratio in mining and agriculture. The war, however, forced manufacturers to employ more Africans, and by the end of hostilities the proportion of whites employed had dropped to 34% which was about the same as it had been in 1924. Between 1925 and 1935 the number of white employees increased by 70% while the number of Africans increased by 49%; while from 1936–1946 the number of African employees increased by 95% compared with only 38% for whites. By the 1950s the "problem" of African urbanisation had became so critical that the government increasingly legislated against the flow of Africans to industrial urban areas.

By then, however, the protection of secondary industry had already taken a new turn. When the Nationalists came to power in 1948, there was a massive outflow of capital from South Africa which resulted in the implementation of stringent foreign exchange and import controls. As a result of this, and increasing Afro-Asian hostility to the government's domestic policies, import substitution came to be of vital economic importance. Thus from the 1950s the aim of industrial protection was increased economic self-sufficiency, something which came to fruition at the height of the government's policy of apartheid in the 1960s and 1970s.

23.6.2 State institutions to assist secondary industry

The state established a number of institutions to assist industrialisation:

(1) The Board of Trade and Industries was established in 1921 to consider and advise on applications for customs protection. Its functions have already been dealt with in some detail.

(2) The Government Metallurgical Laboratory was established in 1934 by the Department of Mines in conjunction with the University of the Witwatersrand. It undertook the metallurgical research work which became increasingly necessary following the expansion of gold and coal mining and the growing exploitation of iron ore after 1932.

(3) The Fuel Research Institute was established in 1930 to assume and extend the responsibilities of the Coal Commission which had been appointed in 1922 to improve the grading and use of domestic coal for export and bunkering. The Fuel Research Institute assisted industry with research on fuels.

(4) The Industrial Development Corporation (IDC) was founded in 1940 to help finance new industries. The purpose of the corporation, according to the enabling act, was:[101]

> *to facilitate, promote, guide and assist in, the financing of –*
> *(1) new industries and industrial undertakings; and*
> *(2) schemes for the expansion, better organization and modernization of and the more efficient carrying out of operations in existing industries and industrial undertakings,*
> *to the end that industrial development within the Union may be planned, expedited and conducted on sound business principles*

The IDC, however, did not limit its activities to manufacturing alone but also assisted in financing *non*-industrial undertakings and even a merchant marine company. The state provided the IDC with funds and also guaranteed its loans on the capital market. The IDC became a successful development bank and was one of the first institutions of its kind in the world. It consistently applied business principles and thus avoided becoming "a bank of bad bargains".

Nevertheless, many saw the IDC as a government tool designed to manipulate industrial development. Initially it was meant to provide the capital need-

101. Industrial Development Corporation Act 22 of 1940, Section 3.

ed to establish new industries. Generally, at first, it was not the function of the IDC to start its own new industries but to assist private enterprise in the development of industry. Initially it did help to establish advanced textile industries at Uitenhage and King William's Town and gave some assistance to private enterprise in general. But in time it developed into an immense industrial conglomerate in its own right. It would seem that its main function became the establishment of state-owned enterprises operating in competition with private enterprise.

From the late 1940s the IDC was widely seen in Afrikaner circles as a bulwark against non-Afrikaner financial giants such as Anglo-American. The government fostered the establishment of state-owned corporations as Afrikanerdom's answer to the overwhelmingly non-Afrikaner interests in mining and secondary industry. In 1947 the IDC was used to launch Sasol, in 1955 the Phosphate Development Corporation (Foscor) and later the Aluminium Corporation of South Africa (Alusaf). From 1959, in order to carry out its homeland development plans, the government used the IDC to establish various corporations such as the Bantu Investment Corporation and the Xhosa Development Corporation. Although Sasol was established for strategic reasons, through it the government secured almost complete control of all the country's petrochemical and related industries. In effect, by creating public corporations such as the IDC, Iscor and Sasol, the government pursued a policy of nationalising industries. Between its inception and 1960, the IDC lent or invested some £85,5 million in a number of different industrial projects, of which £66 million was still outstanding. Over this period the IDC had developed substantial interests in 10 of South Africa's most important industrial undertakings: Sappi, Sasol, Northern Lime Company, Foscor, Good Hope Textile Corporation, Fisons, Fine Wools Products of South Africa, Safmarine, Masonite (Africa) and South African Industrial Cellulose Corporation.

(3) The Council for Scientific and Industrial Research (CSIR) was founded in 1945 to assist industry with its technical problems. It undertook technical research on behalf of industry. A variety of industry-specific research institutes developed under its control.

(4) The South African Bureau of Standards (SABS) was established in 1945 to promote standardisation and establish acceptable industrial standards. It prescribed specifications and standards which it maintained by examining instruments, apparatus and final products. It became associated with the CSIR in 1956.

23.6.3 The advantages of being a latecomer

Although South Africa was undoubtedly a latecomer to industrialisation, there were certain advantages to be gained from being slow to industrialise. She was fortunate in being able to learn from the mistakes of others and avoid the pitfalls experienced by many of the first countries to undergo the industrial revolution.

(1) South Africa avoided the formation of urban slums where a factory proletariat lived in overcrowded tenements such as those that existed in many European industrial cities. South African industrial employees were housed in sprawling residential suburbs and townships. The tin shanties and squatter shacks that had sprung up around the industrial towns as a result of rapid industrialisation during and after World War II, were eradicated during the 1950s under the Nationalist government's policy of apartheid. Separate new townships were created for the African workers deemed necessary to keep the cogs of industry turning.

(2) Social legislation for the protection of factory workers was introduced by the government without much opposition from employers or employees. The 1924 Industrial Conciliation Act managed to maintain industrial peace after decades of strife and major strikes mainly by white workers.

(3) The state undertook to support industries by means of customs tariffs in contrast to the era of economic liberalism and free trade dating from the previous century. It also encouraged the foundation and expansion of specialised institutions such as development banks, research laboratories and organisations to promote exports.

(4) South Africa industrialised during the era of electric power rather than steam power. As a result she initially avoided the choking smoke and smog traditionally associated with industrialising Britain and Europe during the nineteenth century. More recently, however, as industrialisation and population growth have intensified, pollution on the Highveld in particular has become a major problem. The coastal cities have always had the wind to clean up their dirty act.

(5) Heavy motor transport was available by the time South Africa began to industrialise. This meant that there was a viable alternative to supplement South Africa's relatively sparse railway network.

23.7 DEVELOPMENTS IN SOME IMPORTANT SECONDARY INDUSTRIES

23.7.1 The iron and steel industry

The iron and steel industry is always a key industry in an economy because it supplies finished and semi-finished products to most other branches of secondary industry in the form of cast iron, steel blocks, sheets, girders and so on. South Africa was fortunate in having large deposits of both coal and iron ore in close proximity to each other. During the first quarter of the twentieth century a number of entrepreneurs attempted to establish blast furnaces and steel works using the abundant supply of scrap iron from the mines and railways. Natal seems to have led the way because S.L. Green constructed a small blast furnace near Pietermaritzburg and produced a few tons of pig iron from local raw materials in 1909. Unfortunately high production costs brought this and other small ventures to an end. More successful early pioneers included the Witwatersrand Cooperative Smelting Works (1909), George Holt & Company (1910), Cartwright & Eaton Limited (1911) at Benoni which subsequently was renamed the Dunswart Iron & Steel Company, and the South African Iron & Steel Company (1911) at Vereeniging which was established by Sammy Marks and later renamed the Union Steel Corporation (Usco). Usco won a government tender to acquire scrap iron and first produced steel in 1913.

The champion of the local iron and steel industry was, however, a Dutch immigrant, C.R. Delfos, who established the Pretoria Iron Mines in 1916 to mine and smelt iron. His company was situated where Iscor's Pretoria works were. Delfos fired his first blast furnace in 1917 and produced cast iron from iron ore mined near Pretoria. He was determined to establish an industry to process local ore rather than scrap iron whose supply was completely inelastic. But his plant, with a capacity of 10 tons of pig iron a day, was too small. So in 1920 he formed the South African Iron & Steel Corporation, although he was unable to raise sufficient capital to establish an undertaking of a sufficiently large scale. The company was eventually taken over by Iscor in 1930.

J.K. Eaton was another early pioneer. He established the Newcastle Iron & Steelworks at Newcastle in 1919 but his blast furnace was taken over by Usco while it was still under construction. It was first fired in 1926 and eventually taken over by the African Metals Corporation (Amcor) which considerably expanded output.

The Smuts government attempted to aid the iron and steel industry by means of the Iron and Steel Encouragement Act of 1922 (commonly known as the "Bounty Act"), which provided for the payment of a bounty of 15 shillings per ton to any works that produced at least 50 000 tons of iron and steel a year. Spurred on by this inducement, Usco, SA Iron and Steel and Newcastle Iron and Steel agreed to a joint development at Pretoria. But the lack of capital saw the agreement lapse in 1923. Only Usco ever qualified for the subsidy, achieving the required output at Newcastle in 1928. By 1933 it had received nearly £50 000 in bounty payments; but production at the plant ceased in 1933 because of the extremely low prices of iron and steel imported from Europe.

During the early 1920s the Smuts government took another step to establish a viable iron and steel industry in South Africa. The government's trade representative in Europe, Karl Spilhaus, found the large German concern of Gute Hoffnungshütte at Oberhausen was sufficiently interested to send their experts to South Africa. They reported to the government in 1924 that a local iron and steel industry processing local raw materials was indeed feasible. They felt that Pretoria was the ideal location because iron ore could be brought in from Thabazimbi in the west and coal from Witbank in the east. Meanwhile the Hertzog-Creswell government had come to power and they had the report assessed by local experts such as F. Meyer. Their findings were positive and this gave a powerful stimulus to the establishment of Iscor.

In 1927 the government introduced a bill to create the South African Iron and Steel Corporation (Iscor). This bill, however, was opposed by Smuts's South African Party and was passed only in 1928 after a joint sitting of parliament because it had been rejected by the senate twice. Iscor was to be jointly owned by the state and private investors with the bulk of the authorised share capital reserved for public subscription. In 1928 Iscor was incorporated, with an initial capital of £3,5 million divided into 500 000 A-shares of £1 each issued to the Governor-General (that is the state) who controlled 51% of the voting power, and £3 million B-shares. The timing of the share offer to the public was inopportune because it coincided with the onset of the Great Depression. Therefore private investors bought only a very small portion of the B-shares and the state was authorised by legislation in 1931 to acquire the remainder. Iscor was privatised only some 60 years later in 1989.

The personalities involved at the time of incorporation were the chairman of the Board of Trade and Industries, Dr A.J. Bruwer, who was one of the chief supporters of the project; the chairman of the board of directors between 1928 and 1948, Dr H.J. van der Bijl; the works manager, Dr H.J. van Eck; and the engineer, Dr F. Meyer, who eventually succeeded Van Eck as works manager and Van der Bijl as chairman. These men were among the most important pioneers of South African industrialisation.

In 1934 the first blast furnace was fired and an important milestone in South African industrial history was passed. Unfortunately Iscor started producing at a time when there was a worldwide surplus of iron and steel as a result of the Great Depression. European steel producers were dumping their iron and steel on the South African market and this harmed Iscor's sales. As a result, the Customs and Excise Act was amended in 1936 to allow the government to impose special anti-dumping duties on imported pig iron and steel.

Iscor drew most of its skilled personnel from Britain or Germany. But during World War II the Germans were interned and a small handful of South Africans suddenly had to take over. Despite this Iscor succeeded in expanding output and made a valuable contribution to the war effort. From the firing of the first kiln in 1934, domestic demand outstripped the supply of Iscor products because of their high quality and low prices. Iscor continued to expand. In 1942 a flat steel factory was opened at Vanderbijlpark, named after Dr H.J. van der Bijl and in 1947, it was decided to establish a second fully-integrated steel works nearby because it could get water from the Vaal Dam and was close to the Free State coal fields. In 1950 Iscor was able to supply only about half the country's steel requirements while Usco and other producers provided about another 10%. But by 1960 Iscor was producing more than 75% of South Africa's steel requirements and, with the other local producers, about 90% of the steel the country needed.

23.7.2 The chemical industry

Because of the importance of mining to the South African economy, it is not surprising that the production of nitric acid, sulphuric acid and other ingredients for the manufacture of explosives heralded the birth of the South African chemical industry. The Zuid-Afrikaansche Fabrieken voor Ontplofbare Stoffen Beperkt (better known simply as the Dynamite Company) was established in 1894 as a result of a monopolistic Kruger concession to the Nobel Dynamite Trust. It started production at Modderfontein in 1895 and grew into one of the largest explosives factories in the world. The mines were very much opposed to the factory’s monopoly concession because they maintained it forced them to pay excessive prices for explosives. The concession, however, was only withdrawn when the British army occupied the Transvaal in 1900.

After lengthy negotiations the British South Africa Explosives Company was incorporated in London under the aegis of Nobel and the Modderfontein factory was reopened. This resurrected monopoly forced De Beers Consolidated to establish their own explosives factory at Somerset West in 1903. A third explosives factory was established by Kynoch Limited of Birmingham at Umbogintwini, just south of Durban, in 1908. These three independently-owned factories were eventually brought under single control. The first move came in 1920 when the London-based Nobel interests gained control of the Umbogintwini plant. Finally, in 1924, Nobel and De Beers joined forces and registered a company to operate all three plants. African Explosives and Chemical Industries became an industrial giant producing not only explosives, but also nitrogen, fertiliser, acids, plastics, paints, insecticides and a whole host of industrial chemicals.

23.7.3 Electricity

A cheap and efficient supply of energy is of vital importance to any developing economy. South Africa is fortunate in having an abundant supply of coal which could easily be mined cheaply. Electricity generation does not require high-grade coal. The country’s coal deposits are to be found close to the large mining and industrial regions of the southern Transvaal, northern Free State and Natal, and the generation of electricity started shortly after the start of the mining revolution. Soon each gold mine in the Transvaal and each sugar mill in Natal had its own power station. Some municipalities, too, started their own power stations. Some of the early ones were at Cape Town (1882), Kimberley (1882), Johannesburg (1891), Pretoria (1892), Durban (1897) and East London (1899).

Because of the mining house system, it soon became obvious that it was inefficient for each mine to have its own power station. Thus from about 1900 mining houses established central generating plants for several mines. Power stations supplying mines did not have to cater for peaks and troughs in consumption because the mines operated 24 hours a day and their consumption varied very little. As the mines went deeper it became necessary to install electric winches and more electric lighting than ever before. In 1908 one mining house, Rand

Mines, built a power station to provide electricity to all its mines. This was soon copied by the other mining houses and eventually they jointly founded the Victoria Falls Power Company in 1910. This London-based company initially intended to generate power at the Victoria Falls and transmit it to the Witwatersrand. But this remained a pipe dream and it was soon renamed the Victoria Falls and Transvaal Power Company.

A power station was completed at Vereeniging in 1912 which pioneered the successful transmission of electricity over long distances via high-voltage power lines. By 1923 the company had power stations at Brakpan, Simmerpan, Rosherville and Vereeniging with a combined capacity of 180 MW. At the time, even the largest municipal power stations were less than 10 MW. The company successfully supplied cheap electricity to the Witwatersrand mines for many years until it was taken over by Escom in 1948.

The success of the mines' electricity supply focused government attention on the possibility of a national power network. Accordingly in 1919 an electrical engineer, Charles Merz, was instructed to report on the future supply of electricity in South Africa. Merz recommended that a small number of large power stations should be constructed. He went further and suggested that the railways be electrified. His recommendations led to the Electricity Act of 1922, which saw the creation of the Electricity Supply Commission (Escom) and required all new power stations to obtain a licence from Escom and to have their tariff rates approved by it. This was four years before similar steps were taken in Britain.

Escom's task was to supply low-cost power, based on sound business principles, without making a profit or a loss. Escom was an independent state business enterprise, similar to Iscor and Sasol. In 1925 Escom started the country's first important hydroelectric power station at Sabie in the eastern Transvaal. By 1926 power stations were being built at Cape Town, Colenso and Witbank. In time the whole country was covered by a reliable national electricity grid. South African electricity consumption was able to increase from 1,7 million KWh in 1926/27 worth £4,8 million to 17,1 million KWh by 1956/57 which was worth £55,7 million. By 1954 Escom's total installed capacity was 2 652 MW compared to the 780 MW of the municipal power stations at Johannesburg, Pretoria, Cape Town, Port Elizabeth and Bloemfontein. In 1958/59 mining accounted for about 47% of the electricity consumption in South Africa, secondary industry 26%, domestic consumption 16% and the railways 4,5%.

LEARNING UNIT 24

Banking and finance

TOPICS

KEY ISSUES

- Development of banking 1910–1960.
- Development of financial legislation 1910–1960.
- Development of the financial sector 1910–1960.
- South African currency.

LINKED ISSUES

- Banking in the 19th century.
- The role banking played in developing the South African economy.
- Government policy.
- South Africa advanced politically by disasters and economically by windfalls.

24.1 INTRODUCTION

The main structural changes in the banking and finance sector of the South African economy between 1910 and 1960 were the creation of a land bank, the continued move towards banking concentration, the establishment of a central bank and the steady growth of non-banking financial institutions such as building societies and life insurance companies. The main developments during the period were:

(1) The formation of the Land and Agricultural Bank in 1912 by the amalgamation of the three existing colonial land banks. The Land Bank is discussed in more detail in the learning unit on agriculture.

(2) The consolidation of the existing commercial banks and their domination by British-based banks between 1910 and 1930 and the subsequent emergence of Afrikaner-controlled financial institutions in the form of banks such as Volkskas and & Trust Bank, and insurance companies such as Santam, Sanlam and Avbob.
(3) The establishment in 1920 of a central bank, the South African Reserve Bank (SARB).
(4) The establishment of the Industrial Development Corporation (IDC) in 1940 as a sort of development bank to assist infant industries. The IDC is discussed in more detail in the learning unit on secondary industry.

24.2 COMMERCIAL BANKS

The commercial banks were the most important financial institutions in South Africa up to World War II. Just prior to Union in 1910, the commercial banks went through a tough time as a result of the post-Anglo-Boer War depression (1903–1908) which had been aggravated by the 1907 financial crisis in the USA. Only the Stellenbosch District Bank remained of the once numerous district banks. All the other commercial banks were multiple-branch banks. At the time of Union the following branch banks were operating in South Africa:

- Natal Bank, founded in 1854
- Standard Bank, founded in 1862
- National Bank of South Africa, founded in 1890 (until 1900, the "Nationale Bank van de Zuid-Afrikaansche Republiek")
- National Bank of the Orange Free State, founded in 1877
- Bank of Africa, founded in 1879 to take over the affairs of the weakened Oriental Bank Corporation
- African Banking Corporation, founded in 1890
- Nederlandsche Bank en Credietvereeniging, founded in 1888
- Transvaal Bank en Handelsvereniging, founded in 1898 to take over the affairs of the banker P.C. Baerveldt

The trend towards banking concentration in South Africa paralleled similar developments in Britain and elsewhere in the world during the same period. Economy of scale was the major motivation. During the nineteenth century the method of consolidation was for the imperial branch banks to absorb the much smaller and struggling district banks. During the early twentieth century banking consolidation went into its second phase which involved the fusion of two or more branch banks. Within two decades of Union in 1910, the number of commercial banks in South Africa had decreased from eight to three.[102]

The second phase of the consolidation movement began in 1910 when the National Bank of South Africa bought the National Bank of the Orange Free State.

102. There were in fact four commercial banks if the relatively unimportant Stellenbosch District Bank is included.

The simultaneous attempt by the Standard Bank to acquire the bank was foiled by the Free State government who was its biggest shareholder. In 1912 the National Bank took over the Bank of Africa, followed by the Natal Bank in 1914. It was by then the largest bank in the country, having overtaken the Standard Bank. In 1919 it became involved in the National Industrial Corporation of Africa, a private industrial bank. However, during the post-World War I depression of 1920–1922, the National Bank suffered heavy losses because of over-expansion. Therefore in 1926 it accepted a take-over offer from an influential British-based group and was absorbed into an important new bank, Barclays Bank (Dominion, Colonial & Overseas).

Meanwhile the Standard Bank countered the National Bank's expansion by taking over the African Banking Corporation in 1920. This meant that by 1930, two large British-based, multi-branched banks dominated South African banking. The only other bank of note was the relatively much smaller Nederlandsche Bank which acquired the even smaller Transvaal Bank in 1925. In any case, it concentrated on financing trade with Europe and lacked a branch network in South Africa. The minuscule Stellenbosch District Bank remained on the scene as an insignificant historical curiosity.

Many Afrikaners disapproved of the consolidation movement and feared a British monopoly of short-term credit in South Africa. Between the 1920s and the outbreak of World War II, the two big British banks alone held 97% of the country's demand deposits. In an attempt to counter these developments, Transvaal Afrikaners founded Volkskas in 1935 as a savings and loan bank. It became a fully fledged commercial bank in 1942. Branches were established all over the country to serve both its urban and rural clients. Volkskas quickly overtook the Nederlandsche Bank as, one by one, the accounts of public bodies were transferred to it once the National Party came to power in 1948. These accounts included not only central government, provincial governments and municipalities, but also the railways, Iscor, Escom and the Post Office.

A second Afrikaner-controlled bank, Trust Bank, was founded in 1955. But by 1960 it was only just beginning to find its own way. In fact it presented more of a challenge to Volkskas than the two much larger British-owned banks. Its whole approach was flashy and American compared to the rather staid British tradition of banking in South Africa. Meanwhile, the proportion of the country's demand deposits held by the two British banks dropped from 96,5% in 1939, to 94% in 1945, to 91,1% in 1950, to 81,3% by 1960.

South Africa's commercial banks provided the country with secure banking along British lines. They were not investment or development banks in the American or German mould. South African banks were merely intermediaries that contributed to the more efficient allocation and distribution of resources: they were not there to provide development capital. Thus the South African banks provided a means of payment, gave short-term loans, took in deposits, and provided remittance facilities and foreign exchange.

24.3 THE CENTRAL BANK

The call for a central bank grew after Union in 1910 when it became increasingly obvious that a modern unitary state needed an institution of this nature. The USA set an important example when its Federal Reserve System was instituted in 1913. It was, however, World War I that made the creation of a central bank inevitable in South Africa. The supposedly self-regulating gold standard was suspended during the war and eventually abandoned. Thus there was a need for a specialist institution to be responsible for the management of the country's currency. War-time inflation and the considerable increase in the amount of money and bank credit focused attention on the fact that South African banking was dominated by just two banks – the Standard Bank and the National Bank. Consequently the movement for a central bank to control the commercial banks became stronger than ever.

In 1919 Britain officially suspended the gold standard and the sterling price of gold rose accordingly. South Africa's choice was either to continue to link the South African pound to the British one, and thus submit to the wartime rise in prices, or initiate its own policy of deflation. The exchange question therefore became linked to the central bank issue because it was thought that a specialist institution was required to control the exchange rate.

Because South Africa had few financial experts, the government invited an outsider, Henry Strakosch (1871–1945),[103] to come to South Africa to advise it on currency matters and the creation of a central bank. Strakosch, who was British, was the London manager of the South African mining house Union Corporation and had previously been employed by the Anglo-Austrian Bank as a currency specialist and agent for the sale of South African gold in London. The government carefully managed the parliamentary select committee set up to enquire into the problem and witnesses in favour of a central bank were given generous hearings.

There were very few central banks in 1920. Apart from the Bank of England, the only two real models Strakosch had to follow were the United States Federal Reserve System and the Bank of Java which was the circulation and commercial bank of the Dutch East Indies. Eventually the Strakosch proposals for the establishment of a central bank were adopted almost in their entirety and were tabled in parliament in July 1920. Strakosch's plan, however, evoked much opposition, particularly from the big banks who would be subordinate to the proposed central bank. On the other hand, the gold-mining industry and farmers were against the big banks' domination of local banking and were therefore in favour of a central bank. Finally, on the 10 August 1920, the Currency and Banking Act was passed and the South African Reserve Bank (SARB) came into being. It was the first central bank in the British empire outside the United Kingdom and only the fourth central bank established outside Europe – the others being the USA, Japan and Java. It opened for business on the 30 June 1921.

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103. Strakosch was born in Austria but became a British citizen in 1907. He was knighted in 1921 after the publication of his report on South African finance.

In the same way as the British Bank Charter Act of 1844, the South African Currency and Banking Act was more concerned with currency matters and the monetary reserves of the country than with the functions of a central bank. The SARB's constitution represented a compromise between the demands for complete laissez-faire on the one hand and complete state control on the other. The bank's main features were as follows:

(1) It was to be a company with privately-owned shares – not government-owned shares.
(2) Half the directors plus one were to be nominated by the shareholders, and the rest (including notably the Governor and the Deputy Governor) by the Governor-General.
(3) The activities of the bank were to be confined by law to a few types of short-term banking affairs.
(4) The bank was to have the sole right to issue banknotes, except for existing issues by commercial banks which were to be gradually withdrawn.

For the first 10 years the SARB did little to really influence the South African banking system and its control of the credit market grew slowly because the commercial banks were far more experienced than the SARB in these matters. They therefore seldom needed its services as lender of last resort because they had access to reserves from their head offices overseas. The SARB began to issue in April 1922 and within six months the volume issued had risen to over £8 million; and by the end of the year it had in practice replaced the commercial banks as the country's bank of issue.

The major problem facing the government in the early 1920s was the return to the gold standard. The issue was whether to tie the South African pound to sterling or make the break and tie it to gold. In Europe hyperinflation was rampant and the value of the British pound was fluctuating widely. Thus in 1924, the new Nationalist government, wishing to adopt a non-British approach, invited a central banking expert, Prof E.W. Kemmerer (1875–1945) of Princeton University in the United States of America, and the governor of De Nederlandsche Bank NV (1912–1931), Dr G. Vissering (1865–1937), to South Africa to give advice on streamlining the SARB and restoring the gold standard. As it turned out, Britain returned to the gold standard at the pre-war parity before South Africa could follow the advice of the Kemmerer-Vissering Commission and break the link with sterling. As a result there was no change in the relationship with sterling.

On the central bank front, Kemmerer and Vissering recommended the formation of a money market for which treasury bills were to be issued regularly in large sums. The use of trade-bills was to be encouraged in the business world instead of the customary bank overdraft. Although the recommendations were accepted, it was only 25 years later that South Africa was ready for a fully operational money market. Until then, the government only occasionally issued treasury bills for modest amounts and its half-hearted attempts to encourage trade bills had little effect. Until 1949 the commercial banks and mining houses invested their temporary surplus money on the London money market.

In other respects, however, the SARB did make advances.

(1) From 1925 it bought most of the gold from the mines and shipped it to London where it was sold. By the outbreak of World War II the gold mines were legally obliged to sell their gold to the SARB.
(2) In 1927 the government transferred its accounts from the Standard Bank and Barclays Bank to the SARB which had by then opened an adequate number of branches. Thus the SARB became the government's only cashier and banker. Until 1939 the SARB only gave the Treasury limited and short-term credit in keeping with the principle that the central bank should not finance the government's expenses permanently.
(3) On Kemmerer and Vissering's advice, the powers of the SARB were extended by the Currency and Banking (Further Amendment) Act of 1930.

Up to the Great Depression the SARB followed an absolutely orthodox policy. Britain went off the gold standard on the 18 September 1931, some 15 months before South Africa did on the 29 December 1932. During this period, both the first governor of the SARB, L.W.H. Clegg (1921–1931), and his successor, J. Postmus (1932–1945), were in favour of maintaining the gold standard. The SARB raised its interest rate to counter the outflow of capital. But by doing so, it aggravated the country's depression. Both the government and the SARB were obsessed by the orthodox theory of the gold standard which gave the highest priority to stable rates of exchange. Many economic historians feel that the SARB gave little guidance during this critical period and that it was wrong to support the government's decision to stay on the gold standard after September 1931. Eventually, economic imperatives forced the government's hand and South Africa, the world's largest gold producer, abandoned the gold standard in December 1932. Overnight a highly illiquid situation was transformed into a liquid one, confidence returned, the economy embarked on a long period of growth and there was no need for the SARB to actively interfere with the exchange rate. Although the surplus on the balance of payments increased domestic liquidity, the government decreased it by the redemption of foreign debts.

World War II further increased the balance of payments surplus and high domestic liquidity continued. However, the SARB, wisely left the government to combat the dangers of wartime inflation. This was done by price control, rationing, allocating resources and generally regulating the economy. The government diminished the general liquidity by repatriating issued bonds, thus redeeming the public debt abroad.

Because SARB's charter was due to expire in 1945, the South African Reserve Bank Act was passed in 1944. The principle of private ownership was maintained and its monopoly of note issues was extended indefinitely. The restriction on where the SARB could invest its funds was lifted and it was given much greater freedom as to how it could employ its resources. The act prescribed what the Reserve Bank could *not* do, rather than laying down what it could do. This act, in conjunction with the 1942 Banking Act, gave South Africa the framework to manage its currency and banking efficiently in the difficult post-war period.

Up to World War II, the effective power of the SARB was limited by the absence of a money market in South Africa where call money could be deposited and government bonds traded. This situation continued throughout the 1940s because the absence of a money market resulted mainly from the lack of demand for one, rather than from any lack of funds. Although a larger proportion of the country's gold reserves were kept locally after 1933, the commercial banks continued to deposit short-term funds on call in London. But the wartime restrictions on the convertibility of sterling remained in force after the war which continued to restrict this practice. The government set up the National Finance Corporation in 1949 to take in local call money that otherwise would have gone to London via the commercial banks. The corporation invested its funds in treasury bills and other short/medium-term government securities. Although in practice it became an instrument for channelling short-term funds into government bodies, this did not lead to a fully-fledged money market.

Until the mid-1950s the local demand for short-term loans was still too limited to support a local money market. The creation of a modern money market in South Africa, as suggested by Kemmerer and Vissering in 1925, really only dates from 1955 with the founding of Union Acceptances as the country's first merchant bank. At the time the new Orange Free State gold mines were coming into production and industrial expansion was creating the need for short-term loans. Merchant banks exist essentially for big business and their main function is the provision of acceptance credit facilities; but they also provide finance in a variety of forms. Initially Union Acceptances did its own discounting, but within two years it was found expedient to separate its accepting and discounting functions. In 1957 the Discount House of South Africa was established as an offshoot of Union Acceptances. A discount house mobilises idle money and funnels it into various short-term securities. These two kinds of specialist institution form the core of a money market which in turn is a segment of the overall capital market, a segment confining itself to dealings in short-term securities such as treasury bills and bankers' acceptances and serving as a go-between for short-term lenders and borrowers.

24.4 BUILDING SOCIETIES

Building societies came to South Africa during the nineteenth century from Britain and initially flourished in towns with a largely English-speaking population. The very first building society was founded in England by Richard Ketley, an innkeeper, in the 1770s. The building society movement developed in response to the rapid increase in Britain's urban population as a result of the Industrial Revolution. In order to be able to own their own houses, thrifty people pooled their savings and used the combined amount to build houses in turn for each of the members of the "building society". In time the building societies left the actual building operation to professionals, but retained the old name. There were two main kinds of building society: a *terminating* building society which disbanded when all its members had acquired their houses, and, from the 1850s, *permanent* building societies that continued to accept savings and to provide money for houses under mortgage on an ongoing basis.

British immigrants brought the concept of building societies to South Africa in the middle of the nineteenth century. The first one was founded in Durban in 1858, and between 1862 and 1864 others were founded in Port Elizabeth, Grahamstown, King William's Town and Queenstown. The mining revolution extended the movement to the interior – to Kimberley in 1883 and Johannesburg in 1888, only two years after the town was founded.

Initially most of the South African building societies were of the terminating variety, but in time permanent societies were established. Until the turn of the century they obtained their funds through subscription shares. Later, funds from savings deposits, fixed deposits and permanent paid-up shares became an important part of their business. The major difference between South African and British building societies is that in Britain only shareholders or members could obtain loans, whereas in South Africa non-members could also apply for loans.

From the outset South African building societies provided housing loans – mainly to whites. In time they began to act as savings banks and a network of branches were established in most towns. They obtained short-term capital by accepting savings deposits, term deposits and shares and in turn lent money out in long-term mortgages on fixed property. From early on they were granted tax concessions by the government because they served a useful social purpose by promoting the building and ownership of houses.

During the 1920s the movement grew rapidly and 16 new societies were founded. Total assets rose from £5 million to £24 million and the value of loans climbed from £4,5 to £21 million. The building societies increasingly became regarded as savings banks and this curtailed the number of genuine savings banks in South Africa. In time more and more business went to non-members and the building societies became, in effect, open banking institutions.

The early building societies were sufficiently sound not to be restricted by legislation. No comprehensive legislation concerning building societies was passed until the Building Societies Act in 1934. Although several of the smaller building societies found themselves in difficulties during the Great Depression, only the Goldfields Building Society went bankrupt, in 1933. The Depression crisis, however, made the government more aware of building societies and the first act regulating building societies was passed in 1934. By then there were 45 building societies in the country.

The Building Societies Act of 1934 made important provisions for the safeguarding of depositors and shareholders. The societies had to hold liquid assets in the form of cash, deposits with local authorities and the government and other approved securities. In this way the act restricted building society investments. Societies were, in addition, prevented from providing cheque facilities, which meant that they could not compete with the commercial banks. Despite these restrictions, the building society movement grew rapidly from the 1930s. Between 1936 and 1959 their deposits increased from £34,3 million to £531,9 million while total mortgage loans went up from £27,4 million to £448,7 million. During this period the building societies increased their importance in the national economy at a much faster rate than did the commercial banks. Their deposits and share capital, expressed as a proportion of the deposits at the commercial banks, rose from 35,9% to 92,7%.

24.5 LIFE INSURANCE COMPANIES

In the same way that building societies became steadily more important in the South African financial sector during the twentieth century, so too did the life insurance companies. This has been a result of the rise in per capita incomes and the development of occupational pensions. Many of the largest companies, Old Mutual, Sanlam and Southern, were locally based mutual companies which could compete with the South African branches of British companies. Initially the insurance companies were primarily concerned with providing for death rather than for providing a means of contractual savings. But in the post-World War II period there was a noticeable increase in the provision of occupational pensions.

In 1910 the commercial banks dominated South Africa's financial sector. By 1917 the insurance companies' assets amounted to 42,7% of those of the commercial banks. By 1933 the number of insurance companies had risen from 70 to 90 and the asset ratio to the country's banks had climbed to 75%. The insurance companies did not benefit quite as much as the building societies from the long period of economic growth after 1933. But their assets grew from £56,2 million to £365,4 million by 1957, a figure almost the same as the mortgage lending of the building societies and not far behind the combined discounts, advances and investments of the commercial banks.

The South African life insurance industry was dominated by local enterprise, as were the building societies. Old Mutual, founded as early as 1845, led the way. The number of insurers reached a peak of 192 in 1945 and again in 1957. Many of the new, mainly local, companies formed in 1945 did not survive for more than a few months. In 1957 many overseas companies moved into the South African market, but they were mainly short-term insurers and re-insurers. Although there were an equal number of local and foreign insurers in 1957, South African companies dominated life insurance. In 1961, 34 out the 45 life insurers were local companies. In this way the scene was being set for the massive boom in the life insurance industry of the post-1960 era when annuities and endowments became the principal means of savings in South Africa.

24.6 LEGISLATION ON FINANCIAL INSTITUTIONS

For some time after Union in 1910, the banking laws of the four colonies remained in force. It was only in 1917 that a Banks Act was promulgated to provide uniform legislation. But it did little to substantially change existing banking structure or practice. It did, however, require the commercial banks to submit uniform quarterly statements to the treasury.

The Currency and Banking Act of 1920, apart from establishing the South African Reserve Bank, deprived the commercial banks of the right to issue banknotes and compelled them to retain, interest free, a deposit of 13% of their demand deposits and 3% of their term deposits at the SARB. Notwithstanding these innovations, the 1920 act was essentially ad hoc legislation.

It was not until the Banking Act of 1942 that comprehensive legislation was instituted aimed at putting banking on a firm and theoretically correct basis. According to the Minister of Finance, the object of the act was to protect depositor interests. The act divided banking institutions into four categories:

(1) commercial banks (i.e., a body whose main business is to accept deposits withdrawable by cheque)
(2) people’s banks (i.e., an association that promotes thrift amongst its members and makes small loans to them)
(3) loan banks (i.e., a body that accepts deposits and makes small loans)
(4) deposit-receiving institutions (i.e., a body that accepts deposits but does not fall under any of the above, e.g. savings banks, hire-purchase banks and trust companies)

Of these four categories only the commercial banks were of any national importance.

The 1942 Banking Act also created a new government office, the Registrar of Banks, to keep an eye on and control the banking sector from August 1942. No banking business could be undertaken without the permission of the registrar. As far as reserves were concerned, the provisions of the 1920 act were maintained. In addition, the commercial banks were required to invest 30% of their assets in liquid form. According to the act, liquid assets included government stock; stock of the Rand Water Board, Escom or municipalities; treasury bills; bills of exchange; credit balances with the SARB, other commercial banks and building societies; SARB bank notes; and gold. Commercial banks also had to submit monthly balance sheets to the treasury while the other categories of bank had to submit quarterly ones. These other categories of bank had to maintain liquid assets as well, but on a sliding scale geared to the period of their deposits. The act further stipulated that no bank could take over or amalgamate with another bank without government permission. The act remained in force until "new and improved" methods were introduced by the Banks Act of 1965.

Implicit in the assumptions behind the 1942 Act was the belief that demand deposits formed the main component of the nation's monetary supply and that the commercial banks' ability to create money could have profound effects upon the economy, by restricting or expanding consumption or investment. Fixed deposits were not considered money and other classes of banks were not considered as money-creators. It was argued that they could not influence patters of consumption and demand. The liquid asset requirements imposed upon them were merely to protect depositors.[104]

24.7 SOUTH AFRICAN CURRENCY

London was of paramount financial importance to South Africa until 1948 when the Nationalist government made a conscious effort to break these historic links.

(1) London was traditionally South Africa's principal money and capital market.
(2) South African coins were struck in London until 1923 when a branch of the Royal Mint was opened in Pretoria.
(3) South Africa had no separate foreign exchange rate listing because it was the same as that for sterling quoted in London.
(4) The South African pound was linked to sterling except for the 15 months South Africa remained on the gold standard after Britain abandoned it in 1931.

Until World War I, South Africa's currency was firmly linked to sterling and had the same parity to gold. As in all gold standard countries, gold coins were in circulation, gold could be freely bought and sold, and bank notes could be converted into gold on demand. Although the export of gold from the country was embargoed at the beginning of World War I, the gold standard remained in operation otherwise and gold coins continued to circulate.

After the war, however, financial dislocations caused an extensive outflow of gold despite the embargo; gold began to be hoarded within the country as well. In an attempt to withdraw gold from circulation, the treasury issued "Gold Certificates" in exchange for gold deposited with it by the banks. They were issued between 1920 and 1925, the year when South Africa returned to the full gold standard. South Africa remained on the restored gold standard until December 1932. Until then, sterling coins were minted in Pretoria. In 1924–1925 existing gold coins were taken in by the mint and the usable British coins were cleaned and reissued, while the inferior coins and Kruger coins were melted down and restruck. The abandonment of the gold standard in 1932 meant that all gold coins were withdrawn from circulation and bank notes were no longer convertible into gold.

At the outbreak of World War II the government immediately instituted currency control. This control was put under the auspices of SARB. In addition, the gold

104.S. Jones & A. Müller, *The South African economy, 1910–1990*, London, 1992, p. 201.

mines were obliged to sell their gold at a fixed price of 150s per fine ounce to the SARB. At the same time the South African pound was pegged to sterling. War-time inflation saw the domestic real value of many currencies fall in relation to gold. Therefore in September 1949, South Africa followed Britain's lead in de-valuing its currency by about 30%, having learnt its lesson the hard way in 1932.

Decimalisation was advocated a number of times from 1913 onwards. The Deci-mal Coinage Act was eventually passed in 1959 and the Rand was adopted as the new monetary unit on the basis of £1 = R2. The country changed to the new system on 14 February 1961. The quid, ten bob notes, crowns, half crowns, shil-lings, tickeys, pennies, ha'pennies and farthings all became something of the past. Gone were the idiosyncratic days of 12 pennies to the shilling and 20 shil-lings to pound – not to mention 21 shillings to the more snobbish guinea.

LEARNING UNIT 25

Transport

TOPICS

KEY ISSUES

- Railway development 1910–1960.
- Economic impact of the railways.
- Intensification of the South African transport network 1910–1960.
- Railway policy.
- The role of government policy in the development of the transport network after 1910.

LINKED ISSUES

- Stumbling blocks that hampered railway development before 1910.
- Railway development before 1910.
- Economic, social and political impact of the railways.
- The role the railways played in developing the South African economy.
- The development of transport.
- Economic, social and political consequences of the mining revolution.
- Nature and extent of trade in southern Africa.
- Government policy.
- South Africa advanced politically by disasters and economically by windfalls.
- Customs tariff policy.
- Segregation.

25.1 INTRODUCTION

An efficient transport system is essential to the development of a modern economy. Without one, there would be no incentive to produce more of anything than could be consumed at the place of production. The Union of South Africa was fortunate in that the main features of its transport network were already in place when the four self-governing colonies came together in 1910. Both roads and railways reached inland from the ports which were connected one with another by coastal shipping. Between 1910 and 1960 the South African transport network was intensified rather than expanded to any great degree.

25.2 THE RAILWAYS

With Union in 1910, the three colonial railways – the Cape Government Railways, the Natal Government Railways and the Central South African Railways – were united to form the South African Railways and Harbours (SAR & H) which was given control of both the country's railways and harbours. The move brought to an end decades of unnecessary competition and squabbling and the scene was set for the railways to be run on economic rather than political principles.

The SAR & H's operations underwent the following structural changes between 1910 and 1960:

(1) By 1930 most of the mainline network had been completed and supplemented by branch lines and junctions. From 1930 onwards the network was intensified rather than expanded with the doubling of railway tracks and electrification.
(2) The growing popularity of the motor car from the 1920s, especially after World War II, saw goods transport expand far more than passenger transport.
(3) Up and down goods traffic became better balanced from the 1920s onwards with the increased export of goods from South African harbours. Until then goods trains had returned from the interior almost empty.
(4) Railway tariff policy was marked by an increasing number of special rates to favour certain sectors of the economy as the "charge-what-the-traffic-can-bear" principle was applied.
(5) The SAR & H extended its activities to include many areas beyond its initial sphere of interest. These included:

    - the extension and improvement of harbour facilities
    - the maintenance of roads
    - the erection and operation of grain elevators
    - the operating of ocean-going cargo boats
    - providing an air service

(6) From 1924 onwards a deliberate attempt was made to employ more whites to help combat the country's "poor-white problem".

MAP 25.1

South African railway network in 1918

Source: M. Cole, *South Africa*, London, 1961, p. 491.

25.2.1 The railway network

Although railways worldwide played a leading role in economic development during the nineteenth century, railways during the twentieth century have been followers rather than leaders in economic development. The reason for this is that most railway networks had already been completed by the turn of the century so that the move from then on was towards intensification.

This pattern was true of the South African situation too. By the outbreak of the Anglo-Boer War in 1899 most of the main lines had been laid. Subsequently only a handful of main lines were built; they included the Kimberley-Bloemfontein line and the Pietersburg-Nelspruit line.[105] Before the turn of the century main lines were used for agricultural transport only in the Cape. Elsewhere, the main lines merely linked the ports to the inland mining centres without regard to serving inland agriculture. After the Anglo-Boer War, however, lines were built to link agricultural regions to the main line network. This phase

105. Pietersburg has been renamed Polokwane.

lasted until about 1930. The major agricultural lines constructed during this period were:

Cape:	lines to the wheat regions (1902) and Bitterfontein (1927); and to the irrigation regions in the little Karoo (1924) and the Langkloof (1907)
Natal:	lines to the coastal sugar-belt (Eshowe 1917) and wattle-bark and mixed-farming regions in the vicinity of Matatiele (1924)
Orange Free State:	lines to Kimberley (1905) and the wheat region on the Caledon (Zastron 1916); a line from Harrismith to Kroonstad to connect the main line from Natal with the line from the Cape to the Transvaal (Bethlehem 1905)
Transvaal:	a line from the Rand (Heidelberg) to the Eastern Transvaal Highveld area of maize and sheep (Ermelo 1907, Piet Retief 1911); a line from Pretoria via Rustenburg to Zeerust (1907) through the maize and citrus region and to the Springbok Flats

In the early 1920s activity was concentrated on the maize belt and branches were built to areas of intensive irrigation farming around Brits, Zebediela, White River, Douglas, Kakamas and Ladismith. In the late 1920s and early 1930s mineral lines were laid to permit the exploitation of the chrome ore of the Steelpoort area, the iron ore of Thabazimbi, the manganese ore of Postmasburg and Lohathla and the limestone of Marble Hall. In each case, however, the mining companies concerned guaranteed against losses. After World War II, the only new lines built were to Odendaalsrus in the Free State goldfields, to a new mine in the southern part of the Witbank coalfield, and to the Grootvlei colliery which supplied the Klip River power station. Between 1930 and 1960 the South African railway network only expanded from 20 000 km to 21 600 km.

From the 1930s onwards, the expansion of the railway system was more *intensive* than *extensive*. Although the railway network was only slightly extended, it was used far more intensively and the railway service was improved and made more efficient. Following the initial phase of "capital widening", came "capital deepening". This phase entailed the following technical improvements:

(1) The doubling of railway tracks.
(2) The reinforcement of rails, and regrading to lessen steep gradients.
(3) The introduction of trucks for special transport purposes. For example, refrigerator trucks for fruit, meat, fish and milk; petroleum trucks; and automatic-release trucks for coal and ores.
(4) Electrification. Because coal was so cheap in South Africa, for many years little thought was given to anything other than steam power for the railways. Because the western Cape was the furthest from the coalfields, electrification

began on the line from Cape Town to Simon's Town in 1928. The high capital investment required retarded the process and electrification really only took off after 1960. Lines electrified by the 1950s were Cape Town to Touws River; Durban to the Free State and Transvaal boundaries; and in and around the Witwatersrand.

The capacity of the railway network increased considerably as a result of a number of different technical improvements and the trains became longer, heavier and faster. The following table gives some idea of the improvement in efficiency.

TABLE 25.1

Average annual increase in km opened and traffic density

Period	**Km open**	**Traffic density** (*train km per open km*)
1910–1919	3,32%	0,71%
1920–1929	1,28%	2,60%
1930–1939	-0,54%	1,90%
1939–1948	0,49%	2,64%

Source: J.C. du Plessis, *Die Suid-Afrikaanse Spoorweë gedurende voorspoed en depressie, 1910–1950*, Stellenbosch, 1952, p. 37.

As the South African economy expanded, the volume of goods transported by the SAR & H increased rapidly. The SAR & H had great difficulty in keeping up with the demand for rail transport during the second half of the 1930s which also happened during World War II when the country's motor transport virtually came to a standstill because of the scarcity of spare parts and petrol.

Before 1910 the volume of South African exports was small because they consisted mainly of gold, diamonds and wool. Therefore the goods traffic was mainly from the ports to the interior, and trucks usually returned half-empty to the coast. After 1910 the export of bulky mass goods such as wool, coal, maize and other agricultural products increased considerably and the import of bulky goods such as iron and steel decreased. As a result the up and down goods traffic became more balanced.

25.2.2 Diversification

During the 50 years between 1910 and 1960 the SAR & H extended its activities beyond merely operating the country's railways and harbours. All their activities, however, were transport related.

(1) Grain elevators: From 1924 the SAR & H built and operated grain elevators in the country's agricultural regions. In most other countries grain elevators are run by farmers' cooperatives and specialist grain dealers. Soon a network of SAR & H grain elevators dotted the countryside near the railway lines. The advantage was that a single organisation graded, stored, transported and shipped the country's grain at favourable rates.

(2) Shipping: The SAR & H acquired a cargo boat fleet out of necessity. From early on it imported many of the wooden sleepers for its railway lines from Australia. But there was always a shortage of shipping between South Africa and Australasia, especially during World War I. In 1919, therefore, the SAR & H bought from the government three prize ships captured during the war. These ships were used to ship coal from Durban and the then Lourenço Marques to Asia from where they sailed in ballast to Western Australia where they were loaded with sleepers. When trade picked up after the Great Depression, cargoes and routes were increased. During World War II when free shipping space was severely limited, more prize ships were acquired by the SAR & H and its fleet was increased to 20. After the war, when world shipping returned to normal, the SAR & H began to cut back on its fleet and the "Sar-ship" era eventually came to an end in 1955.

(3) **Air transport:** Air transport in South Africa got off to a slow start despite the long distances between places of importance in the country. As early as 1911 an air mail flight took place between Muizenberg and Kenilworth. But it was merely symbolic and nothing permanent came of it. Pierre van Ryneveld and Quentin Brand completed the first flight from Britain to South Africa in 1920. But it took them six weeks and this meant the air mail letter from the British prime minister to the South African one took a lot longer to be delivered than if it had gone on a Union Castle mailship. The Aviation Act was passed in 1923 to regulate flying in South Africa and the first official air mail service was launched in 1925 between Cape Town and Durban.

Civil aviation got under way on a permanent basis in 1929 with the establishment of Union Airways by Major A.M. Miller which provided a mail and passenger service between Cape Town and Johannesburg via Port Elizabeth. Soon six passenger Junkers and Fokkers replaced the original single passenger Gypsy Moths. Despite a tremendous demand for their services, a lack of capital handicapped the company which was suffering the effects of the Great Depression. Eventually Union Airways was taken over by the SAR & H in 1934 to form South African Airways (SAA) after a 1931 parliamentary sanction to handle air transport had been granted. Meanwhile, Imperial Airways in Britain had introduced a scheduled service between London and Cape Town in 1932, but the 11-day journey took almost as long as one by mailship. By 1934, some 3 000 passengers had been transported by air in South Africa. But although the age of air travel had dawned, it had as yet had limited economic impact.

Air travel received an enormous technological boost during World War II and planes became safer, larger and capable of flying longer distances without stopping. After the war, when civilian flying had returned to normal, SAA and BOAC (successor to Imperial Airways) jointly inaugurated the first London to Johannesburg service on 10 November 1945, via Kenya, Sudan, Egypt and Malta. In 1950 SAA introduced the Constellation, the first pressurised-cabin plane to fly the route to Europe. Airport facilities were vastly improved in 1953 when Jan Smuts Airport[106] was opened in Kempton Park. Between 1948 and 1960 the number of passengers carried in South Africa increased from 124 000 to 366 437 and air freight carried leapt from 423 000 ton miles to 6,8 million. By 1957, the airways were carrying almost 20% of the passengers transported by the railways.

(4) Road transport: Motor transport became increasingly popular from the 1920s onwards but the growth and adaptability of the road hauliers posed a serious problem for the SAR & H which had massive investment in its plant and equipment. In 1930 parliament therefore passed the controversial Motor Carrier Transportation Act which considerably limited private road transport competition for the railways. Companies delivering their own products, however, were not restricted by the act – only road hauliers who delivered goods for someone else. A second defensive measure was for the SAR & H to establish its own road transport division and to offer additional services with rail transport, by for example, delivering and collecting goods to and from private addresses.

25.2.3 Tariff policy

The coastal colonial governments had derived a lot of revenue from their railways before they came together to form the Union of South Africa in 1910. In accordance with the principle of "charging what the traffic can bear", rates were as high as possible. As a result, the cost of especially imported articles was much higher inland than at the coast. But with Union in 1910, combined with the shift of the country's economic centre away from the ports to the Witwatersrand, the era of high railway tariffs to boost treasury income finally came to an end. Section 127 of the South Africa Act of 1909 stipulated that:

> *the railways, port and harbours of the Union of South Africa shall be administered on business principles, due regard being had to agricultural and industrial development within the Union and promotion, by means of cheap transport, of the settlement of an agricultural and industrial population in the inland portions of all provinces of the Union.*

Cheap transport was furthermore ensured by the following clause:

106. Now O.R. Tambo.

> *So far as may be, the total earnings shall be not more than are sufficient to meet the necessary outlays for working, maintenance, betterment, depreciation and the payment of interest due on capital.*

In other words, the following two principles were laid down for the SAR & H by law:

(1) The SAR & H was to contribute to the economic development of the country by offering cheap transport.
(2) The SAR & H would be run on sound business principles to cover operating costs rather than to strive for a profit.

The SAR & H made the following tariff concessions:

(1) From time to time, when working surpluses allowed, the SAR & H announced a general lowering of rates. This happened in the following periods: 1910–1913, 1921–1924 and 1934–1939.
(2) Distribution rates were introduced shortly before 1910 and were subsequently extended. They enabled inland distribution centres to compete with the ports. As a result, Bloemfontein could transport goods from Johannesburg and Port Elizabeth equally cheaply. The system was initially intended to make imported goods cheaper but, as local industries expanded, they too took advantage of it.
(3) Between 1920 and 1929 low rates were applied to agricultural products and requirements and certain bulk raw materials, particularly coal. In times of drought, for example, livestock were transported to better grazing areas at low rates. After 1933 low rates were also applied to locally made iron and steel.
(4) During the 1920s low rates were introduced to promote the developing export of maize and fruit. As a result of the effect of the Great Depression on the country's wool farmers, the rate on wool was lowered from 1930 to boost wool exports.
(5) Nearest-port tariffs were introduced to enable specific local industries to compete with imported goods. For example, certain products manufactured on the Rand were transported to Bloemfontein at rates equal to or lower than the cost from Port Elizabeth, Bloemfontein's nearest port.

The SAR & H's tariff policy saw the consistent application of the principle of "what the traffic can bear" combined with special rates to benefit certain local goods. As a result the bulk transport of low-tariff goods contributed relatively little to railway revenue, while high-tariff goods, which made up a small proportion of the goods transported, provided most of the revenue total. In many cases low-tariff goods were carried for less than cost and therefore resulted in a loss to the SAR & H.

Some of the SAR & H's more discriminatory rates were:

(1) Sea-competitive tariffs which were to enable the railways to compete with coastal shipping. These rates only applied between two places sufficiently close to the coast for the alternative use of sea transport to be viable. For example, a sea-competitive tariff between Worcester and Pietermaritzburg was equal to the cost of rail transport from Worcester to Cape Town plus the cost of shipping from Cape Town to Durban, plus rail transport from Durban to Pietermaritzburg. In many cases these tariffs did not cover the cost of railing the goods concerned directly to their destination.
(2) In some cases the maximum rate was charged for the transport of bulky goods (such as maize, lucerne and coal) up to a certain distance – beyond which transport was free. Hence the rate to remote places in the northern Cape and South West Africa was very favourable.
(3) Branch-line rates were lower than main-line rates and were mainly applied, preferentially, to South African products.

The SAR & H’s tariff policy was repeatedly investigated and criticised by many people. The following were some of the main points of contention:

(1) High rates on imported items to compensate for losses made on the transport of low-tariff goods meant an increase in the inland cost of living and the production costs of the mines and surrounding factories. Thus agriculture and coal mining benefited at the expense of local industries, gold mining and diamond mining. On the other hand, all South African producers benefited from the low rates on coal transport; while the high rates on imported goods protected inland producers from foreign competition.
(2) Many local manufacturers moved closer to their biggest market because the rail transport tariff on manufactured articles was much higher than that on raw materials. As a result, the SAR & H’s tariff policy encouraged the concentration of factories near the larger South African towns. Subsequently the government tried to decentralise the country’s manufacturing industry. Railway rates, however, were only one of many factors that have influenced where a factory would be situated, so their influence should not be exaggerated.

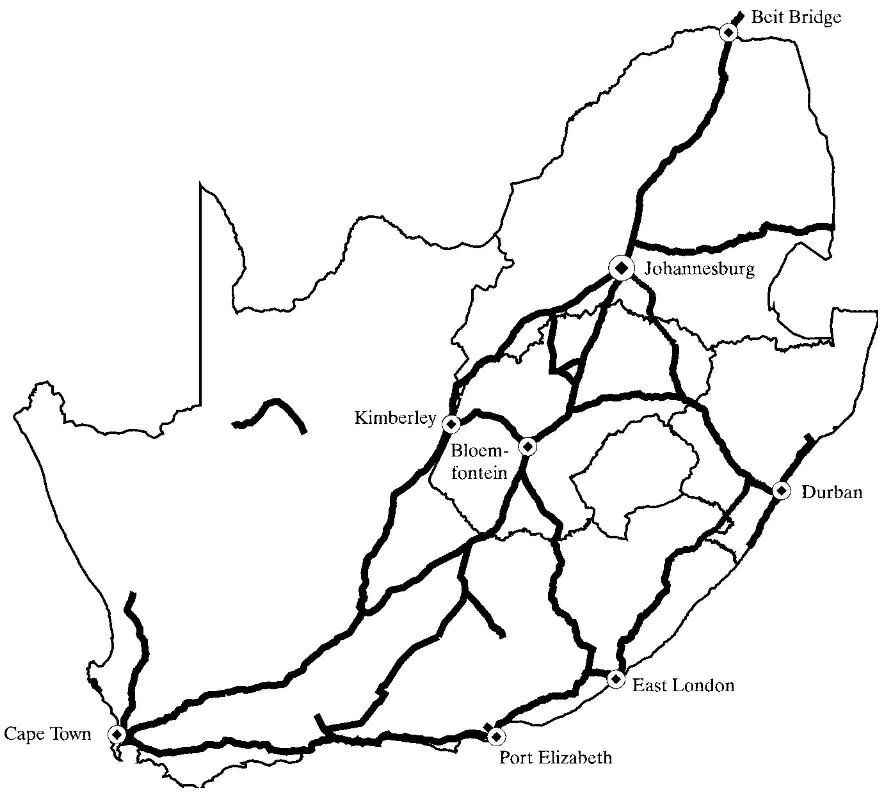
In 1950 a Committee of Inquiry into Railway Rating Policy in South Africa was appointed. One of its briefs was to see if railway rates had in fact promoted the centralisation of the country’s secondary industry. The committee’s recommendations led to the 1954 abolition of the distribution tariffs, nearest-port tariffs, sea-competitive tariffs, maximum tariffs for bulky goods and preferential tariffs for processed agricultural and mining products. The emphasis on charging "what the traffic could bear" instead of following the cost-of-service principle was, however, retained. The result was that railway tariffs continued to have a centralising effect on the location of factories in the country.

25.2.4 Personnel policy

Railways are labour intensive and as a result the SAR & H was the single biggest employer in South Africa after the government. As a result it was used by the Nationalist-Labour pact government from 1924 to help solve the "poor-white problem". The SAR & H adopted the government's "civilised labour policy" and the number of white employees grew at the expense of blacks. In 1920 whites made up 49% of the labour force and by 1933 the proportion had risen to 65%. From the 1930s the SAR & H also created extensive health and welfare services for their staff. The policy of employing poor-whites was continued after the Great Depression and by 1959 white employment still exceeded that of blacks. However, the number of blacks employed did rise from 27 988 to 111 777 between 1933 and 1959, while the number of whites rose from 49 665 to 113 684.

MAP 25.2

South Africa's national roads in 1960



Source: N. Hurwitz & O. Williams, *The economic framework of South Africa*, Pietermaritzburg, 1962, p. 47.

25.3 ROAD TRANSPORT

Motor vehicles became increasingly popular in South Africa from the 1920s onwards and two American-owned motor assembly plants were established in Port Elizabeth in 1924 and 1926. The number of cars licensed in South Africa jumped from 38 815 in 1923 to 153 503 in 1933 and to 938 000 by 1961. The number of commercial vehicles increased from 1 989 in 1923 to 18 859 in 1933 and to 219 000 by 1961.

South Africa's road network increased from 73 683 miles in 1933 to 114 547 by 1961. Although the National Roads Act of 1935 proclaimed five national roads, these were not to be new roads; they followed existing routes but were planned to bypass towns. By 1945 less than half of the national roads had been tarred. In 1960 there were still no plans to build a network of motorways across the country. But the mileage of tarred national roads did increase from 136 in 1938 to 4 489 in 1959, of which 57% were built after 1948 when the National Transport Commission replaced the National Roads Board of 1935.

25.4 AIR TRANSPORT

Air transport is covered in section 25.2.2 paragraph (3).

25.5 SHIPPING

25.5.1 Ocean shipping

South African participation in ocean shipping was negligible before 1960 except for the SAR & H's small fleet operating between 1919 and 1955. British shipowners dominated ocean shipping to South Africa and the Union Castle line towered above all the others. There was a fast, reliable and regular service between South Africa and Europe. In the post-World War II period South African private enterprise led to the formation of the country's first locally owned shipping company. With government help, given through the Industrial Development Corporation (IDC), it eventually grew into South Africa's national shipping line, Safmarine. By 1960, however, it had scarcely got going. Until 1933 Durban was the only modern port in South Africa but by the outbreak of World War II, Cape Town had had the Duncan Dock added to the Victoria Basin and both Port Elizabeth and East London had deep-sea docks which made the use of lighters unnecessary.

25.5.2 Coastal shipping

South Africa's coastal shipping trade flourished in the nineteenth century but steadily retrogressed after the turn of the century as the increased size of ships made the smaller South African harbours like Port Beaufort, Mossel Bay, Port St Johns and Port Alfred inaccessible. But the major reason was competition from the railways which connected all the major ports to the major centres of the interior.

In addition, the tariff policies of the railways and the shipping lines contributed to the retrogression of coastal shipping. To protect themselves from competitive coastal shipping rates, the railways introduced "sea-competitive rates" in the Cape as early as 1908 and in Natal in 1911. The overseas shipping lines regarded coastal shipping as subsidiary and therefore worked on the principle that the freight rate need only offset the additional cost of sea transport between South African harbours. As a result their rates for coastal shipping were so low that specialised coasting vessels could not compete.

Only on the west coast, between Cape Town and Walvis Bay, did coastal shipping expand after 1900. It managed to hold its own because the harbours there were small and unattractive to the overseas lines. In addition there was little or no overland transport in the region. Thesens dominated the west coast trade.

TABLE 25.2

Growth figures of the South African Railways and Harbours (including the airways)

	1910	**1920**	**1930**	**1940**	**1945**	**1950**	**1959**
Miles covered (*million*)	7,0	9,6	12,9	13,3	13,3	13,3	13,4
Number of locomotives	1 405	1 646	2 193	2 382	2 355	2 700	3 075
Total draught power of locomotives (*million lbs*)	28,4	40,7	59,1	69,9	70,0	83,5	-
Number of passenger carriages	2 071	2 661	3 668	4 617	3 862	5 108	5 908
Number of goods trucks	22 576	28 769	37 546	52 066	59 307	74 628	101 800
Carrying capacity of goods trucks (*000 tons*)	391	567	863	1 244	1 483	2 130	3 102
Passenger traffic (*million trips*)	-	48,8	67,0	107,6	187,8	226,8	249,7
Goods traffic (*million tons*)	-	*19,6	27,0	38,5	47,7	57,9	79,0
Goods traffic (*million ton miles*)	-	-	6,6	9,3	11,8	15,8	22,0
Revenue (*£ million*)	**12,45	19,2	26,2	33,8	48,8	76,8	153,8

* 1921
** 1912

Source: G.S.J. Kuschke, "Materiële groei" in *Groei, referate gelewer op algemene vergadering SA Akademie 1965,* 1965, p. 40.

Between 1900 and 1914 the total tonnage of the country's coastal vessels varied between 4 000 and 5 000 gross register tons. During and following World War I the tonnage increased to 10 500 because the international shortage of ships meant that overseas shipping lines could no longer cope with the coastal trade. During the 1920s, as things returned to normal, coastal fleets began to decline, a trend accelerated by the Great Depression which saw freight rates plummet. In the late 1930s the coastal fleet slowly began to grow again as business improved. Smith's Coasters was the most profitable part of C.G. Smith's sugar business during this period. It carried mainly sugar between Durban and Cape Town with success despite the SAR & H's "sea-competitive" rail rates.

After World War II the coastal trade underwent a dramatic revival because of:

(1) the inability of overseas lines to meet local demand because of wartime losses
(2) the termination of the SAR & H's system of sea-competitive rates in 1954
(3) the overall rapid growth of the South African economy

LEARNING UNIT 26

Foreign trade

TOPICS

KEY ISSUES

- Development of foreign trade.
- Foreign trade policy.
- Customs tariff policy.
- British domination of foreign trade.

LINKED ISSUES

- Foreign trade before 1910.
- Economic, social and political impact of foreign trade.
- Role foreign trade played in developing the South African economy.
- Development of transport.
- Economic, social and political consequences of the mining revolution.
- The nature and extent of trade in southern Africa.
- Government policy.
- South Africa advanced politically by disasters and economically by windfalls.

26.1 INTRODUCTION

The growth of the South African economy between 1910 and 1960 is reflected in the growth of its international trade. But at no time during this period did the country experience export-led growth: exports were always the consequence of growth. South Africa was an open economy which meant it was largely dependent on foreign trade because imports and exports constituted a high proportion of its national product and income (see Table 26.1).

TABLE 26.1

Import and export of goods plus non-factor services as a percentage of gross domestic product

Year	Exports	Imports	Combined
1917	40,6%	29,6%	70,2%
1927	36,0%	30,7%	66,7%
1937	32,7%	30,7%	63,4%
1947	24,6%	38,0%	62,6%
1957	30,3%	30,9%	61,2%

Source: T.A. du Plessis, "The industrial growth pattern", unpublished PhD thesis, Unisa, 1965, p. 37.

The outstanding feature of South African foreign trade has been the dominance of primary products in the exports and manufactured goods in the imports. This is not exactly surprising because it is after all typical of a developing economy. The pattern did not change significantly between 1910 and the Great Depression. However, between the depression and 1960, South Africa's foreign trade changed both quantitatively and qualitatively. The volume of trade grew as a result of greater gold production, increased industrial production and the emergence of large-scale agricultural exports. At the same time South Africa became less closely tied to the British economy as the United States and Europe became more important suppliers of cheap manufactured goods and purchasers of South African raw materials. In 1910 Britain alone took 91% of South African exports and provided 59% of its imports. But by 1961 the British share of exports had dropped to 26,2% and her share of imports to 29,1%. Throughout this period, South Africa's economy remained heavily geared to the export of primary products and the importation of manufactured goods.

26.2 EXPORTS

South African exports remained heavily dependent on gold and other primary products from 1910–1960 despite considerable industrialisation from the late 1930s onwards. Gold exports, however, did decline in importance over the years. They made up 60,9% of exports in 1910, dropped to only 26,8% by 1950, but recovered to 40,5% by 1961.

In 1910 the combined exports of gold, diamonds and wool were almost 90% of total exports, dropping to 77% in 1946 and 54% by 1957. The decline in the importance of gold was reversed twice; first by the increase in the gold price in 1932 and again in 1949. During the Great Depression gold exports did have a stabilising effect, because the price of gold was pegged and did not plummet in the way the price of all other South African exports did. Non-gold exports exceeded gold exports for the first time in 1949; and by the early 1950s merchandise exports were three times greater than gold exports. Although gold exports trebled during the 1950s as the new West Rand mines came on stream, gold exports never again exceeded merchandise exports.

The importance of diamond exports was very erratic and their contribution ranged from 16,4% down to 1% of total exports. Yet before World War I diamond exports alone exceeded in value any agricultural exports. The market crashed during World War I, however, and diamonds never regained their importance. Their place was taken by wool exports. These rose in relative importance from 18,7% in 1910 to 39,4% in 1933 and became South Africa's biggest export commodity after gold until 1958 when wool exports were overtaken by both metal manufactures and uranium.

Between 1910 and 1960 the variety of South African exports broadened considerably. But the export of manufactures did not grow fast enough to lessen the country's dependence on the export of primary products. By 1962 minerals still accounted for 57,3% of all exports while agricultural products contributed 25,3%. However, it is the 17,4% contribution by manufactured exports which shows that structural changes were well under way – though still something of the future.

26.3 IMPORTS

At the time of Union in 1910 manufactured goods made up 75% of South Africa's imports. This is what is expected from a developing country. In time, however, there was a change in relative importance from consumer goods to producer goods. Industrialisation got under way from World War I onwards and manufacturers were able to supply an increasing proportion of the country's manufactured requirements (see Table 26.2).

Although there were wide fluctuations in the relative importance of imports to the economy, there was a general overall decline between 1910 and 1960. However, counterbalancing the trend to greater self-sufficiency in manufactures, there was a growth in the importation of producer goods for the manufacturing industry. As more and more raw materials were processed locally, manufacturers became more and more dependent on machinery imported from overseas. A sign of the increasing mechanisation of transport was the increase in the value of motor vehicle imports from £311 000 in 1910 to £3,02 million in 1933 and to £16,9 million by 1950. Cars were assembled rather than manufactured in South Africa until the introduction of the government's local content programme in the 1960s.

TABLE 26.2

Import content as a percentage of total needs

Year	GOLD MINES Capital goods	GOLD MINES Other goods	INDUSTRY Consumption of raw materials
1930	58,6	26,0	50,7
1939	46,1	20,7	48,3
1946	20,4	17,7	38,5
1956	16,9	10,9	36,2

Source: D.G. Franzsen, *Economic growth and stability in a developing economy: some aspects of the Union's post-war experience*, Pretoria, 1960, p. 20.

TABLE 26.3

Imports as a percentage of national income

1912	27,1%
1919	22,8%
1927	29,1%
1933	20,4%
1938	25,6%
1941	20,9%
1950	29,5%
1961	21,0%

Source: S. Jones & A. Müller, *The South African economy, 1910–1990*, London, 1992, pp. 118 & 219.

26.4 BRITISH DOMINATION

Britain totally dominated South African foreign trade in 1910, taking 91% of her exports and supplying 59% of her imports. Because London was the world's premier gold market, gold made up about 75% of South Africa's exports to Britain. Thereafter British domination steadily declined as other trading partners rose in importance. This trend is shown very clearly in Tables 26.4 and 26.5. By 1961, Britain's share of South African exports was down to 26% and the British share of imports was down to 29%.

TABLE 26.4

Countries of origin of South African imports
1910–1956
(%)

Origin	1910–1914	1925–1929	1935–1939	1940–1944	1956
Britain	58,9	45,7	44,2	33,9	31,6
Canada	-	-	3,7	5,3	4,6
India	2,6	3,5	-	6,7	-
Germany	8,4	6,6	7,4	-	6,4
Japan	-	-	3,3	-	2,4
USA	8,3	16,0	18,4	28,8	20,0
Br. Commonwealth	70,1	60,0	54,3	54,8	46,8
Other countries	29,9	40,0	47,5	45,2	53,4

Source: N. Hurwitz & O. Williams, *The economic framework of South Africa*, Pietermaritzburg, 1962, p. 144.

British domination of South African foreign trade was as a result of the following:

(1) South Africa was predominantly an exporter of primary products for which Britain was the largest market. For example, South Africa's major export, gold, was almost entirely sold in London.
(2) As a developing country, South Africa had to import most of her capital goods. Britain was the major source of supply up to World War II. Not only had she been the colonial power in South Africa, but she was also the longest industrialised and still the most versatile industrial country in the world.
(3) As a British dominion, South Africa enjoyed imperial preference in Britain, especially after the Ottawa agreement on import duties in 1932. In reciprocation, British goods qualified for lower import duties in South Africa. See section 26.5 on foreign trade policy for more detail on this.

26.5 FOREIGN TRADE POLICY

The first move to protect South African agriculture and her manufacturing industry from foreign competition came during the post-Anglo-Boer War depression. In 1906 the South African Customs Union increased its customs tariffs, mainly to increase income and, to a lesser extent, afford greater protection to local producers. The general *ad valorem* was raised from 10% to 15% and some duties went as high as 25%. Imperial preference applied to goods from Britain, Canada, Australia and New Zealand in the form of a 3% rebate. The importation of British goods was also favoured by raising the specific duties on similar goods from a non-British source.

TABLE 26.5

Chief export countries for South African products
1910–1956
(%)

Destination	1910–1914	1925–1929	1935–1939	1940–1944	1956
Britain	89,6	58,3	36,1	24,9	29,6
The Rhodesias	-	-	5,3	7,3	15,0*
South West Africa	-	-	5,2	3,4	-
Belgium	-	3,0	-	-	5,9
France	-	4,8	6,9	-	4,2
Germany	3,1	4,5	11,4	-	4,9
Italy	-	-	2,2	-	4,6
Netherlands	-	-	2,5	-	2,6
USA	-	2,0	3,7	13,8	7,9
Egypt	-	-	-	8,7	-
Br. Commonwealth	93,2	77,8	48,7	49,7	49,7
Other countries	6,8	22,2	51,2	50,3	50,3

Source: N. Hurwitz & O. Williams, *The economic framework of South Africa*, Pietermaritzburg, 1962, p. 143.

In 1910 the Cullinan Commission was appointed to investigate South African trade and industry. In 1912 it recommended an increase in import duties for the following reasons:

(1) to increase Treasury income
(2) to protect agriculture and industry from foreign competition
(3) to increase the tariff preference allowed on goods from Britain and the other Dominions (the latter based on reciprocity)

To a great extent the government included these proposals in the first Customs Tariff Act of 1914. The general import duty was retained at 15% as was the 3% rebate on British and Dominion goods. Some specific duties were increased and the number of duty-free goods reduced. The tariffs were reviewed several times up to 1925. The act was amended in 1922 during the post-war depression to include an anti-dumping clause, although the government of the time saw no future for South Africa as a great industrial country because of its small domestic market and the high wages paid to scarce skilled labour. But by 1925 all this had changed. The reasons were varied. They included economic ideas, historical accident, necessity, and politics.

(1) Economic ideas: Until the 1920s most of South Africa's very few economists studied in Britain where the liberal school was dominant. This meant they were taught that a small economy like South Africa's could not support large-scale industrialisation. During the 1920s, however, an increasing number of South Africans studied economics in the United States which, as a develop-

* Including Nyasaland (Malawi) which became part of the Central African Federation.

ing country, espoused protectionism. Men like A.J. Bruwer and M.H. de Kock returned to South Africa steeped in the theory of customs tariff protection. Bruwer's 1920 doctoral thesis at the University of Stellenbosch was entitled "Protection in South Africa".

(2) Historical accident: Because South Africa was cut off from her traditional sources of supply during World War I, many manufacturing industries were established. These infant industries were exposed to fierce international competition after the war and therefore called for protection. Consequently the government established the Board of Trade & Industries in 1921, modelled on the USA's Tariff Commission. The board, a part-time body, heard arguments on customs tariffs and advised the government accordingly.

(3) Necessity: Industrialisation and therefore industrial protection became very important to provide an alternative source of work in the country from the 1920s onwards, particularly after the Great Depression. The agricultural sector was hard hit by increased international competition and low prices. Prospects for the mining sector were at an all time low during the 1920s, especially after the Rand Revolt of 1922. The government therefore began to see industrialisation as a means of providing work, particularly for the steadily increasing number of poor-whites.

(4) Politics: A coalition of the National and Labour parties came into power in 1924 and embarked on a policy of industrialisation. The Nationalists were supported by Afrikaners who saw industrialisation as an opportunity to create jobs for the poor-whites and make South Africa less dependent on Britain. Supporters of the largely English-speaking Labour Party wanted protection to maintain existing industrial jobs and to create new jobs for skilled workers.

26.5.1 Promotion of exports

Up to World War I South Africa's major export was gold which needed no marketing. De Beers had the marketing of South Africa's second most important export product, diamonds, well under control. South Africa's other major exports, mainly agricultural products, were hardly promoted at all and there was much room for improvement. Keen international competition in the all-important British market during the 1920s forced South African exporters to improve their products. Agricultural cooperatives began to grade and pack their wool more effectively. In 1926 the government instituted stricter control of the classification and packing of perishable exports such as fruit. It also contracted with the shipping lines to provide cold storage facilities and in 1929 appointed the Shipping Board to control freight rates for sea transport. The SAR & H supported the export of agricultural products by introducing special railway rates and building grain elevators in the grain-producing regions and at the ports.

26.5.2 Reciprocal preferential tariffs

South Africa's preferential tariffs on British goods were a one-sided affair until 1919 when Britain finally granted the Dominions preferential tariffs in return. In 1925 the British Customs Act recognised reciprocity as the basis for tariff preference, but this was only applied from 1932 in the depths of the Great Depression with the Ottawa Agreement.

26.5.3 Protective tariff policy

The Hertzog-Creswell government increased import duties on many agricultural products in 1925 and they were further increased when the Great Depression set in. In 1930 the quantitative restriction of agricultural imports was introduced. The Marketing Act of 1937 consolidated legislation on agricultural protection and followed the trend in most western countries.

The Board of Trade and Industry was reconstituted in October 1924, as a permanent organisation under the chairmanship of Dr A.J. Bruwer, in order to increase its effectiveness. It was made responsible for advising the government "on all matters concerning the economic development of the natural resources of the Union and its industries and trade". The Board's recommendations formed the basis of the Customs Tariff and Excise Duties Amendment Act of 1925 which was a big step towards what was to become a comprehensive system of import substitution through tariff protection. This is covered in more detail in the learning unit on the manufacturing industry.

Initially, tariff protection was moderate. The general *ad valorem* rate was 20% and protective duties were seldom higher than 25%. Essential capital goods, raw materials and the other requirements of agriculture and mining were allowed to be imported duty free, under rebate of duty, or at low rates. In 1935 an intermediate tariff was introduced to allow tariff concessions to certain countries outside the Commonwealth. At the same time the legislation against dumping was extended because many countries, especially those in the Far East, used various forms of dumping to boost their exports during the Great Depression. In 1936 the Holloway Commission condemned tariff protection because it raised the general cost structure. However, it had to admit that protection was necessary in order to maintain the existing industrial structure. Therefore, rather than advocate the abolition of protection, the commission recommended that only moderate protection, set at 25% *ad valorem*, be afforded to local industries.

After World War II the General Agreement on Tariffs and Trade (GATT) which came into effect in January 1948 partially liberalised international trade. After the report of the Viljoen Commission of enquiry into policy relating to the protection of industries in 1958, the Board of Trade and Industries not only provided additional tariff protection to local industries, but also gave potential manufacturers the assurance of tariff protection before they actually established their undertakings. Further support came in the form of import control via the Department of Commerce and Industry. Import substitution became the watchword during the era of grand apartheid from the 1960s onwards.

LEARNING UNIT 27

The land issue: From segregation to apartheid

TOPICS

KEY ISSUES

- Development of territorial segregation.
- Development of urban segregation.
- The rise of apartheid.

LINKED ISSUES

- Long term consequences of the *Mfecane/Difaqane*.
- Long term consequences of the Great Trek.
- Impact of the mining revolution.
- Impact of industrialisation.
- Consequences of urbanisation.
- Government policy.
- Railway policy.
- South Africa advanced politically by disasters and economically by windfalls.

27.1 INTRODUCTION

The land issue has always been at the base of the South African racial problem. During the period of Union (1910–1961) there was a subtle change in government policy from territorial segregation to apartheid – separation in all possible fields (political, territorial, residential, cultural and economic).

Territorial segregation between the racial groups in South Africa was nothing new because it dated back to Jan van Riebeeck's almond hedge which separated the refreshment station from the interior. The elevation of segregation to a political doctrine, however, was the product of the early twentieth century during the decade between the Anglo-Boer War (1899–1902) and the establishment of Union.

By the end of the nineteenth century all the land in South Africa had been claimed. Thus the land issue became inextricably intertwined with issues of land tenure, squatting and labour. Each of the four constituent states had developed its own way of trying to solve these related issues. But only when all four territories came under British rule in 1902 was there an attempt to coordinate the African policy with the setting up of the South African Native Affairs Commission (Lagden Commission: 1903–1905). Nearly all its members were English-speaking. It proposed that Africans and whites be territorially separated and the land demarcated into African and white areas "with a view to finality".[107] All subsequent South African land legislation used the Lagden Commission report as its first premise.

The importance of the same decade (1902–1909) in influencing subsequent developments is further underlined by the enactment, in one colony after another, of laws which enabled local authorities or the central government to establish segregated locations for Africans.

If the pre-Union decade was important for the clarification of ideas, it was during the period 1910–1924 that the first definitive legislative steps were taken to make segregation official policy. Politically, the South Africa Act of 1909 set an important precedent with the restriction of African and Coloured voters to the Cape alone and the exclusion of Africans everywhere from parliament.

The segregation policy that developed from 1910–1960 can be divided into two categories:

- territorial segregation at national level
- urban segregation at local level

27.2 TERRITORIAL SEGREGATION

27.2.1 Natives Land Act (1913)

The 1913 Natives Land Act aimed at implementing a uniform policy as suggested by the Lagden Commission. It began by clearly demarcating African reserves and forbidding the transfer of such land by sale or lease to whites. This portion of the act was welcomed by most Africans. But a further provision forbidding Africans (except in the Cape) to purchase land *outside* the reserves was resented

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107. Clause 207, (2).

because the demarcated area was too small and already overcrowded. The act, however, was not intended to be final and it included a provision for the enlargement of the reserves. The Natives Land Commission (Beaumont Commission) was set up for this purpose in 1916. Apart from being designed to segregate Africans and whites, the 1913 Natives Land Act was also prompted by two significant developments:

- the purchase of farms in white areas by African syndicates
- the growing incidence of African squatting on white farms

Both resulted from the fact that the areas of land under African communal tenure had shrunk to critical limits.

(1) African purchase of land: Africans had begun moving into the Transvaal property market after a court ruled in 1905 that they were not precluded from land ownership under existing Transvaal law. Although many white farmers had left farms which had been devastated during the Anglo-Boer War, some whites objected to Africans buying these farms because of:

(a) the threat to white control of the land
(b) the prospect of confusion about subdivision on the deaths of the multiple owners

The threat of land purchases by Africans outside the reserves was also stressed by the Lagden Commission. The figures, however, show that such purchases were insignificant. In the Transvaal, where the problem was supposedly most acute, Africans had bought on average only about 800 hectares a year for the 12 years prior to 1913.

(2) Squatting by Africans was a far more common phenomenon in all four provinces. Squatters, however, had generally reached some kind of arrangement with the landowners. This was made plain in evidence before the 1916 Beaumont Commission. For the most part squatters were:

(a) share-croppers who were obliged to pay the landlord a stipulated proportion of their produce
(b) labour-tenants who were obliged to do a fixed amount of work for the landlord

White farmers complained that share-cropping by Africans caused a labour shortage and disturbed the traditional master-servant relationship. Therefore, far from being exclusively segregationist, the 1913 Land Act was equally concerned with the problem of farm labour. In the Cape, Transvaal and Natal the act stipulated that existing share-cropping could remain in force. The Orange Free State was not mentioned and many farmers there evicted their squatters, rightly thinking the law required them to do so. Despite this, it does not seem to have been the government's intention to dispossess large numbers of squatters without an alternative having been found. But once the process was started, the authorities did little to stop it.

The political pressure to pass the 1913 Land Act came almost entirely from those who wished to ensure a cheap supply of labour by eliminating squatters and share-croppers who undermined the traditional source of labour. It is clear that the act was not solely a piece of segregation legislation. It also had a labour element built into it. Time and again in South Africa, the labour issue interlocks with the land issue.

The Botha-Smuts government (1910–1924) did little to make more land available for African ownership. Delays resulted from public criticism of the Beaumont Commission’s 1916 recommendation that 6,5 million hectares be released for purchase by Africans. Thus five local committees were appointed to review the commission’s findings. They reduced the figure to 6,1 million hectares. The government decided to accept the committees’ recommendations and the purchase of released land began. But in 1924 the government fell from power before anything much was done.

The National-Labour Pact Government (1924–1933) took up the challenge. In 1926 Hertzog attempted a package deal whereby Africans in the Cape Province would be deprived of political power in return for more land being made available as reserves in compensation. Hertzog’s proposals aimed to release the land demarcated by the Smuts government, but deviated in that they also made it possible for whites to buy released land. The package failed because the removal of the African voters from the Cape roll required a two-thirds majority in parliament. In the meantime purchases by Africans continued and from 1913–1936 about one million hectares of released land was added to the reserves.

27.2.2 Native Trust and Land Act (1936)

Hertzog finally got his package deal through parliament in 1936: the reserves were to be extended with a view to settling the matter once and for all in return for the disenfranchisement of the Africans in the Cape. Provision was also made for the purchase of six million hectares of additional land which would bring the ultimate total to just over 15 million hectares. The act, however, abandoned the earlier preference for individual purchase of land which had been officially favoured since the Lagden Commission. The Natal principle of trust tenure, pioneered by Shepstone and dating back to 1864, was substituted. The South African Native Trust was established for the following purposes:

(1) to purchase land on behalf of Africans
(2) to exercise control over the farming of that land once purchased

The system had the following advantages:

(1) Direct government financial aid was provided for purchasing released land – £1 million a year for 10 years being set aside for this purpose.
(2) The proposals ensured that good husbandry would follow transfer, in conformity with the recommendations of the 1932 Native Economic Commission (Holloway Commission).

The aim was to protect permanent urban Africans against the influx of migrants who had left the land in the reserves because of poor conditions arising from bad farming practices. The Trust should be seen in conjunction with legislation designed to eliminate African squatters on white farms in order to maintain the supply of African wage labour. Here again the link between land policy and labour is demonstrated.

Despite its advantages, trust tenure was precarious and therefore unpopular. Although the Native Trust and Land Act of 1936 provided for the necessary eviction of bad farmers, it also prevented the emergence of a new class of African "kulaks" (rich peasants) by adhering rigidly to a combination of communal grazing and one-man-one-lot crop farming. Thus the more efficient farmers were kept to the level of the worst farmers. This facet of segregation greatly restricted the choice of farming methods open to the African population. Radical historians see this as a deliberate policy of restricting African agricultural development so that people in the reserves would still be dependent for a living on wage labour in white industry and mining.

The unequal distribution of land between the races might have been less serious had the reserves been exceptionally fertile. But like most of the country, the reserves, with a few exceptions, were of only medium to poor fertility. Although the rainfall in the reserves was largely adequate, fertility problems were intensified by trust tenure, overcrowding, overgrazing and inefficient farming methods. While the 1913 Land Act was only a temporary measure designed to maintain the status quo until the matter could be settled with a view to finality, the 1936 Act was final.

27.2.3 Asiatic Land Tenure Act (1946)

Under pressure from its followers, the Smuts government (1939–1948) introduced the Asiatic Land Tenure and Indian Representation Act to restrict Indian residence to particular parts of Natal. Indians were already completely barred from the Orange Free State and had been restricted in the Transvaal since the 1930s.

27.2.4 Tomlinson Commission (1954)

The Tomlinson Commission (Commission for the Socio-economic Development of the Bantu within the Union of South Africa, UG61/1955) urged the abandonment of the one-man-one-lot principle in the interests of increasing the agricultural productivity of the reserves. This was to enable the reserves to absorb the large influx of people from white areas when total territorial segregation came into force (see later analysis). The commission proposed to absorb this larger population in the following ways:

(1) by providing opportunities in the reserves for businessmen, industrialists and tradesmen
(2) by granting full-time African farmers economic units under freehold title instead of uneconomic units under trust tenure

However, the government refused to allow the acquisition of more than one farming unit by a single individual because the emergence of prosperous peasant farmers would undermine the tribal system, remove the chief's control over land distribution, and thus possibly jeopardise the future feasibility of total segregation.

27.2.5 White farms

One of the paradoxes of the South African land issue was the continued presence of many more Africans in white farming areas than whites desired. Despite this there was a shortage of farm labourers because wages in agriculture could not compete with those in other sectors of the economy. White farmers, used to the system of labour tenancy, frequently had to content themselves with very cheap inefficient casual labour provided by squatters, rather than pay skilled farm workers more competitive rates. In so doing they were to some extent victims of the policy of segregation. The application of influx control in the towns, especially after 1937, turned the farms into outdoor relief areas for a growing number of migrant workers' homeless families, who had been driven from the reserves by poor conditions and prevented from entering the towns by law. A campaign for properly controlled wage labour on the farms had been called for by the Holloway Commission as early as 1932. But the anti-squatter provisions of the 1936 Native Trust and Land Act were not applied. After coming to power, however, the Nationalist government introduced the 1951 Prevention of Illegal Squatters Act to enable it to apply total territorial segregation. The authorities were empowered to remove squatters at discretion. It was under this Act that the notorious removals subsequently took place.

Another paradox of the South African land issue was that, at a time when the pressure of population on the reserves was increasing at a steady rate under the twin forces of natural increase and political repatriation, the white rural population was on the decline. The government was so perturbed that it appointed the Du Toit Commission (Commission of Inquiry into European Occupancy of Rural Areas: 1960) which found in many cases that, where whites had moved out, Africans had moved in as foremen and bailiffs or as squatters. The commission saw the continued presence of whites in the rural areas as desirable for continued white security in South Africa.

27.3 URBAN SEGREGATION

The greatest test of segregation was always to be in the towns because it was there that the problem of accommodating African and white according to the segregation policy became most acute. "Locations" for Africans in white towns were provided for by law in the constituent states before 1910. Four major periods of urban segregation policy can be defined:

27.3.1 Laissez-faire (1910–1923)

During this period the prevalent attitude was based upon the fiction that an urban African population did not exist. The reports of the commissions on assaults on women (1913) and tuberculosis (1914) and finally the 1918 influenza epidemic spotlighted the urban African situation. Nothing had come of the 1913 suggestion that the Land Act necessitated complementary urban legislation because it specifically did *not* apply to urban areas. Once highlighted, conditions in the locations became the subject of the Native Affairs Commission set up in 1920.

27.3.2 Improvement and segregation (1923–1948)

This period began with the passing of the 1923 Natives (Urban Areas) Act which resulted from the 1920 commission recommendations. The act was designed to:

(1) make provision for the adequate accommodation of Africans in segregated sections of urban areas
(2) ensure that the movement of Africans into towns was controlled

This act was the first planned attempt to deal with conditions for Africans in urban areas and to define more precisely the responsibilities of local authorities. It was an umbrella law covering a great variety of issues. One objective was to clear Africans out of mixed residential areas in the large towns and rehouse them in locations. Because the mixed areas tended to be slums, the move was not unconventional. African influx control, however, was not an important feature of the original act, so there was no special machinery to enforce it. Subsequent amendments, such as the one controlling the influx of African women made in 1930, were merely to improve conditions, that is, to eradicate prostitution and illicit beer making. Influx control regulations were only applied after the 1937 amendment had tied the number of urban Africans to the number required for the work offered. This again underlines the economic manipulation of African rights by whites. Influx control, by necessity, fell into abeyance during the World War II (1939–1945) because of the scarcity of all kinds of labour in the urban areas.

The war years saw an increasing movement of all races from the rural to the urban areas. Suddenly the fact was brought home to many whites that they were being "overrun" by Africans in the towns as a result of accelerating industrialisation. In 1947 the Smuts government appointed the Native Laws Commission (Fagan Commission) to investigate the African influx into industry. It found that it would be impossible to remove the Africans from white areas because:

(1) the reserves could not support them
(2) white employers could not do without them

It therefore recommended control, not removal. The Smuts government was attacked because of its alleged laxity and indifference in not checking the African influx. Pressure from supporters did, however, result in the 1946 Asiatic Land Tenure Act which restricted Indian residence to certain parts of Natal. Indians had already been restricted in Transvaal towns since the 1930s and were completely barred from the Orange Free State. In its 1948 election manifesto, the opposition National Party declared that its colour policy was founded on the two fundamental principles of *segregation* and *guardianship*. This, they claimed, did not mean the suppression of Africans, but the elimination of racial friction by the recognition of their right of existence and their freedom of development. The undesired alternative was integration and the downfall of the whites. D.F. Malan's Nationalists won the 1948 election mainly on the "swart gevaar" vote.

27.3.3 Send them back (1948–1954)

Although Malan himself did not personally believe that total territorial segregation was feasible, he did not stop his government from exploiting the general sentiment in favour of it. Led by H.F. Verwoerd as Minister of Native Affairs (from 1950), the government set about ridding the urban areas of Africans. They based their policy on the findings of the 1922 Stallard Commission which had declared that the towns were for whites only, Africans being allowed there only as long as they saw to white needs. The Tomlinson Commission was therefore appointed to see if the reserves could support all Africans. While the commission was at work, the government initiated a series of acts, proclamations and administrative steps which on one hand conferred substantial benefits on Africans – particularly slum clearance; townships like Soweto, Cape Town's Nyanga and New Brighton outside Port Elizabeth were developed. On the other hand, the government's policy tightened official control of African movement. Thus machinery was being created to enforce the redistribution of the African population to the reserves once the commission had reported.

The Tomlinson Commission revealed that all the Africans could never be absorbed by the reserves without ambitious and expensive measures of development. Should no development take place, the increasing population in the reserves would simply spill over into the white areas. Despite any efforts made to develop the reserves, the fact remained that the main magnet for African labour was the rapidly expanding economy in the white areas. Subsequent government attempts to induce industrialists to move to the borders of the reserves were to little avail. Although several important "border" industrial areas were established, they were not on the scale required to divert African labour from the established industrial areas.

27.3.4 Apartheid: 1954 to the 1980s

The questioning of the practicability of total territorial segregation by the Tomlinson Report coincided with the end of the Malan era. The net result was an adaptation that resulted in Verwoerd's brainchild – apartheid.[108] Instead of total territorial segregation there was to be total separation in every sphere. Reality had shown that the former was impossible because the economy depended on African labour. Thus after 1954 legislative measures involved the separation of the races without their being *territorially* separated. In the long term, however, total segregation remained the ultimate objective. In the towns, the way had been cleared by the 1950 Group Areas Act which adopted the principle of setting aside specific areas for the occupation of particular race groups. The act incorporated much of the machinery devised under the Smuts government's 1946 Asiatic Land Tenure Act. Africans were hardly affected because they were already controlled under the Urban Areas Act. The Coloured and Indian communities bore the brunt of the compulsory removals involved – especially after 1960. The act underwent many important revisions. It was originally intended to bring about the physical separation of the races where this did not already exist. But in time it was extended to implement social segregation as well. The Group Areas Act is recognised by many as the cornerstone of apartheid.

The policy of apartheid influenced far more than just the land issue and eventually permeated every part of South African life. The motivations behind it are complex and cannot be attributed to any one factor. They range from exploitation and racism to paternalism. As has been shown, during the period of Union the largely land-related issue of segregation developed into a full-blown political doctrine that encompassed far more than just the right to the land. Subsequently, during the 1960s and 1970s, the harsh realities of upholding apartheid as a system saw it eventually being rejected as official government policy by the mid-1980s. This, in turn, opened the way for the new democratic South Africa of 1994.

108. The term was first put into common use by the National Party's Sauer Report (1948). It was inadequately translated as "separateness" and only gained its current meaning after the implementation of Verwoerd's policy.